

## OFFICIAL STATEMENT DATED NOVEMBER 15, 2018

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. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

### NEW ISSUE - Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)  
Underlying Rating: Moody's "Baa3"  
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

**\$4,000,000**

### IMPERIAL REDEVELOPMENT DISTRICT

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

### UNLIMITED TAX PARK BONDS, SERIES 2018

**Dated: December 1, 2018**

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

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from December 1, 2018 and be payable on May 1, 2019 (five months of interest) and on each November 1 and May 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

### MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$ 95,000	6.000 %	2.350	453104 DB4	2026	\$ 120,000 (c)	4.000 %	3.350	453104 DH1
2021	95,000	6.000	2.500	453104 DC2	2027	125,000 (c)	4.000	3.600	453104 DJ7
2022	100,000	6.000	2.650	453104 DD0	2028	130,000 (c)	4.000	3.700	453104 DK4
2023	105,000	6.000	2.800	453104 DE8	2029	135,000 (c)	4.000	3.850	453104 DL2
2024	110,000	6.000	2.950	453104 DF5	2030	140,000 (c)	4.000	3.950	453104 DM0
2025	115,000 (c)	4.000	3.100	453104 DG3					

\$300,000 Term Bonds due May 1, 2032 (c), 453104 DP3 (b), 4.000% Interest Rate, 4.000% Yield (a)

\$325,000 Term Bonds due May 1, 2034 (c), 453104 DR9 (b), 4.000% Interest Rate, 4.100% Yield (a)

\$355,000 Term Bonds due May 1, 2036 (c), 453104 DT5 (b), 4.000% Interest Rate, 4.150% Yield (a)

\$385,000 Term Bonds due May 1, 2038 (c), 453104 DV0 (b), 4.000% Interest Rate, 4.200% Yield (a)

\$420,000 Term Bonds due May 1, 2040 (c), 453104 DX6 (b), 4.000% Interest Rate, 4.250% Yield (a)

\$455,000 Term Bonds due May 1, 2042 (c), 453104 DZ1 (b), 4.125% Interest Rate, 4.280% Yield (a)

\$490,000 Term Bonds due May 1, 2044 (c), 453104 EB3 (b), 4.125% Interest Rate, 4.300% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from December 1, 2018, 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 Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after May 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 May 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Imperial Redevelopment District (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds is expected on or about December 20, 2018.

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### USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

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

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

## OFFICIAL STATEMENT SUMMARY

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

### THE FINANCING

- The Issuer* ..... Imperial Redevelopment District (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
- The Issue* ..... \$4,000,000 Unlimited Tax Park Bonds, Series 2018 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District's Board of Directors and are authorized pursuant to the election held within the District. See “THE BONDS—Authority for Issuance.” The Bonds will be issued as fully registered bonds maturing serially on May 1 in each of the years 2020 through 2030, both inclusive, and as term bonds on May 1, 2032, 2034, 2036, 2038, 2040, 2042 and 2044 (the “Term Bonds”) in the principal amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from December 1, 2018 and is payable on May 1, 2019 (five months of interest), and on each November 1 and May 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
- The Bonds maturing on and after May 1, 2025, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on May 1, 2024, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS.”
- Source of Payment* ..... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County (the “County”), the City of Sugar Land, Texas (the “City”) or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”
- Authority for Issuance* ..... The Bonds are the first series of bonds issued out of an aggregate of \$83,167,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing recreational facilities and refunding of such bonds. The Bonds are issued by the District pursuant to the terms and provisions of Chapter 8150 of the Special Districts Local Laws Code, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, the Bond Resolution (as defined herein), and an election held within the District. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
- Payment Record* ..... The District has previously issued two series of unlimited tax bonds for water, sewer and drainage in the aggregate principal amount of \$8,555,000, all of which is outstanding as of October 1, 2018 and one series of unlimited tax road bonds in the principal amount of \$12,135,000, of which \$11,845,000 principal amount is outstanding as of October 1, 2018 (the “Outstanding Unlimited Tax Bonds”). The District also has previously issued one series of contract revenue bonds in the principal amount of \$4,980,000, of which \$4,845,000 principal amount is outstanding as of October 1, 2018 (the “Outstanding Contract Revenue Bonds”). See “FINANCIAL STATEMENT—Outstanding Bonds.” The District has never defaulted in the payment of principal and interest on its previously issued bonds.
- Future Debt* ..... The District has submitted a bond application for unlimited tax bonds for acquiring or constructing water, sanitary sewer and drainage facilities in the approximate amount of \$5,645,000 with the Texas Commission on Environmental Quality (the “TCEQ”) which is expected to be approved and issued in early 2019. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
- Use of Proceeds* ..... Proceeds from the Bonds will be used to pay for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay interest on funds advanced by the Developers (as defined herein) on behalf of the District; and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

<i>Not Qualified Tax-Exempt Obligations</i> .....	The Bonds are not “qualified tax-exempt obligations” for financial institutions.
<i>Municipal Bond Rating and Municipal Bond Insurance</i> .....	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The Bonds are rated “Baa3” by Moody’s Investors Service, Inc. (“Moody’s”) without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”
<i>Bond Counsel</i> .....	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “MANAGEMENT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Co-Financial Advisors</i> .....	Masterson Advisors LLC and Post Oak Municipal Advisors LLC, Houston, Texas. See “MANAGEMENT.”
<i>District Engineer</i> .....	LJA Engineering, Inc., Houston, Texas.
<i>Disclosure Counsel</i> .....	McCall, Parkhurst & Horton, LLP, Houston, Texas.

**THE DISTRICT**

<i>Description</i> .....	The District was created under Article XVI, Section 59 of the Texas Constitution by House Bill 3554, as passed by the 79 <sup>th</sup> Texas Legislature on June 18, 2005, and operates in accordance with Chapter 8150 of the Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code, as amended. The District also has the purposes of Article III, Sections 52 and 52-a, and Article VIII, Section 1-g of the Texas Constitution. The District contains approximately 746 acres of land and is located in eastern Fort Bend County approximately 30 miles southwest of downtown Houston, Texas. Access to the District is provided via the State Highway 6 and US Highway 90A. Generally, the District is bordered on the south by US Highway 90A, on the west by State Highway 6 and on the north by Voss Road. Oyster Creek winds through the District. The District lies entirely within the corporate boundaries of the City of Sugar Land, Texas (the “City”).
<i>Imperial</i> .....	The District is being developed as Imperial, a mixed-use community which is planned to include single-family and multi-family residential, retail, office and commercial development. The District includes an Atlantic League baseball stadium known as Constellation Field, which is the home of the Sugar Land Skeeters.
<i>Status of Development</i> .....	Development of Imperial began in 2010. The District currently includes approximately 151 developed acres of single-family residential development (573 lots). As of October 1, 2018, the District contained 292 single-family homes completed and occupied, 13 single-family homes completed and not occupied, 51 single-family homes in various stages of construction and 217 vacant developed lots.  Homebuilding in the District is currently being conducted by the following homebuilders: Darling Homes, Grace Point Homes, Partners in Building, Sitterle Homes and Meritage Homes. New homes in the District range in price from approximately \$420,000 to in excess of \$1,500,000.

In addition to the single family development described above, the District contains approximately 27 acres of baseball stadium facilities, the Fort Bend Children’s Discovery Center and the Sugar Land Heritage Museum and Visitor Center built upon approximately one acre, approximately 14 acres of multi-family development including Imperial Lofts (a 254-unit apartment complex, 87% occupied) and the Overture at Imperial (a 200-unit apartment complex, 31% occupied), approximately 2 acres of commercial development upon which a Raceway gas station/convenience store has been constructed, and an approximately 11-acre tract served with utilities, upon which no taxable improvements have been constructed to date, are located within the District. In addition, a portion of the Nalco Champion corporate offices and parking area, encompassing approximately 18 acres, are located within the District.

The District also contains approximately 148 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 46 acres have been developed as 45,000 feet of walking trails, parks and open spaces, and approximately 328 acres of land are undevelopable and contained in drainage easements, right of way, District plant sites, detention areas and drill sites. See “THE DISTRICT—Status of Development” and “THE DEVELOPERS AND MAJOR LANDOWNERS.”

*Hurricane Harvey*.....The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the City, there was no interruption in water and sewer service or material damage to the City facilities serving the District as a result of the storm, and the Developers have reported there was no structural flooding or material damage to homes or businesses within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

*The TIRZ*.....By Ordinance No. 1667, dated December 18, 2007, the City created Reinvestment Zone Number Three, City of Sugar Land (the “TIRZ”) and adopted the Final Project Plan and Reinvestment Zone Financing Plan (the “TIRZ Plan”) for a term of thirty years. By Ordinances No. 1888, dated February 5, 2013, and No. 2064, dated August 16, 2016 (all ordinances collectively referred to as the “TIRZ Ordinances”), the City extended the term of the TIRZ to 2042 and amended the TIRZ Plan. The TIRZ covers approximately 839.4 acres, consisting of all the acreage in the District and some additional non-taxable right-of-way property. The TIRZ is intended to facilitate a program of public improvements to allow the District to be developed as a planned mixed use community with single family residential, a hotel/conference center, recreational facilities, a sports stadium, museums and other arts and entertainment venues, with associated parking, related water, sewer, drainage and road infrastructure, and the preservation and/or reuse of certain historic structures at the Imperial Sugar Company site.

The City and Fort Bend County (the “County”) have agreed to deposit to a special tax increment fund established by the City (the “Tax Increment Fund”) a portion of their tax collections arising from property within the TIRZ. The District has entered into a contract with the board of directors of the TIRZ and the governing body of the City that provides for the District to assist in implementing the TIRZ Plan. Under the contract, the District issues bonds payable from amounts it receives from the City from the Tax Increment Fund (the “Contract Revenue Bonds”) and uses proceeds of the Contract Revenue Bonds to finance certain components of the TIRZ Plan, with the remaining components of the Plan being financed through proceeds of the District’s unlimited tax bonds. The Bonds are not payable from the amounts received from the Tax Increment Fund.

The District issued its first series of Contract Revenue Bonds in the amount of \$4,980,000 on October 27, 2016 (the “Outstanding Contract Revenue Bonds”), of which \$4,845,000 principal amount remains outstanding. The Outstanding Contract Revenue Bonds are payable solely from the amounts the District receives from the City from the Tax Increment Fund, and owners of the Outstanding Contract Revenue Bonds do not have any right, claim or interest to any amounts derived from the levy of taxes by the District. The Bonds are not payable from the amounts received from the Tax Increment Fund. See “Redevelopment Agreement with the City of Sugar Land,” and “TAX INCREMENT REINVESTMENT ZONE.”

*The Developers and Major  
Landowners* .....

The majority of the land in Imperial is owned by Cherokee Sugar Land, L.P. (“Cherokee”), a Delaware limited partnership, and the General Land Office on behalf of the State of Texas for the benefit of the Permanent School Fund (the “GLO”) (Cherokee and GLO collectively, referred to as the “Landowners”). Cherokee was formed for the sole purpose of owning and developing the 746 acres of land in the District. Imperial Johnson LLC (“Imperial Johnson”), an affiliate of the Johnson Development Corporation, is the Development Manager for the Landowners. Imperial Johnson is referred to herein as the “Development Manager.”

In 2014, Meritage Homes of Texas LLC, an Arizona limited liability company (“Meritage”) purchased 127 acres from the Landowners to develop such acreage as single-family lots. Meritage began developing such acreage as Crown Garden at Imperial in 2015. Meritage is also a homebuilder in Crown Garden at Imperial. Meritage does not own any undeveloped land in the District.

In 2012, Sueba Development 122 LP, a Texas limited partnership (“Sueba”) purchased 8.5 acres from the Landowners to develop such acreage as a multi-family apartment complex, Imperial Lofts. Sueba has completed construction of Imperial Lofts, and, in January 2018, Sueba sold Imperial Lofts to an unaffiliated third party. In 2016, an affiliate of Sueba purchased approximately 4 acres in “Imperial Market” from Imperial Market Development, LLC, which has not been developed at this time.

Approximately 25 acres of land in the District which is planned for development as Imperial Market, a mixed-use development that incorporates the historic structures of the former Imperial Sugar Company refinery. The Fort Bend Children’s Discovery Center and the Sugar Land Heritage Museum have been constructed on approximately one acre of such land. SLP-90A Ltd., a Texas limited partnership is the owner of approximately 20 acres.

Cherokee, Meritage, and Sueba are collectively referred to herein as the “Developers.” See “THE DEVELOPERS AND MAJOR LANDOWNERS.”

## **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**

2018 Taxable Assessed Valuation .....	\$222,286,764(a)
Estimated Taxable Assessed Valuation as of September 1, 2018 .....	\$247,160,404(b)
Gross Debt Outstanding (after the issuance of the Bonds) .....	\$24,400,000 (c)
Estimated Overlapping Debt .....	<u>12,670,370(d)</u>
Gross Debt and Estimated Overlapping Debt .....	\$37,070,370(d)
Ratios of Gross Debt to:	
2018 Taxable Assessed Valuation .....	10.98%
Estimated Taxable Assessed Valuation as of September 1, 2018 .....	9.87%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2018 Taxable Assessed Valuation .....	16.68%
Estimated Taxable Assessed Valuation as of September 1, 2018 .....	15.00%
2018 Tax Rate:	
Debt Service.....	\$0.83
Maintenance and Operations.....	<u>0.27</u>
Total .....	\$1.10/\$100 A.V.
Average percentage of total tax collections (2013-2017) .....	99.99%
Maximum Annual Debt Service Requirements (2020) of the Outstanding Unlimited Tax Bonds and the Bonds ("Maximum Annual Requirement") .....	\$1,550,275 (e)
Average Annual Debt Service Requirements (2019-2044) of the Outstanding Unlimited Tax Bonds and the Bonds ("Average Annual Requirement") .....	\$1,399,393 (e)
Tax rate required to pay Maximum Annual Requirement based upon:	
2018 Taxable Assessed Valuation at a 95% collection rate .....	\$0.74/\$100 A.V. (f)
Estimated Taxable Assessed Valuation as of September 1, 2018 at a 95% collection rate .....	\$0.67/\$100 A.V. (f)
Tax rate required to pay Average Annual Requirement based upon:	
2018 Taxable Assessed Valuation at a 95% collection rate .....	\$0.67/\$100 A.V. (f)
Estimated Taxable Assessed Valuation as of September 1, 2018 at a 95% collection rate .....	\$0.60/\$100 A.V. (f)
Connection Count as of October 1, 2018 (g):	
Single-family residential – completed and occupied .....	292
Single-family residential – completed and unoccupied .....	13
Single-family residential – under construction.....	51
Single-family residential – vacant developed lots .....	217
Multi-Family (454 units) .....	2
Area of District — 746 acres	
Estimated 2018 population — 1,930 (h)	

(a) The Fort Bend Central Appraisal District (the "Appraisal District") has certified \$221,518,122 as of January 1, 2018. According to the Appraisal District, there are properties remaining uncertified totaling \$768,642. The above listed contains the certified and uncertified value. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on September 1, 2018. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."

