

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2017**

**This Preliminary Official Statement is subject to completion and amendment. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.**

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

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS". SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE – Book Entry Only

Rating: Moody's "\_\_\_"  
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

**\$6,765,000\***

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 137**  
*(A political subdivision of the State of Texas located within Fort Bend County)*

**UNLIMITED TAX REFUNDING BONDS  
SERIES 2017A**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 137 (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.

**Dated: December 1, 2017**

**Due: September 1, as shown below**

Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from December 1, 2017, and is payable each March 1 and September 1, commencing March 1, 2018, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their 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/Registrar 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. See "BOOK-ENTRY-ONLY SYSTEM."

**MATURITY SCHEDULE**

Principal Amount*	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(a)	Principal Amount*	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(a)
\$ 110,000	2018		%	%	\$ 430,000	2027 (c)		%	%
240,000	2019				425,000	2028 (c)			
455,000	2020				425,000	2029 (c)			
450,000	2021				420,000	2030 (c)			
445,000	2022				415,000	2031 (c)			
435,000	2023				415,000	2032 (c)			
430,000	2024				410,000	2033 (c)			
430,000	2025 (c)				400,000	2034 (c)			
430,000	2026 (c)								

- (a) Initial yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from December 1, 2017 to the date fixed for delivery is to be added to the price.
- (b) 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 Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on or 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 par value thereof plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of 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 taxable property in the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this OFFICIAL STATEMENT prior to making an investment decision. The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District and to pay certain costs in connection with the issuance of the Bonds in order to achieve gross and net present values savings. See "PLAN OF FINANCING."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain other legal matters will be passed upon, on behalf of the Underwriter, by Norton Rose Fulbright US LLP, Houston, Texas. Delivery of the Bonds is expected on or about December 21, 2017.

**SAMCO CAPITAL MARKETS, INC.**

\*Preliminary; subject to change.

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**APPENDIX A**—Financial Statement of the District for the  
year ended June 30, 2017

## **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, 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 Allen Boone Humphries Robinson LLP., 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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 Underwriter (as herein defined) and thereafter only as specified in “PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement” and “CONTINUING DISCLOSURE OF INFORMATION.”

The Underwriter has reviewed the information in this OFFICIAL STATEMENT pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

## **SALE AND DISTRIBUTION OF THE BONDS**

### **The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$\_\_\_\_\_ (representing the par amount of the Bonds of \$\_\_\_\_\_, plus a net premium on the Bonds of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter 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 Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which 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 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 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.

## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

### HURRICANE HARVEY

*General...* The Houston area, including Fort Bend County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 70 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

*Impact on District...* According to LJA Engineering, Inc. (the "Engineer"), the City of Sugar Land's water and wastewater system, which serves homes and commercial development within the District, operated throughout the event. The land within the boundaries of the District is protected from the Brazos River flood plain by levees constructed and maintained by Fort Bend County Levee Improvement District No. 17 ("LID 17"). According to the District's Engineer, the LID 17 facilities functioned as designed and sustained no material damage based on initial inspections following the event. No damage to homes or structures located within the District has been reported. See "THE SYSTEM—Flood Protection."

While Fort Bend County and the Fort Bend County Drainage District have authorized a reappraisal of all property damaged as a result of Hurricane Harvey, the District has not requested a reappraisal. Therefore, under State law, any such reappraisal of a specific property for the 2017 tax year would not apply to the District's tax roll.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes or commercial improvements within the District. See "INVESTMENTS CONSIDERATIONS—Hurricane Harvey."

### THE DISTRICT

*Description...* The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality ("TCEQ"), on April 1, 2005, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 816 acres of land. See "THE DISTRICT."

*Location...* The District is located approximately 22 miles southwest of the central downtown business district of the City of Houston and lies wholly within the corporate boundaries of the City of Sugar Land (the "City"). The District is also located within the boundaries of the Fort Bend Independent School District. Access to the District is provided by U.S. Highway 59 to University Boulevard. See "THE DISTRICT".

*The Developer...* NNP-Telfair, LLC ("NNP-Telfair" or the "Developer") a Texas limited liability company, is the developer of Telfair, including the developed acres of land within the District. NNP-Telfair has completed its single family residential development in Telfair and within the District. NNP-Telfair plans to develop its remaining land in the District for commercial uses.

*Telfair...* The District is part of the 2,018 acre master-planned community of Telfair in the City of Sugar Land, Texas, consisting of the District and three other municipal utility districts and a levee improvement district. Approximately 2,839 single-family residential lots have been constructed in Telfair, including 1,470 in the District. Recreational amenities within Telfair include a 2,200 square foot meeting complex and central sales office, a lake system, a greenbelt system, over five miles of landscaped trails, eleven neighborhood parks each with open space and playground and two recreational pools, a sand volley ball court and a playground.

*Status of Development...* Single family development consisting of 1,470 single-family residential lots on approximately 487 acres has been completed. Homes have been completed on all such lots and range from approximately \$275,000 to \$795,000. Residential occupancy for the District is not available from the City. An elementary school has been constructed on approximately 12 acres and Fort Bend Independent School District owns approximately 65 acres, on which a technical high school is under construction. Approximately 19 acres has been developed as the Telfair West Business District. A two story medical office building have been constructed on approximately 1 acre within the Telfair West Business District and an additional medical office building is currently under construction on approximately 1.5 acres. In addition, approximately 5 acres have been developed where an Acura auto dealership is under construction. There are an additional approximately 26 acres of developable commercial property which have not been fully provided with water distribution, wastewater collection and storm drainage facilities. There are approximately 202 undevelopable acres (drainage and pipeline easements, street rights-of-way, recreation and open spaces and utility sites). See “THE DISTRICT.”

*Fort Bend Levee  
Improvement District  
No. 17...*

All of the land within Telfair lies within LID 17, which encompasses approximately 2,330 acres of land. LID 17 has constructed a system of levees, detention ponds, drainage channels and other drainage improvements, reclaiming land from the Brazos River flood-plain, including the land within the District, and finances the acquisition and/or construction of drainage and levee facilities with the proceeds of its unlimited tax bonds. LID 17 also finances and operates numerous public parks in Telfair. LID 17 has \$57,765,000 principal amount of unlimited tax bonds outstanding for drainage and park purposes. LID 17 levied a total 2017 tax rate of \$0.57 per \$100 of assessed valuation (\$0.27 for debt service and \$0.30 for maintenance and operations). See “THE SYSTEM—Flood Protection” and INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes.”

