

PRELIMINARY OFFICIAL STATEMENT DATED JULY 24 2017

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the purpose of soliciting initial bids on the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS HAVE NOT BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE - Book Entry Only

Rating: Moody's "___"
See "MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE" herein

\$17,450,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 128

(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX BONDS, SERIES 2017

Dated: September 1, 2017

Due: September 1, as shown below

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from September 1, 2017, and be payable on March 1, 2018 (six months of interest) and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360 day year of twelve 30 day months. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due Sept. 1	Principal Amount (a)	Interest Rate	Initial Reoffering Yield(b)	CUSIP Number (c)	Due Sept. 1	Principal Amount (a)	Interest Rate	Initial Reoffering Yield(b)	CUSIP Number (c)
2018	\$ 850,000				2030	\$ 750,000	(d)		
2019	850,000				2031	750,000	(d)		
2020	750,000				2032	750,000	(d)		
2021	750,000				2033	750,000	(d)		
2022	750,000				2034	750,000	(d)		
2023	750,000				2035	750,000	(d)		
2024	750,000				2036	750,000	(d)		
2025	750,000 (d)				2037	750,000	(d)		
2026	750,000 (d)				2038	750,000	(d)		
2027	750,000 (d)				2039	750,000	(d)		
2028	750,000 (d)				2040	750,000	(d)		
2029	750,000 (d)								

- (a) The Initial Purchaser may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from September 1, 2017, is to be added to the price.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 128 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Bond Counsel. Delivery of the Bonds is expected on or about September 28, 2017.

Bids Due: Tuesday, August 29, 2017, at 12:45 P.M., Houston Time in Houston, Texas
Bid Award: Tuesday, August 29, 2017, at 4:00 P.M., Houston Time in Sugar Land, Texas

TABLE OF CONTENTS

MATURITIES.....	1
OFFICIAL STATEMENT SUMMARY	3
SELECTED FINANCIAL INFORMATION	7
THE BONDS	8
BOOK-ENTRY-ONLY SYSTEM.....	12
THE DISTRICT	14
MANAGEMENT	17
THE DEVELOPERS.....	18
THE SYSTEM <i>[TO BE UPDATED BY ENGINEER]</i>	20
UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED	23
FINANCIAL STATEMENT	23
ESTIMATED OVERLAPPING DEBT STATEMENT.....	24
TAX DATA.....	25
TAX PROCEDURES.....	27
WATER AND SEWER OPERATIONS	31
DEBT SERVICE REQUIREMENTS	32
INVESTMENT CONSIDERATIONS	33
LEGAL MATTERS	38
TAX MATTERS	38
SALE AND DISTRIBUTION OF THE BONDS	41
MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE	42
PREPARATION OF OFFICIAL STATEMENT	42
CONTINUING DISCLOSURE OF INFORMATION.....	44
MISCELLANEOUS.....	45
AERIAL PHOTOGRAPH.....	46
PHOTOGRAPHS.....	47
ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JULY 31, 2016.....	APPENDIX A

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from The Muller Law Group, PLLC, 16555 Southwest Freeway, Suite 200, Sugar Land, Texas 77479, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

The Issuer.....Fort Bend County Municipal Utility District No. 128 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

The Issue.....\$17,450,000 Unlimited Tax Bonds, Series 2017 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds accrues from September 1, 2017, and is payable on March 1, 2018 (six months of interest), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after September 1, 2025, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on September 1, 2024, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”

Source of Payment.....The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”

Short Term Debt.....The District sold a \$11,050,000 Bond Anticipation Note, Series 2017 (the “2017 BAN”) on March 30, 2017, with a maturity date of March 29, 2018. The District will use Bond proceeds to redeem the 2017 BAN prior to maturity. See “FINANCIAL STATEMENT—Short Term Debt.”

Use of Proceeds.....Proceeds from the Bonds will be used to retire the BAN and reimburse various developers for funds advanced on behalf of the District for (1) construction and engineering of water, wastewater and/or drainage improvements to serve Avalon at Riverstone, Section 15B, 16, and 21 through 24A; East Avalon Drive Phase II; Riverstone North Sections 4 through 7; The Villas at Riverstone; a reclaimed water line; sanitary sewer improvements along University Boulevard; and LJ Parkway Phase 8; (2) construction and engineering of Tertiary Treatment Plant Phase I; (3) construction, engineering and land costs of Lift Station No. 7; and (4) water and wastewater plant connection fees. Bond proceeds will also be used to pay developer interest, and to pay certain costs associated with the issuance of the Bonds and the 2017 BAN. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”

Payment Record.....The District has previously issued five series of unlimited tax bonds of which \$67,465,000 principal amount was outstanding as of June 30, 2017 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on its previously issued bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”

Not Qualified Tax Exempt

Obligations.....The Bonds have **not** been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”

Municipal Bond Rating and

Municipal Bond InsuranceApplication has been made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “__” to the District. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser at the Initial Purchaser’s expense. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

Bond CounselThe Muller Law Group, PLLC, Sugar Land, Texas.

Financial AdvisorFirstSouthwest, a Division of Hilltop Securities Inc., Houston, Texas.

EngineerCostello, Inc., Houston, Texas.

Investment ConsiderationsThe purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

Description.....The District was created by order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated January 17, 2006. The District presently contains approximately 1,768 acres of land located in the southwest portion of Fort Bend County approximately 21 miles southwest from downtown Houston, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Sugar Land (“Sugar Land” or the “City”) with the exception of approximately 67 acres of undevelopable land located within the corporate limits of the City of Sugar Land. See “AERIAL PHOTOGRAPH” herein.

Riverstone.....The District is part of the approximately 3,700-acre master planned community known as “Riverstone.” The District is one of four municipal utility districts that serve Riverstone. At full development, Riverstone is projected to include single family, multi-family, townhome, institutional (churches, schools, etc.) and commercial development. Recreational amenities within Riverstone include walking trails throughout the community, three recreation centers with facilities including a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, splash pad, activity pool and playgrounds, a dog park, a pavilion, ten tennis courts and a fishing pier for use by Riverstone residents.

Status of Development.....Development activities in the District began in 2007. The District currently includes approximately 1,294 developed acres of single-family residential development (2,804 lots) and approximately 12 acres where utility construction is underway (42 lots). As of May 28, 2017, the District contained 2,015 single-family homes completed and occupied, 9 single-family homes completed and not occupied, 261 single-family homes in various stages of construction, 519 vacant lots, and 42 lots under construction.

The remainder of the District is comprised of approximately 285 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, approximately 13 acres on which a 249-unit apartment complex has been constructed, and approximately 18 acres on which a 351-unit apartment complex is under construction with an expected completion date of fall 2017. Approximately 28 acres within the District are served with trunk utilities for commercial development including approximately 3 acres where construction has been completed, approximately 1 acre on which a day care center has been constructed, and approximately 4 acres on which a retail strip center has been constructed. Construction on an approximately 20 acre

tract is currently underway for a new grocery anchored retail center with an expected completion and opening date in the first quarter of 2018. An elementary school has been constructed on approximately 15 acres. In addition, approximately 27 acres have been developed as a recreation center/parks and open spaces, and approximately 76 acres are undevelopable (detention and drainage facilities, street right-of-way and lift station site). See “THE DISTRICT.”