(c) Excludes the District's Contract Revenue Bonds payable solely from amounts received from the City's Tax Increment Fund. See "TAX INCREMENT REINVESTMENT ZONE."

(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

(e) See "DEBT SERVICE REQUIREMENTS."

(f) See "TAX DATA—Tax Adequacy for Debt Service."

(g) See "THE DISTRICT—Status of Development."

(h) Estimate based on 3.5 persons per occupied single-family connection and 2 persons per multi-family unit.

## OFFICIAL STATEMENT

**\$4,000,000**

### IMPERIAL REDEVELOPMENT DISTRICT

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

### UNLIMITED TAX PARK BONDS SERIES 2018

This Official Statement provides certain information in connection with the issuance by Imperial Redevelopment District (the "District") of its \$4,000,000 Unlimited Tax Park Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to an election held within the District, Article XVI, Section 59 of the Texas Constitution, Chapter 8150 of the Special District Local Laws, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws 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 the Developers. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

## THE BONDS

### **General**

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

The Bonds will be dated and accrue interest from December 1, 2018, and are payable on each May 1 and November 1 commencing May 1, 2019 (five months of interest), until the earlier of maturity or prior redemption. The Bonds mature on May 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

### **Authority for Issuance**

At a bond election held within the District on November 8, 2011, the voters of the District authorized the issuance of a total of \$83,167,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. The Bonds are being issued pursuant to such authorization. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 8150 of the Special District Local Laws, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws 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.

### **Source of and Security for Payment**

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

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



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

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company NA, 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 April 15 or October 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.

### **Funds**

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

The District also maintains a Road Debt Service Fund and a Pledged TIRZ Revenue Fund that are not pledged to the Bonds. Funds in the Road Debt Service Fund and the Pledged TIRZ Revenue Fund are not available to pay principal and interest on the Bonds.

Accrued interest on the Bonds shall be deposited into the Water, Sewer and Drainage and Park Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund to pay costs of acquiring or constructing District park facilities and to pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

### **No Arbitrage**

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

### **Record Date**

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

## **Redemption Provisions**

*Mandatory Redemption:* The Bonds maturing on May 1, 2032, 2034, 2036, 2038, 2040, 2042, and 2044 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on May 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

<b>\$300,000 Term Bonds</b>		<b>\$325,000 Term Bonds</b>		<b>\$355,000 Term Bonds</b>		<b>\$385,000 Term Bonds</b>	
<b>Due May 1, 2032</b>		<b>Due May 1, 2034</b>		<b>Due May 1, 2036</b>		<b>Due May 1, 2038</b>	
<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>
<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>
2031	\$ 145,000	2033	\$ 160,000	2035	\$ 175,000	2037	\$ 190,000
2032 (maturity)	155,000	2034 (maturity)	165,000	2036 (maturity)	180,000	2038 (maturity)	195,000

<b>\$420,000 Term Bonds</b>		<b>\$455,000 Term Bonds</b>		<b>\$490,000 Term Bonds</b>	
<b>Due May 1, 2040</b>		<b>Due May 1, 2042</b>		<b>Due May 1, 2044</b>	
<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>
<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>	<b>Redemption Date</b>	<b>Amount</b>
2039	\$ 205,000	2041	\$ 225,000	2043	\$ 240,000
2040 (maturity)	215,000	2042 (maturity)	230,000	2044 (maturity)	250,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.”

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

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

## **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

## **Replacement of Paying Agent/Registrar**

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

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

In the event the Book-Entry-Only System is 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, stolen or destroyed, 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 bond. 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**

After issuance of the Bonds, the District will have \$79,167,000 principal amount of unlimited tax bonds for acquiring or constructing recreational facilities and refunding of recreational facilities bonds, \$177,045,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of water, sanitary sewer and drainage facilities bonds, \$239,765,000 principal amount of unlimited tax bonds authorized but unissued for road facilities, including improvements in aid thereof, and refunding of road facility bonds, \$138,600,000 principal amount of unlimited tax bonds for parking facilities and refunding of parking facilities bonds, and \$51,200,000 principal amount of unlimited tax bonds for economic development and refunding of economic development bonds. Under current law, the District does not have the legal authority to issue bonds payable from ad valorem taxes for parking facilities or economic development; but may issue Contract Revenue Bonds, as described herein, for such purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District has submitted a bond application for unlimited tax bonds for acquiring or constructing water, sanitary sewer and drainage facilities in the approximate amount of \$5,645,000 with the TCEQ which is expected to be approved and issued in early 2019.

Issuance of additional unlimited tax bonds could dilute the investment security for the Bonds.

The District has issued \$4,980,000 principal amount of Contract Revenue Bonds, of which \$4,845,000 principal amount is outstanding, and which is payable solely from amounts received from the City's Tax Increment Fund. Owners of the Contract Revenue Bonds do not have any right, claim or interest to any amounts derived from the levy of taxes by the District. See "TAX INCREMENT REINVESTMENT ZONE."

### **Dissolution**

Under Texas law, the District may be abolished and dissolved by the City without the District's consent. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to dissolution by the City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City to sell bonds of the City in an amount necessary to discharge such obligations. Dissolution of the District by the City is a policymaking matter within the discretion of the Mayor and the City Council of the City, 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 to make debt service payments should dissolution occur.

### **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. 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 or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

## BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so 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, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

## **THE DISTRICT**

### **General**

Imperial Redevelopment District (the "District") is a municipal utility district created under Article XVI, Section 59 of the Texas Constitution by House Bill 3554, as passed by the 79<sup>th</sup> Texas Legislature on June 18, 2005, and operates in accordance with the Special District Local Laws Code, Chapter 8150, and the Texas Water Code, Chapters 49 and 54 and other general statutes applicable to municipal utility districts. The District is located wholly within the corporate boundaries of the City of Sugar Land, Texas.

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 is also empowered to construct thoroughfare, arterial and collector roads and improvements in aid thereof and to establish parks and recreational facilities, including sports and community venues. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. See "REDEVELOPMENT AGREEMENT WITH CITY OF SUGAR LAND." The District also has the purposes specified in Article III, Sections 52 and 52-a and Article VIII, Section 1-g of the Texas Constitution, and may purchase, construct, operate and maintain public improvements authorized for a tax increment reinvestment zone and a municipal management district and may provide for the creation of programs and the making of loans and grants of public money for the public purposes of development and diversification of the State's economy, the elimination of unemployment and underemployment, or the development or expansion of transportation or commerce.

The Commission exercises continuing supervisory jurisdiction over the District only for the water, wastewater and drainage projects. The District is required to observe certain requirements of the City of Sugar Land, Texas which, along with Texas law, limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain public facilities to be designed in accordance with applicable City standards. Construction and operation of the District's facilities are subject to the regulatory jurisdiction of additional government agencies. See "WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM."

### **Location of District**

The District presently contains approximately 746 acres of land and is located in eastern Fort Bend County approximately 30 miles southwest of downtown Houston, Texas. Access to the District is provided via the State Highway 6 and US Highway 90A. Generally, the District is bordered on the south by US Highway 90A, on the west by State Highway 6 and on the north by Voss Road. The District lies within the corporate boundaries of the City of Sugar Land, Texas. See "AERIAL PHOTOGRAPH" herein.

**Land Use**

The District is being developed as Imperial, a mixed use community which is planned to include single-family and multi-family residential, retail, office and commercial development, and an Atlantic League baseball stadium known as Constellation Field which is the home of the Sugar Land Skeeters. Development of Imperial began in 2010. The District currently includes approximately 151 developed acres of single-family residential development (573 lots), approximately 27 acres of baseball stadium facilities, approximately 14 acres of multi-family development, approximately 14 acres of commercial development, approximately 18 acres of corporate office and parking, approximately 46 acres of trails, parks and open spaces, approximately 148 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, and approximately 328 acres which are undevelopable (ponds, drainage easements, right-of-ways, plant sites, detention areas and drill sites). The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate	
	<u>Acres</u>	<u>Lots</u>
<i>Single-Family Residential</i>		
Quiet Cove at Imperial.....	25	79
Silent Manor at Imperial (37 Patio Homes & 27 Townhomes).....	13	64
The Point at Imperial (Brownstones).....	4	35
Crown Garden at Imperial:		
Section 1A.....	12	42
Section 1B.....	22	63
Section 2A.....	11	49
Section 2B.....	22	70
Section 2C.....	14	49
Section 2D.....	19	62
Retreat at Imperial.....	9	60
Subtotal.....	151	573
<i>Constellation Field Ball Park</i> .....	27	---
<i>Multi-Family (454 units)</i> .....	14	---
<i>Commercial (a)</i> .....	14	---
<i>Industrial</i> .....	18	---
<i>Trails, Parks and Open Spaces</i> .....	46	---
<i>Future Development (b)</i> .....	148	---
<i>Non-Developable (c)</i> .....	<u>328</u>	<u>---</u>
	746	573

- (a) Includes the Children’s Discovery Center and Visitor Center on approximately 1 acre, a Raceway gas station on approximately 2 acres and an approximately 11-acre tract served with utilities upon which no taxable improvements have been constructed to date.
- (b) Includes approximately 25 acres in Imperial Market which is planned to be redeveloped.
- (c) Includes drainage easements, right-of-ways, District plant sites, detention areas, City of Sugar Land surface treatment plant and drill sites.

**Status of Development**

*Single-Family Residential:* Home construction in the District began in 2010, and as of October 1, 2018, the District contained 292 single-family homes completed and occupied, 13 single-family homes completed and not occupied, 51 single-family homes in various stages of construction and 217 vacant developed lots.

*Homebuilding:* Homebuilders actively conducting building programs within the District are: Darling Homes, Grace Point Homes, Partners in Building, Sitterle Homes and Meritage Homes. New homes in the District range in price from approximately \$420,000 to in excess of \$1,500,000.

*Multi-Family and Commercial/Industrial:* The District contains approximately 14 acres of multi-family development including Imperial Lofts (a 254-unit apartment complex) and the Overture at Imperial (200-unit apartment complex). The Children’s Discovery Center and Visitor Center on approximately 1 acre, a Raceway gas station/convenience store on approximately 2 acres and an approximately 11-acre tract served with utilities, upon which no taxable improvements have been constructed to date, are located within the District. In addition, a portion of the Nalco Champion corporate offices and parking area, encompassing approximately 18 acres, are located within the District.

No new residential development may occur in the 25 acres in Imperial Market until certain conditions of the Redevelopment Agreement are met. See “REDEVELOPMENT AGREEMENT WITH CITY OF SUGAR LAND.”

Community Facilities: The District contains approximately 27 acres of baseball stadium facilities which is Constellation Field, the home of the Sugar Land Skeeters Atlantic League baseball team, the Fort Bend Children's Discovery Center and the Sugar Land Heritage Museum and Visitor Center built upon approximately one acre. Recreation facilities in the District ultimately include approximately 45,000 feet of walking trails, parks and open spaces constructed around approximately 46 acres of lakes and Oyster Creek, which winds through the District.

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments, are located within one-half mile of the District along and adjacent to US Highway 90A and State Highway 6. Fire and police protection are provided by the City of Sugar Land. Children residing within the District attend schools within the Fort Bend Independent School District.

## **REDEVELOPMENT AGREEMENT WITH CITY OF SUGAR LAND**

The City and Cherokee Sugar Land, L.P. ("Cherokee") entered into a Redevelopment Agreement on June 26, 2007; the Development Manager (as development manager for Cherokee and the GLO, hereinafter defined), the City and the District entered into a First Amendment to the Redevelopment Agreement dated October 5, 2010; a Second Amendment to the Redevelopment Agreement dated January 28, 2014, and a Third Amendment to the Redevelopment Agreement dated May 3, 2016 (the Redevelopment Agreement and all amendments collectively referred to as the "Redevelopment Agreement"). Certain provisions of the Redevelopment Agreement have been assigned to Imperial Market Development, LLC, a Texas limited liability company. The current owner of the Imperial Market tract is SLP-90A, Ltd., the previous lender for the developer of the Imperial Market tract.

The Redevelopment Agreement was entered into to facilitate redevelopment of the property within the boundaries of the District, particularly the area described as the Imperial Market. The Imperial Market consists of a 26.7 acre tract which includes the Imperial Market, a planned mixed use development that will incorporate the historic structures of the former Imperial Sugar Company refinery. See THE DEVELOPERS AND MAJOR LANDOWNERS." The Redevelopment Agreement is effective until the expiration of the term of the TIRZ, which is 2042.

In order to effectuate such redevelopment the parties agreed to the following:

- The City consented to the creation of the District and approved the general land use plan.
- The City designated the Tax Increment Reinvestment Zone No. 3 (the "TIRZ") overlaying the District and agreed to participate in the TIRZ in an amount equal to fifty percent (50%) of ad valorem taxes and ½ of its two cents of sales and use taxes collected within the TIRZ.
- The Development Manager on behalf of the Landowners conveyed property to the City for construction of Constellation Field, an Atlantic League ball field within the District and the City contributed \$10,000,000 for public infrastructure and parking facilities to serve Constellation Field to be reimbursed from District bond proceeds.
- The District will pay and/or reimburse the City for the District's share of an extension of University Boulevard, a thoroughfare in the District, which share is estimated to be \$14.9 million (a portion of which has been paid from the Outstanding Tax Bonds and the Contract Revenue Bonds).
- The District must use the value generated in the Imperial Market to determine the feasibility of reimbursement to the developer of the Imperial Market only until such developer is fully reimbursed.
- The District may not issue bonds payable from TIRZ Revenues or ad valorem tax road bonds (with certain exceptions including payments to the City for University Boulevard and Constellation Field) until certain development thresholds are met by the developer of the Imperial Market.
- All proceeds of the District's bond issues (and other revenues that are available for reimbursement and not necessary for operation and maintenance of the District or debt service on District bonds) must be applied per the priorities described in the Redevelopment Agreement.
- The District may not use the value in the Imperial Market to determine the feasibility of reimbursement to any other developer in the District, except for the developer of the Imperial Market. The District must make a good faith effort to maximize TIRZ revenues to reimburse those projects that can only be reimbursed with TIRZ revenues (as opposed to ad valorem taxes).
- The District must use bond proceeds to make payments to the City by certain dates, assuming values exist in the District to feasibly issue such bonds.



- No residential development (including multi-family) may be built in the Imperial Market until the developer of the Imperial Market provides funding to construct certain public and private infrastructure.

Any major deviation from the terms of the Redevelopment Agreement by the Development Manager or the District may be considered a material breach of the Redevelopment Agreement and may adversely affect development in the District. In addition, the Redevelopment Agreement limits residential development (including multi-family developments) in Imperial Market and certain types of District bond issuances until the Imperial Market developer has provided funding and construction has started on certain public and private infrastructure to support non-residential development in Imperial Market, including renovations to the historical structures and a parking garage. To date, this has not occurred, and the District can give no assurance when and if such requirements will be met. Failure to meet these requirements may adversely affect development in the District.