*Payment Record...*

The District has previously sold \$36,800,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in seven series and \$18,945,000 principal amount of unlimited tax refunding bonds in two series. The District has a total of \$29,100,000 principal amount of unlimited tax bonds outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted in payment on its Outstanding Bonds. See “PLAN OF FINANCING—Outstanding Bonds.”

## **THE BONDS**

*Description...*

\$6,765,000\* Unlimited Tax Refunding Bonds, Series 2017A (the “Bonds”) mature serially on September 1 in each year 2018 through 2034, both inclusive, in the principal amounts set forth on the cover page. Interest accrues from December 1, 2017, at the rates per annum set forth on the cover page hereof, and is payable on March 1, 2018, and each September 1 and March 1 thereafter, until stated maturity or prior redemption. The Bonds will be issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the Board (the “Bond Resolution”), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See “THE BONDS—Description.”

*Book-Entry-Only...*

The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

*Redemption...*

Bonds maturing on or after September 1, 2025 are subject to redemption at the option of the District prior to their maturity dates on September 1, 2024, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

*Use of Proceeds...*

Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to advance refund \$6,595,000\* of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$22,505,000\* principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING.”

<i>Authority for Issuance...</i>	The Bonds are the third series of bonds issued out of an aggregate of \$53,100,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance" "—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."
<i>Source of Payment</i>	Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of Fort Bend County, the State of Texas, the City of Sugar Land, or any entity other than the District. See "THE BONDS—Source of Payment."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	<p>Application 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 Bonds.</p> <p>Applications have also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If the Bonds qualify, such insurance will be available at the District's option and expense. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."</p>
<i>Qualified Tax-Exempt Obligations...</i>	The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2017 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS—Qualified Tax Exempt Obligations."
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS" and "TAX MATTERS."
<i>Financial Advisor...</i>	First Southwest, a Division of Hilltop Securities Inc., Houston, Texas.
<i>Underwriter's Counsel...</i>	Norton Rose Fulbright US LLP, Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Defeasance of Refunded Bonds."
<i>Verification Agent...</i>	Grant Thornton LLP, Minneapolis Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

## INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

## SELECTED FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2017 Certified Taxable Assessed Value.....	\$670,505,067 (a)
Gross Direct Debt Outstanding .....	\$29,270,000* (b)
Estimated Overlapping Debt .....	<u>61,927,445</u> (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$91,197,445*
Ratios of Gross Direct Debt to:	
2017 Certified Taxable Assessed Value .....	4.37%*
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2017 Certified Taxable Assessed Value .....	13.60%*
Debt Service Fund Balance as of November 13, 2017.....	\$1,243,585
Operating Funds Available as of November 13, 2017 .....	\$38,880
Capital Projects Funds Available as of November 13, 2017 .....	\$189,589 (d)
2017 Debt Service Tax Rate.....	\$0.240
2017 Maintenance Tax Rate.....	<u>0.175</u>
2017 Total Tax Rate .....	\$0.415
Average Annual Debt Service Requirement (2018-2034).....	\$2,241,749* (b)
Maximum Debt Service Requirement (2018).....	\$2,637,813* (b)
Tax Rates Required to Pay Average Annual Debt Service (2018-2034) at a 95% Collection Rate	
Based upon 2017 Certified Taxable Assessed Value .....	\$0.36* (e)
Tax Rates Required to Pay Maximum Annual Debt Service (2018) at a 95% Collection Rate	
Based upon 2017 Certified Taxable Assessed Value .....	\$0.42* (e)
Status of Development as of November 1, 2017 (f):	
Total Residential Lots Developed.....	1,470
Homes Completed .....	1,470
Estimated Population .....	5,093 (g)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds. See “PLAN OF FINANCING—Debt Service Requirements.”
- (c) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt—Overlapping Taxes.”
- (d) The District intends to apply to the TCEQ to use surplus funds to fund water, sewer and drainage facilities to serve a commercial tract, which will begin construction in January 2018.
- (e) The District receives a tax rebate from the City equivalent to fifty percent (50%) of the City taxes collected upon taxable value in the District. While the District anticipates using the City tax rebate to pay debt service on the Bonds and the Remaining Outstanding Bonds, such revenue is not pledged to the payment of the Bonds or the Remaining Outstanding Bonds and, therefore, is not included in the calculation of the tax rate requirements. All tax rebates received since the inception of the District have been transferred to the Debt Service Fund. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND.”
- (f) See “THE DISTRICT—Land Use—Status of Development.”
- (g) Based upon 99% occupancy of total number of completed homes and 3.5 persons per occupied single-family residence. Residential occupancy for the District is not available from the City.



## PRELIMINARY OFFICIAL STATEMENT

**\$6,765,000\***

### **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 137** *(A political subdivision of the State of Texas located within Fort Bend County)*

#### **UNLIMITED TAX REFUNDING BONDS SERIES 2017A**

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 137 (the “District”) of its \$6,765,000\* Unlimited Tax Refunding Bonds, Series 2017A (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, Chapter 1207 of the Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and development activity in 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

## PLAN OF FINANCING

### **Purpose**

The proceeds of the Bonds are being used to advance refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2009 and Unlimited Tax Bonds, Series 2011 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” in this section. The bonds to be refunded are collectively referred to as the “Refunded Bonds.” See “Refunded Bonds” in this section. A total of \$22,505,000\* in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”).

### **Outstanding Bonds**

The following table lists the original principal amount of Outstanding Bonds, and the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds*	Remaining Outstanding Bonds*
2007	\$ 5,515,000	\$ -	\$ -	\$ -
2008	7,980,000	-	-	-
2008A	8,550,000	-	-	-
2009	5,240,000	3,565,000	3,355,000	210,000
2011	5,000,000	3,680,000	3,240,000	440,000
2012	2,430,000	1,870,000	-	1,870,000
2014 (a)	7,715,000	7,330,000	-	7,330,000
2016 (a)	11,230,000	10,665,000	-	10,665,000
2017	2,085,000	1,990,000	-	1,990,000
Total	\$ 55,745,000	\$ 29,100,000	\$ 6,595,000	\$ 22,505,000
The Bonds				6,765,000 *
The Bonds and Remaining Outstanding Bonds				\$ 29,270,000 *

(a) Unlimited Tax Refunding Bonds.