HomebuildersHomebuilders actively building within the District are: Darling Homes, Fedrick Harris, Meritage Homes, Partners in Building, Perry Homes, Sitterle, Taylor Morrison Homes, Toll Brothers, Westport Homes and Westin Homes. New homes in the District range in offering prices from approximately \$350,000 to over \$1,000,000.

Flood ProtectionFlood protection for all of the land within the District and the majority of Riverstone is provided by Fort Bend County Levee Improvement District No. 15 (“LID 15”). The boundaries of LID 15 encompass approximately 2,299 acres. Hillsboro Estates, L.L.C. and Sugar Land Ranch Development, L.L.C. have financed the construction of a levee system, which together with other LID 15 improvements, removed approximately 2,299 acres within the LID boundaries, including all of the land within the District, from the 100 year floodplain designation of the Brazos River.

To date, LID 15 has issued sixteen series of bonds, of which \$102,550,000 in principal amount is outstanding, including \$11,750,000 principal amount of unlimited tax levee park bonds which were sold on June 26, 2017 and are expected to be issued on July 25, 2017. The LID 15 bonds are payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within its boundaries, which includes all of the land within the District. For 2016, LID 15 levied a tax rate of \$0.73 per \$100 assessed valuation. It is anticipated that LID 15 will issue bonds in the foreseeable future to reimburse the developers of land in its boundaries for the costs of LID 15 facilities either constructed or currently being constructed, as well as facilities to be constructed in the future. See “ESTIMATED OVERLAPPING DEBT STATEMENT.”

Additional flood protection improvements, including detention ponds and drainage outfall structures, will be necessary for development of the remaining acreage in the District and in the undeveloped portions of LID 15 that are not in the District. See “THE SYSTEM—Flood Protection.”

The Developers.....The original developers of land within the District were Hillsboro Estates, LLC, a Texas limited liability company (“Hillsboro Estates”), Sugar Land Ranch Development, LLC, a Texas limited liability company (“Sugar Land Ranch LLC”), Sugar Land Ranch Development II Corp., a Texas corporation (“Sugar Land Ranch II”) and Riverstone 250, Inc., a Texas corporation (“Riverstone 250, Inc.”). All of the above entities are directly or indirectly owned and/or controlled by Larry D. Johnson, Lawrence Wong and Rocky Lai. Hillsboro Estates, Sugar Land Ranch LLC, Sugar Land Ranch II and Riverstone 250, Inc. are collectively referred to herein as the “Original Developers.” The Original Developers currently own approximately 81 acres of undeveloped land in the District.

In a series of transactions beginning in 2011, Taylor Morrison of Texas Inc., a Texas corporation (“Taylor Morrison”) purchased 759 acres from the Original Developers to develop such acreage as single family lots. Taylor Morrison began developing such acreage as Avalon at Riverstone in 2012. Taylor Morrison is also a homebuilder in Avalon at Riverstone. Taylor Morrison owns approximately 133 acres of undeveloped land in the District.

In 2012, Westin Homes and Properties, L.P. , a Texas limited partnership, (“Westin”) purchased approximately 29 acres from the Original Developers to develop such acreage as single family lots. Westin Homes began developing such acreage as Alden Springs in 2013 and is the homebuilder in Alden Springs. Westin Homes does not own any undeveloped land in the District.

In 2013, Toll Houston TX, LLC, a Texas limited liability company (“Toll”) purchased approximately 21 acres from the Original Developers to develop such acreage as single family lots. Toll began developing such acreage as Pecan Ridge in 2014. Toll does not own any undeveloped land in the District.

In 2013, Enclave at Riverstone, LLC, a Texas limited liability company (“Enclave”) purchased approximately 26 acres from the Original Developers, of which approximately 19 acres are within the boundaries of the District, to develop such acreage as single family lots. Enclave began developing such acreage as The Enclave in 2014. Enclave does not own any undeveloped land in the District.

An affiliate of the Original Developers is acting as a fee developer to develop the land purchased by Taylor Morrison, Westin, Toll and Enclave.

In 2011, Meritage Homes of Texas LLC, a Texas limited liability corporation (“Meritage”) purchased 55 acres from the Original Developers to develop such acreage as single family lots. Meritage began developing such acreage as Auburn Manor in 2012. Meritage is also a homebuilder in Auburn Manor. Meritage does not own any undeveloped land in the District.

In 2013, Meritage entered into contract to purchase an additional 140 acres from the Original Developers. Meritage assigned that contract to a land banker, Community Development Capital Group, LLC, a Delaware limited liability corporation (“CDCG”). Meritage is responsible for developing the 140 acres and purchases lots from CDCG once the lots are completed. Meritage has completed construction or is currently constructing underground facilities on approximately 113 acres, which is being marketed as Ivory Ridge and Riverstone North. Approximately 27 acres remain to be developed of the 140 acre tract.

The Original Developers, Taylor Morrison, Meritage, Westin, Toll and Enclave are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

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SELECTED FINANCIAL INFORMATION

2017 Taxable Assessed Valuation.....	\$1,309,315,404(a)
Estimated Taxable Assessed Valuation as of July 1, 2017.....	\$1,482,888,417(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$84,915,000
Estimated Overlapping Debt	<u>141,110,465</u>
Gross Debt and Estimated Overlapping Debt.....	\$226,025,465
Ratio of Gross Debt to:	
2017 Taxable Assessed Valuation.....	6.49%
Estimated Taxable Assessed Valuation as of July 1, 2017	5.73%
Ratio of Total Gross Debt and Estimated Overlapping Debt to:	
2017 Taxable Assessed Valuation.....	17.26%
Estimated Taxable Assessed Valuation as of July 1, 2017.....	15.24%
2016 Tax Rate:	
Debt Service	\$0.580
Maintenance and Operations	<u>0.120(c)</u>
Total District Tax Rate.....	\$0.700/\$100 A.V.
LID 15 Tax Rate.....	<u>0.730(d)</u>
Total Combined District and LID 15 Tax Rate	\$1.430/\$100 A.V.
Average percentage of total tax collections (2012-2016)	99.71%
Projected Average Annual Debt Service Requirements (2017-2040) of the Bonds and the Outstanding Bonds at an assumed interest rate of 3.75% ("Average Requirement")	\$5,048,411
Tax rate required to pay Average Requirement based upon	
2017 Taxable Assessed Valuation at a 95% collection rate	\$0.41/\$100A.V.
Estimated Taxable Assessed Valuation as of July 1, 2017 at a 95% collection rate.....	\$0.36/\$100A.V.
Projected Maximum Annual Debt Service Requirements (2018) of the Bonds and the Outstanding Bonds at an assumed interest rate of 3.75% ("Maximum Requirement")	\$5,980,956
Tax rate required to pay Maximum Requirement based upon	
2017 Taxable Assessed Valuation at a 95% collection rate	\$0.49/\$100A.V.
Estimated Taxable Assessed Valuation as of July 1, 2017 at a 95% collection rate.....	\$0.43/\$100A.V.
Water connections as of May 28, 2017:	
Single-family residential – completed and occupied	2,015
Single-family residential – vacant	9
Single-family residential – under construction	261
Multi-Family (600 units)	20
Commercial	10
Other connections.....	<u>219</u>
Total	2,534