## TAX INCREMENT REINVESTMENT ZONE

By Ordinance No. 1667, dated December 18, 2007, the City created the Reinvestment Zone Number Three, City of Sugar Land (the “TIRZ”) and adopted the Final Project Plan and Reinvestment Zone Financing Plan (the “TIRZ Plan”) for a term of thirty years. By Ordinances No. 1888, dated February 5, 2013, and No. 2064, dated August 16, 2016 (all ordinances collectively referred to as the “TIRZ Ordinances”), the City extended the term of the TIRZ to 2042 and amended the TIRZ Plan. The TIRZ covers approximately 839.4 acres, consisting of all the acreage in the District and some additional non-taxable right-of-way property. The TIRZ is intended to facilitate a program of public improvements to allow the development of a planned mixed use community within the District with single family residential, a hotel/conference center, recreational facilities, a sports stadium, museums and other arts and entertainment venues, land, associated parking, related water, sewer, drainage and road infrastructure, and the preservation and/or reuse of certain historic structures at the Imperial Sugar Company site (the “Project”).

The City and the County have agreed to deposit to a special tax increment fund established by the City (the “Tax Increment Fund”) the Tax Increment Payments (described herein) arising from the TIRZ. Pursuant to Chapter 311, Texas Tax Code, as amended, a taxing unit’s tax increment for a year (a “Tax Increment”) is the amount of property taxes levied by the unit for that year on the captured appraised value of real property taxable by the unit and located in a reinvestment zone. Captured appraised value is the total appraised value of all real property taxable in the unit and located in a reinvestment zone less the tax increment base of the unit. The tax increment base of a taxing unit (the “Tax Increment Base”) is the total appraised value of all real property taxable in the unit and located in a reinvestment zone for the year in which the zone was designated or as otherwise agreed. The sales tax increment is the amount of municipal sales and use taxes attributable to the reinvestment zone above the sales tax base. The sales tax base is the amount of municipal sales and use taxes attributable to the zone from the year in which the zone was designated.

Pursuant to the TIRZ Ordinances, the City’s Tax Increment is 50% of its real property taxes collected on the City’s taxable value within the TIRZ in excess of the City’s base taxable value as of January 1, 2007 which is \$5,602,490, and one-half cent of the City’s two-cent sales taxes actually collected within the Sales Tax Collection Area (as defined in the TIRZ Plan) in excess of the sales tax base. The latter is to be used only for certain parking facilities. The City and County entered into an Interlocal Agreement dated September 3, 2013 in which the County agreed to participate in the TIRZ. The County’s Tax Increment is 50% of all real property taxes collected on the County’s taxable value within the TIRZ in excess of the County’s base taxable value in the TIRZ which is \$11,762,870. The City, the TIRZ and the District have entered into an agreement dated August 16, 2016 (but effective December 18, 2007) to effectuate the TIRZ Plan (the “Tri-Party Agreement”) and distribute the Tax Increment Fund. **THE TAX INCREMENT PAYMENTS ARE NOT PLEDGED TO PAYMENT OF THE BONDS.**

Per the Tri-Party Agreement, the District shall use the Tax Increment Fund generated by the TIRZ to implement the TIRZ Plan. The Tri-Party Agreement authorizes the District to issue contract revenue bonds payable from TIRZ Revenues for eligible Projects in the TIRZ Plan. It is estimated that the Tax Increments will support approximately 24% of the total Project Costs of the TIRZ. It is intended that the balance of Project Costs will be paid for with proceeds of the District’s unlimited tax bonds, including the Bonds. See “INVESTMENT CONSIDERATIONS—Future Debt” and “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED.”

Certain TIRZ Projects may not be legally paid for at this time using District ad valorem tax revenues and may only be paid for using Tax Increment (particularly structured parking, demolition and remediation costs of the historic structures and economic development projects). The District has agreed in its Redevelopment Agreement with the City to structure its financings to maximize and ensure that Tax Increment will be used in a manner that will permit the maximum amount of the TIRZ Project costs that can only be legally reimbursed with Tax Increment Revenues to be reimbursed with those revenues

## MANAGEMENT

### **Board of Directors**

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are appointed by the City for four-year staggered terms. One of the Directors listed below resides within the District. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vacant	President	September 2022
Dennis Parmer	Vice President	September 2020
Tim Stubenrouch	Secretary	September 2022
James Thompson	Asst. Secretary	September 2020
Vacant	Asst. Vice President	September 2022

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

### **Tax Assessor/Collector**

Land and improvements within the District are appraised for ad valorem taxation purposes by Fort Bend Central Appraisal District. The District's contracts with Tax Tech, Inc. to serve as Tax Assessor/Collector.

### **Bookkeeper**

The District has engaged Myrtle Cruz, Inc. to serve as the District's bookkeeper.

### **System Operator**

The City operates the facilities serving the District.

### **Engineer**

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

### **Attorney**

The District engages Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

### **Co-Financial Advisors**

Masterson Advisors LLC and Post Oak Municipal Advisors LLC (collectively referred to as the "Financial Advisors") serve as co-financial advisors to the District. The fees to be paid the Financial Advisors 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 on the sale and delivery of the Bonds.

### **Disclosure Counsel**

The District has engaged McCall, Parkhurst & Horton, L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ending November 30, 2017 were audited by the independent account firm of McGrath & Co., PLLC. See "APPENDIX A" for a copy of the audited financial statement of the District as of November 30, 2017. The District has engaged McGrath & Co., PLLC to audit the District's financial statements for the fiscal year ending November 30, 2018.

## **THE DEVELOPERS AND MAJOR LANDOWNERS**

### **Role of a Developer**

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

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

### **Cherokee Sugar Land L.P. and General Land Office on behalf of the State of Texas for the benefit of the Permanent School Fund**

The majority of the undeveloped land in Imperial is owned by Cherokee Sugar Land, L.P. ("Cherokee"), a Delaware limited partnership and the General Land Office on behalf of the State of Texas for the benefit of the Permanent School Funds (the "GLO") (collectively, referred to as the "Landowners"). Cherokee was formed for the sole purpose of owning and developing the 746 acres of land in the District. Imperial Johnson, LLC acts as Development Manager for the Landowners. See "—Development Management" below.

### **Meritage Homes of Texas LLC**

In 2014, Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage") purchased 127 acres from the Landowners to develop such acreage as single-family lots. Meritage began developing such acreage as Crown Garden at Imperial in 2015. Meritage is also a homebuilder in Crown Garden at Imperial. Meritage does not own any undeveloped land in the District.

### **Sueba Development 122 LP**

In 2012, Sueba Development 122 LP, a Texas limited partnership ("Sueba") purchased 8.5 acres from the Landowners and developed such acreage as a multi-family apartment complex, Imperial Lofts. In January 2018, Sueba sold Imperial Lofts to an unaffiliated third party. In 2016, an affiliate of Sueba purchased approximately 4 acres in "Imperial Market" from Imperial Market Development, LLC, which has not been developed at this time. No new residential development may occur in Imperial Market until certain conditions of the Redevelopment Agreement are met. See "REDEVELOPMENT AGREEMENT WITH CITY OF SUGAR LAND."

### **Imperial Market**

Approximately 25 acres of land in the District which is planned for development as Imperial Market, a mixed-use development that incorporates the historic structures of the former Imperial Sugar Company refinery. To date, no development has occurred on this land except for approximately one acre on which the Fort Bend Children's Discovery Center and the Sugar Land Heritage Museum and Visitor Center have been constructed. SLP-90A, Ltd., a Texas limited partnership is the owner of approximately 20 acres. SLP-90A, Ltd. is the lender to the prior developer of the Imperial Market tract.

Cherokee, Meritage, and Sueba are collectively referred to herein as the "Developers."

## **Development Management**

Imperial Johnson LLC, an affiliate of the Johnson Development Corporation, is the Development Manager for the Landowners. Imperial Johnson is referred to herein as the “Development Manager.”

Larry D. Johnson, President of The Johnson Development Corp., has over 40 years of experience in real estate development. Mr. Johnson’s real estate activities include over 77 projects resulting in the development of nearly 40,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities and multi-family housing. In the Houston metropolitan area, Mr. Johnson has been involved in the development of Steeplechase, Sienna Plantation, Silverlake, Fall Creek, Tuscan Lakes, Riverstone, Cross Creek Ranch, Woodforest, Edgewater, Harmony, Harvest Green, Grant Central Park, Jordan Ranch, Veranda and Willow Creek Farms.

The District cautions that the development experience of the Developers and The Johnson Development Corp. may not have been gained in similar markets and under similar circumstances than exist today, and such prior success is no guarantee that the Developers will be successful in the development of land in the District.

## **ROAD SYSTEM**

Two major thoroughfares, Imperial Boulevard and Stadium Drive (an extension of University Boulevard), currently exist within the District’s boundaries. Both roadways are included on the City’s and/or Fort Bend County’s thoroughfare plan. Imperial Boulevard and Stadium Drive have been accepted for ownership, operation, and maintenance by the City.

All roadways are designed and constructed in accordance with Fort Bend County and City of Sugar Land, Texas standards, rules and regulations. Upon acceptance by the City or the Texas Department of Transportation Commission (“TxDOT”), as applicable, of roadways or roadway facilities, the City or TxDOT, as applicable, is responsible for operation and maintenance thereof.

These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer and drainage facilities are located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone and cable).

## **PARK SYSTEM**

Park and recreational improvements include approximately 46 acres within the District that have been developed as 45,000 feet of walking trails, parks and open spaces to serve the development within the District. Bond proceeds will be used to reimburse the Developers for expenditures related to such improvements. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

## **UTILITY AGREEMENT WITH CITY OF SUGAR LAND**

All land in the District is located within the corporate limits of the City of Sugar Land. The City of Sugar Land and Cherokee Sugar Land, L.P. (on behalf of the District) have entered into the Utility Agreement, dated June 26, 2007, 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 Utility Agreement has been assigned by Cherokee to the District. 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 District will sell bonds to provide for the construction of the System.

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 of Sugar Land’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 Commission, and Commission approval and the ability of the District to sell bonds.

During the term of the Utility Agreement, the City is required to supply the District all of its requirements for water supply and wastewater treatment capacities as described in the TIRZ Plan. The Utility Agreement further requires the Developers or District to pay the City of Sugar Land a capital recovery charge (the “City Connection Charge”) to purchase water supply and wastewater treatment capacity in the City of Sugar Land’s existing system. The City Connection Charge is set by the City of Sugar Land and may be amended without the District’s consent at any time. See “WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM.”

## WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM

### Regulation

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

### Water Supply and Wastewater Treatment

District residents receive water and wastewater treatment service from the City of Sugar Land pursuant to a Utility Agreement between the District and the City of Sugar Land. As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend 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 of Sugar Land. The City of Sugar Land then operates and maintains the System, and is responsible for establishing water and sewer rates and billing and collecting for such services.

### Drainage System

Platted subdivisions within Imperial Redevelopment District are served with curb and gutter streets and underground storm sewers. Pavement is designed and constructed with "stair stepped" sump inlets and paving elevations generally descend to a low point in the subdivision where the inlets and storm sewer system has been designed to accommodate the anticipated 100-year storm event. Storm sewers upstream from this extreme event storm sewer system are designed to accommodate the anticipated 2-year storm event. Drainage facilities were designed in accordance with the City of Sugar Land minimum design criteria. Six manmade detention ponds have been constructed to detain runoff from inside the District. These ponds outfall to Oyster Creek, a tributary of the Brazos River.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local-regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 400 acres of land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map dated April 2, 2014. Fill has been placed on a majority of the land in the flood plain, including the lots in Quiet Cove, Silent Manor and Crown Garden subdivisions, to remove such land from the flood plain. By five Letters of Map Revision for Fill ("LOMR-F") dated November 19, 2013, November 25, 2014, April 6, 2015, December 30, 2015 and August 18, 2017 and a Letter of Final Determination for the Letter of Map Revision ("LOMR") dated April 29, 2016, approximately 179 acres have been removed from the 100-year flood plain designation. Currently, the District has approximately 221 acres of land in the floodplain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

## USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds from the sale of the Bonds will be used to pay for the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds. The estimated use and distribution of Bond proceeds is shown below. The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$2,894,215 is estimated for construction costs, and \$1,105,785 is estimated for nonconstruction costs as detailed below:

### CONSTRUCTION COSTS

Clearing and Grubbing Associated with Amenity Lakes.....	\$	208,815
Phase 1 Detention Ponds/Amenity Lakes.....		660,147
Imperial Boulevard and Stadium Drive Street, Landscaping and Signage Improvements Phase 1.....		495,738
State Highway 6 Clearing, Grubbing for Amenity Lakes and Drainage Improvements.....		180,999
Imperial Main Entry Landscaping and Signage.....		817,980
Imperial Main Entry Electrical Relocation Service.....		6,594
Geotechnical Survey.....		473,815
Storm Water Pollution Prevention.....		50,127
		50,127

**Total Construction Costs** **\$ 2,894,215**

### NON-CONSTRUCTION COSTS

Legal Fees.....	\$	115,000
Financial Advisory Fees.....		80,000
Developer Interest (estimated).....		705,474
Bond Discount.....		120,000
Bond Issuance Expenses.....		48,811
Developer Reimbursement Audit.....		7,500
Engineering Fee.....		25,000
Attorney General Fee.....		4,000
		4,000

**Total Non-Construction Costs** **\$ 1,105,785**

**TOTAL BOND ISSUE** **\$ 4,000,000**

## UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/08/2011	Water, Sanitary Sewer and Drainage (“WS&D”) and Refunding	\$185,600,000	\$8,555,000	\$177,045,000
11/08/2011	Roads and Refunding	\$211,900,000	\$12,135,000	\$199,765,000(a)
11/08/2011	Recreational and Refunding	\$83,167,000	\$4,000,000*	\$79,167,000
11/08/2011	Parking and Refunding (b)	\$138,600,000	\$-0-	\$138,600,000
11/08/2011	Economic Development and Refunding (a)	\$51,200,000	\$-0-	\$51,200,000

- \* Includes the Bonds.
- (a) The Attorney General’s office has taken the position that Texas law does not permit the District to issue road bonds for parking facilities payable from taxes and therefore has decreased the District’s road bond authorization accordingly.
- (b) Current law does not authorize the District to issue unlimited tax bonds for parking facilities or economic development purposes. See “THE BONDS—Issuance of Additional Debt.”

## FINANCIAL STATEMENT

2018 Taxable Assessed Valuation .....	\$222,286,764 (a)
Estimated Taxable Assessed Valuation as of September 1, 2018 .....	\$247,160,404 (b)
Gross Debt Outstanding (after the issuance of the Bonds) .....	\$24,400,000
Ratios of Gross Debt to:	
2018 Taxable Assessed Valuation .....	10.98%
Estimated Taxable Assessed Valuation as of September 1, 2018 .....	9.87%

Estimated 2018 Population — 1,930 (c)

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$221,518,122 as of January 1, 2018. According to the Appraisal District, there are properties remaining uncertified totaling \$768,642. The above listed contains the certified and See “TAX PROCEDURES.”
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on September 1, 2018. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See “TAX PROCEDURES.”
- (c) Estimate based on 3.5 persons per occupied single-family connection and 2 persons per multi-family unit.