## **Refunded Bonds**

Proceeds of the Bonds, together with other lawfully available funds of the District, if any, will be applied to refund the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u> <u>September 1</u>	<u>Series</u> <u>2009*</u>	<u>Series</u> <u>2011*</u>
2019	\$ 210,000	
2020	210,000	\$ 220,000
2021	210,000	220,000
2022	210,000	220,000
2023	210,000	215,000
2024	210,000	215,000
2025	210,000	215,000
2026	210,000	215,000
2027	210,000	215,000
2028	210,000	215,000
2029	210,000	215,000
2030	210,000	215,000
2031	210,000	215,000
2032	210,000	215,000
2033	210,000	215,000
2034	205,000	215,000
	<u>\$ 3,355,000</u>	<u>\$ 3,240,000</u>

Redemption Date: September 1, 2018      September 1, 2019

## **Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

### Sources of Funds:

Principal Amount of the Bonds.....	\$ _____
Plus: Net Premium on the Bonds .....	_____
Total Sources of Funds.....	\$ _____

### Uses of Funds:

Deposit to Escrow Fund.....	\$ _____
Issuance Expenses and Underwriter's Discount (a) .....	_____
Total Uses of Funds.....	\$ _____

(a) Includes municipal bond insurance premium.

## **Escrow Agreement**

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and legally available debt service funds, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase United States Treasury Obligations (the "Escrowed Securities"). At the time of delivery of the Bonds, Grant Thornton, LLP, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

\*Preliminary, subject to change.

## **Defeasance of the Refunded Bonds**

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such a deposit, and in reliance upon the verification report of Grant Thornton, LLP, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

## **Debt Service Requirements**

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$6,595,000\* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Debt Service Requirements*
			Principal	Interest	Total	
2018	\$ 2,643,085.00	\$ 296,172.50	\$ 110,000	\$ 180,900.00	\$ 290,900.00	\$ 2,637,812.50
2019	2,608,610.00	506,172.50	240,000	239,000.00	479,000.00	2,581,437.50
2020	2,592,785.00	717,247.50	455,000	234,200.00	689,200.00	2,564,737.50
2021	2,574,090.00	700,402.50	450,000	225,100.00	675,100.00	2,548,787.50
2022	2,557,645.00	683,557.50	445,000	211,600.00	656,600.00	2,530,687.50
2023	2,532,095.00	660,832.50	435,000	198,250.00	633,250.00	2,504,512.50
2024	2,512,245.00	643,307.50	430,000	185,200.00	615,200.00	2,484,137.50
2025	2,485,888.76	624,976.26	430,000	168,000.00	598,000.00	2,458,912.50
2026	2,458,703.76	606,435.00	430,000	150,800.00	580,800.00	2,433,068.76
2027	2,432,418.76	587,625.00	430,000	133,600.00	563,600.00	2,408,393.76
2028	2,411,543.76	568,500.00	425,000	116,400.00	541,400.00	2,384,443.76
2029	2,377,931.26	548,837.50	425,000	99,400.00	524,400.00	2,353,493.76
2030	2,352,118.76	528,912.50	420,000	82,400.00	502,400.00	2,325,606.26
2031	2,318,837.50	508,718.76	415,000	65,600.00	480,600.00	2,290,718.74
2032	2,297,181.26	488,525.00	415,000	49,000.00	464,000.00	2,272,656.26
2033	706,881.26	467,268.76	410,000	32,400.00	442,400.00	682,012.50
2034	673,318.76	441,012.50	400,000	16,000.00	416,000.00	648,306.26
Total	\$ 38,535,378.84	\$ 9,578,503.78	\$ 6,765,000	\$ 2,387,850.00	\$ 9,152,850.00	\$ 38,109,725.06

Maximum Annual Debt Service Requirement (2018) .....\$2,637,813\*  
Average Annual Debt Service Requirements (2018-2034) .....\$2,241,749\*

## **THE BONDS**

### **Description**

The Bonds will be dated and accrue interest from December 1, 2017, with interest payable each March 1 and September 1, beginning March 1, 2018 (the "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

### **Method of Payment of Principal and Interest**

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, the City, 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, appraised 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. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

### **Redemption Provisions**

Bonds maturing on or after September 1, 2025 are subject to redemption at the option of the District prior to their maturity dates on September 1, 2024, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). If less than all the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the District prior to the redemption date by such random method as the District shall deem fair and appropriate (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 less than all the Bonds outstanding 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 which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

#### **Authority for Issuance**

At a bond election held within the District on September 10, 2005, voters of the District authorized the issuance of \$53,100,000 principal amount of unlimited tax refunding bonds.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

#### **Registration and Transfer**

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.

In the event the "Book-Entry-Only" System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

#### **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.

### **Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

### **Issuance of Additional Debt**

The District voters have authorized the issuance of \$53,100,000 principal amount of unlimited tax bonds for refunding outstanding bonds of the District and after issuance of the Bonds, the District will have \$51,051,589\* principal amount of unlimited tax refunding bonds authorized but unissued.

The District's voters have authorized the issuance of \$81,800,000 principal amount of unlimited tax bonds for the purpose of constructing and/ or acquiring a waterworks, sanitary sewer and storm sewer system and could authorize additional amounts. Currently, \$45,000,000 principal amount of unlimited tax bonds for a waterworks, sanitary sewer and storm sewer system remains authorized but unissued.

Voters of the District have also authorized the issuance of \$19,500,000 principal amount of unlimited tax road bonds, all of which remains authorized and unissued. The District has no plans to issue road bonds nor does it have consent from the City to do so.

The District's voters authorized \$7,000,000 principal amount of unlimited tax bonds for the development and maintenance of recreational facilities at an election held within the District on September 10, 2005, all of which remains authorized but unissued. Current state law limits the outstanding principal amount of such bonds to an amount not to exceed one percent of the value of the taxable property in the District. The District has no plans to issue park bonds nor does it have consent from the City to do so.

Prior to the issuance of bonds for any purposes, the District must first obtain the consent of the City of Sugar Land to issue such bonds. In addition, the issuance of bonds for water, sewer and drainage facilities or recreational facilities requires the approval of the Texas Commission on Environmental Quality (the "TCEQ").