Estimated 2017 Population – 7,550 (e)

- (a) The Fort Bend Central Appraisal District (the "Appraisal District") has certified \$1,240,619,088 as of January 1, 2017. According to the Appraisal District, there are properties remaining uncertified totaling \$76,329,240. The above listed assessed value includes 90% of the uncertified value for an estimated uncertified value of \$68,696,316.
- (b) As estimated by the Appraisal District as of July 1, 2017 for informational purposes only. The 2017 preliminary assessed valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2017 to July 1, 2017. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See "TAX PROCEDURES."
- (c) The District levies a maintenance and operations tax in addition to its debt service tax.
- (d) See "ESTIMATED OVERLAPPING DEBT STATEMENT." LID 15 levies a tax against all taxable property within its boundaries. In 2016, LID 15 levied a tax rate of \$0.73 per \$100 assessed value.
- (e) Based on 3.5 persons per single family connection and 2 persons per apartment unit on the 249-unit complex. The 351-unit complex currently under construction is not included in calculation.

PRELIMINARY OFFICIAL STATEMENT

\$17,450,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 128

(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX BONDS

SERIES 2017

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 128 (the “District”) of its \$17,450,000 Unlimited Tax Bonds, Series 2017 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), an election held within the District, and an order of the Texas Commission on Environmental Quality (the “Commission” or the “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the developers of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from September 1, 2017, which interest is payable on each March 1 and September 1 commencing March 1, 2018 (six months of interest), until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on May 12, 2007, the voters of the District authorized the issuance of a total of \$123,450,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities. The Bonds are issued pursuant to such authorization. The Commission has authorized the District to sell the Bonds for the purposes described in “THE SYSTEM—Use and Distribution of Bond Proceeds.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an Order of the Commission, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, the City of Sugar Land or any entity other than the District.

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and contract rights and for paying the costs of issuing the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds” for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2024, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is the initial paying agent/registrar (the “Paying Agent/Registrar”, “Paying Agent” or “Registrar”) for the Bonds. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

After issuance of the Bonds, the District will have \$36,375,000 principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities and \$123,450,000 principal amount of unlimited tax bonds authorized but unissued for refunding outstanding bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "THE SYSTEM—Future Debt."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The District has approved a fire plan that consists of a contract with the City to provide service to the District. This contract requires the District to pay a monthly fee for such service. The District does not plan to issue bonds for this purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) amendment to the District's existing fire plan and approval of the issuance of bonds for such purpose by the qualified voters in the District; (c) approval of the amended fire plan and issuance of bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park projects and bonds by the Commission; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has no current plans to hold an election or sell park bonds.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

Annexation by the City of Sugar Land

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Sugar Land (the "City"), with the exception of approximately 67 acres of undevelopable land located within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City under certain circumstances. If the District is annexed and not dissolved within 120 days of annexation, the District will continue as a limited district, under Section 43.0751, Texas Local Government Code, until dissolved by the earlier of (i) action of the City or (ii) 10 years after the date of annexation. Upon dissolution, the City will assume the District's assets and obligations (including any outstanding Bonds). Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur; however, the City has agreed not to annex the District until certain conditions are met as described under "Strategic Partnership" below.

Strategic Partnership

On May 3, 2011, the City of Sugar Land ("City") approved a Strategic Partnership Agreement ("SPA") with the District. The SPA, as amended, sets forth general terms relating to the provisions of municipal services and annexation of the District by the City. Under the SPA, the City has agreed not to annex the District, for full or limited purposes, until 90% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities and the developers within the District have been reimbursed by the District to the maximum extent permitted by the rules of the Commission, or the City assumes any obligation for such reimbursement.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages.

If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to bonds issued by the District (including the Bonds):

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing

agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

Fort Bend County Municipal Utility District No. 128 (the “District”) is a municipal utility district created by order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated January 17, 2006, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Sugar Land, Texas with the exception of approximately 67 acres of undevelopable land located within the corporate limits of the City of Sugar Land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. Further, the District could seek approval by the Texas Legislature to acquire road powers.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, and road facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Description and Location

The District contains approximately 1,768 acres of land. The District is located approximately 21 miles southwest of downtown Houston. The District is located approximately 3 miles south of U.S. Highway 59 (the “Southwest Freeway”) and is accessible via the Southwest Freeway to Texas State Highway 6, and then south to the Riverstone entrances. See “AERIAL PHOTOGRAPH.”

Riverstone

The District is part of the approximately 3,700-acre master planned community known as “Riverstone.” The District is one of four municipal utility districts serving development in Riverstone. At full development, Riverstone is projected to include single family, multi family, townhome and commercial development. Development of Riverstone began in 2001 in Fort Bend County Municipal Utility District No. 115 (“MUD 115”) and subsequently in Fort Bend County Municipal Utility District No. 129 (“MUD 129”) in 2004 and Fort Bend County Municipal Utility District No. 149 (“MUD 149”) in 2007. Development activities in the District began in 2007.

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Land Use

The District currently includes approximately 1,294 developed acres of single-family residential development (2,804 lots), approximately 12 acres where utility construction is underway (42 lots), approximately 285 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, approximately 13 acres on which a 249-unit apartment complex has been constructed, approximately 18 acres on which a 351-unit apartment complex is under construction with an expected completion date of fall 2017, approximately 28 acres which are served with trunk utilities for commercial development including 3 acres where construction has been completed, 1 acre on which a day care center has been constructed, and approximately 4 acres on which a retail strip center has been constructed, approximately 20 acres on which utilities are currently under construction for a grocery anchored retail center, approximately 15 acres on which an elementary school has been constructed, approximately 27 acres which have been developed as a recreation center/parks and open spaces, and approximately 76 acres which are undevelopable (detention and drainage facilities, street right-of-way and lift station site). The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential</u></i>		
Alden Springs:		
Section 1.....	15	40
Section 2.....	15	42
Auburn Manor at Riverstone:		
Section 1.....	16	55
Section 2.....	21	73
Section 3.....	23	70
Avalon at Riverstone:		
Section 1.....	47	86
Section 2.....	32	70
Section 3.....	26	75
Section 4.....	49	61
Section 5.....	30	63
Section 6.....	27	68
Section 7.....	11	10
Section 8.....	22	79
Section 9.....	26	60
Section 10A.....	28	62
Section 10B.....	15	33
Section 11A.....	10	10
Section 11B.....	40	67
Section 12A.....	11	31
Section 12B.....	14	50
Section 12C (a).....	12	42
Section 15A.....	17	24
Section 15B, Phase 1.....	4	7
Section 15B, Phase 2.....	14	31
Section 16A.....	16	35
Section 16B.....	19	27
Section 18A.....	14	35
Section 18B.....	23	62
Section 20.....	42	97
Section 21.....	24	84
Section 22.....	43	71
Section 23.....	16	10
Section 24A.....	8	21