### **Cash and Investment Balances** (unaudited as of October 18, 2018)

General Fund	Cash and Temporary Investments	\$1,072,128
Water, Sewer and Drainage Capital Projects Fund	Cash and Temporary Investments	\$41
Water, Sewer and Drainage Debt Service Fund	Cash and Temporary Investments	\$123,354 (a)
Road Capital Projects Fund	Cash and Temporary Investments	\$243,311
Road Debt Service Fund	Cash and Temporary Investments	\$480,880 (a)
TIRZ Revenue Fund	Cash and Temporary Investments	\$563,417 (b)
TIRZ Capital Projects Fund	Cash and Temporary Investments	\$56,184

- (a) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Funds. Although all of the District’s debt, including the Outstanding Unlimited Tax Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District’s ad valorem tax revenue will be allocated to bonds sold for road facilities (the “Road Bonds”), and a pro rata portion will be allocated to bonds sold for water, sewer and drainage facilities including the Bonds (the “Water, Sewer and Drainage Bonds”). See “FINANCIAL STATEMENT—Outstanding Bonds.” The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage and Park Bonds and the Water, Sewer and Drainage and Park Debt Service Fund is not pledged to the Road Bonds
- (b) The Contract Revenue Bonds are payable solely from funds in the City’s Tax Increment Fund transferred to the District. They are not payable from ad valorem taxes levied by the District and their issuance does not affect the source of payment of the Bonds or the Outstanding Unlimited Tax Bonds.

### **Outstanding Unlimited Tax Bonds** (as of October 1, 2018)

Series	Original Principal Amount	Outstanding Bonds (as of 10/1/18)
2016	\$ 12,135,000	\$ 11,845,000
2017	2,500,000	2,500,000
2018	6,055,000	6,055,000
Total	\$ 20,690,000	\$ 20,400,000

In addition, the District has issued \$4,980,000 principal amount of Contract Revenue Bonds, of which \$4,845,000 principal amount is currently outstanding, and which are payable solely from amounts received from the City’s Tax Increment Fund. Owners of the Contract Revenue Bonds do not have any right, claim or interest to any amounts derived from the levy of taxes by the District. See “TAX INCREMENT REINVESTMENT ZONE.”

## ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 593,940,527	9/30/2018	0.33%	\$ 1,960,004
Fort Bend County ISD.....	1,000,633,767	9/30/2018	0.63%	6,303,993
City of Sugar Land.....	319,302,426	9/30/2018	1.38%	4,406,373
Total Estimated Overlapping Debt.....				\$ 12,670,370
The District.....	24,400,000 (a)	Current	100.00%	24,400,000
Total Direct and Estimated Overlapping Debt.....				\$ 37,070,370
Ratio of Estimated Direct and Overlapping Debt to 2018 Taxable Assessed Valuation.....				16.68%
Ratio of Estimated Direct and Overlapping Debt to Estimated Taxable Assessed Valuation as of 9/1/18.....				15.00%

(a) Includes the Outstanding Unlimited Tax Bonds and the Bonds but does not include the Contract Revenue Bonds.

### Overlapping Tax Rates for 2018

	2018 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (including Drainage District).....	0.464000
Fort Bend County ISD.....	1.320000
City of Sugar Land.....	0.317620
Total Overlapping Tax Rate.....	\$ 2.101620
The District.....	1.100000
Total Tax Rate.....	\$ 3.201620



## TAX DATA

### Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2018 (a)	
				Amount	Percent
2013	\$ 11,833,961	\$ 1.100	\$ 130,174	\$ 130,174	100.00%
2014	24,908,666	1.100	273,995	273,995	100.00%
2015	54,224,714	1.100	596,472	596,472	100.00%
2016	100,680,868	1.100	1,107,490	1,107,490	100.00%
2017	184,834,838	1.100	2,033,183	2,033,012	99.99%
2018	221,518,122	1.100	2,436,699	(b)	(b)

(a) Unaudited.

(b) In process of collection. 2018 taxes are due January 31, 2019.

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. No split payments are allowed, and no discounts are allowed.

### Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.830	\$ 0.550	\$ 0.550	\$ -	\$ -
Maintenance and Operations	0.270	0.550	0.550	1.100	1.100
Total	\$ 1.100	\$ 1.100	\$ 1.100	\$ 1.100	\$ 1.100

### Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance and Operations: \$1.50 per \$100 of taxable assessed valuation.

Maintenance and Operations for Roads: \$0.25 per \$100 of taxable assessed valuation.

### Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2018 in the amount of \$0.83 per \$100 of taxable assessed valuation.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 8, 2011, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. In addition, on November 8, 2011, the Board was authorized to also levy a maintenance tax for operation and maintenance of roads in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such maintenance taxes are in addition to taxes which the District is authorized to levy for paying principal of and interest on the District's bonds. For the 2018 tax year, the District levied a tax for maintenance and operations in the amount of \$0.27 per \$100 assessed valuation. The District has not levied a tax for road maintenance.

### Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2018, the District granted a \$40,000 homestead exemption for persons over 65 or disabled and a 7.50% (but not less than \$5,000) homestead exemption.

### Additional Penalties

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

### Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the certified portion (\$221,518,122) of the 2018 Taxable Assessed Valuation of \$222,286,764. This represents ownership as of January 1, 2018. Principal taxpayer lists related to the uncertified portion (\$768,642) of the 2018 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2018, of \$247,160,404, are not available from the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018 Certified Taxable Assessed Valuation</u>	<u>% of 2018 Certified Taxable Assessed Valuation</u>
Imperial Lofts LLC	Land & Improvements	\$ 25,115,010	11.34%
CRP-GREP Overture SugarLand Owner LP	Land & Improvements	20,589,440	9.29%
Nalco Company	Land & Improvements	11,009,685	4.97%
Meritage Homes of Texas LLC (a)	Land & Improvements	9,959,720	4.50%
Partners in Building LP	Land & Improvements	3,827,540	1.73%
Cherokee Sugar Land LP (a)	Land	3,770,660	1.70%
Gracepoint Holding Company LLC	Land & Improvements	2,003,490	0.90%
Mountainprize Inc.	Land & Improvements	1,638,690	0.74%
Individual	Land & Improvements	1,333,790	0.60%
Individual	Land & Improvements	1,303,380	0.59%
Total		<u>\$ 80,551,405</u>	<u>36.36%</u>

(a) See "THE DEVELOPERS AND MAJOR LANDOWNERS."

### Summary of Assessed Valuation

The following summary of the 2018, 2017 and 2016 Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2018, 2017 and 2016 tax rolls of the District. Differences in totals may vary slightly from other information herein due to differences in dates of data. Breakdowns related to the uncertified portion (\$768,642) of the 2018 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2018, of \$247,160,404, are not available from the Appraisal District

	<u>2018 Taxable Valuation</u>	<u>2017 Taxable Valuation</u>	<u>2016 Taxable Valuation</u>
Land	\$ 77,726,450	\$ 68,185,450	\$ 50,483,430
Improvements	165,184,951	131,255,140	60,972,680
Personal Property	1,814,195	1,885,368	775,289
Exemptions	<u>(23,207,474)</u>	<u>(16,491,120)</u>	<u>(11,550,531)</u>
Total Certified	\$ 221,518,122	\$ 184,834,838	\$ 100,680,868
Uncertified Value	768,642	-	-
Total	<u>\$ 222,286,764</u>	<u>\$ 184,834,838</u>	<u>\$ 100,680,868</u>

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Taxable Assessed Valuation or Estimated Taxable Assessed Valuation as of September 1, 2018, no use of available funds, and utilize tax rates necessary to pay the District's average annual debt service requirements and the maximum annual debt service requirements on the Outstanding Unlimited Tax Bonds and the Bonds.

Average annual debt service requirement (2019-2044) .....	\$1,399,393
\$0.67 tax rate on the 2018 Taxable Assessed Valuation of \$222,286,764 at a 95% collection rate produces .....	\$1,414,855
\$0.60 tax rate on the Estimated Taxable Assessed Valuation as of September 1, 2018 of \$247,160,404 at a 95% collection rate produces .....	\$1,408,814
Maximum annual debt service requirement (2020) .....	\$1,550,275
\$0.74 tax rate on the 2018 Taxable Assessed Valuation of \$222,286,764 at a 95% collection rate produces .....	\$1,562,676
\$0.67 tax rate on the Estimated Taxable Assessed Valuation as of September 1, 2018 of \$247,160,404 at a 95% collection rate produces .....	\$1,573,176

No representation or suggestion is made that the estimates of values of land and improvements provided by the Appraisal District as of September 1, 2018 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

**TAX PROCEDURES**

**Authority to Levy Taxes**

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

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; 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 approves 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 was 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 a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also 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 of the surviving 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%) 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. In 2018, the District granted an exemption of 7.50% (but not less than \$5,000) on residential homesteads. See "TAX DATA."

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

### **Tax Abatement**

The City of Sugar Land, Texas has designated all of the area within the District as a reinvestment zone. Fort Bend County, the District, and the City of Sugar Land, Texas, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Pursuant to the terms of the Tri-Party Agreement between the City, TIRZ and the District, absent written consent of the District, the City will not grant tax abatements that reduce the amount of the City's Tax Increment; however, the City may grant tax incentives using ad valorem taxes or sales tax revenues that are not part of the Tax Increment to be collected by the TIRZ.

## **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.

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

## **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. 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 for payment of tax, penalties and interest, 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 monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency 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 tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, the debt service tax rate cannot be changed by a rollback election.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2018." 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."

## GENERAL FUND

### Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. The City operates the water and sewer system that serves the District, so the District collects no net revenues from operating a system. Such summary is based upon information obtained from the District's audited financial statements for fiscal years November 30, 2014 through 2017, and an unaudited summary for the nine-month period ending August 31, 2018 prepared by the District's Bookkeeper. Reference is made to such statements and records for further and more complete information.

	12/1/17 to 8/31/18 (a)	Fiscal Year Ended November 30			
		2017	2016	2015	2014
<b>Revenues</b>					
Property Taxes	\$ 934,470	\$ 554,466	\$ 591,188	\$ 274,084	\$ 130,356
Penalties and Interest	-	-	-	137	-
Investment Earnings	935	636	323	129	-
Intergovernmental Contribution	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 935,405</b>	<b>\$ 555,102</b>	<b>\$ 591,511</b>	<b>\$ 274,350</b>	<b>\$ 130,356</b>
<b>Expenditures</b>					
Professional Fees	\$ 209,815	\$ 317,943	\$ 257,007	\$ 155,442	\$ 128,891
Contracted Services	13,069	17,438	10,459	18,990	17,669
Repairs and Maintenance	-	8,650	-	-	-
Utilities	44,828	48,746	65,971	65,131	48,918
Administrative	21,764	27,618	23,270	17,731	20,545
Other	2,064	12,955	945	597	1,030
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 291,540</b>	<b>\$ 433,350</b>	<b>\$ 357,652</b>	<b>\$ 257,891</b>	<b>\$ 217,053</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ 643,865</b>	<b>\$ 121,752</b>	<b>\$ 233,859</b>	<b>\$ 16,459</b>	<b>\$ (86,697)</b>
<b>Other Sources</b>					
Internal Transfers	\$ 101,924	\$ 15,000	\$ 3,000	\$ -	\$ -
Developer Advances	-	-	-	-	83,000
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 396,770</b>	<b>\$ 260,018</b>	<b>\$ 23,159</b>	<b>\$ 6,700</b>	<b>\$ 10,397</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 1,142,559</b>	<b>\$ 396,770</b>	<b>\$ 260,018</b>	<b>\$ 23,159</b>	<b>\$ 6,700</b>

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

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Unlimited Tax Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2019	\$ 1,284,563		\$ 157,008	\$ 157,008	\$ 1,441,570
2020	1,286,844	\$ 95,000	168,431	263,431	1,550,275
2021	1,283,375	95,000	162,731	257,731	1,541,106
2022	1,284,219	100,000	156,881	256,881	1,541,100
2023	1,262,756	105,000	150,731	255,731	1,518,488
2024	1,260,981	110,000	144,281	254,281	1,515,263
2025	1,260,431	115,000	138,681	253,681	1,514,113
2026	1,264,006	120,000	133,981	253,981	1,517,988
2027	1,266,731	125,000	129,081	254,081	1,520,813
2028	1,263,731	130,000	123,981	253,981	1,517,713
2029	1,264,688	135,000	118,681	253,681	1,518,369
2030	1,269,125	140,000	113,181	253,181	1,522,306
2031	1,266,503	145,000	107,481	252,481	1,518,984
2032	1,266,741	155,000	101,481	256,481	1,523,222
2033	1,265,550	160,000	95,181	255,181	1,520,731
2034	1,263,094	165,000	88,681	253,681	1,516,775
2035	1,258,984	175,000	81,881	256,881	1,515,866
2036	1,258,272	180,000	74,781	254,781	1,513,053
2037	1,251,325	190,000	67,381	257,381	1,508,706
2038	1,248,081	195,000	59,681	254,681	1,502,763
2039	1,248,359	205,000	51,681	256,681	1,505,041
2040	1,242,106	215,000	43,281	258,281	1,500,388
2041	1,239,319	225,000	34,341	259,341	1,498,659
2042	444,672	230,000	24,956	254,956	699,628
2043	330,891	240,000	15,263	255,263	586,153
2044	-	250,000	5,156	255,156	255,156
<b>Total</b>	<b>\$ 29,835,347</b>	<b>\$ 4,000,000</b>	<b>\$ 2,548,880</b>	<b>\$ 6,548,880</b>	<b>\$ 36,384,227</b>

Average Annual Debt Service Requirements (2019-2044).....\$1,399,393  
 Maximum Annual Debt Service Requirements (2020) .....\$1,550,275



## INVESTMENT CONSIDERATIONS

### **General**

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

### **Recent Extreme Weather Events; Hurricane Harvey**

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

According to the City, there was no interruption in water and sewer service or material damage to the City facilities serving the District as a result of the storm, and the Developers have reported there was no structural flooding or material damage to homes or businesses within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

### **Specific Flood Type Risks**

*Ponding (or Pluvial) Flood.* Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

*Riverine (or Fluvial) Flood.* Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

### **Economic Factors and Interest Rates**

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

## **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates, at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and a decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of or reduce the District's property tax base.

## **Competition**

The demand for and construction of single-family homes, multifamily, retail and commercial development in the District, which is approximately 30 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the southwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

## **Landowner Obligation to the District**

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

## **Requirements under Redevelopment Agreement**

The Redevelopment Agreement prohibits any residential development (including multi-family) from being built in Imperial Market (an approximately 26-acre tract) until the Imperial Market developer provides funding and construction commences on certain public and private infrastructure to support non-residential development in Imperial Market, including renovations to the historical structures and a parking garage. To date, this has not occurred, and the District can give no assurance when and if such requirements will be met. See "Redevelopment Agreement with City of Sugar Land."