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of the detailed fire plan and bonds for such purposes by the qualified voters in the District; (c) approval of bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. The Board has not considered a fire plan or calling an election at this time for such purposes. Because the District is located in the City of Sugar Land, such service is provided by the City of Sugar Land.

The issuance of additional bonds could dilute the investment security for the Bonds.

### **Dissolution of the District**

Under Texas law, the District may be dissolved by the City of Sugar Land without the District's consent.

If the District is dissolved, the City of Sugar Land will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days thereafter. Prior to dissolution by the City of Sugar Land, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City of Sugar Land to sell bonds of the City of Sugar Land in an amount necessary to discharge such obligations. Dissolution of the District by the City of Sugar Land is a policymaking matter within the discretion of the Mayor and the City Council of the City of Sugar Land, and therefore, the District makes no representation that dissolution will or will not occur. Moreover, no representation is made concerning the ability of the City of Sugar Land to make debt service payments should dissolution occur. See "Remedies in Event of Default" below.

### **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 the District:

"(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 noncallable 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 the 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-only 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 3.5 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 Standard & Poor's highest rating: 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](http://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. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, 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 securities 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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 thereof.

## **UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND**

All land in the District is located within the corporate limits of the City of Sugar Land. The City and the District have entered into the Utility Agreement, dated August 8, 2005, which obligates the District to acquire, construct and extend water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City of Sugar Land, to convey title to such utility facilities to the City of Sugar Land. The City of Sugar Land will then operate and maintain such facilities, and be responsible for establishing water and sewer rates and collection charges for water and sewer service from District customers. The City of Sugar Land also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in the City of Sugar Land. Pursuant to the Utility Agreement with the District, the City of Sugar Land has agreed to rebate to the District one-half of City taxes collected on taxable property within the District. Pursuant to the Utility Agreement, the City of Sugar Land agrees to pay a portion of such City taxes collected upon taxable property within the District beginning with taxes collected for the 2006 tax year, the District's initial year of a debt service tax levy and continuing each year thereafter until the year 2046 and thereafter the City of Sugar Land's payment obligation shall cease and the City of Sugar Land shall not pay any portion of City taxes to the District. The amount of rebate payment will vary with changes in the City of Sugar Land's tax rate and the District's appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City of Sugar Land under the formula will vary from year to year. Any significant reduction in the amount of the tax rebate could increase the District's rate of taxation.

The District will retain a security interest in the System to secure the City of Sugar Land's performance under the Utility Agreement until the Remaining Outstanding Bonds, the Bonds and any future bonds have been discharged, at which time the District will execute a release of such security interest, and the City of Sugar Land will then own the System free and clear, and the City of Sugar Land's obligation to make payments to the District will terminate if it has not previously ceased. The District and the City of Sugar Land recognize that the District will levy its own annual ad valorem tax to secure additional funds for payment of the Bonds and any additional bonds.

The District has agreed to extend the System to serve future users as necessary so that ultimately all landowners in the District will be in a position to receive services from the System; however, the District's obligation to extend the System is conditioned upon continued development within the District, the City's performance under the provisions of the Utility Agreement, and satisfaction of certain determinations of economic feasibility by the Board of Directors of the District and the TCEQ, and TCEQ approval and the ability of the District to sell bonds.

The Utility Agreement further requires the District to pay the City a capital recovery charge (the “City Connection Charge”) to purchase water supply and wastewater treatment capacity in the City’s existing system. The City Connection Charge is set by the City and may be amended without the District’s consent at any time. The District has purchased sufficient capacity to serve all of the single family residential lots and commercial tracts developed in the District.

See “THE BONDS—Sources of Payment,” “TAX DATA—Tax Adequacy for Debt Service,” and “THE SYSTEM—Water Supply and Wastewater Treatment”

## **CITY OF SUGAR LAND TAX INCREMENT REINVESTMENT ZONE NO. 4**

By law, a city may designate a portion of land inside of its corporate limits as a tax increment reinvestment zone. In the tax increment reinvestment zone, the base taxable assessed value of such tax increment reinvestment zone is established in the year in which it is created. Any incremental growth in the taxable assessed value over the base value is considered the “tax increment.” When a city designates a tax increment reinvestment zone, each taxing jurisdiction within such tax increment reinvestment zone may or may not agree to contribute all or a portion of its tax collections on the tax increment (“TIRZ Revenues”) to the tax increment reinvestment zone for use in financing projects within the tax increment reinvestment zone. A city is required to develop a tax increment reinvestment zone project plan and limit the use of TIRZ Revenues to financing those projects contained within the latest approved project plan.

On December 15, 2009, the City of Sugar Land (the “City”) approved the creation of the City of Sugar Land Tax Increment Reinvestment Zone No. 4 (“TIRZ #4”) encompassing approximately 700 acres. TIRZ #4 is located at the intersection of Interstate 69 (U.S. Highway 59 and University Boulevard). Approximately 50 acres within the District are slated for commercial use, but currently there are no taxable improvements located within TIRZ #4. The District has been asked to participate by the City; however, the District is not a contributing participant of TIRZ #4. The purpose of TIRZ #4 is to fund certain infrastructure costs for entertainment, office and higher density retail development proposed within its boundaries.

If the District participated in TIRZ #4 in the future, only TIRZ #4 Revenues derived from District taxes on property within TIRZ #4 would be contributed to the City in the amount agreed upon between the City and the District. The District may also participate in tax abatement agreements within TIRZ #4. See “TAXING PROCEDURES—Tax Abatement.”

## **TELFAIR**

The District is part of the 2,018 acre master-planned community of Telfair in the City of Sugar Land, Texas, consisting of the District and three other municipal utility districts and an overlapping levee improvement district. Approximately 2,839 single-family residential lots have been constructed in Telfair, including 1,470 lots in the District. Recreational amenities within Telfair include a lake system, a greenbelt system, over five miles of landscaped trails, eleven neighborhood parks each with open space and playground and two recreational pools, a sand volley ball court and a playground. Some of these facilities are open to the public and are financed and operated by LID 17.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the TCEQ dated April 1, 2005, after a hearing on a petition for creation submitted by the Developer. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

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 authorized to develop roads and recreational facilities, including the issuance of bonds payable from taxes for such purposes. Prior to the issuance of any debt, the District must first obtain the consent of the City to issue any and all bonds. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City, within whose boundaries the District lies, the District is required to observe certain requirements of the City which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, road facilities and park and recreational facilities; 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 lots and commercial or multi-family reserves described in plats which have been approved by the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Regulation."