Edgewood at Riverstone:		
Section 1.....	15	44
Section 2.....	24	69
Enclave, Section 1	19	32
Ivory Ridge at Riverstone.....	34	105
Ivy Bend at Riverstone	11	10
Majestic Pointe at Riverstone.....	18	27
Marble Bend at Riverstone:		
Section 1.....	25	26
Section 2.....	14	39
Section 3.....	12	36
Olive Hill at Riverstone.....	20	45
Pecan Ridge at Riverstone	32	50
Prestwick	48	62
Providence at Riverstone:		
Section 1.....	8	27
Section 2.....	10	30
Riverstone North:		
Section 1.....	19	65
Section 2.....	16	42
Section 3.....	18	63
Section 4.....	14	51
Section 5.....	12	34
Section 6.....	6	14
Section 7.....	9	8
Sanders Glen at Riverstone.....	32	90
Silver Grove at Riverstone:		
Section 1.....	11	20
Section 2.....	23	43
The Island.....	53	9
The Villas	10	40
Vintage Trail at Riverstone	29	55
Waterside at Riverstone.....	13	18
Whisper Rock	21	41
Subtotal	1,306	2,846
<i>Multi-family (b)</i>	31	
<i>Commercial (c)</i>	28	
<i>Elementary School</i>	15	
<i>Recreation Center/Parks and Open Spaces (d)</i>	27	
<i>Future Development</i>	285	---
<i>Non-Developable (e)</i>	76	---
Totals.....	1,768	2,846

- (a) Utilities are currently under construction with an expected completion date of fall 2017.
- (b) Includes a 249-unit apartment complex on approximately 13 acres and a 351-unit apartment complex currently under construction on approximately 18 acres, with an expected completion in fall 2017.
- (c) Includes acreage served with trunk utilities for future commercial improvements, including approximately 3 acres on which a gas station/convenience store and CVS Pharmacy have been constructed and opened, approximately 1 acre on which a day care center has been constructed and opened and approximately 4 acres on which a retail strip center has been constructed and opened. In addition, utilities are currently under construction to serve an approximately 20 acre tract which will serve as a grocery chain anchored retail center. See "Status of Development—Commercial Development."
- (d) Includes a 17-acre recreation center. See "Status of Development—Community Facilities."
- (e) Includes detention and drainage facilities, street right-of-way and lift station site.

Status of Development

Single-Family Residential: Home construction in the District began in January 2008, and as of May 28, 2017, the District contained 2,015 single-family homes completed and occupied, 9 single-family homes completed and not occupied, 261 single-family homes in various stages of construction, 519 vacant lots and 42 lots under construction.

Homebuilding: Homebuilders actively building within the District are: Darling Homes, Fedrick Harris, Meritage Homes, Partners in Building, Perry Homes, Sitterle, Taylor Morrison Homes, Toll Brothers, Westport Homes and Westin Homes. New homes in the District range in offering prices from approximately \$350,000 to over \$1,000,000.

Multi-Family Residential: A 249-unit apartment complex, The Retreat at Riverstone, has been constructed on approximately 13 acres in the District and began leasing in early 2015. Additionally, a 351-unit apartment complex is under construction on approximately 18 acres in the District with an expected completion date of fall 2017.

Commercial Development: Approximately 28 acres in the District are served with trunk facilities for commercial development. On approximately 3 of such acres, a CVS Pharmacy, a gas station/convenience store and adjacent strip center have been constructed and are open for business, on approximately 1 of such acres a day care center has been constructed and opened and on approximately 4 of such acres a retail strip center has been constructed and opened.

Community Facilities: The Original Developers have constructed an information center and recreational amenities which include walking trails and three recreation centers with facilities, including a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, splash pad, activity pool and playgrounds, a dog park, a pavilion, ten tennis courts and a fishing pier for use by Riverstone residents. Construction on an approximately 20 acre tract is currently underway for a new grocery anchored retail center with an expected completion and opening date in the first quarter of 2018.

Additional community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within two miles of the District along areas adjacent to State Highway 6 and US Highway 59. Fire protection for the District is provided by the City of Sugar Land's Fire Department. Medical care for District residents is available from two hospitals which are within 10 miles of the District. The land within the District is located within the boundaries of Fort Bend Independent School District, and children within the District attend elementary, junior high and high schools of Fort Bend Independent School District located within three miles of the development in the District.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected by the voters within the District for four-year staggered terms. Directors' elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Cabiro	President	May 2020
John E. Whitmore, III	Vice President	May 2018
Jeff Hogan	Secretary	May 2020
Travis Van Horn	Assistant Secretary	May 2018
Haley Millis	Treasurer	May 2018

While the District does not employ any full time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. TaxTech, Inc. is currently serving in this capacity for the District.

Bookkeeper

The District has engaged McLennan & Associates, L.P. to serve as the District's bookkeeper.

System Operator

The District contracts with Si Environmental, LLC for maintenance and operation of the District's system.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Costello, Inc. (the "Engineer").

Attorney

The District has engaged The Muller Law Group, PLLC, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are earned upon the sale and delivery of the Bonds.

Financial Advisor

FirstSouthwest, a Division of Hilltop Securities Inc. (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

The District's audited financial statements for the fiscal year ending July 31, 2016 have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's July 31, 2016 audited financial statement. The District has engaged McGrath & Co., PLLC to audit its financial statements for the period ending July 31, 2017.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave streets in sections being financed with proceeds of the Bonds, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

None of the Developers (hereinafter defined) nor any of their affiliates, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers has a binding commitment to the District to carry out any plan of development and each of the Developers may sell or otherwise dispose of its property within the District, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect Riverstone in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See "INVESTMENT CONSIDERATIONS."

Hillsboro Estates, LLC, Sugar Land Ranch Development, LLC, Sugar Land Ranch Development II Corp. and Riverstone 250, Inc.

The original developers of land within the District are Hillsboro Estates, LLC, a Texas limited liability company (“Hillsboro Estates”), Sugar Land Ranch Development, LLC, a Texas limited liability company, (“Sugar Land Ranch LLC”), Sugar Land Ranch Development II Corp., a Texas corporation (“Sugar Land Ranch II”) and Riverstone 250, Inc., a Texas corporation (“Riverstone 250, Inc.”). All of the above entities are directly or indirectly owned and/or controlled by Larry D. Johnson, Lawrence Wong and Rocky Lai. Hillsboro Estates, Sugar Land Ranch LLC, Sugar Land Ranch II and Riverstone 250, Inc. are collectively referred to herein as the “Original Developers.” These entities currently own 81 acres of undeveloped land in the District.

Each of these entities was created to own and/or develop land in the Riverstone project, and all of the assets and liabilities of these entities are related solely to the Riverstone project.

Taylor Morrison of Texas, Inc., Meritage Homes of Texas LLC, Westin Homes and Properties, L.P., Toll Houston TX, LLC, and Enclave at Riverstone, LLC

In a series of transactions beginning in 2011, Taylor Morrison of Texas Inc., a Texas corporation (“Taylor Morrison”) purchased 759 acres from the Original Developers to develop such acreage as single family lots. Taylor Morrison began developing such acreage as Avalon at Riverstone in 2012. Taylor Morrison is also a homebuilder in Avalon at Riverstone. Taylor Morrison owns approximately 133 acres of undeveloped land in the District.

In 2012, Westin Homes and Properties, L.P. , a Texas limited partnership, (“Westin”) purchased approximately 29 acres from the Original Developers to develop such acreage as single family lots. Westin Homes began developing such acreage as Alden Springs in 2013 and is the homebuilder in Alden Springs. Westin Homes does not own any undeveloped land in the District.

In 2013, Toll Houston TX, LLC, a Texas limited liability company (“Toll”) purchased approximately 21 acres from the Original Developers to develop such acreage as single family lots. Toll began developing such acreage as Pecan Ridge in 2014. Toll does not own any undeveloped land in the District.

In 2013, Enclave at Riverstone, LLC, a Texas limited liability company (“Enclave”) purchased approximately 26 acres from the Original Developers, of which approximately 19 acres are within the boundaries of the District, to develop such acreage as single family lots. Enclave began developing such acreage as The Enclave in 2014. Enclave does not own any undeveloped land in the District.

An affiliate of the Original Developers is acting as a fee developer to develop the land purchased by Taylor Morrison, Westin, Toll and Enclave.

In 2011, Meritage Homes of Texas LLC, a Texas limited liability corporation (“Meritage”) purchased 55 acres from the Original Developers to develop such acreage as single family lots. Meritage began developing such acreage as Auburn Manor in 2012. Meritage is also a homebuilder in Auburn Manor. Meritage does not own any undeveloped land in the District.

In 2013, Meritage entered into contract to purchase an additional 140 acres from the Original Developers. Meritage assigned that contract to a land banker, Community Development Capital Group, LLC, a Delaware limited liability corporation (“CDCG”). Meritage is responsible for developing the 140 acres and purchases lots from CDCG once the lots are completed. Meritage has completed construction or is currently under construction of underground facilities on approximately 113 acres, which is being marketed as Ivory Ridge and Riverstone North. Approximately 27 acres remain to be developed on the 140 acre tract.

The Original Developers, Taylor Morrison, Meritage, Westin, Toll and Enclave are collectively referred to herein as the “Developers.”

Development Management

The overall development of the Riverstone project is being managed by The Johnson Development Corp. Larry D. Johnson, President of The Johnson Development Corp., has over 36 years of experience in real estate development. Mr. Johnson’s real estate activities include over 77 projects resulting in the development of nearly 40,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities and multi-family housing. In the Houston metropolitan area, Mr. Johnson has been involved in the development of Steeplechase, Sienna Plantation, Silverlake, Fall Creek, Tuscan Lakes, Edgewater and Woodforest.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then-current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City of Sugar Land (the "City"), Fort Bend County and, in some instances, the Commission. Fort Bend County and the City also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the District's System has been financed with funds advanced by the Developers, a portion of which will be reimbursed with proceeds from sale of the Bonds and a portion of which will be reimbursed with the proceeds from sale of future bonds.

Source of Water Supply: The District obtains wholesale water supply from the City of Sugar Land (the "City") pursuant to a Water Supply and Wastewater Services Contract (the "Utility Agreement") between the District and the City. All water production facilities are owned and maintained by the City. According to the City, the City's water plant facilities which serve the District consists of 32,950 gallons per minute ("gpm") of well capacity, a 9.0 mgd surface water treatment plant, 14,450,000 gallons of ground storage tank capacity, booster pumps totaling 72,600,000 gallons per day capacity, 6,200,000 gallons of elevated storage tank capacity and appurtenant equipment. According to the Utility Agreement, the District has the right to purchase capacity from the City through connection fees as property is platted. Proceeds from the Outstanding Bonds were used to purchase 2,096 equivalent single family connections, and a portion of the Bond proceeds will be used to purchase water supply capacity to serve an additional 562 equivalent single family connections. The Developers have advanced funds for an additional 40 equivalent single family connections which will be reimbursed with proceeds from a future bond issue. Additional water supply capacity will be required for full development of the District. The District has an emergency water interconnect with Fort Bend County Municipal Utility District No. 129. The District currently serves approximately 2,245 single-family homes constructed or under construction.

The District has constructed, and conveyed to the City of Sugar Land for ownership and operation, a 2.0 million gallons per day tertiary treatment plant to produce Type 1 effluent for the purpose of providing irrigation water and lake make up water to property within the District. The plant consists of cloth filters and tanks, 200,000 gallons of ground storage, 2,000 gpm booster pump capacity and 10,000 gallons of hydropneumatic tank capacity with associated appurtenances.

Subsidence and Conversion to Surface Water Supply: The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal, including the water supplied to the District by the City. The City's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District.

The Subsidence District's regulations require the City, individually or collectively with other water users, to: (i) have prepared a groundwater reduction plan ("GRP") and obtained certification of the GRP from the Subsidence District; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2014; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning January 2025. The City has prepared and filed its GRP with the Subsidence District.

If the City of Sugar Land, together with the participants in its GRP, fails to comply with the above Subsidence District regulations, such entities will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 70% of the total annual water demand after January 2014 (40% in 2025).

The GRP fee for the District that is currently being charged by the City of Sugar Land is \$1.88 per 1,000 gallons pumped, and this fee is passed through to the District's customers as part of the District's standard monthly water and sewer bills. The rate is anticipated to increase in the future and the District cannot predict the amount or level of fees and charges which may be due to the City of Sugar Land in the future. The District may continue to pass such fees through to its customers through higher water rates or the District may pay for such fees with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City of Sugar Land: (i) will build the necessary facilities to continue to meet the requirements of the Subsidence District for conversion to surface water, or (ii) will continue to comply with the Subsidence District's surface water conversion requirements.

Source of Wastewater Treatment: The District obtains its wastewater treatment services from the City of Sugar Land (the "City") pursuant to the Utility Agreement between the District and the City. All wastewater treatment facilities are owned and maintained by the City. The Plant is designed to have an ultimate capacity of 10.0 million gallons per day ("GPD"). The District has contracted for 4,532 equivalent single family connections (or approximately 1.359 million GPD, which amount is, in the opinion of the District's Engineer, sufficient capacity for ultimate build-out in the District. The Plant currently has a capacity of 7.5 million GPD. Proceeds from the Outstanding Bonds were used to purchase 2,096 equivalent single family connections, and a portion of the Bond proceeds will be used to purchase an additional 562 equivalent single family connections. An additional 40 equivalent single family connections have been purchased as permanent wastewater capacity and will be financed in a future bond issue. The District plans to purchase additional capacity as property is platted.

Flood Protection: Flood protection for land within the District and the majority of Riverstone is provided by LID 15. The boundaries of LID 15 encompass approximately 2,299 acres. Hillsboro Estates and Sugar Land Ranch Development, L.L.C. financed the construction of the levee, which together with other LID 15 improvements removed approximately 2,299 acres within LID 15's boundaries, including all of the land within the District, from the 100 year floodplain designation of the Brazos River.

Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of Federal Emergency Management Agency ("FEMA"), all of the developable land within the District that is located inside the boundaries of LID 15 has been removed from the 100-year floodplain of the Brazos River.

Additional flood protection improvements, including detention ponds and drainage outfall structures, will be necessary for development of the remaining acreage in the District and in the undeveloped portions of LID 15 which are not in the District.

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Use and Distribution of Bond Proceeds

Proceeds from the Bonds will be used to retire the 2017 BAN and reimburse the Developers for the remaining portion of the costs of projects. The estimated use and distribution of Bond proceeds is shown below.

CONSTRUCTION RELATED COSTS

Construction and Engineering Costs Approved by the TCEQ.....	\$ 13,726,890
Land Acquisition Costs Approved by the TCEQ.....	10,109
Accrued Interest on Construction Costs.....	<u>1,754,344</u>
Total Construction Related Costs.....	\$ 15,491,343

BOND ANTICIPATION NOTE COSTS

Estimated Bond Anticipation Note Interest.....	\$ 331,500
Issuance Costs and Professional Fees.....	<u>226,601</u>
Total Bond Anticipation Note Costs.....	\$ 558,101

NON-CONSTRUCTION COSTS

Underwriter's Discount(a).....	<u>\$ 523,500</u>
Total Non-Construction Costs.....	\$ 523,500

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees.....	\$ 708,931
Bond Application Report Costs.....	115,000
State Regulatory Fees.....	<u>53,125</u>
Total Issuance Costs and Fees.....	\$ 877,056

TOTAL BOND ISSUE REQUIREMENT..... \$ 17,450,000

(a) The Commission approved a maximum Underwriter's Discount of \$523,500 or 3% of the Bonds.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

Future Debt

The Developers have financed or are financing the engineering and construction costs of underground utilities to serve Avalon at Riverstone, Sections 12A-12C, 18A, 18B and 20, as well as certain other District improvements including other water and wastewater line extensions. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$11,000,000 (as of June 30, 2017) for design, construction and acquisition of District water, sanitary sewer and drainage facilities and water and wastewater connection fees not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission. The District anticipates the issuance of additional bonds in the future. Additionally, the District contains approximately 285 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
05/12/2007	Water, Sanitary Sewer and Drainage and Refunding	\$123,450,000	\$87,075,000*	\$36,375,000

* Includes the Bonds.

FINANCIAL STATEMENT

2017 Taxable Assessed Valuation.....	\$1,309,315,404(a)
Estimated Taxable Assessed Valuation as of July 1, 2017	\$1,482,888,417(b)

District Debt:

Outstanding Bonds (as of June 30, 2017).....	\$ 67,465,000
The Bonds	<u>17,450,000</u>
Gross Debt Outstanding (after issuance of the Bonds)	\$84,915,000

Ratio of Gross Debt to 2017 Taxable Assessed Valuation	6.49%
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Ratio of Gross Debt to Estimated Taxable Assessed Valuation as of July 1, 2017	5.73%
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Area of District — 1,768 acres
Estimated 2017 Population – 7,550 (c)

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$1,240,619,088 as of January 1, 2017. According to the Appraisal District, there are properties remaining uncertified totaling \$76,329,240. The above listed assessed value includes 90% of the uncertified value for an estimated uncertified value of \$68,696,316.
- (b) As estimated by the Appraisal District as of July 1, 2017 for informational purposes only. The 2017 Preliminary assessed valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2017 to July 1, 2017. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See “TAX PROCEDURES.”
- (c) Based on 3.5 persons per single family connection and 2 persons per apartment unit on the 249-unit complex. The 351-unit complex currently under construction is not included in calculation.

Cash and Investment Balances (unaudited as of July 24, 2017)

Construction Fund	Cash and Temporary Investments	\$2,112,940
Operating Fund	Cash and Temporary Investments	\$3,556,361
Debt Service Fund	Cash and Temporary Investments	\$8,471,014(a)

- (a) Includes funds for September 1, 2017 debt service payment in the amount of \$3,443,538. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.

Outstanding Bonds

Series	Original Principal Amount	Principal Outstanding as of 6/30/2017
2010	\$ 3,045,000	\$ 2,660,000
2013	3,950,000	3,500,000
2014	14,220,000	13,545,000
2015	21,760,000	21,110,000
2016	26,650,000	26,650,000
Total Bonds Outstanding		\$ 67,465,000

Short Term Debt

The District sold a \$11,050,000 Bond Anticipation Note, Series 2017 (the “2017 BAN”) on March 30, 2017, with a maturity date of March 29, 2018. The District will use Bond proceeds to redeem the 2017 BAN prior to maturity. Proceeds from the 2017 BAN were used to reimburse the Developers for certain costs as shown under “THE SYSTEM—Use and Distribution of Bond Proceeds” herein.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping Percent</u>	<u>Amount</u>
Fort Bend County	\$389,263,978 (a)	05/31/17	1.25%	\$4,865,800
Fort Bend Independent School District	900,138,767	05/31/17	2.18	63,977,680
Fort Bend County LID 15	102,550,000 (b)	05/31/17	70.47	<u>72,266,985</u>
Total Estimated Overlapping Debt				\$141,110,465
The District.....	84,915,000 (c)	current	100.00	<u>84,915,000</u>
Total Direct and Estimated Overlapping Debt				\$226,025,465
Ratio of Total Direct and Estimated Overlapping Debt to:				
2017 Taxable Assessed Valuation				17.26%
Estimated Taxable Assessed Valuation as of July 1, 2017				15.24%

(a) Does not include the Toll Road Bonds considered to be self-supporting.

(b) Includes \$11,750,000 Unlimited Tax Levee Improvement Bonds, Series 2017 which are expected to be issued on July 25, 2017.

(c) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2016

	2016 Tax Rate per \$100 Assessed Valuation
Fort Bend County (including Drainage District)	\$0.47400
Fort Bend Independent School District	1.34000
Fort Bend LID 15	0.73000
The District	<u>0.70000</u>
Total Overlapping Tax Rate	\$3.2440

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Total Collections as of 6/30/2017	
				Amount	Percent
2012	\$ 90,995,491	\$0.70	\$ 636,968	\$ 636,968	100.00%
2013	169,210,190	0.70	1,184,471	1,184,471	100.00%
2014	354,219,773	0.70	2,479,538	2,478,413	99.95%
2015	701,556,853	0.70	4,910,898	4,899,160	99.76%
2016	1,033,615,251	0.70	7,235,201	7,149,634	98.82%

Taxes are due October 1 and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt Service	\$ 0.580	\$ 0.605	\$ 0.600	\$ 0.600	\$ 0.510
Maintenance & Operations	0.120	0.095	0.100	0.100	0.190
Total	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$1.00 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the tax year 2016, the Board levied a debt service tax in the amount of \$0.58 per \$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on May 12, 2007, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2016 tax year, the Board levied a maintenance tax in the amount of \$0.12 per \$100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2017, the District has granted a \$25,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled. The Developers have executed a Waiver of Special Appraisal, waiving its right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property it owns within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion of the 2017 tax roll (\$1,240,619.088). Lists of principal taxpayers based upon the uncertified portion of the 2017 tax roll (\$68,696,316) and the Estimated Taxable Assessed Valuation as of July 1, 2017 are not available.

Taxpayer	Type of Property	2017 Assessed Valuation	% of 2017 Assessed Valuation
The Retreat at Riverstone LLC	Land & Improvement	\$ 27,544,820	2.22%
Taylor Morrison of Texas Inc. (a)	Land, Improvement & Personal	24,236,690	1.95%
CPR/AR Riverstone Owner LP	Land & Improvement	9,317,650	0.75%
Meritage Homes of Texas LLC (a)	Land & Improvement	8,089,760	0.65%
River LJ Properties LP	Land & Improvement	5,097,687	0.41%
Westport Builders LP	Land & Improvement	4,298,750	0.35%
Individual	Land & Improvement	4,220,790	0.34%
Newmark Homes Houston LLC	Land, Improvement & Personal	4,123,630	0.33%
Darling Homes of Texas LLC	Land & Improvement	3,420,470	0.28%
Individual	Land & Improvement	3,071,340	0.25%
Total		\$ 93,421,587	7.53%

(a) See "THE DEVELOPERS."

Summary of Assessed Valuation

The following summary of the 2017, 2016, and 2015 certified assessed valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2017, 2016, and 2015 certified tax rolls of the District. Breakdowns of the uncertified portion of the 2017 tax roll and the Estimated Taxable Assessed Valuation as of July 1, 2017 are not available from the Appraisal District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	2017	2016	2015
Land	\$ 292,845,786	\$ 255,699,179	\$ 192,780,829
Improvements	974,375,413	798,437,590	513,076,620
Personal Property	4,034,940	4,827,360	3,520,280
Exemptions	(30,637,051)	(25,348,878)	(7,820,876)
Uncertified	68,696,316	-	-
Total Assessed Valuation	\$ 1,309,315,404	\$ 1,033,615,251	\$ 701,556,853

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2017 Taxable Assessed Valuation and Estimated Taxable Assessed Valuation as of July 1, 2017, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Bonds.

Average annual debt service requirement (2017-2040).....	\$5,048,411
\$0.41 tax rate on the 2017 Taxable Assessed Valuation	
of \$1,309,315,404 at a 95% collection rate produces	\$5,099,783
\$0.36 tax rate on the Estimated Taxable Assessed Valuation as of July 1, 2017	
of \$1,482,888,417 at a 95% collection rate produces	\$5,071,478
Maximum annual debt service requirement (2018).....	\$5,980,956
\$0.49 tax rate on the 2017 Taxable Assessed Valuation	
of \$1,309,315,404 at a 95% collection rate produces	\$6,094,863
\$0.43 tax rate on the Estimated Taxable Assessed Valuation as of July 1, 2017	
of \$1,482,888,417 at a 95% collection rate produces	\$6,057,599

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

In addition to the foregoing, subject to certain statutory conditions, several exemptions may apply to disabled veterans or certain surviving family members of disabled veterans or members of the armed forces. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Under certain conditions, this exemption may also extend to the surviving spouse of a disabled veteran for such property. Additionally, if a residence homestead has been donated by a charitable organization, a partially disabled veteran, or certain surviving spouses of partially disabled veterans, may seek an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County or the City of Sugar Land may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the District, and the City of Sugar Land (after annexation of the District), under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is (i) 65 years of age or older, (ii) disabled, or (iii) effective September 1, 2017, qualifies as a disabled Veteran under Texas law, is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferred or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is

delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2015." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on homesteads as described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS."

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WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the audited financial statements in the case of 2013 through 2016, and for the period ending June 30, 2017 from the District's bookkeeper. Reference is made to such records and statements for further and more complete information.

		Fiscal Year Ended July 31			
	8/1/2016 to 6/30/2017(a)	2016	2015	2014	2013
GENERAL FUND					
Revenues:					
Water Service	\$ 557,217	\$ 581,267	\$ 401,054	\$ 256,714	\$ 150,121
Sewer Service	1,183,684	1,192,763	794,815	468,750	237,052
Fire Service	409,587	415,752	267,746	169,222	88,719
Property Taxes	1,222,876	665,310	352,439	170,361	171,865
Penalties & Interest	27,960	24,683	22,542	15,768	8,565
Tap Connection & Inspection Fees	648,028	684,281	841,653	790,669	503,391
Surface Water Conversion	785,410	842,859	580,799	390,673	187,460
Miscellaneous	32,590	42,694	44,096	38,404	21,549
Investment Earnings	9,028	3,626	1,497	1,429	1,469
Total Revenues	\$ 4,876,380	\$ 4,453,235	\$ 3,306,641	\$ 2,301,990	\$ 1,370,191
Expenditures:					
Purchased Services	\$ 720,109	\$ 788,226	\$ 503,973	\$ 390,108	\$ 214,311
Professional Fees	169,580	194,398	107,383	149,252	148,880
Contracted Services	918,903	1,345,864	1,079,840	890,505	504,766
Repairs and Maintenance	246,570	317,488	429,986	180,001	82,702
Utilities	10,740	17,298	11,594	4,811	4,061
Surface Water Conversion	582,456	850,113	571,288	387,087	201,601
Administrative Expenses	32,128	57,923	54,334	34,234	26,391
Tap Connection and Inspection Fees	343,383	-	-	-	-
Other	47,429	35,014	30,278	29,109	20,642
Total Expenditures	\$ 3,071,298	\$ 3,606,324	\$ 2,788,676	\$ 2,065,107	\$ 1,203,354
Net Revenues	\$ 1,805,082	\$ 846,911	\$ 517,965	\$ 236,883	\$ 166,837
Fund Balance - Beginning of Period	\$ 2,361,959	\$ 1,515,048	\$ 997,083	\$ 760,200	\$ 593,363
Other Financing Sources/Uses:					
Internal Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Advances	-	-	-	-	-
Total Other Financing Sources/Uses	\$ -	-	-	-	-
Fund Balance - End of Period	\$ 4,167,041	\$ 2,361,959	\$ 1,515,048	\$ 997,083	\$ 760,200

(a) Unaudited. Provided by the District's bookkeeper.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds at an assumed interest rate of 3.75% per annum.

<u>Year</u>	Outstanding Bonds Debt Service	Debt Service on the Bonds			Debt Service
	<u>Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Requirements</u>
2017	\$ 4,536,865				\$ 4,536,865
2018	4,476,581	\$ 850,000	\$ 654,375	\$ 1,504,375	5,980,956
2019	4,474,921	850,000	622,500	1,472,500	5,947,421
2020	4,466,646	750,000	590,625	1,340,625	5,807,271
2021	4,461,804	750,000	562,500	1,312,500	5,774,304
2022	4,437,334	750,000	534,375	1,284,375	5,721,709
2023	4,424,559	750,000	506,250	1,256,250	5,680,809
2024	4,404,099	750,000	478,125	1,228,125	5,632,224
2025	4,390,301	750,000	450,000	1,200,000	5,590,301
2026	4,368,681	750,000	421,875	1,171,875	5,540,556
2027	4,346,614	750,000	393,750	1,143,750	5,490,364
2028	4,326,369	750,000	365,625	1,115,625	5,441,994
2029	4,289,400	750,000	337,500	1,087,500	5,376,900
2030	4,263,200	750,000	309,375	1,059,375	5,322,575
2031	4,209,110	750,000	281,250	1,031,250	5,240,360
2032	4,156,448	750,000	253,125	1,003,125	5,159,573
2033	4,117,073	750,000	225,000	975,000	5,092,073
2034	4,049,610	750,000	196,875	946,875	4,996,485
2035	3,990,048	750,000	168,750	918,750	4,908,798
2036	3,906,875	750,000	140,625	890,625	4,797,500
2037	3,419,250	750,000	112,500	862,500	4,281,750
2038	3,350,070	750,000	84,375	834,375	4,184,445
2039	2,274,000	750,000	56,250	806,250	3,080,250
2040	798,250	750,000	28,125	778,125	1,576,375
Total	\$ 95,938,107	\$ 17,450,000	\$ 7,773,750	\$ 25,223,750	\$ 121,161,857