## **Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$222,286,764. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,550,275 (2020) and the average annual debt service requirement will be \$1,399,393 (2019-2044). Assuming no increase or decrease from the 2018 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.74 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,550,275 and a tax rate of \$0.67 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,399,393. See "DEBT SERVICE REQUIREMENTS". The Estimated Taxable Assessed Valuation as of September 1, 2018 within the District is \$247,160,404. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of September 1, 2018 and no use of funds other than tax collections, tax rates of \$0.67 and \$0.60 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2018, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

## **Dependence on Major Taxpayers and the Developers**

The ten principal taxpayers represent \$80,551,405 (36.36%) of the certified portion (\$221,518,122 of the 2018 Taxable Assessed Valuation of \$222,286,764. Imperial Lofts LLC (apartment complex) represents \$25,115,010 (11.34%). This represents ownership as of January 1, 2018. Principal taxpayer lists related to the uncertified portion (\$768,642) of the 2018 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2018 (\$247,160,404) are currently not available. If a principal taxpayer were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus available for payment of its debt, the ability of the District to make timely payment of debt service would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could force the District to levy a high tax rate to pay principal and interest on its debt, thereby hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations" in this section, "TAX DATA—Principal Taxpayers," "TAX PROCEDURES—Levy and Collection of Taxes."

## **Future Debt**

The District reserves the right to issue the remaining \$79,167,000 principal amount of unlimited tax bonds for acquiring or constructing recreational facilities and refunding of such bonds, \$177,045,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds, \$239,765,000 principal amount of unlimited tax bonds authorized but unissued for road facilities, including improvements in aid thereof, and the refunding of such bonds, \$138,600,000 principal amount of unlimited tax bonds for parking facilities and refunding of such bonds, and \$51,200,000 principal amount of unlimited tax bonds for economic development and refunding of such bonds. See "THE BONDS—Issuance of Additional Debt," "ROAD SYSTEM," AND "THE WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM." The District has approved preparation of a bond application for unlimited tax bonds for acquiring or constructing water, sanitary sewer and drainage facilities in the approximate amount of \$5,645,000 and expects to submit such application to the TCEQ in November 2018 for approval and sale in early 2019. Under current law, the District does not have the legal authority to issue bonds payable from ad valorem taxes for parking facilities or economic development projects, but intends to issue contract revenue bonds payable from the City's Tax Increment Fund, as described below.

The District has entered into a contract with the City and the Board of Directors of Reinvestment Zone Number Three City of Sugar Land (the "TIRZ") pursuant to which the District will assist in implementing the Final Project Plan and Reinvestment Zone Financing Plan (the "TIRZ Plan") adopted by the TIRZ and approved by the City. Pursuant to such TIRZ Plan, the District will finance public improvements to allow development within the TIRZ, consisting of all the acreage in the District and some additional non-taxable right-of-way property. The District will finance the public improvements through (i) the issuance of unlimited tax bonds, including the Bonds, and (ii) the issuance of contract revenue bonds (the "Contract Revenue Bonds"), which are payable from funds in the City's Tax Increment Fund transferred to the District. The City deposits to the Tax Increment Fund a portion of the tax collections the City and Fort Bend County, Texas (the "County") receive within the boundaries of the TIRZ.

The TIRZ Plan provides for \$39,495,000 in public improvements to be financed through Contract Revenue Bonds, and \$131,445,000 in public improvements to be financed through the District's unlimited tax bonds. After reimbursement of the Development Manager on behalf of the Landowners from proceeds of the Bonds, the District will continue to owe the Landowners, Developers and the City approximately \$47,900,000 plus interest for projects which have already been constructed or are currently under construction which will be financed through the District's unlimited tax bonds and approximately \$3,800,000 plus interest for projects which have already been constructed or are currently under construction and will be financed through the District's Contract Revenue Bonds.

The District has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution.

If additional bonds payable from taxes are issued in the future and property values have not increased proportionately, such issuance may increase gross tax-supported debt/property valuation ratios and adversely affect the investment quality or security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of tax-supported bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of Directors of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities, but not roads or facilities in aid thereof, or recreational facilities must be approved by the Commission.

The District issued its first series of Contract Revenue Bonds in the amount of \$4,980,000 on October 27, 2016 (the "Outstanding Contract Revenue Bonds"), of which \$4,845,000 principal is outstanding as of October 1, 2018. Contract Revenue Bonds are payable solely from funds in the City's Tax Increment Fund transferred to the District. They are not payable from ad valorem taxes levied by the District and their issuance does not affect the source of payment of the Bonds.

## **Tax Collection Limitations**

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

## **Registered Owners' Remedies and Bankruptcy Limitations**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolution, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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.

## **Environmental Regulations**

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 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—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (“the 1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (“the 2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (“the 2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ’s “redesignation substitute” for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB area 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. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards 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), with an effective date of March 5, 2018, which 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 more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was renewed by the TCEQ 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 contains more stringent requirements than the standards contained in the previous MS4 Permit. In order to maintain MS4 Permit compliance, the District is partnering with the city of Sugar Land (the “City”), to participate in the City’s program to develop and implement the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City’s MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit. The TCEQ has published notice of a proposed renewal of the Phase II (Small) MS4 Permit that is intended to be issued prior to the December 12, 2018 expiration date of the current MS4 Permit.

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.”

Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. If the CWR is not rescinded and is ultimately upheld and goes into effect, 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 the expanded scope of jurisdictional “waters of the United States” under the CWR.

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

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

### **Marketability**

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

### **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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

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

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

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

## **LEGAL MATTERS**

### **Legal Proceedings**

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

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

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. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

### **No Material Adverse Change**

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

### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate, executed by both the President 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.

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 Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond 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 Advisors and the Underwriter with respect to matters solely within the knowledge of the District, the District’s Financial Advisors and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond 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.

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.



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”) is 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 an 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 Initial Purchaser 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.

### **Not Qualified Tax-Exempt Obligations**

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.295522% as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

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

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

### **Securities Laws**

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

## **MUNICIPAL BOND RATING**

It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), will assign its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody’s has assigned a credit rating of “Baa3” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an APPENDIX B to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$524 million, \$104.1 million and \$419.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE.”

### *Additional Information Available from BAM*

*Credit Insights Videos.* For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [buildamerica.com/creditsights/](http://buildamerica.com/creditsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

*Credit Profiles.* Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

*Disclaimers.* The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## PREPARATION OF OFFICIAL STATEMENT

### **Sources and Compilation of Information**

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

### **Co-Financial Advisor**

Masterson Advisors LLC and Post Oak Municipal Advisors LLC (collectively referred to as the "Financial Advisors"), are employed as the co-Financial Advisors to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisors, Masterson Advisors LLC, and Post Oak Municipal Advisors LLC have compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisors have obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" – the Developers, LJA Engineering, Inc. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS AND MAJOR LANDOWNERS" – Developers; "ROAD SYSTEM" – Engineer; "WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM" - Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - Fort Bend Central Appraisal District and Tax Tech, Inc., Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisors; "TAX DATA" – Tax Tech, Inc.; "MANAGEMENT" - District Records; "DEBT SERVICE REQUIREMENTS" - Financial Advisors; "THE BONDS," "TAX PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" - Allen Boone Humphries Robinson LLP.

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

## **Consultants**

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

**Engineer:** The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT,” “ROAD SYSTEM,” and “WATER SUPPLY AND WASTEWATER TREATMENT 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 assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

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

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

**Bookkeeper:** The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “GENERAL FUND has been prepared by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

## **Updating the Official Statement**

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

## **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain 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 "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED," "FINANCIAL STATEMENT," "TAX DATA," "GENERAL FUND," "DEBT SERVICE REQUIREMENTS" and in "APPENDIX A (District's Audited Financial Statements)." 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. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six-month period and audited financial statements when the audit becomes available.

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

## **Specified Event Notices**

The District will provide timely notices of certain specified 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 material 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 CFR § 240.15c2-12 (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 a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational 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 specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser 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**

Since it entered into its first continuing disclosure agreement in September 2016, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

## **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 Imperial Redevelopment District, as of the date shown on the cover page.

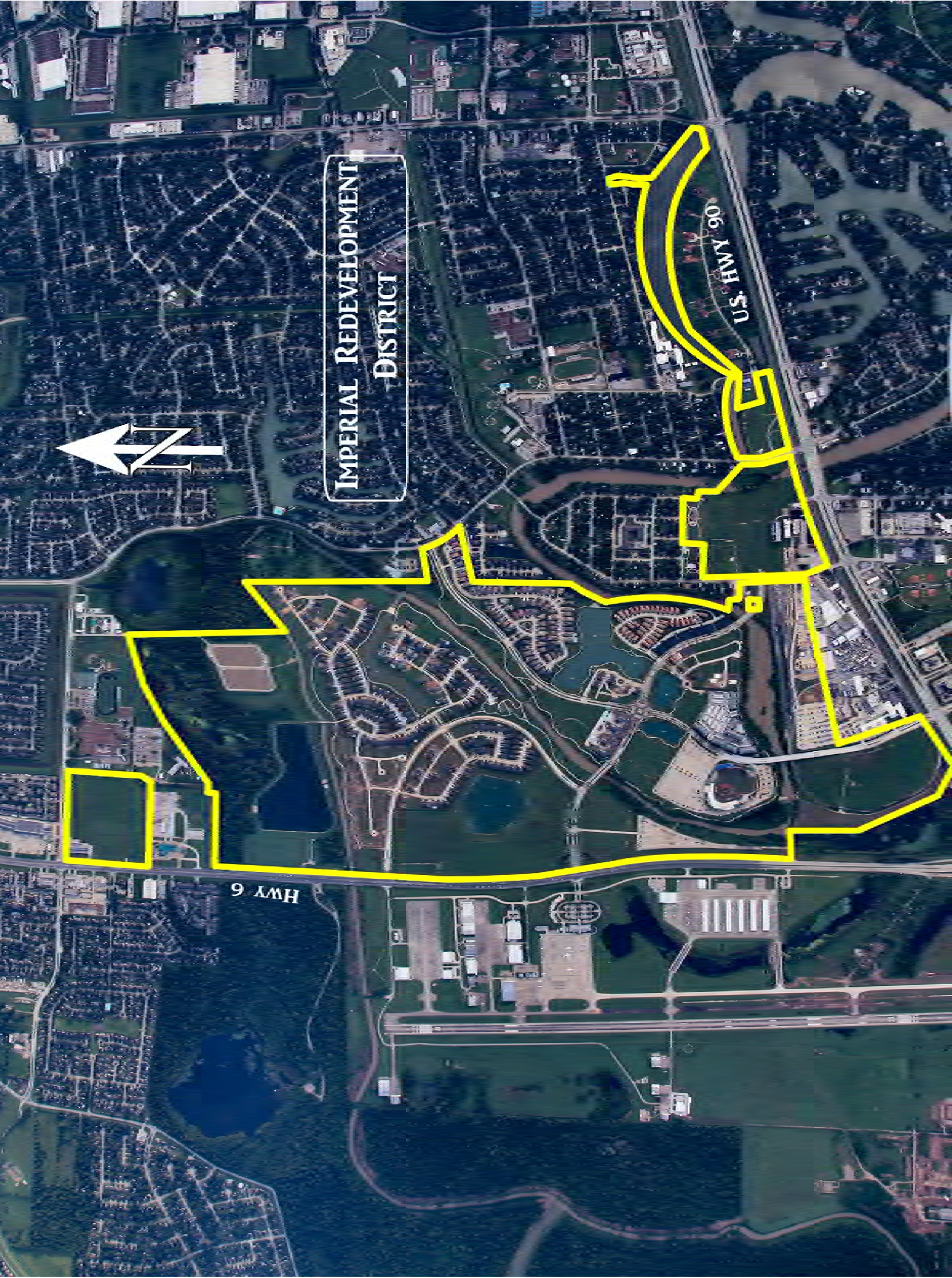
/s/ Dennis Parmer  
Vice President, Board of Directors  
Imperial Redevelopment District

ATTEST:

/s/ Tim Stubenrouch  
Secretary, Board of Directors  
Imperial Redevelopment District

**AERIAL PHOTOGRAPH**  
**(Approximate boundaries of the District as of October 2018)**





IMPERIAL REDEVELOPMENT DISTRICT

US HWY 90

HWY 6



**PHOTOGRAPHS OF THE DISTRICT**  
**(Taken October 2018)**



















**APPENDIX A**

**District Audited Financial Statements for the fiscal year ended November 30, 2017**

**IMPERIAL REDEVELOPMENT DISTRICT**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**November 30, 2017**



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# McGrath & Co., PLLC

Certified Public Accountants

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## Independent Auditors' Report

Board of Directors  
Imperial Redevelopment District  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Imperial Redevelopment District, as of and for the year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.



***Board of Directors  
Imperial Redevelopment District  
Fort Bend County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Imperial Redevelopment District, as of November 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*McGrath & Co, PC*

Houston, Texas  
March 15, 2018

## **Management's Discussion and Analysis**

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***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

## **Using this Annual Report**

Within this section of the financial report of Imperial Redevelopment District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended November 30, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

## **Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

## **Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is

*Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017*

established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

**Financial Analysis of the District as a Whole**

The District's net position at November 30, 2017, was negative \$52,889,071. The District's net position is negative because the District incurs debt to construct certain public infrastructure facilities which it conveys to the City of Sugar Land. A comparative summary of the District's overall financial position, as of November 30, 2017 and 2016, is as follows:

	2017	2016
Current and other assets	\$ 3,522,369	\$ 2,214,702
Capital assets	29,281,262	14,780,073
Total assets	<u>32,803,631</u>	<u>16,994,775</u>
Current liabilities	517,411	112,776
Long-term liabilities	83,138,443	63,756,902
Total liabilities	<u>83,655,854</u>	<u>63,869,678</u>
Total deferred inflows of resources	<u>2,036,848</u>	<u>1,215,113</u>
Net position		
Net investment in capital assets	(5,499,192)	(3,443,608)
Restricted	331,718	124,013
Unrestricted	(47,721,597)	(44,770,421)
Total net position	<u>\$ (52,889,071)</u>	<u>\$ (48,090,016)</u>

***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

The total net position of the District decreased during the current fiscal year by \$4,799,055. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 1,121,447	\$ 604,661
Other	315,629	98,771
Total revenues	<u>1,437,076</u>	<u>703,432</u>
Expenses		
Operating and administrative	513,169	489,047
Interest and fees	591,578	85,400
Developer interest	255,399	666,081
Debt issuance costs	251,989	811,058
Depreciation	825,599	482,459
Total expenses	<u>2,437,734</u>	<u>2,534,045</u>
Change in net position before other items	(1,000,658)	(1,830,613)
Other items		
Capital contributions		(10,650,000)
Transfers to other governments	<u>(3,798,397)</u>	<u>(4,326,142)</u>
Change in net position	(4,799,055)	(16,806,755)
Net position, beginning of year	<u>(48,090,016)</u>	<u>(31,283,261)</u>
Net position, end of year	<u><u>\$ (52,889,071)</u></u>	<u><u>\$ (48,090,016)</u></u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of November 30, 2017, were \$1,431,939, which consists of \$396,770 in the General Fund, \$375,300 in the Debt Service Fund, \$424,313 in the Capital Projects Fund and \$235,556 in the TIRZ Revenue Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of November 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 1,461,548</u>	<u>\$ 892,550</u>
Total liabilities	\$ 41,602	\$ 19,692
Total deferred inflows	1,023,176	612,840
Total fund balance	<u>396,770</u>	<u>260,018</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,461,548</u></u>	<u><u>\$ 892,550</u></u>

***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	\$ 555,102	\$ 591,511
Total expenditures	(433,350)	(357,652)
Revenues over expenditures	121,752	233,859
Other changes in fund balance	15,000	3,000
Net change in fund balance	<u>\$ 136,752</u>	<u>\$ 236,859</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of November 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 1,400,952</u>	<u>\$ 823,080</u>
Total liabilities	\$ 3,280	\$ 24,710
Total deferred inflows	1,022,372	608,718
Total fund balance	375,300	189,652
Total liabilities, deferred inflows and fund balance	<u>\$ 1,400,952</u>	<u>\$ 823,080</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	\$ 565,846	\$ 7,100
Total expenditures	(419,561)	(13,045)
Revenues over/(under) expenditures	146,285	(5,945)
Other changes in fund balance	39,363	195,597
Net change in fund balance	<u>\$ 185,648</u>	<u>\$ 189,652</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements will result in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of November 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 424,313</u>	<u>\$ 400,789</u>
Total liabilities	\$ -	\$ 1,574
Total fund balance	424,313	399,215
Total liabilities and fund balance	<u>\$ 424,313</u>	<u>\$ 400,789</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2017	2016
Total revenues	\$ 531	\$ 75
Total expenditures	<u>(2,322,095)</u>	<u>(16,028,713)</u>
Revenues under expenditures	(2,321,564)	(16,028,638)
Other changes in fund balance	2,346,662	16,427,853
Net change in fund balance	<u>\$ 25,098</u>	<u>\$ 399,215</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017 Bond Anticipation Note and Series 2017 Unlimited Tax Bonds in the current year and issuance of its Series 2016 Unlimited Tax Road Bonds and Series 2016 Tax Increment Contract Revenue Bonds in the prior year.