### **Description and Location**

The District contains approximately 816 acres of land and is located approximately 22 miles southwest of the central downtown business district of the City of Houston and lies wholly within the boundaries of the City. The District also lies within the boundaries of the Fort Bend Independent School District. Access to the District is provided by U.S. Highway 59 to University Boulevard.

### **Land Use**

The District currently includes approximately 487 developed acres of single-family residential development (1,470 lots), approximately 202 undevelopable acres (drainage and pipeline easements, street rights-of-way, recreation and open spaces and utility sites), an elementary school constructed on approximately 12 acres, approximately 65 acres owned by Fort Bend ISD and planned for use as a future school site, and approximately 24 commercial acres and an additional 26 developable acres that have not been fully provided with water distribution, wastewater collection and storm drainage facilities.

The table below represents a detailed breakdown of the current acreage and development in the District.

	<u>Approximate Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential</u></i>		
Telfair:		
Telfair, Section One .....	25	65
Telfair, Section Two.....	36	90
Telfair, Section Five.....	41	130
Telfair, Section Six.....	47	158
Telfair, Section Nine .....	50	163
Telfair, Section Ten.....	28	92
Telfair, Section Thirteen.....	30	95
Telfair, Section Fourteen.....	20	69
Telfair, Section Fifteen A.....	19	69
Telfair, Section Fifteen B .....	22	70
Telfair, Section Nineteen.....	8	28
Telfair, Section Twenty-Eight .....	46	166
Telfair, Section Twenty-Nine A .....	12	42
Telfair, Section Twenty-Nine B .....	29	55
Telfair, Section Thirty .....	41	98
Telfair, Section Thirty-One.....	25	55
Telfair, Section Thirty-Two .....	8	25
Subtotal .....	487	1,470
Commercial Tracts (a).....	24	---
Future Developable (b).....	26	---
Schools (c).....	77	---
Non-Developable (d).....	202	---
Subtotal .....	329	
Totals .....	816	1,470

(a) Includes a 19 acre business park and Acura car dealership on 5 acres, which is under construction.

(b) Includes future commercial tracts not currently served with utilities.

(c) Includes approximately 65 acres acquired by Fort Bend ISD, on which a technical high school is currently under construction.

(d) Includes public rights-of-way, detention, open spaces, easements, and recreation and utility sites.

## **Status of Development**

As of November 1, 2017, single family residential development consisting of 1,470 residential lots on approximately 487 acres has been completed. Homes have been constructed on all of the lots and range in price from approximately \$275,000 to \$795,000. The estimated population in the District is 5,093, based upon 99% occupancy of the total number of completed homes and 3.5 persons per occupied residence. Residential occupancy for the District is not available from the City.

An elementary school has been constructed on approximately 12 acres in the District. Fort Bend ISD owns approximately 65 acres which it plans to use for a future school site, on which a technical high school is currently under construction. Approximately 19 acres has been developed as the Telfair West Business District. A two story medical office building has been constructed on approximately 1 acre in the Telfair West Business District and an additional medical office building is currently under construction on approximately 1.5 acres. In addition, approximately 5 acres have been developed where an Acura auto dealership is under construction. There are an additional approximately 26 acres of developable commercial property which have not been fully provided with water distribution, wastewater collection and storm drainage facilities. There are approximately 202 undevelopable acres (drainage and pipeline easements, street rights-of-way, recreation and open spaces and utility sites).

## **THE DEVELOPER**

### **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 streets 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 TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, 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.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful.

### **NNP-Telfair, LLC**

NNP-Telfair, LLC ("NNP-Telfair") a Texas limited liability company, is the developer of Telfair, including the developed acres of land within the District. NNP-Telfair has completed its single family residential development in Telfair and within the District. NNP-Telfair plans to develop its remaining land in the District for commercial uses.

## **MANAGEMENT OF THE DISTRICT**

### **Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. One of the Board members resides within the District and the other four Board members own land within the District subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board</u>	<u>Term Expires</u>
Vicki Warren	President	May 2018
Mary G. Brindley	Vice President	May 2020
Jill Ross	Secretary	May 2020
Susan Weaver	Assistant Secretary	May 2020
Chris Malone	Assistant Vice President	May 2018

## **District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

***Bond Counsel/Attorney:*** The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

***Financial Advisor:*** FirstSouthwest, a Division of Hilltop Securities Inc. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

***Auditor:*** The District's audited financial statement for the fiscal year ended June 30, 2017, was prepared by McGrath & Co., PLLC. See APPENDIX A.

***Engineer:*** The District's consulting engineer is LJA Engineering, Inc.

***Tax Appraisal:*** The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

***Tax Assessor/Collector:*** The District has appointed an independent tax assessor/collector to perform the tax collection function. Tax Tech, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

***Bookkeeper:*** The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

## **THE SYSTEM**

### **Regulation**

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District and Fort Bend County Levee Improvement District No. 17 ("LID 17"). Fort Bend County, the City of Sugar Land, and the Texas Department of Health also exercise regulatory jurisdiction over the water and sanitary sewer system.

### **Water Supply and Wastewater Treatment**

Customers of the District receive water and wastewater treatment service from the City pursuant to a Utility Agreement between the District and the City. As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the "System") to serve land in the District and, when completed in accordance with approved plans and specifications, to convey title to the System to the City. The City then operates and maintains the System, and is responsible for establishing water and sewer rates and billing and collecting for such services. The Utility Agreement provides that the District retains a security interest in the System to secure the City's performance under the Utility Agreement until the District's bonds have been fully paid, at which time the District will execute a release of such security interest, and the City will own the System unencumbered.

### **Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,470 lots in the District. Trunk lines have been constructed to serve the commercial tracts. See "THE DISTRICT—Land Use."

### **Wetlands**

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

### **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 17. All of the acreage within the District has been officially removed from the floodplain with the approval of the LID 17 Tract Four Letter of Map Revision (the “LOMR”) issued by the Federal Emergency Management Agency (“FEMA”) on August 21, 2009. See “INVESTMENT CONSIDERATIONS—Hurricane Harvey.”