Average Annual Debt Service Requirements (2017-2040)\$5,048,411
Maximum Annual Debt Service Requirements (2018).....\$5,980,956

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential lots of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets”) below, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 21 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation’s real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District’s property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is approximately 21 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the southwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, taxable property within the District will increase or maintain its taxable value.

Overlapping Taxes

All of the land within the District is also located within and is provided flood protection by Fort Bend County Levee Improvement District No. 15 ("LID 15"). The debt service on bonds to be issued by LID 15 is paid from ad valorem taxes levied by LID 15, which taxes are in addition to the taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with property located in other real estate developments, the tax rate of the District, LID 15 and other taxing jurisdictions must be combined. LID 15 levied a 2016 tax rate of \$0.73 per \$100 assessed valuation. The combined tax rate on the property in the District is higher than the combined tax rate presently being levied on property in the general vicinity of the District. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2016." The District can make no representation that taxable property values in the District will maintain value sufficient to support the continued payment of taxes by property owners. It is anticipated that LID 15 will issue significant amounts of bonds over the foreseeable future to reimburse the developers of land in its boundaries for the costs of LID 15 facilities currently being constructed as well as facilities to be constructed in the future. See "FINANCIAL STATEMENT" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$36,375,000 principal amount of authorized but unissued unlimited tax bonds for water, sanitary sewer and drainage facilities, and the District may issue additional bonds which may be voted hereafter. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$11,000,000 (as of June 30, 2017) for design, construction and acquisition of District water, sanitary sewer and drainage facilities and water and wastewater connection fees not yet reimbursed. The District anticipates the issuance of additional bonds in the future. The District may also issue refunding bonds. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM—Future Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property.

Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability

The District has no agreement with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Future and Proposed Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Environmental Regulation

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties;
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against utility districts (“Utility Districts”) for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Commission may impact new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area, with an attainment date of June 15, 2019.

Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s “8-hour” ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the Commission have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. In order to comply with the EPA’s standards for the HGB area, the Commission has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measure could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. These additional controls could have a negative impact on the HGB area’s economic growth and development.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion (“ppb”) to 70 ppb. This could make it more difficult for the HGB Area to demonstrate progress in reducing ozone concentration.

Water Supply & Discharge Issues. Water supply and discharge regulations that Utility Districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act (“SDWA”), potable (drinking) water provided by a Utility District to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load (“TMDL”) of certain pollutants into the water bodies. The TMDLs that Utility Districts may discharge may have an impact on the utility district’s ability to obtain and maintain TPDES permits.

Operations of Utility Districts are also potentially subject to numerous stormwater discharge permitting requirements under the CWA, EPA and TCEQ regulations. The TCEQ reissued the Texas Pollutant Discharge Elimination System Construction General Permit (TXR150000) on February 19, 2013. The permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state.

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on December 13, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems (“MS4s”). The renewed MS4 Permit impacts a much greater number of MS4s, including the District, that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. The District, participating in a Regional Stormwater Management Plan, has received authorization under the renewed MS4 Permit. The District is required to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

Flood Protection. All of the land within the boundaries of the District is protected from the Brazos River flood plain by levees constructed and maintained by LID 15. Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of Federal Emergency Management Agency (“FEMA”), all of the developable land within the District that is located inside the boundaries of LID 15 has been removed from the 100-year floodplain of the Brazos River.

Flooding Due to Levee Breach or Overtopping. According to the LID 15 engineer, the LID 15 levee and drainage system has been designed and constructed to all current standards. However, the levee system does not protect against all flooding scenarios. There are at least two instances in which flooding could occur in the District: 1) an overtopping of the levee, or 2) a failure (or breach) of the levee system.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The “100-year event” means the river elevation which has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event.

In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at flood state of less than the 100-year event. To mitigate the risk, LID 15 performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need to repair.

On January 30, 2015, President Barack Obama issued an Executive Order No. 13690 (“EO 13690”), which amended Executive Order 11988 (“EO 11988”) relating to floodplain management, to establish a Federal Flood Risk Management Standard (“FFRMS”). At this time, it is unclear what impact, if any, the FFRMS will have on the land within the District or otherwise protected by LID 15’s flood protection facilities.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT—General,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The Muller Law Group, PLLC also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are earned upon the sale and delivery of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

Tax Exemption

In the opinion of The Muller Law Group, PLLC, Bond Counsel, interest on the Bonds is (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (2) is not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants of the Order and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service (the “Service”). If the District should fail to comply with the covenants in the Order, or if its representations relating to the Bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC)) or a financial asset securitization investment trust (FASIT) will be included in such corporation’s adjusted current earnings for purposes of calculating such corporation’s alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the “taxpayer,” and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Bonds

Some of the Bonds may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, an initial owner who purchases the Bonds of that maturity (the “Discount Bonds”) will be considered to have “original issue discount” for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption “Tax Exemption” generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase Discount Bonds must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Discount Bond. See “Tax Exemption” for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the District. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time. Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of such maturity (“Premium Bond”) will be considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Premium Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Premium Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser.

Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to a Premium Bond. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Premium Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Premium Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Premium Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Premium Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Not Qualified Tax-Exempt Obligations

The District has **NOT** designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "___" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser's expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

FirstSouthwest, a Division of Hilltop Securities Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice Of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc. has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" – the Developers, Costello, Inc. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS" - Developers; "THE SYSTEM" - Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - Fort Bend Central Appraisal District and Esther Flores, Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Tax Tech, Inc.; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" - The Muller Law Group, PLLC

The Financial Advisor has provided the following sentence for inclusion in this official statement. The Financial Advisor has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Costello, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by TaxTech, Inc., and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District's audited financial statements for the fiscal year ending July 31, 2016 have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's July 31, 2016 audited financial statement.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by McLennan & Associates, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS," and "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2017. Any financial statements so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements, and audited financial statements when and if such audited financial statements become available.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings [TO BE CONFIRMED]

In the last five years, the District has made certain filings to comply with its prior continuing disclosure undertakings with respect to debt issued by the District. These filings are publically available on EMMA.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 128, as of the date shown on the cover page.

/s/

President, Board of Directors
Fort Bend County Municipal Utility District No. 128

ATTEST:

/s/

Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 128

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of June 2017)

PHOTOGRAPHS

The following photographs were taken in the District in June 2017, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.

APPENDIX A

District Audited Financial Statements for the fiscal year ended July 31, 2016