*TIRZ Revenue Fund*

The TIRZ Revenue Fund is used to account for tax increment revenues received from the City of Sugar Land and Fort Bend County, Texas. Expenditures include debt service on the District's Tax Increment Contract Revenue Bonds. See Notes 13 and 14 for additional information. A comparative summary of the TIRZ Revenue Fund's financial position as of November 30, 2017 and 2016 is as follows:

	2017	2016
Total assets	<u>\$ 235,556</u>	<u>\$ 98,283</u>
Total fund balance	<u>\$ 235,556</u>	<u>\$ 98,283</u>



***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

A comparative summary of activities for the TIRZ Revenue Fund's current and prior fiscal year is as follows

	2017	2016
Total revenues	\$ 313,343	\$ 98,300
Total expenditures	(176,070)	(17)
Revenues over expenditures	<u>\$ 137,273</u>	<u>\$ 98,283</u>

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year. Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$217,308 less than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

Capital assets held by the District at November 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capital assets not being depreciated		
Land and improvements	\$ 8,559,100	\$ 4,285,892
Capital assets being depreciated		
Drainage facilities	4,842,779	3,207,354
Buildings	5,470,349	
Street lights	727,038	727,038
Pedestrian bridges	1,042,609	1,042,609
Landscaping improvements	10,749,348	6,801,542
	<u>22,832,123</u>	<u>11,778,543</u>
Less accumulated depreciation		
Drainage facilities	(418,284)	(310,666)
Buildings	(109,407)	
Street lights	(218,112)	(181,760)
Pedestrian bridges	(177,910)	(143,157)
Landscaping improvements	(1,186,248)	(648,779)
	<u>(2,109,961)</u>	<u>(1,284,362)</u>
Depreciable capital assets, net	<u>20,722,162</u>	<u>10,494,181</u>
Capital assets, net	<u>\$ 29,281,262</u>	<u>\$ 14,780,073</u>

Capital asset additions during the current year include the following:

- Imperial detention ponds and drainage facilities, Phase 2
- Landscaping to serve Imperial Oyster Creek Park Phase 3
- Crown Garden at Imperial streetscape, Phase 1
- Crown Garden at Imperial fencing, Section 2A
- Crown Garden at Imperial playground
- Container Warehouse building

Additionally, certain capital assets constructed by the District are conveyed to the City of Sugar Land. These assets are recorded as transfers to other governments upon completion of construction. For the year ended November 30, 2017, capital assets in the amount of \$3,798,397 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

**Long-Term Debt and Related Liabilities**

As of November 30, 2017, the District owes \$64,399,793 to developer for completed projects and operating advances. As discussed in Note 6, the District has contractual commitments for ongoing construction projects in the amount of \$5,749,969. As previously mentioned, the District will owe its developer for these projects upon completion of construction, at which time the capital assets and

***Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017***

related liability will be recorded on the District's financial statements. The District intends to reimburse its developer from proceeds of future bond issues, or other lawfully available funds.

At November 30, 2017 and 2016, the District had total bonded debt outstanding as shown below:

Series	2017	2016
2016 Road Unlimited Tax	\$ 12,135,000	\$ 12,135,000
2016 Tax Increment Contract Revenue	4,980,000	4,980,000
2017 Unlimited Tax	2,500,000	
	<u>\$ 19,615,000</u>	<u>\$ 17,115,000</u>

During the year, the District issued \$2,500,000 in unlimited tax bonds. At November 30, 2017, the District had \$183,100,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of such bonds; \$83,167,000 for parks and recreational facilities and refunding of such bonds; \$239,765,000 for road improvements and refunding of such bonds; \$138,600,000 for parking facilities and refunding of such bonds and \$51,200,000 for economic development and refunding of such bonds.

During the year, the District issued a \$1,243,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District repaid the BAN with proceeds from the issuance of its Series 2017 Unlimited Tax Bonds. See Note 5 for additional information.

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2017 Actual</u>	<u>2018 Budget</u>
Total revenues	\$ 555,102	\$ 1,016,516
Total expenditures	(433,350)	(336,920)
Revenues over expenditures	121,752	679,596
Other changes in fund balance	15,000	
Net change in fund balance	136,752	679,596
Beginning fund balance	260,018	396,770
Ending fund balance	<u>\$ 396,770</u>	<u>\$ 1,076,366</u>

*Imperial Redevelopment District  
Management's Discussion and Analysis  
November 30, 2017*

**Property Taxes**

The District's property tax base increased approximately \$84,453,000 for the 2017 tax year from \$100,715,417 to \$185,167,993. This increase was primarily due to new construction. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.55 per \$100 of assessed value, a water, sewer, and drainage debt service tax rate of \$0.085 per \$100 of assessed value and a road debt service tax of \$0.465, for a total combined tax rate of \$1.10 per \$100. Tax rates for the 2016 tax year were \$0.55 per \$100 for maintenance and operations and \$0.55 per \$100 for road debt service.

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## **Basic Financial Statements**

***Imperial Redevelopment District***  
***Statement of Net Position - Governmental Activities***  
***November 30, 2017***

**Assets**

Cash	\$ 1,537,934
Taxes receivable	1,970,234
Prepaid items	14,201
Capital assets not being depreciated	8,559,100
Capital assets, net	<u>20,722,162</u>
Total Assets	<u>32,803,631</u>

**Liabilities**

Accounts payable	41,602
Accrued interest payable	50,809
Due to developer	64,399,793
Long-term debt	
Due within one year	425,000
Due after one year	<u>18,738,650</u>
Total Liabilities	<u>83,655,854</u>

**Deferred Inflows of Resources**

Deferred property taxes	<u>2,036,848</u>
-------------------------	------------------

**Net Position**

Net investment in capital assets	(5,499,192)
Restricted for debt service	331,718
Unrestricted	<u>(47,721,597)</u>
Total Net Position	<u><u>\$ (52,889,071)</u></u>

See notes to basic financial statements.

***Imperial Redevelopment District  
Statement of Activities - Governmental Activities  
For the Year Ended November 30, 2017***

**Expenses**

Operating and administrative	
Professional fees	\$ 377,467
Contracted services	34,839
Repairs and maintenance	8,650
Utilities	48,746
Administrative	29,887
Other	13,580
Debt service	
Interest and fees	591,578
Developer interest	255,399
Debt issuance costs	251,989
Depreciation	825,599
Total Expenses	<u>2,437,734</u>

**General Revenues**

Property taxes	1,107,869
Penalties and interest	13,578
Tax increment revenues	312,854
Investment earnings	2,775
Total general revenues	<u>1,437,076</u>

**Revenues Under Expenses** (1,000,658)

**Other Item**

Transfers to other governments (3,798,397)

**Change in Net Position** (4,799,055)

**Net Position**

**Beginning of the year** (48,090,016)  
**End of the year** \$ (52,889,071)

See notes to basic financial statements.



**Imperial Redevelopment District**  
**Balance Sheet - Governmental Funds**  
**November 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	TIRZ Revenue Fund	Total
<b>Assets</b>					
Cash	\$ 364,887	\$ 443,826	\$ 493,665	\$ 235,556	\$ 1,537,934
Taxes receivable	985,520	984,714			1,970,234
Internal balances	96,940	(27,588)	(69,352)		
Prepaid items	14,201				14,201
<b>Total Assets</b>	<b>\$ 1,461,548</b>	<b>\$ 1,400,952</b>	<b>\$ 424,313</b>	<b>\$ 235,556</b>	<b>\$ 3,522,369</b>
<b>Liabilities</b>					
Accounts payable	\$ 41,602	\$ -	\$ -	\$ -	\$ 41,602
Accrued interest payable		3,280			3,280
<b>Total Liabilities</b>	<b>41,602</b>	<b>3,280</b>			<b>44,882</b>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	1,023,176	1,022,372			2,045,548
<b>Fund Balances</b>					
Nonspendable	14,201				14,201
Restricted		375,300	424,313	235,556	1,035,169
Unassigned	382,569				382,569
<b>Total Fund Balances</b>	<b>396,770</b>	<b>375,300</b>	<b>424,313</b>	<b>235,556</b>	<b>1,431,939</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,461,548</b>	<b>\$ 1,400,952</b>	<b>\$ 424,313</b>	<b>\$ 235,556</b>	<b>\$ 3,522,369</b>

See notes to basic financial statements.

***Imperial Redevelopment District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
November 30, 2017***

Total fund balances, governmental funds		\$ 1,431,939
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 31,391,223	
Less accumulated depreciation	<u>(2,109,961)</u>	
Change due to capital assets		29,281,262
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(19,163,650)	
Interest payable on bonds	<u>(47,529)</u>	
Change due to long-term debt		(19,211,179)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable and collections of the 2017 levy. In the government-wide statements, however, deferred inflows consist of the entire 2017 property tax levy.		
Fund-level deferred property taxes	2,045,548	
Government-wide level deferred property taxes	<u>(2,036,848)</u>	
Change due to property taxes		8,700
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(64,399,793)
Total net position - governmental activities		<u><u>\$ (52,889,071)</u></u>

See notes to basic financial statements.

**Imperial Redevelopment District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended November 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	TIRZ Revenue Fund	Total
<b>Revenues</b>					
Property taxes	\$ 554,466	\$ 551,816	\$ -	\$ -	\$ 1,106,282
Penalties and interest		12,911			12,911
Tax increment revenues				312,854	312,854
Investment earnings	636	1,119	531	489	2,775
<b>Total Revenues</b>	<b>555,102</b>	<b>565,846</b>	<b>531</b>	<b>313,343</b>	<b>1,434,822</b>
<b>Expenditures</b>					
Operating and administrative					
Professional fees	317,943		59,524		377,467
Contracted services	17,438	17,401			34,839
Repairs and maintenance	8,650				8,650
Utilities	48,746				48,746
Administrative	27,618	1,996		273	29,887
Other	12,955	331	294		13,580
Capital outlay			1,738,269		1,738,269
Debt service					
Interest and fees		399,833	16,620	175,797	592,250
Developer interest			255,399		255,399
Debt issuance costs			251,989		251,989
<b>Total Expenditures</b>	<b>433,350</b>	<b>419,561</b>	<b>2,322,095</b>	<b>176,070</b>	<b>3,351,076</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>121,752</b>	<b>146,285</b>	<b>(2,321,564)</b>	<b>137,273</b>	<b>(1,916,254)</b>
<b>Other Financing Sources/(Uses)</b>					
Proceeds from sale of bonds		39,363	2,460,637		2,500,000
Proceeds from bond anticipation note			1,243,000		1,243,000
Repayment of bond anticipation note			(1,243,000)		(1,243,000)
Repayment of operating advances			(98,975)		(98,975)
Internal transfers	15,000		(15,000)		
<b>Net Change in Fund Balances</b>	<b>136,752</b>	<b>185,648</b>	<b>25,098</b>	<b>137,273</b>	<b>484,771</b>
<b>Fund Balances</b>					
Beginning of the year	260,018	189,652	399,215	98,283	947,168
<b>End of the year</b>	<b>\$ 396,770</b>	<b>\$ 375,300</b>	<b>\$ 424,313</b>	<b>\$ 235,556</b>	<b>\$ 1,431,939</b>

See notes to basic financial statements.

***Imperial Redevelopment District  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of the Governmental Funds to the Statement of Activities  
November 30, 2017***

Net change in fund balances - governmental funds \$ 484,771

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 2,254

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 1,738,269	
Depreciation expense	<u>(825,599)</u>	912,670

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt	(2,500,000)	
Interest expense accrual	<u>672</u>	(2,499,328)

Amounts repaid to the District's developer for operating advances do not use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 98,975

The District conveys certain public infrastructure to the City of Sugar Land upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (3,798,397)

Change in net position of governmental activities \$ (4,799,055)

See notes to basic financial statements.

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## **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Imperial Redevelopment District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

### **Creation**

The District was created under Article XVI, Section 59 of the Texas Constitution by House Bill 3554, as passed by the seventy-ninth (79<sup>th</sup>) Texas Legislature on June 18, 2005, and operates in accordance with the Special District Local Laws Code, Chapter 8150, and the Texas Water Code, Chapters 49 and 54. The District was created for the purpose of providing water, sewer and drainage facilities, parks, roads and other public infrastructure to facilitate the development of land within its boundaries. The District is authorized to issue bonds for the purpose of acquiring and constructing the facilities. The Board of Directors held its first meeting on September 19, 2007 and the first bonds were sold on October 13, 2016.

The District’s primary activities include construction of water, sewer, drainage, roads, parks and other public facilities. As further discussed in Note 11, the water, sewer, drainage and road facilities will be conveyed to the City of Sugar Land upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

The District is a political subdivision of the State of Texas governed by an appointed five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

### **Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of infrastructure in the District.
- The TIRZ Revenue Fund is a special revenue fund used to account for tax increment revenues received from the City of Sugar Land and Fort Bend County, Texas. Expenditures include debt service payments on tax increment contract revenue bonds.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At November 30, 2017, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets are depreciated using the straight-line method as follows:

Assets	Useful Life
Drainage facilities	45 years
Buildings	50 years
Street lights	20 years
Pedestrian bridges	30 years
Landscaping improvements	20 years



**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end and collections of the 2017 tax levy do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred inflows of financial resources at the government-wide level consist of the 2017 property tax levy, which was levied to finance the 2018 fiscal year.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws, regulations of, or contracts with other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund, property taxes levied for debt service in the Debt Service Fund and tax increment revenues in the TIRZ Revenue Fund.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Sugar Land and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Note 2 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

*Imperial Redevelopment District*  
*Notes to Basic Financial Statements*  
*November 30, 2017*

**Note 2 – Deposits and Investments (continued)**

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

**Note 3 – Interfund Balances and Transactions**

Amounts due to/from other funds at November 30, 2017, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 27,588	Maintenance tax collections not remitted as of year end.
General Fund	Capital Projects Fund	69,352	Bond application fees and capital outlay paid by the General Fund.