*Flooding Due to Levee Breach or Overtopping.* According to the LID 17 engineer, the LID 17 levee and drainage systems have been designed and constructed to all current standards. However, the levee system does not protect against all flooding scenarios. There are 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 17 performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need to repair.

*Federal Emergency Management Agency Requirements.* FEMA commissioned a study to reevaluate the “base flood elevation” (commonly referred to as the 100-year flood plain elevation) in Fort Bend County. The study concluded that the level of the 100-year flood plain was higher than then existing standards. LID 17’s engineer concluded that the levee constructed by the LID 17 was of sufficient height to meet the anticipated new FEMA, City of Sugar Land and Fort Bend County requirements, and LID 17 submitted a levee recertification package to FEMA on November 12, 2009. LID 17 received approval of its recertification package on December 30, 2009. Fort Bend County released the final floodplain maps with an effective date of April 2, 2014. All of the acreage within the LID 17 boundary is outside the floodplain as reflected on the current floodplain maps.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2017 Certified Taxable Assessed Value.....	\$670,505,067 (a)
Gross Direct Debt Outstanding .....	\$29,270,000* (b)
Estimated Overlapping Debt .....	<u>61,927,445</u> (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$91,197,445*
Ratios of Gross Direct Debt to:	
2017 Certified Taxable Assessed Value .....	4.37%*
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2017 Certified Taxable Assessed Value .....	13.60%*
Debt Service Fund Balance as of November 13, 2017.....	\$1,243,585
Operating Funds Available as of November 13, 2017 .....	\$38,880
Capital Projects Funds Available as of November 13, 2017 .....	\$189,589 (d)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."  
(b) After the issuance of the Bonds. See "PLAN OF FINANCING—Debt Service Requirements."  
(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt—Overlapping Taxes."  
(d) The District intends to apply to TCEQ to use surplus funds to fund water, sewer and drainage facilities to serve a commercial tract, which will begin construction in January 2018.

### **Investments of the District**

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

## Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping Percent</u>	<u>Amount</u>
Fort Bend County .....	\$566,233,978	09/30/17	1.14%	\$6,455,067
City of Sugar Land .....	306,323,169	09/30/17	5.29%	16,204,496
Fort Bend Independent School District .....	963,738,767	09/30/17	1.87%	18,021,915
Fort Bend LID No. 17 (a) .....	57,765,000	09/30/17	36.78%	<u>21,245,967</u>
Total Estimated Overlapping Debt .....				\$61,927,445
The District's Total Direct Debt (b) .....				<u>29,270,000*</u>
Total Direct and Estimated Overlapping Debt .....				\$91,197,445*

Direct and Estimated Overlapping Debt as a Percentage of:

2017 Certified Taxable Assessed Valuation of \$670,505,067 ..... 13.60%\*

- (a) See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."  
 (b) The Bonds and the Remaining Outstanding Bonds.

## Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2017 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2017 Tax Rate Per \$100 Assessed Valuation</u>
Fort Bend County (includes Drainage District) .....	\$0.46900
Fort Bend Independent School District .....	1.32000
Fort Bend LID No. 17 (a) .....	0.57000
City of Sugar Land .....	<u>0.31762</u>
Total Overlapping Tax Rate .....	\$2.67662
The District (b) .....	<u>0.41500</u>
Total Tax Rate .....	\$3.09162

- (a) See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."  
 (b) See "TAX DATA—Debt Service Tax—Maintenance Tax."



## **Operating Fund**

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending June 30, 2013 through June 30, 2017. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended				
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Revenues:					
Property Taxes	\$ 1,002,531	\$ 926,968	\$ 548,870	\$ 500,666	\$ 471,386
Other	<u>2,789</u>	<u>1,833</u>	<u>3,261</u>	<u>2,063</u>	<u>870</u>
Total Revenue	\$ 1,005,320	\$ 928,801	\$ 552,131	\$ 502,729	\$ 472,256
Expenditures:					
Professional Fees	\$ 74,292	\$ 88,722	\$ 59,231	\$ 78,537	\$ 75,461
Purchased or Contracted Services	12,900	12,900	12,900	13,000	12,600
Administrative Expenses	18,552	17,857	19,400	21,419	20,454
Capital Outlay	810,523 (a)	1,634,091 (a)	-	222,061	-
Interest and Fees	24,699	-	-	-	-
Other	<u>1,329</u>	<u>188,766</u>	<u>36,399</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 942,295	\$ 1,942,336	\$ 127,930	\$ 335,017	\$ 108,515
NET REVENUES	<u>\$ 63,025</u>	<u>\$ (1,013,535)</u>	<u>\$ 424,201</u>	<u>\$ 167,712</u>	<u>\$ 363,741</u>
Other Financing Sources:					
Developer Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Transfers	<u>-</u>	<u>-</u>	<u>1,298</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	\$ -	-	\$ 1,298	\$ -	\$ -
General Operating Fund					
Balance (Beginning of Year)	\$ 175,408	\$ 1,188,943	\$ 763,444	\$ 595,732	\$ 231,991
General Operating Fund					
Balance (End of Year)	\$ 238,433	\$ 175,408	\$ 1,188,943	\$ 763,444	\$ 595,732

(a) Developer reimbursements.

## TAX DATA

### 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. See “Historical Tax Rate Distribution” and “Tax Roll Information” below and “TAXING PROCEDURES.”

### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted September 10, 2005, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

### Historical Tax Rate Distribution

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Service Tax	\$ 0.240	\$ 0.265	\$ 0.270	\$ 0.330	\$ 0.380
Maintenance Tax	<u>0.175</u>	<u>0.150</u>	<u>0.150</u>	<u>0.100</u>	<u>0.100</u>
Total	\$ 0.415	\$ 0.415	\$ 0.420	\$ 0.430	\$ 0.480

### Tax Exemptions

For the 2017 tax year, the District has granted a \$10,000 tax exemption for residential homesteads of persons who are 65 years of age or older or disabled.

### 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 November 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 Tax Code.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. See “Tax Roll Information” below.

Tax Year	Net Certified Taxable	Tax Rate	Total Tax Levy (b)	Total Collections As of October 31, 2017	
	Assessed Valuation (a)			Amount	Percent
2012	\$ 472,532,746	\$0.540	\$ 2,551,677	\$ 2,551,677	100.00%
2013	499,943,043	0.480	2,399,726	2,399,726	100.00%
2014	551,022,189	0.430	2,369,395	2,369,395	100.00%
2015	617,919,417	0.420	2,595,262	2,595,052	99.99%
2016	668,066,010	0.415	2,772,474	2,771,892	99.98%
2017	670,505,067	0.415	2,782,596	(c)	(c)

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) In the process of collection. 2017 taxes are due January 31, 2018.

### **Tax Roll Information**

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2013 through 2017 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Roll Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Net Assessed Valuations
	Land	Improvements	Personal Property			
2013	\$ 146,373,651	\$ 366,609,510	\$ 2,579,220	\$ 515,562,381	\$ (15,619,338)	\$ 499,943,043
2014	150,823,091	415,879,580	3,919,450	570,622,121	(19,599,932)	551,022,189
2015	158,194,561	476,584,130	1,404,500	636,183,191	(18,263,774)	617,919,417
2016	160,658,371	524,272,970	1,370,083	686,301,424	(18,235,414)	668,066,010
2017	163,787,159	524,506,100	1,525,170	689,818,429	(19,313,362)	670,505,067

### **Principal Taxpayers**

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's taxable appraised value of the 2017 Certified Taxable Assessed Valuation. This represents ownership as of January 1, 2017.

Taxpayer	2017 Certified	
	Taxable Assessed Value	% of Taxable Assessed Value
NNP Telfair LLC	\$ 11,365,390	1.70%
Vista University Drive Ltd.	6,450,790	0.96%
Zenzed LLC	3,946,807	0.59%
Group 1 Realty Inc.	2,800,260	0.42%
Individual	1,638,580	0.24%
Shiraz Holdings LLC	1,094,460	0.16%
Centerpoint Energy Electric	1,083,103	0.16%
Individual	1,015,340	0.15%
Individual	927,550	0.14%
Individual	920,620	0.14%
Total	\$ 31,242,900	4.66%

## **Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2017 Certified Taxable Assessed Valuation of \$670,505,067. The calculations contained in the following table are performed without receipt of the City rebate (see "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND) and represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds, when due, assuming no further increase or any decrease in Taxable Assessed Values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. While the District anticipates using the City tax rebate to pay debt service on the Bonds and the Remaining Outstanding Bonds, such revenue is not pledged to the payment of the Bonds or the Remaining Outstanding Bonds and is therefore not included in the calculations. See "PLAN OF FINANCING—Debt Service Requirements" and "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND."

Average Annual Debt Service Requirement (2018-2034).....	\$2,241,749 *
\$0.36* Tax Rate on 2017 Certified Taxable Assessed Value .....	\$2,293,127
Maximum Debt Service Requirement (2018).....	\$2,637,813 *
\$0.42* Tax Rate on 2017 Certified Taxable Assessed Value .....	\$2,675,315

## **TAXING 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 Bonds, the Remaining Outstanding 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 Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax" and "—Maintenance Tax."

### **Property Tax Code and County-Wide Appraisal District**

The Texas Property 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 Central, including the District. Such appraisal values are subject to review and change by the Fort Bend Central 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; travel trailers; 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. Furthermore, 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same

property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to 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 if the residence homestead was donated by a charitable organization. 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 before July 1. See "TAX DATA."

**Freeport Goods Exemption:** 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 includes 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**

The City of Sugar Land designated part of the area within the District as a reinvestment zone, known as TIRZ #4. Fort Bend County, the City of Sugar Land, and Fort Bend County MUDs No. 138 and 139 contribute revenues into TIRZ #4. The District is not a contributing participant into TIRZ #4. Fort Bend County, the City and 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. 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 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral 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, which may be rejected by taxing units. 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. In addition, taxing entities are required by the Property Tax Code to accept 4 equal installment payments without penalty and interest for taxpayers whose damaged property is in a declared disaster area as long as the taxpayer pays at least ¼ of the tax bill before the delinquency due date.

### **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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes". 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 residential homesteads 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—Tax Collection Limitations."

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

### **Hurricane Harvey**

The Houston area, including Fort Bend County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 70 miles from the Texas Gulf Coast. Accordingly, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

According to the Engineer, the City of Sugar Land's water and wastewater system, which serves homes and commercial development within the District, operated throughout the event. The land within the boundaries of the District is protected from the Brazos River flood plain by levees constructed and maintained by LID #17. According to the District's Engineer, the LID 17 facilities functioned as designed and sustained no material damage based on initial inspections following the event. No damage to homes or structures located within the District has been reported. See "THE SYSTEM—Flood Protection."

While Fort Bend County and the Fort Bend County Drainage District have authorized a reappraisal of all property damaged as a result of Hurricane Harvey, the District has not requested a reappraisal. Therefore, under State law, any such reappraisal of a specific property for the 2017 tax year would not apply to the District's tax roll.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes or commercial improvements, within the District.

## **Overlapping Debt and Taxes**

All of the land within the District is located within LID 17, and is subject to taxation by LID 17. LID 17's 2017 Certified Taxable Assessed Valuation from the Appraisal District is \$1,844,146,479. The 2017 tax rate of LID 17 is \$0.57 per \$100 of appraised valuation (\$0.27 for debt service and \$0.30 for maintenance and operations). LID 17 currently has \$57,765,000 principal amount of bonds outstanding and is authorized to issue a maximum of \$125,000,000 in principal amount of unlimited tax bonds without additional voter approval. LID 17 anticipates the issuance of additional bonds in the future. The District cannot represent whether any of the development planned or occurring in LID 17 will be successful or whether the appraised valuation of the land located within LID 17 will justify continued payment of the LID 17 tax, as well as District taxes, by property owners. Increases in LID 17's tax rate could have an adverse impact upon current and future development sales within LID 17, which includes the District, and the willingness of owners of property located within the District to pay ad valorem taxes levied by LID 17 and the District.

The District intends that the composite of its tax rate and those of LID 17 and the City, will not exceed \$1.50 per \$100 of appraised valuation; however, the District cannot control the tax rates of the City or LID 17. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates of competing projects in the Harris/Fort Bend County region. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. A composite tax rate of \$1.50 is higher than the tax rate of many municipal utility districts in the Houston metropolitan area, although such a combined rate is within the range set by certain municipal utility districts in the Houston metropolitan area in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Fort Bend County limit the projected "combined tax rate" attributable to an entity levying a tax for water, wastewater and drainage to \$1.50. In the case of the District, the total "combined tax rate" under current TCEQ rules includes the tax rate of the District, LID 17 and the City. If the total "combined tax rate" specifically attributable to water, sewer, drainage, roads and recreational facilities should ever exceed \$1.50, the District and LID 17 could be prohibited under rules of the TCEQ from selling additional bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)--Overlapping Taxes."

## **Tax Collections Limitations and Foreclosure Remedies**

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 "TAXING 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 Owners' 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, the 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.

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters have authorized the issuance of \$81,800,000 principal amount of unlimited tax bonds for the purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system, \$53,100,000 principal amount of unlimited tax bonds for refunding, \$19,500,000 principal amount of unlimited tax bonds for road facilities and \$7,000,000 principal amount of unlimited tax bonds for recreational facilities and could authorize additional amounts. After the issuance of the Bonds, \$51,051,589\* principal amount of unlimited tax bonds for refunding outstanding bonds of the District will remain authorized but unissued. In addition, \$45,000,000 principal amount of unlimited tax bonds for a waterworks, sanitary sewer and storm sewer system remains authorized but unissued, as well as all of the unlimited tax bonds authorized for roads and recreational facilities. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The Developer has been fully reimbursed by the District for all utility improvements. The District intends to reimburse the Developer for all eligible road projects constructed to date with operating funds. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable assessed value in the District. See "THE BONDS—Issuance of Additional Debt."

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\*Preliminary; subject to change.

## **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; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district 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/Greenhouse Gas Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. 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 under the 1997 “eight-hour” ozone standards (“the 1997 Ozone Standards”). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas’s redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGB area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion (“ppb”) to 75 ppb (“the 2008 Ozone Standard”), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area’s 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA’s 2008 Ozone Standard, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb (“the 2015 Ozone Standard”). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2018.

In order to comply with the EPA’s ozone standards for the HGB area, the TCEQ has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures 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 the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB area’s economic growth and development.

*Water Supply & Discharge Issues:* Water supply and discharge regulations that municipal 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 federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. 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 municipal utility districts may discharge may have an impact on the municipal utility district’s ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers (“USACE”) jointly issued a final version of the Clean Water Rule (“CWR”), which expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit (“Sixth Circuit”) put the CWR on hold nationwide. On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR and reinstating language in place before 2015 changes which broadened the EPA’s jurisdiction. The proposed rule was published in the Federal Register on July 27, 2017, and the comment period ended on September 28, 2017. If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the “waters of the United States.”

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop and implement the necessary 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.

#### **Marketability of the Bonds**

The District has no understanding with the Underwriter 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 more generally bought, sold or traded in the secondary market.

#### **Continuing Compliance with Certain Covenants**

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

#### **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 bond insurer (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.

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 Underwriter have 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.

## **Changes in Tax 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.

## **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 Investors Service. 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 Underwriter.

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 District and at the District'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 Underwriter. 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.

## **VERIFICATION OF MATHEMATICAL CALCULATIONS**

Grant Thornton LLP, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds and; and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Grant Thornton relied on the accuracy, completeness and reliability of all information provided by, and on all decisions and approvals of, the District and its retained advisors, consultants or legal counsel. Grant Thornton was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, 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 for federal tax purposes under existing law, and (ii) interest on the Bonds is not 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 "PLAN OF FINANCING—Defeasance of Refunded Bonds," "THE BONDS," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND," "CITY OF SUGAR LAND TAX INCREMENT FINANCE ZONE NO. 4," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and 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 or the Developers 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.

Allen Boone Humphries Robinson LLP 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 contingent upon the sale and delivery of the Bonds.

### **No Material Adverse Change**

The obligations of the Underwriter 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 Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Grant Thornton LLP, Verification Agent, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations 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.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC, OR FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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 of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be 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 qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. 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 the ultimate outcome of the audit.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

## **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The Issuer has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2017 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2017.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense

## **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 Engineer, the Developer, the Tax Assessor/Collector, the Appraisal District and information from 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 such sources, 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. In its capacity as Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc. has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a 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. Each consultant has agreed to the use of information provided by such firms.

**Engineer:** The information contained in this OFFICIAL STATEMENT relating to engineering 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 LJA Engineering, 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 historical certified taxable appraised 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 District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech Inc., and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

**Auditor:** The District's audited financial statements for the year ended June 30, 2017, were prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's June 30, 2017, financial statements.

### **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 Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 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 the 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 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT, except for Estimated Overlapping Debt," "TAX DATA, except for Overlapping Taxes," and in APPENDIX A (Financial Statements of the District and certain 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 2018. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements within the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **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 status of the Bonds, or other events affecting the tax 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 information, 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](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of material 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 registered owners 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 registered owners 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 Underwriters 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**

During the last five years, the District has complied in all aspects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12 with the following exceptions.

On December 30, 2014, the District timely filed its Annual Report for the fiscal year ended June 30, 2014 with the MSRB through the EMMA internet portal. However, due to an administrative oversight, the 2014 Annual Report was not linked to certain District CUSIP numbers at that time. The District’s 2014 Annual Report was linked to the inadvertently omitted CUSIP numbers on April 7, 2017, which was more than six months after the end of the District’s 2014 fiscal year. On April 7, 2017, the District also filed a Notice of Late Filing with the MSRB through the EMMA internet portal.

On February 12, 2015, Standard and Poor’s Rating Services upgraded the District’s underlying rating from BBB to BBB+. The District filed an event notice for such rating change with the MSRB through the EMMA internet portal on March 23, 2017, which was more than ten business days after the occurrence of the rating change. On April 7, 2017, the District also filed a Notice of Late Filing with the MSRB through the EMMA internet portal.

## MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES 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. 137, as of the date shown on the cover page.

/s/ \_\_\_\_\_  
President, Board of Directors

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors

## **APPENDIX A**

The information contained in this appendix includes the Annual Audit Report of Fort Bend County Municipal Utility District No. 137 and certain supplemental information for the fiscal year ended June 30, 2017.