Internal transfers between funds for the year ended November 30, 2017 consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
Capital Projects Fund	General Fund	\$ 15,000	Reimbursement of bond application fees paid by General Fund in prior year.

***Imperial Redevelopment District***  
***Notes to Basic Financial Statements***  
***November 30, 2017***

**Note 4 – Capital Assets**

A summary of changes in capital assets, for the year ended November 30, 2017, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,285,892	\$ 4,273,208	\$ 8,559,100
Capital assets being depreciated			
Drainage facilities	3,207,354	1,635,425	4,842,779
Buildings		5,470,349	5,470,349
Streets lights	727,038		727,038
Pedestrian bridges	1,042,609		1,042,609
Landscaping improvements	6,801,542	3,947,806	10,749,348
	<u>11,778,543</u>	<u>11,053,580</u>	<u>22,832,123</u>
Less accumulated depreciation			
Drainage facilities	(310,666)	(107,618)	(418,284)
Buildings		(109,407)	(109,407)
Streets lights	(181,760)	(36,352)	(218,112)
Pedestrian bridges	(143,157)	(34,753)	(177,910)
Landscaping improvements	(648,779)	(537,469)	(1,186,248)
	<u>(1,284,362)</u>	<u>(825,599)</u>	<u>(2,109,961)</u>
Subtotal depreciable capital assets, net	<u>10,494,181</u>	<u>10,227,981</u>	<u>20,722,162</u>
Capital assets, net	<u>\$ 14,780,073</u>	<u>\$ 14,501,189</u>	<u>\$ 29,281,262</u>

Depreciation expense for the current year was \$825,599.

**Note 5 – Bond Anticipation Note**

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developers. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On January 26, 2017, the District issued a \$1,243,000 BAN with an interest rate of 1.66%, which is due on January 25, 2018. The district paid this BAN on November 16, 2017 with proceeds from the issuance of its Series 2017 Unlimited Tax Bonds.

*Imperial Redevelopment District  
Notes to Basic Financial Statements  
November 30, 2017*

**Note 5 – Bond Anticipation Note (continued)**

The effect of this transaction on the District’s short term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	1,243,000
Amounts repaid	<u>(1,243,000)</u>
Ending balance	<u><u>\$ -</u></u>

**Note 6 – Due to Developers**

The District has entered into a financing agreement with its developers for the financing of the construction of water, sewer, drainage, park and recreational facilities and road improvements. Under this agreement, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future ad valorem tax, bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District has also agreed to reimburse the developers for improvements related to the TIRZ from proceeds of its tax increment revenue bonds. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The District’s developer has also advanced funds to the District for operating expenses.

Changes in amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 47,111,852
Developer reimbursements	(1,837,245)
Developer funded construction and adjustments	<u>19,125,186</u>
Due to developer, end of year	<u><u>\$ 64,399,793</u></u>

In addition, the District will owe the developers approximately \$5,749,969, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Intersection improvements for Right turn lane on State Highway 6 & Crown Garden Trail	\$ 969,675	\$ 902,735	\$ 66,940
Utilities to serve Crown Garden at Imperial - Section 2C	562,000	497,520	64,480
Paving for Crown Garden at Imperial - Section 2C	398,824	52,587	346,237
Utilities and paving to serve Retreat at Imperial	1,278,998		1,278,998
Crown Garden at Imperial NL1 and NL2 lake amenities	1,637,332	1,473,599	163,733
Crown Garden at Imperial streetscape, Phase 2	479,064	288,256	190,808
Fencing for Crown Garden at Imperial, Phase 2	283,772		283,772
Landscaping improvements for Crown Garden - Sections 2D	140,304		140,304
	<u><u>\$ 5,749,969</u></u>	<u><u>\$ 3,214,697</u></u>	<u><u>\$ 2,535,272</u></u>

*Imperial Redevelopment District  
 Notes to Basic Financial Statements  
 November 30, 2017*

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 19,615,000
Unamortized discounts	(451,350)
	\$ 19,163,650
Due within one year	\$ 425,000

The District’s bonds payable at November 30, 2017, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016 Road	\$ 12,135,000	\$ 12,135,000	2.0% - 3.625%	May 1, 2018/2041	May 1, November 1	May 1, 2024
TIRZ Revenue 2016	4,980,000	4,980,000	2.0% - 3.75%	May 1, 2018/2042	May 1, November 1	May 1, 2024
2017	2,500,000	2,500,000	1.75% - 4.0%	May 1, 2019/2042	May 1, November 1	May 1, 2024
	\$ 19,615,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Payments of principal and interest on tax increment contract revenue bonds are pledged from tax increment revenues received from the City of Sugar Land. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At November 30, 2017, the District had \$183,100,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of such bonds; \$83,167,000 for park and recreational facilities and refunding of such bonds; \$239,765,000 for road improvements and refunding of such bonds; \$138,600,000 for parking facilities and refunding of such bonds and \$51,200,000 for economic development and refunding of such bonds. The Attorney General’s office currently does not recognize the District’s ability to sell bonds for economic development purposes or parking facilities payable from ad valorem taxes.

*Imperial Redevelopment District*  
*Notes to Basic Financial Statements*  
*November 30, 2017*

**Note 7 – Long-Term Debt (continued)**

On November 16, 2017, the District issued its \$2,500,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.743532%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$1,243,000 BAN issued during the year; and (3) to pay capitalized interest into the Debt Service Fund.

The change in the District’s long term debt during the year is as follows:

Bonds payable, beginning of year	\$ 17,115,000
Bonds issued	2,500,000
Bonds payable, end of year	<u>\$ 19,615,000</u>

As of November 30, 2017, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2018	\$ 425,000	\$ 627,251	\$ 1,052,251
2019	570,000	617,457	1,187,457
2020	590,000	606,014	1,196,014
2021	600,000	594,020	1,194,020
2022	620,000	581,539	1,201,539
2023	620,000	566,126	1,186,126
2024	635,000	547,776	1,182,776
2025	655,000	528,726	1,183,726
2026	680,000	508,801	1,188,801
2027	705,000	488,026	1,193,026
2028	725,000	466,526	1,191,526
2029	755,000	443,791	1,198,791
2030	785,000	419,225	1,204,225
2031	810,000	392,801	1,202,801
2032	845,000	364,344	1,209,344
2033	875,000	334,243	1,209,243
2034	910,000	302,943	1,212,943
2035	940,000	269,918	1,209,918
2036	980,000	235,056	1,215,056
2037	1,015,000	198,772	1,213,772
2038	1,055,000	160,844	1,215,844
2039	1,100,000	121,085	1,221,085
2040	1,140,000	79,772	1,219,772
2041	1,185,000	36,906	1,221,906
2042	395,000	7,531	402,531
	<u>\$ 19,615,000</u>	<u>\$ 9,499,493</u>	<u>\$ 29,114,493</u>

***Imperial Redevelopment District***  
***Notes to Basic Financial Statements***  
***November 30, 2017***

**Note 8 – Property Taxes**

On November 8, 2011, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value, road facilities limited to \$0.25 per \$100 assessed value and economic development limited to \$1.50 per \$100 assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Fort Bend Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$1.10 per \$100 of assessed value, of which \$0.55 was allocated to maintenance and operations and \$0.55 was allocated to road debt service. The resulting tax levy was \$1,107,870 on the adjusted taxable value of \$100,715,417.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2017 levy collections in the amount of \$75,314 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2017 tax levy of \$2,036,848 is reported as deferred inflows. These amounts will be recognized as revenue in 2018.

Property taxes receivable, at November 30, 2017, consisted of the following:

Current year taxes receivable	\$ 1,961,534
Prior years taxes receivable	6,873
	<u>1,968,407</u>
Penalty and interest receivable	1,827
Property taxes receivable	<u><u>\$ 1,970,234</u></u>

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Sugar Land (the “City”), the District transfers certain public infrastructure (i.e., water, sewer, drainage and road facilities) to the City (see Note 11). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended November 30, 2017, the total amount of projects completed and transferred to the City was \$3,798,397.



**Note 10 – Lease Agreement**

On May 20, 2016, the District entered into a lease agreement with Fort Bend County Children's Discovery Center LLC (the "Tenant") and Imperial Market Development LLC (the "Imperial Owner") for a Children's Museum. This lease is for a ninety-nine (99) year term, unless otherwise terminated at the rate of \$1.00 annually. The Tenant has the option to extend the lease on a year to year basis following expiration of the term. The Tenant is responsible for all ordinary expenses related to repairing and maintaining all areas outside the building, excluding the outdoor playground, and the Tenant is responsible for all ordinary expenses related to repairing and maintaining the outdoor playground.

On January 19, 2017, the District entered into a lease agreement with the City of Sugar Land (the "Tenant") and Imperial Market Development LLC (the "Imperial Owner") for a Heritage Museum and Visitor Center. This lease is for a ninety-nine (99) year term, unless otherwise terminated at the rate of \$1.00 annually. After the initial lease term, the lease will automatically renew for one-year terms. The Tenant is responsible for all ordinary expenses related to repairing and maintaining all areas outside the building, excluding the outdoor playground.

The building that is being leased for the Children's Museum and the Heritage Museum and Visitor Center was conveyed to the District by the District's developer during the current fiscal year. The developer will be reimbursed from the issuance of future tax increment contract revenue bonds and TIRZ increment revenues.

**Note 11 – Utility Agreement with the City of Sugar Land**

On June 26, 2007, Cherokee Sugar Land LP (the "Developer") entered into a 30 year utility agreement with the City of Sugar Land (the "City") for construction of water, wastewater and drainage facilities (the "Facilities") to serve land within the District. The Developer's rights and obligations under this agreement were subsequently assigned to the District. The District is obligated to construct the Facilities and when completed, to convey title to the System to the City.

The City will operate and maintain the System, and will establish water and sewer rates and collection charges from customers in the District. Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The District or its developer will pay the City a capital recovery charge (the "connection fee") per each equivalent single family connection needed to serve the District. The connection fee is set by the City and may be amended without the District's consent at any time. The term of the agreement is 30 years.

#### **Note 12 – Redevelopment Agreement**

On June 26, 2007, the City and Cherokee Sugar Land LP (“Cherokee”) entered into a Redevelopment Agreement to facilitate redevelopment of a 721 acre tract of land in Fort Bend County known as the Imperial Tract. Subsequent amendments to the agreement were executed on October 5, 2010, January 28, 2014, and May 3, 2016. The District was added to the agreement with the First Amendment. The Redevelopment Agreement and all amendments are collectively referred to as the “Redevelopment Agreement.”

The Imperial Tract will be developed into a master planned community with single family residential, commercial, and recreational facilities. The redevelopment will also include the repurposing of certain historical structures. Key provisions of the Redevelopment Agreement are as follows:

- The developer conveyed property to the District which conveyed it to the City for construction of Constellation Field, a baseball stadium. The City contributed \$10 million for public infrastructure and parking facilities to serve Constellation Field to be reimbursed from District TIRZ bond proceeds.
- The District will reimburse the City for the District’s share of an extension of University Boulevard, which share is estimated to be \$14.9 million.
- The District may not issue bonds payable from tax increment revenues or ad valorem road bonds (with the exception of University Boulevard and Constellation Field) until certain development thresholds are met by the developer.
- All proceeds of the District’s bond issues must be applied per the priorities described in the Redevelopment Agreement.
- The District must use bond proceeds to make payments to the City by certain dates, assuming values exist in the District to feasibly issue such bonds.

#### **Note 13 – Tax Increment Reinvestment Zone**

In conjunction with the redevelopment of the Imperial Tract, the City created Reinvestment Zone Number Three, City of Sugar Land (the “TIRZ”) for an initial term of 30 years, which was extended to the earlier of December 31, 2042 or such time that any tax increment bonds issued to pay project costs have been paid in full. The TIRZ is intended to facilitate public improvements for development of a master planned mixed use community with single family residential, commercial, recreational (including a sports stadium), museums and other arts and entertainment venues, associated land, associated parking and related infrastructure, and the preservation and re-use of certain historic structures at the Imperial Sugar site and a museum to house Imperial Sugar artifacts (collectively, the “Project”).

#### **Note 14 – Tri-Party Agreement**

The City, County and the District entered into a Tri-Party Agreement dated August 16, 2016 (but effective December 18, 2007) to effectuate the TIRZ plan and distribute the City’s Tax Increment Fund. The Tri-Party Agreement authorized the District to issue contract revenue bonds payable from tax increment revenues.

**Note 14 – Tri-Party Agreement (continued)**

Pursuant to the Tri-Party Agreement, the City establish a Tax Increment Fund, which includes sub-accounts for the County's Tax Increment and for the City Sales Tax Increment. The City, on behalf of the TIRZ, will pay the District, no later than the first business day following each March 31 and September 30 all monies available in the City's Tax Increment Fund. The District created a TIRZ Revenue Fund for the purpose of receiving the Tax Increment from the City and paying debt service on the District's tax increment contract revenue bonds. During the current fiscal year, the District's TIRZ Revenue Fund received \$312,854 in tax increment revenues and paid \$175,797 in debt service payments on the District's tax increment contract revenue bonds.

As part of the initial distribution of TIRZ revenues, \$200,000 will remain in the City's Tax Increment Fund for administrative costs related to the creation of the TIRZ. As of December 31, 2019, any of the administrative reserve remaining in the Tax Increment Fund will be transferred to the District's TIRZ Revenue Fund. The City will also withhold 2% available in the Tax Increment Fund for administrative costs.

This agreement will remain in effect until the latter of the termination of the TIRZ, expected to be December 31, 2042, or when all obligations of the Redevelopment Agreement have been satisfied or full payment or defeasance has been made of all Contract Revenue Bonds or all of the District's obligations have been met.

**Note 15 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 16 – Concentration of Risk**

Approximately 42% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

## **Required Supplementary Information**

*Imperial Redevelopment District  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended November 30, 2017*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 610,000	\$ 554,466	\$ (55,534)
Investment earnings	280	636	356
<b>Total Revenues</b>	<u>610,280</u>	<u>555,102</u>	<u>(55,178)</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	129,500	317,943	(188,443)
Contracted services	17,400	17,438	(38)
Repairs and maintenance		8,650	(8,650)
Utilities	80,000	48,746	31,254
Administrative	26,020	27,618	(1,598)
Other	3,300	12,955	(9,655)
<b>Total Expenditures</b>	<u>256,220</u>	<u>433,350</u>	<u>(177,130)</u>
<b>Revenues Over Expenditures</b>	354,060	121,752	(232,308)
<b>Other Financing Sources</b>			
Internal transfers		15,000	15,000
<b>Net Change in Fund Balance</b>	354,060	136,752	(217,308)
<b>Fund Balance</b>			
Beginning of the year	260,018	260,018	
<b>End of the year</b>	<u>\$ 614,078</u>	<u>\$ 396,770</u>	<u>\$ (217,308)</u>

*Imperial Redevelopment District*  
*Notes to Required Supplementary Information*  
*November 30, 2017*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**



**Imperial Redevelopment District**  
**TSI-1. Services and Rates**  
**November 30, 2017**

1. Services provided by the District During the Fiscal Year:

- |   |   |  |  |
|---|---|--|--|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control         | <input checked="" type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation  | <input type="checkbox"/> Fire Protection      | <input checked="" type="checkbox"/> Roads      | <input type="checkbox"/> Security              |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |  |  |
| <input type="checkbox"/> Other (Specify): _____   |   |  |  |

2. Retail Service Providers N/A  
 (You may omit this information if your district does not provide retail services)

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCS</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

***Imperial Redevelopment District***  
***TSI-1. Services and Rates***  
***November 30, 2017***

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>          N/A          </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>          N/A          </u>	<u>          N/A          </u>

4. Standby Fees (authorized only under TWC Section 49.231):  
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located:           Fort Bend County          

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located:           City of Sugar Land          

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
 Entirely  Partly  Not at all

ETJs in which the District is located: \_\_\_\_\_

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom?           City Council of the City of Sugar Land          

See accompanying auditors' report.

*Imperial Redevelopment District  
TSI-2. General Fund Expenditures  
For the Year Ended November 30, 2017*

Professional fees		
Legal		\$ 246,286
Audit		9,500
Engineering		62,157
		<u>317,943</u>
Contracted services		
Bookkeeping		<u>17,438</u>
Repairs and maintenance		<u>8,650</u>
Utilities		<u>48,746</u>
Administrative		
Directors fees		11,850
Printing and office supplies		1,812
Insurance		10,006
Other		3,950
		<u>27,618</u>
Other		<u>12,955</u>
Total expenditures		<u><u>\$ 433,350</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	445,822 kWh	\$ 42,185
Water	1,574,000 gallons	6,561
Natural Gas	N/A	N/A

See accompanying auditors' report.

**Imperial Redevelopment District**  
**TSI-4. Taxes Levied and Receivable**  
**November 30, 2017**

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 586,121	\$ -	\$ 580,838	\$ 1,166,959
Adjustments	(53,621)		(53,621)	(107,242)
Adjusted Receivable	532,500		527,217	1,059,717
2017 Original Tax Levy	991,900	153,294	838,606	1,983,800
Adjustments	26,524	4,099	22,425	53,048
Adjusted Tax Levy	1,018,424	157,393	861,031	2,036,848
Total to be accounted for	1,550,924	157,393	1,388,248	3,096,565
Tax collections:				
Current year	37,657	5,820	31,837	75,314
Prior years	527,747		525,097	1,052,844
Total Collections	565,404	5,820	556,934	1,128,158
Taxes Receivable, End of Year	\$ 985,520	\$ 151,573	\$ 831,314	\$ 1,968,407
Taxes Receivable, By Years				
2017	\$ 980,767	\$ 151,573	\$ 829,194	\$ 1,961,534
2016	2,119		2,120	4,239
2015	2,634			2,634
Taxes Receivable, End of Year	\$ 985,520	\$ 151,573	\$ 831,314	\$ 1,968,407
	2017	2016	2015	2014
Property Valuations:				
Land	\$ 69,182,540	\$ 50,483,430	\$ 41,624,560	\$ 37,647,080
Improvements	131,436,300	60,972,680	25,014,750	830,520
Personal Property	1,885,368	775,289	88,019	15,390
Exemptions	(17,336,215)	(11,515,982)	(12,502,615)	(13,584,324)
Total Property Valuations	\$ 185,167,993	\$ 100,715,417	\$ 54,224,714	\$ 24,908,666
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.550	\$ 0.55	\$ 1.10	\$ 1.10
W-S-D debt service tax rates	0.085			
Road debt service tax rates	0.465	0.55		
Total Tax Rates per \$100 Valuation	\$ 1.100	\$ 1.10	\$ 1.10	\$ 1.10
Adjusted Tax Levy:	\$ 2,036,848	\$ 1,107,870	\$ 596,472	\$ 273,995
Percentage of Taxes Collected to Taxes Levied ***	3.70%	99.62%	99.56%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 8, 2011

\*\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 8, 2011

\*\*\*\* Maximum Economic Development Tax Rate Approved by Voters: \$1.50 on November 8, 2011

\*\*\*Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

*Imperial Redevelopment District*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Road--by Years*  
*November 30, 2017*

Due During Fiscal Years Ending	Principal Due May 1	Interest Due May 1, November 1	Total
2018	\$ 290,000	\$ 388,294	\$ 678,294
2019	305,000	382,344	687,344
2020	320,000	376,094	696,094
2021	330,000	369,594	699,594
2022	345,000	362,844	707,844
2023	365,000	353,919	718,919
2024	380,000	342,744	722,744
2025	395,000	331,119	726,119
2026	415,000	318,969	733,969
2027	435,000	306,219	741,219
2028	450,000	292,944	742,944
2029	470,000	278,850	748,850
2030	495,000	263,462	758,462
2031	515,000	246,728	761,728
2032	540,000	228,588	768,588
2033	565,000	209,250	774,250
2034	590,000	189,037	779,037
2035	615,000	167,565	782,565
2036	645,000	144,728	789,728
2037	670,000	120,894	790,894
2038	700,000	96,063	796,063
2039	735,000	70,054	805,054
2040	765,000	42,866	807,866
2041	800,000	14,500	814,500
	<u>\$ 12,135,000</u>	<u>\$ 5,897,669</u>	<u>\$ 18,032,669</u>

See accompanying auditors' report.

*Imperial Redevelopment District*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Tax Increment Contract Revenue--by Years*  
*November 30, 2017*

Due During Fiscal Years Ending	Principal Due May 1	Interest Due May 1, November 1	Total
2018	\$ 135,000	\$ 160,232	\$ 295,232
2019	140,000	157,482	297,482
2020	145,000	154,632	299,632
2021	145,000	151,732	296,732
2022	150,000	148,782	298,782
2023	155,000	144,957	299,957
2024	155,000	140,307	295,307
2025	160,000	135,582	295,582
2026	165,000	130,707	295,707
2027	170,000	125,682	295,682
2028	175,000	120,507	295,507
2029	185,000	114,991	299,991
2030	190,000	109,013	299,013
2031	195,000	102,635	297,635
2032	205,000	95,756	300,756
2033	210,000	88,493	298,493
2034	220,000	80,968	300,968
2035	225,000	73,040	298,040
2036	235,000	64,703	299,703
2037	245,000	56,003	301,003
2038	255,000	46,781	301,781
2039	265,000	37,031	302,031
2040	275,000	26,906	301,906
2041	285,000	16,406	301,406
2042	295,000	5,531	300,531
	<u>\$ 4,980,000</u>	<u>\$ 2,488,859</u>	<u>\$ 7,468,859</u>

See accompanying auditors' report.

*Imperial Redevelopment District*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*November 30, 2017*

Due During Fiscal Years Ending	Principal Due May 1	Interest Due May 1, November 1	Total
2018	\$ -	\$ 78,725	\$ 78,725
2019	125,000	77,631	202,631
2020	125,000	75,288	200,288
2021	125,000	72,694	197,694
2022	125,000	69,913	194,913
2023	100,000	67,250	167,250
2024	100,000	64,725	164,725
2025	100,000	62,025	162,025
2026	100,000	59,125	159,125
2027	100,000	56,125	156,125
2028	100,000	53,075	153,075
2029	100,000	49,950	149,950
2030	100,000	46,750	146,750
2031	100,000	43,438	143,438
2032	100,000	40,000	140,000
2033	100,000	36,500	136,500
2034	100,000	32,938	132,938
2035	100,000	29,313	129,313
2036	100,000	25,625	125,625
2037	100,000	21,875	121,875
2038	100,000	18,000	118,000
2039	100,000	14,000	114,000
2040	100,000	10,000	110,000
2041	100,000	6,000	106,000
2042	100,000	2,000	102,000
	<u>\$ 2,500,000</u>	<u>\$ 1,112,965</u>	<u>\$ 3,612,965</u>

See accompanying auditors' report.

*Imperial Redevelopment District*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*November 30, 2017*

Due During Fiscal Years Ending	Principal Due May 1	Interest Due May 1, November 1	Total
2018	\$ 425,000	\$ 627,251	\$ 1,052,251
2019	570,000	617,457	1,187,457
2020	590,000	606,014	1,196,014
2021	600,000	594,020	1,194,020
2022	620,000	581,539	1,201,539
2023	620,000	566,126	1,186,126
2024	635,000	547,776	1,182,776
2025	655,000	528,726	1,183,726
2026	680,000	508,801	1,188,801
2027	705,000	488,026	1,193,026
2028	725,000	466,526	1,191,526
2029	755,000	443,791	1,198,791
2030	785,000	419,225	1,204,225
2031	810,000	392,801	1,202,801
2032	845,000	364,344	1,209,344
2033	875,000	334,243	1,209,243
2034	910,000	302,943	1,212,943
2035	940,000	269,918	1,209,918
2036	980,000	235,056	1,215,056
2037	1,015,000	198,772	1,213,772
2038	1,055,000	160,844	1,215,844
2039	1,100,000	121,085	1,221,085
2040	1,140,000	79,772	1,219,772
2041	1,185,000	36,906	1,221,906
2042	395,000	7,531	402,531
	<u>\$ 19,615,000</u>	<u>\$ 9,499,493</u>	<u>\$ 29,114,493</u>

See accompanying auditors' report.



**Imperial Redevelopment District**  
**TSI-6. Change in Long-Term Bonded Debt**  
**November 30, 2017**

	Bond Issue			Totals
	Series 2016 Road	Series 2016 TIRZ Revenue	Series 2017	
Interest rate	2.0% - 3.625%	2.0% - 3.75%	1.75% - 4.0%	
Dates interest payable	5/1; 11/1	5/1; 11/1	5/1; 11/1	
Maturity dates	5/1/18 - 5/1/41	5/1/18 - 5/1/42	5/1/19 - 5/1/42	
Beginning bonds outstanding	\$ 12,135,000	\$ 4,980,000	\$ -	\$ 17,115,000
Bonds issued			2,500,000	2,500,000
Ending bonds outstanding	<u>\$ 12,135,000</u>	<u>\$ 4,980,000</u>	<u>\$ 2,500,000</u>	<u>\$ 19,615,000</u>
Interest paid during fiscal year	<u>\$ 423,793</u>	<u>\$ 175,047</u>	<u>\$ -</u>	<u>\$ 598,840</u>
Paying agent's name and city All series	<u>Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Facilities	
Amount Authorized by Voters	\$ 185,600,000	\$ 83,167,000	\$ 251,900,000	
Amount Issued	(2,500,000)		(12,135,000)	
Remaining To Be Issued	<u>\$ 183,100,000</u>	<u>\$ 83,167,000</u>	<u>\$ 239,765,000 *</u>	
Bond Authority:	Parking Facilities	Economic Development		
Amount Authorized by Voters	\$ 138,600,000	\$ 51,200,000		
Amount Issued				
Remaining To Be Issued	<u>\$ 138,600,000 *</u>	<u>\$ 51,200,000 *</u>		

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of November 30, 2017: \$ 443,826

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,164,580

\*The Attorney General's office has reduced the road bonds remaining to be issued to \$199,765,000. In addition, the Attorney General's office currently questions the District's authority to issue bonds for parking facilities or economic development payable from ad valorem taxes.

See accompanying auditors' report.

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*Imperial Redevelopment District*  
*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*  
*For the Last Five Fiscal Years*

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 554,466	\$ 591,188	\$ 274,084	\$ 130,356	\$ -
Penalties and interest			137		
Investment earnings	636	323	129		
Total Revenues	<u>555,102</u>	<u>591,511</u>	<u>274,350</u>	<u>130,356</u>	<u>-</u>
Expenditures					
Operating and administrative					
Professional fees	317,943	257,007	155,442	128,891	140,327
Contracted services	17,438	10,459	18,990	17,669	9,864
Repairs and maintenance	8,650				27,065
Utilities	48,746	65,971	65,131	48,918	10,745
Administrative	27,618	23,270	17,731	20,545	23,147
Other	12,955	945	597	1,030	217
Total Expenditures	<u>433,350</u>	<u>357,652</u>	<u>257,891</u>	<u>217,053</u>	<u>211,365</u>
Revenues Over/(Under) Expenditures	<u>\$ 121,752</u>	<u>\$ 233,859</u>	<u>\$ 16,459</u>	<u>\$ (86,697)</u>	<u>\$ (211,365)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
100%	100%	100%	100%	
		*		
*	*	*		
100%	100%	100%	100%	N/A
57%	43%	57%	99%	N/A
3%	2%	7%	14%	N/A
2%				N/A
9%	11%	24%	38%	N/A
5%	4%	6%	16%	N/A
2%	*	*	1%	N/A
78%	60%	94%	168%	N/A
22%	40%	6%	(68%)	N/A

*Imperial Redevelopment District  
 TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund  
 For the Last Two Fiscal Years*

	Amounts		Percent of Fund Total Revenues	
	2017	2016	2017	2016
Revenues				
Property taxes	\$ 551,816	\$ 7,027	98%	99%
Penalties and interest	12,911		2%	
Investment earnings	1,119	73	*	1%
Total Revenues	565,846	7,100	100%	100%
Expenditures				
Tax collection services	19,397	12,991	3%	183%
Other	331	54	*	1%
Debt service				
Interest and fees	399,833		71%	
Total Expenditures	419,561	13,045	74%	184%
Revenues Over/(Under) Expenditures	\$ 146,285	\$ (5,945)	26%	(84%)
Total Active Retail Water Connections	N/A	N/A		
Total Active Retail Wastewater Connections	N/A	N/A		

\*Percentage is negligible

See accompanying auditors' report.

***Imperial Redevelopment District  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended November 30, 2017***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
 District Business Telephone Number: (713) 860-6400  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): April 17, 2017  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Bill Little	9/14 - 9/18	\$ 2,400	\$ 59	President
Dennis Parmer	9/16 - 9/20	3,150	1,713	Vice President
Tim Stubenrouch	9/14 - 9/18	2,100	27	Secretary
James Thompson	9/16 - 9/20	2,700		Assistant Secretary
Pritesh Shah	9/14 - 9/18	1,500	21	Assistant Vice President/ Assistant Secretary
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 226,178		
<i>Bond counsel</i>		88,027		
Myrtle Cruz, Inc.	2007	24,245		Bookkeeper
Tax Tech, Inc.	2007	8,167		Tax Collector
Fort Bend Central Appraisal District	Legislation	8,556		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008	678		Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	2008	53,702		Engineer
McGrath & Co., PLLC	Annual	21,000		Auditor
FirstSouthwest, a Division of Hilltop Securities	2007	63,712		Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
 See accompanying auditors' report.

**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.



BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN