

BRAZORIA COUNTY MUNICIPAL
UTILITY DISTRICT NO. 28
(Brazoria and Harris Counties, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: APRIL 17, 2013

\$3,605,000
UNLIMITED TAX BONDS
SERIES 2013

BIDS DUE: 2:00 P.M., HOUSTON TIME
BONDS AWARDED: 5:00 P.M., HOUSTON TIME
WEDNESDAY, MAY 15, 2013
HOUSTON, TEXAS



PRELIMINARY OFFICIAL STATEMENT DATED APRIL 17, 2013

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS — Qualified Tax-Exempt Obligations."

NEW ISSUE — Book-Entry Only

\$3,605,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

(A political subdivision of the State of Texas located within Brazoria and Harris Counties, Texas)

UNLIMITED TAX BONDS, SERIES 2013

Dated: June 1, 2013

Due: September 1

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar," or "Paying Agent/Registrar"). Interest on the Bonds accrues from June 1, 2013, and is payable on March 1, 2014 (nine-month interest payment) and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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 "THE BONDS — Book-Entry-Only System."

MATURITY SCHEDULE

Principal Amount	Maturity	Interest Rate	Initial Reoffering Yield(a)	Principal Amount	Maturity	Interest Rate	Initial Reoffering Yield(a)
\$115,000	2015	%	%	\$175,000	2025(b)	%	%
115,000	2016			185,000	2026(b)		
125,000	2017			190,000	2027(b)		
130,000	2018			200,000	2028(b)		
135,000	2019			215,000	2029(b)		
140,000	2020			225,000	2030(b)		
145,000	2021(b)			240,000	2031(b)		
150,000	2022(b)			250,000	2032(b)		
160,000	2023(b)			265,000	2033(b)		
165,000	2024(b)			280,000	2034(b)		

- Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- The Bonds maturing on and after September 1, 2021, are subject to redemption prior to maturity at the option of Brazoria County Municipal Utility District No. 28 (the "District"), as a whole or in part, on September 1, 2020, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as is determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District of which bonds \$13,300,000 in principal amount are currently outstanding. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." Voters in the District have authorized a total of \$89,155,000 principal amount of bonds for the purpose of acquiring and constructing the System. Following the issuance of the Bonds, \$71,135,000 principal amount of unlimited tax bonds authorized by the District's voters will remain unissued. See "THE BONDS — Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are 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. See "THE BONDS — Source of Payment." Neither the State of Texas, the City of Pearland, Texas, Brazoria County, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Pearland, Texas, Brazoria County, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about June 20, 2013, at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

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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 representations must not be relied upon as having been authorized by the District.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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 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 the Official Statement until delivery of the Bonds to the Underwriter (as hereinafter defined) and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by _____ (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Municipal Bond Guaranty Insurance and Rating

Applications have been made to Assured Guaranty Corp. ("AGC"), Assured Guaranty Municipal Corp ("AGM") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Standard & Poor's Rating Services ("Standard & Poor's"), a Standard & Poor's Financial Services LLC business, will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the Standard & Poor's rating fees as described below. Standard & Poor's has assigned an underlying rating of "BBB" (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by Standard & Poor's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Standard & Poor's and the Standard & Poor's rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Guaranty Insurance and Rating,” applications have been made to Assured Guaranty Corp. (“AGC”), Assured Guaranty Municipal Corp (“AGM”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Standard & Poor's Rating Services will be at the option and expense of the Underwriter. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the “Policy”) for such payments.

In the event that an insurer is unable to make payment of principal and interest on the Bonds as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event that an insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event would not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Guaranty Insurance and Rating” above for further information regarding the District’s application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer	Brazoria County Municipal Utility District No. 28 (the "District") is a political subdivision of the State of Texas located within Brazoria and Harris Counties, Texas. See "THE DISTRICT - General."
Description	\$3,605,000 Unlimited Tax Bonds, Series 2013 are dated June 1, 2013, and mature on September 1 in the years and principal amounts shown on the cover page of this Official Statement. Interest on the Bonds accrues from June 1, 2013, and is payable on March 1, 2014 (nine-month interest payment), and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds scheduled to mature on and after September 1, 2021, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2020, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See "THE BONDS."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment," "TAX DATA - Tax Rate Calculations," and "RISK FACTORS - Maximum Impact on District Tax Rates."

Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of the acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities (the "System") that serve the subdivisions platted as Spring Meadow and Stonebridge, Section 2; drainage facilities to serve the Providence Village Tract 1; drainage channel to serve the Stonebridge development; and a portion of the construction costs of the lift station, associated 4-inch force main and detention/amenity pond to serve the Spring Meadow development; (ii) finance impact fees (the "Impact Fees") paid to the City of Pearland for 118 connections associated with the City's provision of water supply and wastewater treatment to the District; (iii) pay interest on advances that have been made on behalf of the District; (iv) pay certain operating expenses of the District; and (v) pay for issuance costs, legal fees, fiscal agent's fees, fees to the Attorney General of the State of Texas and the Texas Commission on Environmental Quality (the "TCEQ"), certain engineering fees, and certain financing costs related to the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Payment Record	The Bonds are the fourth series of bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), and Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), \$13,300,000 of the principal amount of which is currently outstanding (collectively, the "Outstanding Bonds"). The District has timely made all payments of principal of and interest on the Outstanding Bonds when due.
Authorized But Unissued Bonds	\$71,135,000 for waterworks, wastewater, and drainage facilities (after issuance of the Bonds) and \$57,850,000 for refunding purposes. See "THE BONDS - Issuance of Additional Debt." In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014.
Municipal Bond Guaranty Insurance and Rating	Applications have been made to Assured Guaranty Corp. ("AGC"), Assured Guaranty Municipal Corp ("AGM") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the

Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Standard & Poor's Rating Services ("Standard & Poor's"), a Standard & Poor's Financial Services LLC business, will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the Standard & Poor's rating fees as described below. Standard & Poor's has assigned an underlying rating of "BBB" (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by Standard & Poor's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Standard & Poor's and the Standard & Poor's rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

Bond Counsel

Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Qualified Tax-Exempt Obligations

The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax Exempt Obligations."

THE DISTRICT

Description The District is a political subdivision of the State of Texas, created by Order of the TCEQ on February 27, 2003. The District contains approximately 847.27 acres of land. The District is located within Brazoria and Harris Counties, Texas, and entirely within the corporate boundaries of the City of Pearland, Texas (the “City”). The District, which is comprised of thirteen non-contiguous tracts of land, is located in the northeastern quadrant of Brazoria County. Tract One is located south of Beltway 8 and east of Old Alvin Road. Tract Two is located west of Pearland Sites Road and south of Magnolia Road. Tract Three is located south of Beltway 8 and east of Oday Road. Tract Four is located east of Veterans Road. Tracts Five, Six and Seven are located east of Pearland Parkway and west of Country Club Drive. Tract Eight is located east of O’Day Road and north of Walnut Street. Tract Nine is located east of County Road 93 and west of Hooks Road. Tract Ten is located north of Fites Road. Tract 11 is located north of Fites Road. Tract 12 is located near Old Alvin Road north of McHard Road. Tract 13 is located on Hillhouse Road. The District lies wholly within the Pearland Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”

Beazer Homes of Texas, L.P., the owner of approximately 74.3 acres of land located within the City’s boundaries, has filed an annexation petition with the District requesting that such land be annexed into the District. The District has petitioned the City for consent to annex such land. The District makes no representation whether or when the City will consent to such annexation, nor that the annexation will be consummated.

The District obtains water, sewer and drainage service from the City. Sowell Property Partners - Parkside, L.P. and RH of Texas Limited Partnership, on behalf of the District, and the City entered into a Utility Agreement dated February 25, 2002, which was assumed on September 3, 2003, by the District (the Utility Agreement is hereinafter referred to as the “Utility Agreement”), to provide a water distribution system, sanitary sewer collection system and a drainage system (the “System”) to serve the area within the District. In consideration of the District’s acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. In addition, the City has agreed to pay to the District the City Tax Rebate and the City Utility Rebate (as such terms are defined and rebates are explained in this Official Statement under “THE DISTRICT - Utility Agreement”). The City Tax Rebate and City Utility Rebate are not pledged to the payment of the Bonds. Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District in consideration of the payment by the District of Impact Fees. See “THE SYSTEM.”

Authority	<p>The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”</p>
Development and Home Construction	<p>As of April 15, 2013, the District contained 908 homes, including 70 homes under construction. See “BUILDERS.” In addition, two retail shopping centers totaling approximately 64,115 square feet of building area, a Chili’s restaurant containing approximately 4,030 square feet of building area, an approximately 7,000 square foot Heritage Bank and an approximately 7,000 square foot Home Town Bank have been constructed in the District. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve 1,165 single-family residential lots in the District located in the fully developed subdivisions that have been platted as Creekside, Sections 1 and 2, Canterbury Park, Section 1, Twin Lakes, Section 1, Stonebridge, Sections 1 and 2, Spring Meadow, Emerald Stone, and Preserve at Highland Glen, Sections 1 and 2 (a total of approximately 441.92 acres) as is delineated in the chart that appears in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” In addition, the development of 21 single-family residential lots on approximately 25.4 acres platted as Preserve at Highland Glen, Section 3 (completion anticipated by approximately August 2013) and 59 single-family residential lots on approximately 28.1 acres platted as Highland Crossing, Phase 1 (completion anticipated by approximately October 2013) is underway.</p> <p>The development of approximately 5 additional acres of land located within the District that are expected to be utilized for future commercial development has been completed. A Chili’s restaurant that contains approximately 4,030 square feet of building area has been constructed on approximately 1 acre of such 5 acre tract, and a retail shopping center that contains approximately 26,250 square feet of building area has been constructed on approximately 3 acres of such approximately 5 acre tract.</p> <p>SIP, the developer of Canterbury Park, Section 1 (defined below under the caption “Developers and Other Principal Land Owners”), owns approximately 41.27 acres of currently undeveloped land located within the District that it expects to develop into single-family residential lots.</p>

MGV, the developer of Stonebridge, Sections 1 and 2 (defined below under the caption “Developers and Other Principal Land Owners”), owns approximately 32.66 acres of currently undeveloped land located within the District that it expects to be utilized for commercial purposes. MGV has developed a total of approximately 11.99 additional acres in four tracts for future commercial and office usage, all of which tracts (aggregating approximately 8.89 acres) MGV has sold. A retail shopping center that contains approximately 37,865 square feet of building area has been constructed on one of the tracts that MGV has sold, and an approximately 7,000 square foot Heritage Bank has been constructed another of such tracts.

Beazer Homes, the developer of Highland Crossing (defined below under the caption “Developers and Other Principal Landowners”), owns approximately 53.5 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 169 single-family residential lots as future sections of Highland Crossing.

KB Home Lone Star, Inc. (“KB Home”) (defined below under the caption “Developers and Other Principal Land Owners”), owns approximately 55.6 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 157 single-family residential lots.

Meritage Homes (defined below under the caption “Developers and Other Principal Land Owners”), owns approximately 20.34 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 54 single-family residential lots.

Covington Estates, LLC owns approximately 9.64 acres of currently undeveloped land located within the District that it currently expects to develop into a total of approximately 20 single-family residential lots as future Covington Estates.

Approximately 122.37 additional acres of currently undeveloped land located within the District are owned by multiple owners, none of which has reported a definitive development plan to the District covering any of such undeveloped land. Since no party, including SIP, MGV, Beazer Homes, KB Home, Meritage Homes, Covington Estates, LLC or the owners of any of the additional approximately 122.37 acres of currently undeveloped land located within the District is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. The balance of the undeveloped acres located within the District are contained within street and/or drainage easements and rights-of-way,

lakes and storm water detention ponds, permanent flood plain, or are otherwise not available for development, including acres that are located within the platted areas of some of the aforementioned subdivisions. See “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS,” “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2012 Taxpayers” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

The District financed its costs of the construction or acquisition of certain of the water and distribution, wastewater collection, and storm drainage facilities to serve the lots located within Creekside, Sections 1 and 2, Canterbury Park, Section 1, Twin Lakes, Section 1, Stone Bridge, Section 1, Impact Fees for 617 connections, and other facilities, with portions of the proceeds of the sale of the Outstanding Bonds. The District will finance a portion of its costs of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities to serve Spring Meadow and Stonebridge, Section 2, Providence Village Drive storm drainage facilities, Impact Fees for 118 connections, and other facilities, with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption “THE BONDS - Use and Distribution of Bond Proceeds.” The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014. See “RISK FACTORS - Future Debt” and “THE SYSTEM.”

As is described below under the captions “Developers and Other Principal Land Owners” and “Builders,” KB Home is currently constructing homes in Canterbury Park, Section 1; Harwood Homes is currently constructing homes in Stonebridge, Section 1; Brighton Homes and Harwood Homes are currently constructing homes in Stonebridge, Section 2; Beazer Homes and Anglia Homes are constructing homes in Spring Meadow; Brighton Homes is currently constructing homes in Emerald Stone, and Beazer Homes and Lennar Homes are currently constructing homes in Preserve at Highland Glen, Sections 1 and 2.

Developers and Other Principal Land Owners

The developer of the 174 fully developed single-family residential lots located within the District which have been subdivided as Canterbury Park, Section 1 is Sowell Interests - Parkside, L.P. (“SIP”), a Texas limited partnership whose general partner is Sowell Parkside, Inc., a Texas corporation whose sole shareholder is Jim Sowell of Dallas, Texas, and whose limited partners are Jim Sowell, James S. Cornelius and Stephen L. Brown of Dallas, Texas. SIP has conveyed all but 5 of such Canterbury Park, Section 1 lots to home building

companies. SIP is reserving the 5 Canterbury, Section 1 lots that it has not sold for utilization as future sites for model homes. SIP owns approximately 41.27 acres of currently undeveloped land located in the District which it expects to develop into future single-family residential lots. However, SIP has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

The developer of the 93 fully developed single-family residential lots located within the District which have been subdivided as Stonebridge, Section 1 and the 140 fully developed single-family residential lots located within the District which have been developed as Stonebridge, Section 2 is Musgrave-Grohman Ventures, Ltd., a Texas limited partnership ("MGV"), the general partner of which is Gromax III, LLC, a Texas limited liability company the managing member of which is Paul Grohman. MGV has sold all of the lots located in Stonebridge, Section 1 and Section 2 to home building companies. Harwood Homes is currently constructing homes in Stonebridge, Section 1 and Brighton Homes and Harwood Homes are currently constructing homes in Stonebridge, Section 2 as is described below under the caption "Builders." MGV developed a total of approximately 11.99 additional acres in four tracts for future commercial and office usage, all of which tracts (aggregating approximately 8.89 acres) MGV has sold. A retail shopping center that contains approximately 37,865 square feet of building area has been constructed on one of the four tracts that MGV has sold, and an approximately 7,000 square foot Heritage Bank has been constructed on another of such tracts. MGV owns approximately 32.66 acres of currently undeveloped land located within the District which are available for future development which are expected to be utilized for commercial purposes. MGV has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

The owner of fully developed single-family residential lots located within the District which have been subdivided as Spring Meadow is IBC Bank, which acquired all 138 Spring Meadow lots and approximately 5 acres of land that are expected to be utilized for future commercial development by foreclosure, and has contracted to sell 69 of such lots to Beazer Homes pursuant to a lot take-down contract that requires Beazer Homes to purchase such lots in increments as is described in the contract. Beazer Homes has purchased 63 of the Spring Meadow lots pursuant to the contract, and is currently constructing homes thereon as is described below

under the caption "Builders." IBC Bank has contracted to sell the remaining 69 lots to Anglia Homes pursuant to a lot take-down contract that requires Anglia Homes to purchase such lots in increments as is described in the contract. Anglia Homes has purchased 6 of the Spring Meadow lots pursuant to the contract, and is currently constructing homes thereon as is described below under the caption "Builders."

The developer of the 28 fully developed single-family residential lots located within the District which have been subdivided as Emerald Stone is LinGo Properties, Inc. ("LP"). Brighton Homes is currently constructing homes that it is offering for sale, and one model home in Emerald Stone, and has contracted with LP to purchase the remaining 17 Emerald Stone lots.

The developers of the 264 fully developed single-family residential lots located within the District which have been subdivided as Preserve at Highland Glen, Sections 1 and 2 and the 21 single-family residential lots located within the District that are currently under development which have been subdivided as Preserve at Highland Glen, Section 3 are Beazer Homes Texas, L.P., a Delaware limited partnership ("Beazer Homes") and Lennar Homes of Texas Land & Construction, Ltd., a Texas limited partnership ("Lennar Homes"). Beazer Homes and Lennar Homes paid equal amounts for undivided interests in the land that has been developed as Preserve at Highland Glen, Sections 1 and 2, and that is being developed as Preserve at Highland Glen, Section 3. As the development of such single-family residential lots has been undertaken, Beazer Homes and Lennar Homes have each paid one-half of the costs of the development thereof. As the development of each section of single-family residential lots has been completed, each of Beazer Homes and Lennar Homes has taken title to one-half of such fully-developed single-family residential lots for home building purposes.

Beazer Homes' sole general partner is Beazer Homes Texas Holdings, Inc., a Delaware corporation, which is wholly-owned by Beazer Homes, U.S.A. Beazer Homes, U.S.A. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Lennar Homes' sole general partner is Lennar Texas Holding Company, a Texas corporation, which is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange.

Upon the completion of Preserve at Highland Glen, Section 3, which is anticipated in approximately August 2013, the development of the entirety of the land located within the District jointly owned by Beazer Homes and Lennar Homes will be complete.

Beazer Homes and Lennar Homes have constructed and are constructing homes on lots located within Preserve at Highland Glen, Sections 1 and 2 as is described under the caption "Builders" below.

The developer of the 59 single-family residential lots located within the District that are currently under development which have been subdivided as Highland Crossing, Phase 1 is Beazer Homes. The development of Highland Crossing, Phase 1, including street paving, is anticipated by approximately October 2013. In addition, Beazer Homes owns approximately 53.5 acres of currently undeveloped land located within the District which it expects to develop into approximately 169 single-family residential lots as future sections of Highland Crossing. Beazer Homes has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

KB Home owns approximately 55.6 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 157 single-family residential lots. KB Home has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

Meritage Homes of Texas, L.L.C., an Arizona limited liability company ("Meritage Homes") has acquired approximately 20.34 acres of undeveloped land located within the District that it expects to develop into approximately 54 future single-family residential lots. Meritage Homes has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

Covington Estates, LLC owns approximately 9.64 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 20 single-family residential lots as future Covington Estates. Covington Estates, LLC. has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

A total of approximately 122.37 additional acres of undeveloped land located within the District is owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such currently undeveloped acres. Since no party, including SIP, MGCV, Beazer Homes, KB Home, Meritage Homes, Covington Estates, LLC or the owners of the additional approximately 122.37 acres of currently undeveloped land located within the District is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. The balance of the undeveloped acres located within the District are contained within street and/or drainage easements and rights-of-way, lakes and storm water detention ponds, permanent flood plain, or are otherwise not available for development, including acres that are located within the platted areas of some of the aforementioned subdivisions. See "FUTURE DEVELOPMENT," "TAX DATA - Principal 2012 Taxpayers" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

Collective reference is made in this Official Statement to SIP, MGCV, Beazer Homes, Lennar Homes, Meritage Homes, KB Home, Covington Estates, LLC and LP as the "Developers."

Builders

According to MGCV, Brighton Homes and Harwood Homes are currently constructing homes in Stonebridge, Section 2 which range in size from approximately 2,600 to 4,208 square feet of living area and in sales price from approximately \$239,750 to \$292,950.

According to Beazer Homes, it is currently constructing homes in Spring Meadow which range in size from approximately 1,403 to 2,488 square feet of living area and in sales price from approximately \$148,000 to \$225,000.

According to Anglia Homes, it is currently constructing homes in Spring Meadow which range in size from approximately 1,603 to 2,941 square feet of living area and in sales price from approximately \$145,990 to \$184,990.

According to Beazer Homes and Lennar Homes, they are constructing homes in Preserve at Highland Glen Sections 1 and 2 which range in size from approximately 1,620 to 4,564 square feet of living area and in sales price from approximately \$145,990 to \$184,990.

According to Brighton Homes, it is currently constructing homes in Emerald Stone which range in size from approximately 1,603 to 2,941 square feet of living area and in sales price from approximately \$147,950 to \$185,950.

According to KB Home, it is currently constructing homes in Canterbury Park, Section 1 which range in size from approximately 1,836 to 3,204 square feet of living area and in sales price from approximately \$170,000 to \$240,000.

Collective reference is made in this Official Statement to Brighton Homes, Harwood Homes, Anglia Homes, Beazer Homes, KB Home and Lennar Homes as the “Builders.”

Although the various entities cited above have reported the descriptions of the homes currently under construction by the Builders to be accurate as of the date of this Official Statement, the Builders may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

RISK FACTORS

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

2012 Assessed Valuation	\$ 147,195,247(a)
(As of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at January 1, 2013	\$ 179,626,501(b)
(As of January 1, 2013)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt: The Outstanding Bonds	\$ 13,300,000
The Bonds	<u>3,605,000</u>
Total	\$ 16,905,000(c)
Estimated Overlapping Debt	<u>\$ 18,213,205</u>
Direct and Estimated Overlapping Debt	<u>\$ 35,118,205</u>
Direct Debt Ratios	
: as a percentage of 2012 Assessed Valuation	11.48%
: as a percentage of Estimated Valuation at January 1, 2013	9.41%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2012 Assessed Valuation	23.86%
: as a percentage of Estimated Valuation at January 1, 2013	19.55%
Debt Service Fund Balance As of April 17, 2013	\$ 1,929,384(d)
General Fund Balance As of April 17, 2013	\$ 739,619
2012 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax	\$0.57
Maintenance Tax	<u>0.25</u>
Total	\$0.82(e)
Average Percentage of Tax Collections 2003 through 2011 Levies	99.97%
Percentage Tax Collections 2012 Levy	
As of March 31, 2013. In process of collection.	98.40%
City of Pearland Tax Rebate Anticipated to be Received in 2014	
Based Upon Estimated Valuation at January 1, 2013	\$ 269,440(e)
Average Annual Debt Service Requirements of the Outstanding Bonds and the Bonds (2013-2034)	\$ 1,286,951
Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds (2033)	\$ 1,309,825

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Outstanding Bonds and the Bonds (2012-2034) at 95% Tax Collections Based Upon Estimated Valuation at January 1, 2013	\$0.60(c)(e)
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Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds (2033) at 95% Tax Collections Based Upon Estimated Valuation at January 1, 2013	\$0.61(c)(e)
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Number of Single Family Residences (including 70 residences under construction) as of April 15, 2013	908
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Commercial Improvements

Two Retail Shopping Centers Totalling Approximately 64,115 Square Feet
of Building Area (Completed)
Chili's Restaurant - Approximately 4,030 Square Feet of Building Area (Completed)
Heritage Bank - Approximately 7,000 Square Feet of Building Area (Completed)
Home Town Bank - Approximately 7,000 Square Feet of Building Area (Completed)

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- (a) As of January 1, 2012. All property in the District is valued on the tax rolls by the Brazoria County Appraisal District and the Harris County Appraisal District (together, the "Appraisal Districts") at 100% of appraised value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board and the Harris County Appraisal Review Board (together, the "Appraisal Review Boards"). See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."
- (b) Provided by the Appraisal Districts for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2013, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2012, through December 31, 2012. No taxes will be levied for 2012 against any values added from January 1, 2012, through December 31, 2012. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2012, through December 31, 2012, which will be placed on the District's 2013 tax roll, may vary significantly from such estimate once the Appraisal Review Boards certify the value thereof in 2013.
- (c) See "DISTRICT DEBT." In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds (as defined herein), and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014.
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the timely payment by the District of its debt service requirements that were due on March 1, 2013. The District's initial debt service payment on the Bonds, consisting of a nine-month interest payment thereon, is due March 1, 2014. The District's remaining debt service requirements for 2013, which are due on September 1, 2013, consist of principal of and interest on the Outstanding Bonds totaling \$660,058.
- (e) The District levied a debt service tax in 2012 in the amount of \$0.57 per \$100 of Assessed Valuation. In addition to its debt service tax, the District levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2012. The District lies wholly within the municipal boundaries of the City of Pearland (the "City"), and all land within the District is subject to taxation by the City. See "TAX DATA - Estimated Overlapping Taxes." Pursuant to the Utility Agreement between the District and the City, the City is obligated to pay annually a sum to the District in the form of a "City Tax Rebate" as defined in the Utility Agreement and described in this Official Statement under the caption "THE DISTRICT - Utility Agreement." The calculations of tax rates required to pay the Average

Annual and Maximum Annual Debt Service Requirements assume the receipt by the District of a City Tax Rebate of \$269,440, the approximate amount anticipated to be received in 2014 based upon the District's Estimated Valuation at January 1, 2013, enumerated above. The District currently intends to apply the City Tax Rebate to payment of the Bonds and any additional bonds, debts, or obligations, whether or not on a parity with the Bonds, which may be issued by the District in the future. The City Tax Rebate is not pledged to the payment of the Bonds and is subject to modification by agreement of the District and the City. Therefore, there is no assurance that the City Tax Rebate will not be reduced or eliminated in the future. In addition, pursuant to the Utility Agreement, the City Tax Rebate will be annually reduced in an amount equal to the annual amount, if any, that the District reduces its combined debt service and operation and maintenance tax rate (the "Combined District Tax Rate") below \$0.82 per \$100 of Assessed Valuation; and if and when the District reduces the Combined District Tax Rate to \$0.67 or less, the City Tax Rebate permanently ceases. The Utility Agreement provides that once the City Tax Rebate is reduced, it shall not thereafter be increased, and any increase in the District debt service tax rate does not affect the calculation of the City Tax Rebate. For calculations of the tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements of the Bonds assuming the receipt of no City Tax Rebate, see "TAX DATA - Tax Rate Calculations." As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2012 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District, is \$3.58636 as to that portion of the District which lies within Brazoria County, and \$3.697299 as to that portion of which lies within Harris County. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
UNLIMITED TAX BONDS
SERIES 2013**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Brazoria County Municipal Utility District No. 28 (the "District") of its \$3,605,000 Unlimited Tax Bonds, Series 2013 (the "Bonds"). The District has previously issued Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), and Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), \$13,300,000 of the principal amount of which is currently outstanding (collectively, the "Outstanding Bonds"). The District has timely made all payments of principal of and interest on the Outstanding Bonds when due.

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

THE BONDS

General

The 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 resolution (the "Bond Resolution") of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The \$3,605,000 Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds, Series 2013, are dated June 1, 2013. Interest accrues from June 1, 2013, and is payable on March 1, 2014 (nine-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered serial bonds maturing on September 1 of the years shown under "MATURITY SCHEDULE" on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Registrar to Registered Owners as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding the interest payment date (the "Record Date").

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and 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 procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District or the Initial Purchaser.

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriter, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Bonds maturing on September 1, 2021, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2020, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such 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 bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, 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.

Authority for Issuance

At an election held within the District on May 15, 2004, the District authorized a total of \$89,155,000 bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$57,850,000 for refunding purposes. The Bonds constitute the fourth issuance of bonds from such authorization. After issuance of the Bonds, a total of \$71,135,000 principal amount of unlimited tax bonds for facilities and \$57,850,000 for refunding purposes will remain authorized but unissued. 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; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "TCEQ").

Source of Payment

The Outstanding Bonds and the Bonds are 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. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Such tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Outstanding Bonds, the Bonds, and on additional bonds payable from taxes which may hereafter be issued, and Registrar fees.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Brazoria County, Harris County, the City of Pearland, or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "TCEQ"), necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$89,155,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities, and could authorize additional amounts. Following the

issuance of the Bonds, \$71,135,000 unlimited tax bonds will remain authorized but unissued for such purpose. The District's voters also have authorized \$57,850,000 unlimited tax bonds for refunding purposes, all of which remain unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "Use and Distribution of Bond Proceeds" below and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014.

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the District's consulting engineer, LJA Engineering & Surveying, Inc. (the "Engineer"), the \$71,135,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage/detention facilities and to pay Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment capacity by the City to the District to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants 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.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Pearland, Texas, the District may be dissolved by the City of Pearland, without the District's consent, subject to compliance by the City of Pearland with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City of Pearland must assume the District's assets and obligations (including the Bonds) and abolish the District within 90 days of the date of dissolution. Dissolution of districts by the City of Pearland is a policy-making matter within the discretion of the Mayor and City Council of the City of Pearland; therefore, the District makes no representation that the City of Pearland will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Pearland to make debt service payments should dissolution occur.

Consolidation

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

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. 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 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. The enforceability of the rights and remedies of the Registered Owners may be further limited 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below. Further, certain traditional legal remedies also may not be available.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited 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, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by 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. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the 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 the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is

feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

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 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 non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable 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) non-callable 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. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of the acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities (the "System") that serve the subdivisions platted as Spring Meadow and Stonebridge, Section 2; drainage facilities to serve the Providence Village Tract 1; drainage channel to serve the Stonebridge development; and a portion of the construction costs of the lift station, associated 4-inch force main and detention/amenity pond to serve the Spring Meadow development; (ii) finance impact fees (the "Impact Fees") paid to the City of Pearland for 118 connections associated with the City's provision of water supply and wastewater treatment to the District; (iii) pay interest on advances that have been made on behalf of the District; (iv) pay certain operating expenses of the District; and (v) pay for issuance costs, legal fees, fiscal agent's fees, fees to the Attorney General of the State of Texas and the TCEQ certain engineering fees, and certain financing costs related to the issuance of the Bonds.

Construction Costs

District Share

A. Developer Contribution Items (a)

1. Spring Meadow Water, Wastewater and Drainage; Detention; Clearing and Grubbing; Lift Station and Force Main	\$ 321,779
2. Stonebridge, Section 1 Drainage Channel	128,329
3. Stonebridge, Section 2 Water, Wastewater and Drainage	1,032,499
4. Province Village Drive Drainage, Clearing and Grubbing	335,000
5. Engineering and Testing	<u>605,825</u>
Total Developer Contribution Items	\$2,423,432

B. District Items

1. Impact Fees	<u>\$ 412,528</u>
TOTAL CONSTRUCTION COSTS	\$2,835,960
Less Surplus Funds Applied	<u>(120,000)</u>
NET CONSTRUCTION COSTS	\$2,715,960

Non-Construction Costs

1. Legal Fees	\$ 105,125
2. Fiscal Agent Fees	72,100
3. Developer Interest (b)	344,602
4. Bond Discount	108,150
5. Operating Expenses	135,942
6. Bond Issuance Expenses	50,503
7. Bond Application Report Costs	60,000
8. Attorney General Fee	3,605
9. TCEQ Bond Issuance Fee	9,013
10. Contingency (c)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 889,040
TOTAL BOND ISSUE REQUIREMENT	\$ 3,605,000

- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed on advances of construction costs made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party making such advances has borrowed funds.
- (c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developers for the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated February 27, 2003, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies totally within the corporate limits of the City of Pearland, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The District is required to observe certain requirements of the City of Pearland, which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Pearland of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Pearland, and filed in the real property records of Brazoria County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Utility Agreement

The District is located totally within the corporate limits of the City of Pearland (the "City") and obtains water, sewer and drainage service from the City. Sowell Property Partners - Parkside, L.P. and RH of Texas Limited Partnership on behalf of the District, and the City entered into a Utility Agreement dated February 25, 2002, which was assumed by the District on September 3, 2003, (the "Utility Agreement"), to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. In addition, the City has agreed to pay to the District a portion of the ad valorem taxes imposed and collected by the City on land and improvements located within the District equal to \$0.15 per \$100 of Assessed Valuation (the "City Tax Rebate") and to pay the District a sum equal to \$5 per month per equivalent single-family connection located within the District (the "City Utility Rebate"). Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District in consideration of the payment by the District of Impact Fees. The Utility Agreement requires the District to deposit the City Tax Rebate received by the District from the City into a debt service fund of the District and to apply such funds solely to the payment of bonds, and other debts, liabilities, and obligations of the District to or for the benefit of any persons or entities relating to the financing, construction, and acquisition of all or any portion of the facilities constructed or acquired by the District. The Utility Agreement does not require the District to pledge, and the District has not pledged, the City Tax Rebate for payment of bonds, debts, or obligations of the District. Therefore, the City Tax Rebate is subject to modification by agreement of the District and the City. In addition, pursuant to the Utility Agreement, the City Tax Rebate will be annually reduced in an amount equal to the annual amount, if any, that the District reduces its combined debt service and operation and maintenance tax rate (the "Combined District Tax Rate") below \$0.82 per \$100 of Assessed Valuation; and if and when the District reduces the Combined District Tax Rate to \$0.67 or less, the City Tax Rebate permanently ceases. The Utility Agreement provides that once the City Tax Rebate is reduced, it shall not thereafter be increased, and any increase in the District debt service tax rate does not affect the calculation of the City Tax Rebate.

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City, plus the \$5.00 per month per equivalent single-family connection charge (the City Utility Rebate) mentioned above. Except for the City Utility Rebate, all revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment. See “THE SYSTEM.”

Description

The District is a political subdivision of the State of Texas, created by Order of the TCEQ on February 27, 2003. The District contains approximately 847.27 acres of land. The District is located within Brazoria and Harris Counties, Texas, and entirely within the corporate boundaries of the City of Pearland, Texas (the “City”). The District, which is comprised of thirteen non-contiguous tracts of land, is located in the northeastern quadrant of Brazoria County. Tract One is located south of Beltway 8 and east of Old Alvin Road. Tract Two is located west of Pearland Sites Road and south of Magnolia Road. Tract Three is located south of Beltway 8 and east of Oday Road. Tract Four is located east of Veterans Road. Tracts Five, Six and Seven are located east of Pearland Parkway and west of Country Club Drive. Tract Eight is located east of O’Day Road and north of Walnut Street. Tract Nine is located east of County Road 93 and west of Hooks Road. Tract Ten is located north of Fites Road. Tract 11 is located north of Fites Road. Tract 12 is located near Old Alvin Road north of McHard Road. Tract 13 is located on Hillhouse Road. The District lies wholly within the Pearland Independent School District. See “APPENDIX A - LOCATION MAP.”

Beazer Homes of Texas, L.P., the owner of approximately 74.3 acres of land located within the City’s boundaries, has filed an annexation petition with the District requesting that such land be annexed into the District. The District has petitioned the City for consent to annex such land. The District makes no representation whether or when the City will consent to such annexation, nor that the annexation will be consummated.

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. Four of the Directors currently reside in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Stacey Wagner	President	2014
John L. Gordon	Vice President	2016
Stefania Ricks	Secretary	2014
Roland Garza	Assistant Vice President	2014
James Nester	Assistant Secretary	2016

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Thomas W. Lee of Assessments of the Southwest, Inc., Friendswood, Texas, as the District's Tax Assessor/Collector. According to Mr. Lee, he presently serves approximately 135 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Brazoria County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of LJA Engineering & Surveying, Inc., Houston, Texas, as Consulting Engineer in connection with the design and construction of the System. In addition, various other engineers are engaged by certain Developers in connection with the design and construction of water, sewer and drainage facilities that serve portions of the System.

Bookkeeper - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 315 districts as bookkeeper.

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 auditor for the 2012 fiscal year is McCall Gibson Swedlund Barfoot PLLC, Houston, Texas. A copy of the District's audit for the fiscal year ended July 31, 2012, is included as "APPENDIX B" to this Official Statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement of Auditing Standards No. 115, including the District's response thereto, is included in "APPENDIX B."

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fee paid the Financial Advisor for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fee is contingent upon the sale and delivery of the Bonds.

DEVELOPMENT AND HOME CONSTRUCTION

As of April 15, 2013, the District contained 908 homes, including 70 homes under construction. See "BUILDERS." In addition, two retail shopping centers totaling approximately 64,115 square feet of building area, a Chili's restaurant containing approximately 4,030 square feet of building area, an approximately 7,000 square foot Heritage Bank and an approximately 7,000 square foot Home Town Bank have been constructed in the District. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve 1,165 single-family residential lots in the District located in the fully developed subdivisions that have been platted as Creekside, Sections 1 and 2, Canterbury Park, Section 1, Twin Lakes, Section 1, Stonebridge, Sections 1 and 2, Spring Meadow, Emerald Stone, and Preserve at Highland Glen, Sections 1 and 2 (a total of approximately 441.92 acres) as is delineated in the chart that appears below. In addition, the development of 21 single-family residential lots on approximately 25.4 acres platted as Preserve at Highland Glen, Section 3 (completion anticipated by approximately August 2013) and 59 single-family residential lots on approximately 28.1 acres platted as Highland Crossing, Phase 1 (completion anticipated by approximately October 2013) is underway.

The development of approximately 5 additional acres of land located within the District that are expected to be utilized for future commercial development has been completed. A Chili's restaurant that contains approximately 4,030 square feet of building area has been constructed on approximately 1 acre of such 5 acre tract, and a retail shopping center that contains approximately 26,250 square feet of building area has been constructed on approximately 3 acres of such approximately 5 acre tract.

SIP, the developer of Canterbury Park, Section 1 (defined below under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS"), owns approximately 41.27 acres of currently undeveloped land located within the District that it expects to develop into single-family residential lots.

MGV, the developer of Stonebridge, Sections 1 and 2 (defined below under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS"), owns approximately 32.66 acres of currently undeveloped land located within the District that it expects to be utilized for commercial purposes. MGV has developed a total of approximately 11.99 additional acres in four tracts for future commercial and office usage, all of which tracts (aggregating approximately 8.89 acres) MGV has sold. A retail shopping center that contains approximately 37,865 square feet of building area has been constructed on one of the tracts that MGV has sold, and an approximately 7,000 square foot Heritage Bank has been constructed another of such tracts.

Beazer Homes, the developer of Highland Crossing (defined below under the caption "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS"), owns approximately 53.5 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 169 single-family residential lots as future sections of Highland Crossing.

KB Home Lone Star, Inc. ("KB Home") (defined below under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS"), owns approximately 55.6 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 157 single-family residential lots.

Meritage Homes (defined below under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS"), owns approximately 20.34 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 54 single-family residential lots.

Covington Estates, LLC owns approximately 9.64 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 20 single-family residential lots as future Covington Estates.

Approximately 122.37 additional acres of currently undeveloped land located within the District are owned by multiple owners, none of which has reported a definitive development plan to the District covering any of such undeveloped land. Since no party, including SIP, MGV, Beazer Homes, KB Home, Meritage Homes, Covington Estates, LLC or the owners of any of the additional approximately 122.37 acres of currently undeveloped land located within the District is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. The balance of the undeveloped acres located within the District are contained within street and/or drainage easements and rights-of-way, lakes and storm water detention ponds, permanent flood plain, or are otherwise not available for development, including acres that are located within the platted areas of some of the aforementioned subdivisions. See "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT," "TAX DATA - Principal 2012 Taxpayers" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

The District financed its costs of the construction or acquisition of certain of the water and distribution, wastewater collection, and storm drainage facilities to serve the lots located within Creekside, Sections 1 and 2, Canterbury Park, Section 1, Twin Lakes, Section 1, Stone Bridge, Section 1, Impact Fees for 617 connections, and other facilities, with portions of the proceeds of the sale of the Outstanding Bonds. The District will finance a portion of its costs of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities to serve Spring Meadow and Stonebridge, Section 2, Providence Village Drive storm drainage facilities, Impact Fees for 118 connections, and other facilities, with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under

the caption “THE BONDS - Use and Distribution of Bond Proceeds.” The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014. See “RISK FACTORS - Future Debt” and “THE SYSTEM.”

As is described below under the captions “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS” and “BUILDERS,” KB Home is currently constructing homes in Canterbury Park, Section 1; Harwood Homes is currently constructing homes in Stonebridge, Section 1; Brighton Homes and Harwood Homes are currently constructing homes in Stonebridge, Section 2; Beazer Homes and Anglia Homes are constructing homes in Spring Meadow; Brighton Homes is currently constructing homes in Emerald Stone, and Beazer Homes and Lennar Homes are currently constructing homes in Preserve at Highland Glen, Sections 1 and 2.

As of April 15, 2013, the status of lot development and home construction within the District was as follows:

Subdivision	Lots				Homes					Totals
	Developed	Acres	Under Development	Acres	Under Construction		Completed			
					Sold*	Unsold	Sold*	Unsold	Models	
Creekside										
Section 1	91	29.40			0	0	91	0	0	91
Section 2	107	26.75			0	0	107	0	0	107
Canterbury Park										
Section 1	174	92.68			0	0	162	0	0	162
Twin Lakes										
Section 1	130	64.81			0	0	130	0	0	130
Stonebridge										
Section 1	93	44.79			0	0	90	1	2	93
Section 2	140	39.04			0	7	113	0	1	121
Spring Meadow	138	41.95			0	22	46	0	1	69
Emerald Stone	28	10.47			0	4	5	0	1	10
Preserve at Highland Glen										
Section 1	121	59.07			17	20	80	3	5	125
Section 2	143	32.96			0	0	0	0	0	0
Section 3			21	25.4	0	0	0	0	0	0
Highland Crossing										
Phase 1	_____	_____	<u>59</u>	<u>28.1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	1,165	441.92	80	53.5	17	53	824	4	10	908

* Includes homes sold and contracted for sale. Homes under contract for sale, in some instances, are subject to conditions of appraisal, loan application, approval and inspection. See “BUILDERS.”

DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS

General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

Description of the Developers

The developer of the 174 fully developed single-family residential lots located within the District which have been subdivided as Canterbury Park, Section 1 is Sowell Interests - Parkside, L.P. ("SIP"), a Texas limited partnership whose general partner is Sowell Parkside, Inc., a Texas corporation whose sole shareholder is Jim Sowell of Dallas, Texas, and whose limited partners are Jim Sowell, James S. Cornelius and Stephen L. Brown of Dallas, Texas. SIP has conveyed all but 5 of such Canterbury Park, Section 1 lots to home building companies. SIP is reserving the 5 Canterbury, Section 1 lots that it has not sold for utilization as future sites for model homes. SIP owns approximately 41.27 acres of currently undeveloped land located in the District which it expects to develop into future single-family residential lots. However, SIP has no obligation to the District to develop any of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

The developer of the 93 fully developed single-family residential lots located within the District which have been subdivided as Stonebridge, Section 1 and the 140 fully developed single-family residential lots located within the District which have been developed as Stonebridge, Section 2 is Musgrave-Grohman Ventures, Ltd., a Texas limited partnership ("MGV"), the general partner of which is Gromax III, LLC, a Texas limited liability company the managing member of which is Paul Grohman. MGV has sold all of the lots located in Stonebridge, Section 1 and Section 2 to home building companies. Harwood Homes is currently constructing homes in Stonebridge, Section 1 and Brighton Homes and Harwood Homes are currently constructing homes in Stonebridge, Section 2 as is described below under the caption "BUILDERS." MGV developed a total of approximately 11.99 additional acres in four tracts for future commercial and office usage, all of which tracts (aggregating approximately 8.89 acres) MGV has sold. A retail shopping center that contains approximately 37,865 square feet of building area has been constructed on one of the four tracts that MGV has sold, and an approximately 7,000 square foot Heritage Bank has been constructed on another of such tracts. MGV owns approximately 32.66 acres of currently undeveloped land located within the District which are available for future development which are expected to be utilized for commercial purposes. MGV has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

The owner of fully developed single-family residential lots located within the District which have been subdivided as Spring Meadow is IBC Bank, which acquired all 138 Spring Meadow lots and approximately 5 acres of land that are expected to be utilized for future commercial development by foreclosure, and has contracted to sell 69 of such lots to Beazer Homes pursuant to a lot take-down contract that requires Beazer Homes to purchase such lots in increments as is described in the contract. Beazer Homes has purchased 63 of the Spring Meadow lots pursuant to the contract, and is currently constructing homes thereon as is described below under the caption "BUILDERS." IBC Bank has contracted to sell the remaining 69 lots to Anglia Homes pursuant to a lot take-down contract that requires Anglia Homes to purchase such lots in increments as is described in the contract. Anglia Homes has purchased 6 of the Spring Meadow lots pursuant to the contract, and is currently constructing homes thereon as is described below under the caption "BUILDERS."

The developer of the 28 fully developed single-family residential lots located within the District which have been subdivided as Emerald Stone is LinGo Properties, Inc. ("LP"). Brighton Homes is currently constructing homes that it is offering for sale, and one model home in Emerald Stone, and has contracted with LP to purchase the remaining 17 Emerald Stone lots.

The developers of the 264 fully developed single-family residential lots located within the District which have been subdivided as Preserve at Highland Glen, Sections 1 and 2 and the 21 single-family residential lots located within the District that are currently under development which have been subdivided as Preserve at Highland Glen, Section 3 are Beazer Homes Texas, L.P., a Delaware limited partnership ("Beazer Homes") and Lennar Homes of Texas Land & Construction, Ltd., a Texas limited partnership ("Lennar Homes"). Beazer Homes and Lennar Homes paid equal amounts for undivided interests in the land that has been developed as Preserve at Highland Glen, Sections 1 and 2, and that is being developed as Preserve at Highland Glen, Section 3. As the development of such single-family residential lots has been undertaken, Beazer Homes and Lennar Homes have each paid one-half of the costs of the development thereof. As the development of each section of single-family residential lots has been completed, each of Beazer Homes and Lennar Homes has taken title to one-half of such fully-developed single-family residential lots for home building purposes.

Beazer Homes' sole general partner is Beazer Homes Texas Holdings, Inc., a Delaware corporation, which is wholly-owned by Beazer Homes, U.S.A. Beazer Homes, U.S.A. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Lennar Homes' sole general partner is Lennar Texas Holding Company, a Texas corporation, which is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange.

Upon the completion of Preserve at Highland Glen, Section 3, which is anticipated in approximately August 2013, the development of the entirety of the land located within the District jointly owned by Beazer Homes and Lennar Homes will be complete.

Beazer Homes and Lennar Homes have constructed and are constructing homes on lots located within Preserve at Highland Glen, Sections 1 and 2 as is described under the caption "BUILDERS" below.

The developer of the 59 single-family residential lots located within the District that are currently under development which have been subdivided as Highland Crossing, Phase 1 is Beazer Homes. The development of Highland Crossing, Phase 1, including street paving, is anticipated by approximately October 2013. In addition, Beazer Homes owns approximately 53.5 acres of currently undeveloped land located within the District which it expects to develop into approximately 169 single-family residential lots as future sections of Highland Crossing. Beazer Homes has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

KB Home owns approximately 55.6 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 157 single-family residential lots. KB Home has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

Meritage Homes of Texas, L.L.C., an Arizona limited liability company (“Meritage Homes”) has acquired approximately 20.34 acres of undeveloped land located within the District that it expects to develop into approximately 54 future single-family residential lots. Meritage Homes has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

Covington Estates, LLC owns approximately 9.64 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 20 single-family residential lots as future Covington Estates. Covington Estates, LLC has no obligation to the District to undertake the development of such currently undeveloped acres, and may sell any of such land at any time at its sole discretion. Therefore, the District cannot represent when, or whether, such currently undeveloped acres might be developed.

A total of approximately 122.37 additional acres of undeveloped land located within the District is owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such currently undeveloped acres. Since no party, including SIP, MGCV, Beazer Homes, KB Home, Meritage Homes, Covington Estates, LLC or the owners of the additional approximately 122.37 acres of currently undeveloped land located within the District is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. The balance of the undeveloped acres located within the District are contained within street and/or drainage easements and rights-of-way, lakes and storm water detention ponds, permanent flood plain, or are otherwise not available for development, including acres that are located within the platted areas of some of the aforementioned subdivisions. See “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2012 Taxpayers” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

Collective reference is made in this Official Statement to SIP, MGCV, Beazer Homes, Lennar Homes, Meritage Homes, KB Home, Covington Estates, LLC and LP as the “Developers.”

BUILDERS

According to MGCV, Brighton Homes and Harwood Homes are currently constructing homes in Stonebridge, Section 2 which range in size from approximately 2,600 to 4,208 square feet of living area and in sales price from approximately \$239,750 to \$292,950.

According to Beazer Homes, it is currently constructing homes in Spring Meadow which range in size from approximately 1,403 to 2,488 square feet of living area and in sales price from approximately \$148,000 to \$225,000.

According to Anglia Homes, it is currently constructing homes in Spring Meadow which range in size from approximately 1,603 to 2,941 square feet of living area and in sales price from approximately \$145,990 to \$184,990.

According to Beazer Homes and Lennar Homes, they are constructing homes in Preserve at Highland Glen Sections 1 and 2 which range in size from approximately 1,620 to 4,564 square feet of living area and in sales price from approximately \$145,990 to \$184,990.

According to Brighton Homes, it is currently constructing homes in Emerald Stone which range in size from approximately 1,603 to 2,941 square feet of living area and in sales price from approximately \$147,950 to \$185,950.

According to KB Home, it is currently constructing homes in Canterbury Park, Section 1 which range in size from approximately 1,836 to 3,204 square feet of living area and in sales price from approximately \$170,000 to \$240,000.

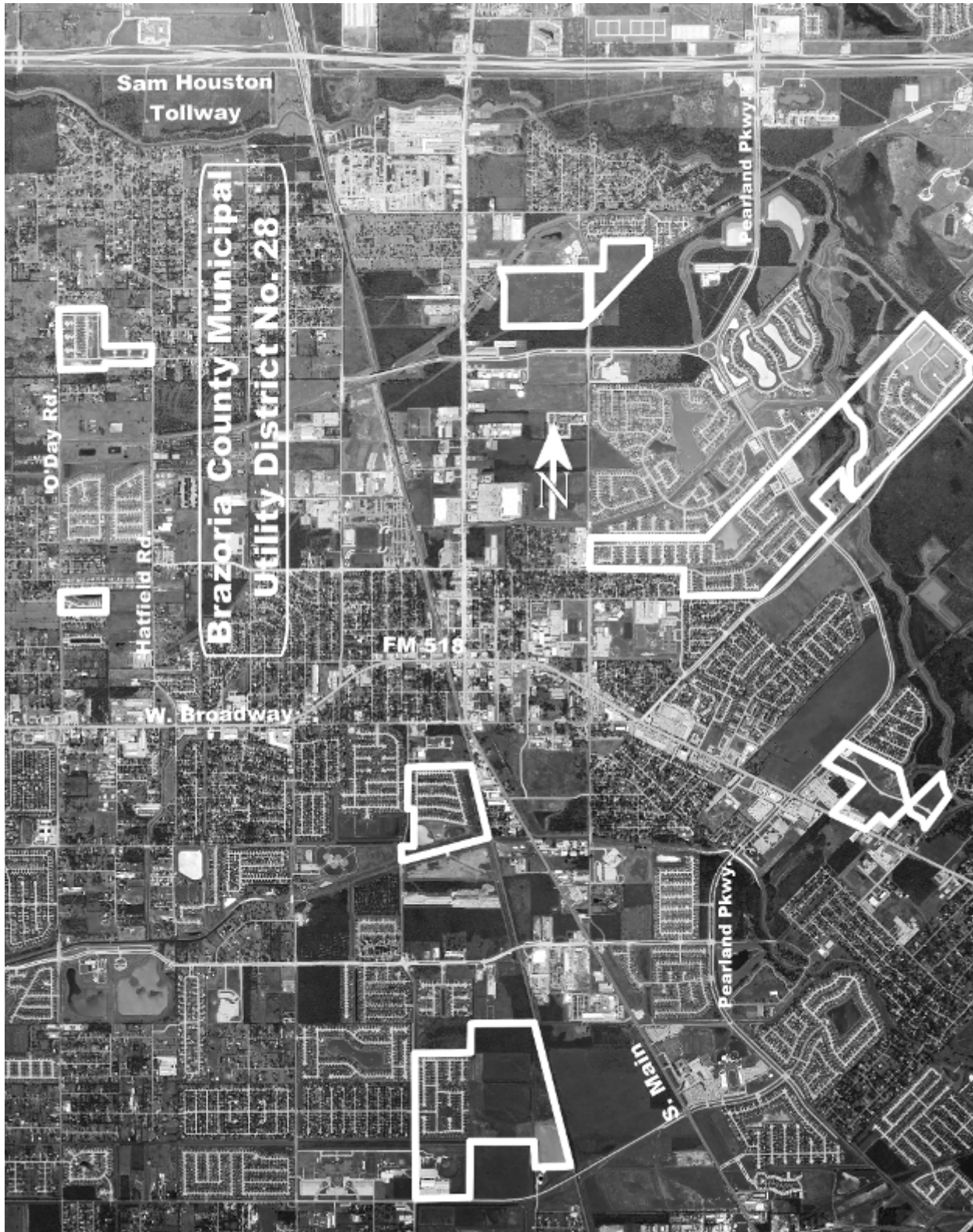
Collective reference is made in this Official Statement to Brighton Homes, Harwood Homes, Anglia Homes, Beazer Homes, KB Home and Lennar Homes as the “Builders.”

Although the various entities cited above have reported the descriptions of the homes currently under construction by the Builders to be accurate as of the date of this Official Statement, the Builders may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

FUTURE DEVELOPMENT

As is described above under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” approximately 441.92 acres of the total of approximately 847.27 acres of land located within the District have been developed into 1,165 single-family residential lots, and approximately 53.5 acres of land located within the District are currently being developed into 80 additional single-family residential lots. SIP, the developer of Canterbury Park (defined above under the caption “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS”), owns approximately 41.27 acres of currently undeveloped land located within the District that are available for future development that it expects to develop as single-family residential lots. MGCV, the developer of Stonebridge, Sections 1 and 2 (defined above under the caption “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS”), owns approximately 32.66 acres of currently undeveloped land located within the District that it expects to be utilized for commercial purposes. Beazer Homes, the developer of Highland Crossing, Phase 1 (defined above under the caption “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS”), owns approximately 53.5 acres of currently undeveloped land located within the District which it expects to develop into approximately 169 single-family residential lots as future sections of Highland Crossing. KB Home (defined above under the caption “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS”), owns approximately 55.6 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 157 single-family residential lots. Meritage Homes (defined above under the caption “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS”), owns approximately 20.34 acres of currently undeveloped land located within the District that it currently expects to develop into a total of approximately 54 future single-family residential lots. Covington Estates, LLC owns approximately 9.64 acres of currently undeveloped land located within the District that it expects to develop into a total of approximately 20 single-family residential lots as future Covington Estates. Approximately 122.37 additional acres of currently undeveloped land located within the District are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such land. See “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS,” “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments” and “TAX DATA - Principal 2012 Taxpayers.” Since no party, including SIP, MGCV, Beazer Homes, KB Home, Meritage Homes, and Covington Estates, LLC (defined in this Official Statement under the caption “DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS”), or the owners of the additional approximately 122.37 acres of currently undeveloped land located within the District is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and stormwater detention ponds, permanent floodplain, or is otherwise not available for future development, including acres that are located within the platted areas of some of the aforementioned subdivisions. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to provide service to such undeveloped acreage and the payment of Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment by the City to the District may be financed by future issues of the District's bonds. In addition to the components of the System and Impact Fees that the District has financed with portions of the proceeds of the sale of the Outstanding Bonds, and will finance with portions of the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014. The District's Engineer currently estimates that the authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to pay Impact Fees as described below under the caption “THE SYSTEM.” See “RISK FACTORS - Future Debt.”

AERIAL PHOTOGRAPH OF PORTIONS OF THE DISTRICT
(taken April 2013)



AERIAL PHOTOGRAPH OF PORTIONS OF THE DISTRICT
(taken April 2013)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2013)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2013)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and estimated interest requirements of the Bonds.

<u>Year</u>	<u>Outstanding Bonds</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal (Due 9-1)</u>	<u>Interest *</u>	
2013	\$ 985,116			\$ 985,116
2014	989,591		\$ 247,844	1,237,435
2015	987,629	\$ 115,000	198,275	1,300,904
2016	993,429	115,000	191,950	1,300,379
2017	990,906	125,000	185,625	1,301,531
2018	992,711	130,000	178,750	1,301,461
2019	998,361	135,000	171,600	1,304,961
2020	997,656	140,000	164,175	1,301,831
2021	1,000,679	145,000	156,475	1,302,154
2022	1,002,321	150,000	148,500	1,300,821
2023	1,002,283	160,000	140,250	1,302,533
2024	1,005,818	165,000	131,450	1,302,268
2025	1,007,730	175,000	122,375	1,305,105
2026	1,008,056	185,000	112,750	1,305,806
2027	1,011,306	190,000	102,575	1,303,881
2028	1,012,675	200,000	92,125	1,304,800
2029	1,012,369	215,000	81,125	1,308,494
2030	1,015,094	225,000	69,300	1,309,394
2031	1,010,675	240,000	56,925	1,307,600
2032	1,013,925	250,000	43,725	1,307,650
2033	1,014,850	265,000	29,975	1,309,825
2034	<u>1,013,575</u>	<u>280,000</u>	<u>15,400</u>	<u>1,308,975</u>
	\$22,066,755	\$3,605,000	\$2,641,169	\$28,312,924

* Interest is estimated at 5.5% per annum for purposes of illustration.

Average Annual Requirements (2013-2034)	\$1,286,951
Maximum Annual Requirement (2033)	\$1,309,825

Bonded Indebtedness

2012 Assessed Valuation	\$ 147,195,247(a)
(As of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at January 1, 2013	\$ 179,626,501(b)
(As of January 1, 2013)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt: The Outstanding Bonds	\$ 13,300,000
The Bonds	<u>3,605,000</u>
Total	\$ 16,905,000(c)
Estimated Overlapping Debt	<u>\$ 18,213,205</u>
Direct and Estimated Overlapping Debt	<u>\$ 35,118,205</u>
Direct Debt Ratios	
: as a percentage of 2012 Assessed Valuation	11.48%
: as a percentage of Estimated Valuation at January 1, 2013	9.41%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2012 Assessed Valuation	23.86%
: as a percentage of Estimated Valuation at January 1, 2013	19.55%
Debt Service Fund Balance As of April 17, 2013	\$ 1,929,384(d)
General Fund Balance As of April 17, 2013	\$ 739,619
2012 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax	\$0.57
Maintenance Tax	<u>0.25</u>
Total	\$0.82(e)
Average Percentage of Tax Collections 2003 through 2011 Levies	99.97%
Percentage of Tax Collections 2012 Levy	
As of March 31, 2013. In process of collection	98.40%
City of Pearland Tax Rebate Anticipated to be Received in 2014	
Based Upon Estimated Valuation at January 1, 2013	\$ 269,440(e)

- (a) As of January 1, 2012. All property in the District is valued on the tax rolls by the Brazoria County Appraisal District and the Harris County Appraisal District (together, the "Appraisal Districts") at 100% of appraised value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board and the Harris County Appraisal Review Board (together, the "Appraisal Review Boards"). See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

- (b) Provided by the Appraisal Districts for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2013, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2012, through December 31, 2012. No taxes will be levied for 2012 against any values added from January 1, 2012, through December 31, 2012. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2012, through December 31, 2012, which will be placed on the District's 2013 tax roll, may vary significantly from such estimate once the Appraisal Review Boards certify the value thereof in 2013.
- (c) In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014.
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the timely payment by the District of its debt service requirements that were due on March 1, 2013. The District's initial debt service payment on the Bonds, consisting of a nine-month interest payment thereon, is due March 1, 2014. The District's remaining debt service requirements for 2013, which are due on September 1, 2013, consist of principal of and interest on the Outstanding Bonds totaling \$660,058.
- (e) The District levied a debt service tax in 2012 in the amount of \$0.57 per \$100 of Assessed Valuation. In addition to its debt service tax, the District levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2012. The District lies wholly within the municipal boundaries of the City of Pearland (the "City"), and all land within the District is subject to taxation by the City. See "TAX DATA - Estimated Overlapping Taxes." Pursuant to the Utility Agreement between the District and the City, the City is obligated to pay annually a sum to the District in the form of a "City Tax Rebate" as defined in the Utility Agreement and described in this Official Statement under the caption "THE DISTRICT - Utility Agreement." The calculations of tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements assume the receipt by the District of a City Tax Rebate of \$269,440, the approximate amount anticipated to be received in 2014 based upon the District's Estimated Valuation at January 1, 2013, enumerated above. The District currently intends to apply the City Tax Rebate to payment of the Bonds and any additional bonds, debts, or obligations, whether or not on a parity with the Bonds, which may be issued by the District in the future. The City Tax Rebate is not pledged to the payment of the Bonds and is subject to modification by agreement of the District and the City. Therefore, there is no assurance that the City Tax Rebate will not be reduced or eliminated in the future. In addition, pursuant to the Utility Agreement, the City Tax Rebate will be annually reduced in an amount equal to the annual amount, if any, that the District reduces its combined debt service and operation and maintenance tax rate (the "Combined District Tax Rate") below \$0.82 per \$100 of Assessed Valuation; and if and when the District reduces the Combined District Tax Rate to \$0.67 or less, the City Tax Rebate permanently ceases. The Utility Agreement provides that once the City Tax Rebate is reduced, it shall not thereafter be increased, and any increase in the District debt service tax rate does not affect the calculation of the City Tax Rebate. For calculations of the tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements of the Bonds assuming the receipt of no City Tax Rebate, see "TAX DATA - Tax Rate Calculations." As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2012 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District, is \$3.58636 as to that portion of the District which lies within Brazoria County, and \$3.697299 as to that portion of which lies within Harris County. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt as of April 1, 2013</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Brazoria County	\$ 86,515,000	0.7228%	\$ 625,335
City of Pearland	294,500,000	2.6097	7,685,615
Pearland Independent School District	302,157,047	2.8783	8,696,849
Harris County *	2,345,417,190	0.0001	3,250
Harris County Department of Education	7,605,000	0.0001	11
Harris County Flood Control District	96,470,000	0.0001	134
Port of Houston Authority	731,969,397	0.0001	1,014
San Jacinto Community College District	298,015,000	0.3948	1,176,671
Pasadena Independent School District	621,810,000	0.0039	<u>24,326</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$18,213,205
TOTAL DIRECT DEBT (the District)			<u>16,905,000</u>
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			\$35,118,205

* Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.

Debt Ratios

	<u>% of 2012 Assessed Valuation</u>	<u>% of Estimated Valuation at January 1, 2013</u>
Direct Debt	11.48%	9.41%
Direct and Estimated Overlapping Debt	23.86%	19.55%

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January

31. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of \$0.57 per \$100 of Assessed Valuation for 2012.

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 a vote of the District's electorate. On May 3, 2003, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.00 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2012.

Historical Values and Tax Collection History

The following statement of tax collections sets forth, in condensed form, the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years (b)</u>	<u>Year Ending 9/30</u>
2003	\$ 464,084	\$0.82	\$ 3,805	100.00%	2004
2004	6,574,456	0.82	53,911	100.00	2005
2005	24,763,045	0.82	203,057	100.00	2006
2006	49,938,278	0.82	409,494	100.00	2007
2007	80,214,676	0.82	657,760	100.00	2008
2008	106,234,685	0.82	871,266	100.00	2009
2009	125,053,322	0.82	1,025,544	99.99	2010
2010	129,390,593	0.82	1,061,066	99.85	2011
2011	139,792,655	0.82	1,146,667	99.85	2012
2012	147,195,247	0.82	1,207,120	98.40(c)	2013

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through March 31, 2013. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of March 31, 2013. In the process of collection.

Tax Rate Distribution

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt Service	\$0.57	\$0.65	\$0.65	\$0.65	\$0.65
Maintenance	<u>0.25</u>	<u>0.17</u>	<u>0.17</u>	<u>0.17</u>	<u>0.17</u>
Total	\$0.82	\$0.82	\$0.82	\$0.82	\$0.82

Principal 2012 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2012. The information reflects the composition of property ownership reflected on the District's 2012 tax roll. See "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2012 Tax Roll</u>	<u>% of 2012 Tax Roll</u>
The Centre at Pearland	Commercial	\$ 1,465,720	1.00%
International Bank of Commerce	Lots	1,351,190	0.92
TexproJ2008, LLC	Commercial	1,063,967	0.72
Heritage Bank, N.A.	Home	995,700	0.68
Mallas Artemis Living Trust UT	Commercial	841,890	0.57
Allon Property Management I, LLC	Commercial	831,120	0.56
Harwood Homes	Lots and Homes	772,480	0.52
Musgrave - Grohman Ventures, Ltd.	Acreage and Lots	724,560	0.49
LinGo Properties, Inc.	Lots	673,660	0.46
Centerpoint Energy, Inc.	Utilities	474,310	0.32
		<u>\$9,194,597</u>	<u>6.25%</u>

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the Estimated Valuation at January 1, 2013. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, the receipt of a City Tax Rebate of \$269,440, the approximate amount anticipated to be received by the District from the City in 2014, and the sale of no additional bonds by the District.

Average Annual Debt Service Requirements (2013-2034)	\$1,286,951
Tax Rate of \$0.60 on the Estimated Valuation at January 1, 2013 (\$179,626,501) produces	\$1,023,871
Estimated City Tax Rebate	<u>269,440</u>
Total	\$1,293,311
Maximum Annual Debt Service Requirement (2033)	\$1,309,825
Tax Rate of \$0.61 on the Estimated Valuation at January 1, 2013 (\$179,626,501) produces	\$1,040,936
Estimated City Tax Rebate	<u>269,440</u>
Total	\$1,310,376

The District has levied a debt service tax for 2012 of \$0.57 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.25 per \$100 of Assessed Valuation. As the above table indicates, the 2012 debt service rate will be not sufficient to pay debt service on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the Estimated Valuation at January 1, 2013, assuming a tax collection rate of 95%, no use of funds on hand, the receipt of a City Tax Rebate of \$269,440, the approximate amount anticipated to be received by the District from the City in 2014, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance is \$1,929,384 as of April 17, 2013. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of

the Outstanding Bonds as is delineated in “APPENDIX B - ANNUAL FINANCIAL REPORT” that is appended to this Official Statement. Moreover, as is illustrated above under the caption “Historical Values and Tax Collection History,” as of March 31, 2013, the District has collected an average annual percentage of its property taxes of 99.97% for the period 2003 through 2011, and its 2012 tax is 98.40% collected as of such date. Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Outstanding Bonds without increasing the District’s debt service tax rate above the rate which it has levied for 2012 - \$0.57 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. Assuming the receipt of no City Tax Rebate, tax rates of \$0.77 and \$0.76 per \$100 of Assessed Valuation would be necessary to pay the Maximum Annual Debt Service Requirements and the Average Annual Debt Service Requirements, respectively, of the Bonds and the Outstanding Bonds, assuming a tax collection rate of 95%, no use of funds on hand, the issuance of no additional bonds by the District, and that no growth occurs in the District beyond the level of the Estimated Valuation at January 1, 2013. In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014. See “TAXING PROCEDURES” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

Property Valuation	Assessed Valuation					
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>	<u>2010</u>	<u>%</u>
Land	\$ 33,621,588	22.84%	\$ 33,042,565	23.64%	\$ 31,555,993	24.37%
Improvements	152,977,015	103.93	145,252,110	103.91	114,340,094	88.30
Personal Property	2,471,670	1.68	2,779,930	1.99	2,557,470	1.98
Exemptions	<u>(41,875,026)</u>	<u>(28.45)</u>	<u>(41,281,950)</u>	<u>(29.53)</u>	<u>(19,062,964)</u>	<u>(14.64)</u>
Total Valuations	\$147,195,247	100.00%	\$139,792,655	100.00%	\$129,390,593	100.00%

Property Valuation	Assessed Valuation			
	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Land	\$ 31,666,393	25.32%	\$ 25,676,213	24.17%
Improvements	93,403,430	74.69	80,150,420	75.45
Personal Property	2,209,870	1.77	2,532,740	2.38
Exemptions	<u>(2,226,371)</u>	<u>(1.78)</u>	<u>(2,124,688)</u>	<u>(2.00)</u>
Total Valuations	\$125,053,322	100.00%	\$106,234,685	100.00%

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all overlapping taxing jurisdictions units which levy taxes upon property located in the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>Brazoria County 2012 Tax Rate/\$100</u>	<u>Harris County 2012 Tax Rate/\$100</u>
City of Pearland	\$0.70510	\$0.705100
Pearland ISD	1.41940	
Brazoria County	0.48586	
Brazoria Drainage District No. 4	0.15600	
Harris County		0.400210
Harris County Hospital District		0.182160
Harris County Flood Control District		0.028090
Harris County Department of Education		0.006617
Port of Houston Authority		0.019520
Pasadena ISD		1.350000
San Jacinto Community College District		0.185602
The District*	<u>0.82000</u>	<u>0.820000</u>
TOTAL TAX RATE	\$3.58636	\$3.697299

* The District levied a total tax of \$0.82 per \$100 of Assessed Valuation for 2012, consisting of a debt service tax of \$0.57 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS - Future Debt." The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board is also authorized to levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - 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 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 values established by the appraisal district. The Brazoria County Appraisal District and the Harris County Appraisal District (together, the "Appraisal Districts") have the responsibility of appraising property for all taxing units within

Brazoria and Harris Counties, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board and the Harris County Appraisal Review Board (together, the “Appraisal Review Boards”). The appraisal roll, as approved by the Appraisal Review Boards, will be used by the District in establishing its tax rolls and tax rate.

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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call 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, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100%, and subject to certain conditions, the surviving spouse of such a veteran, is entitled to an exemption for the full amount of the veteran's residence homestead. The Property Tax Code requires that the market value of a residence homestead be based solely on the property's value as a residence homestead, regardless of whether the property may have a higher value if it were used for other purposes.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1.

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

hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for the tax year 2012 and subsequent years.

Tax Abatement

The City of Pearland and Brazoria County may designate all or part of the District as a reinvestment zone, and the District, Brazoria County, Pearland Independent School District, and the City of Pearland may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. 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. Nevertheless, certain land may be appraised at less than market value, as is defined in the Property Tax Code.

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 fair 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 of 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 one political subdivision while claiming it for 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 years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal Districts 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 Districts at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal Districts 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 Districts 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 Districts chooses to formally include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Boards by filing a timely petition for review in State district court. In such event, the property value in question may 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 establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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 Tax Code.

Rollback of Operation and Maintenance Tax Rate

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

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. To defray costs of collection, 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. Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which 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, discount for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

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 in 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 and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims 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 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. 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 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 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 SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Pearland, Brazoria County, and Brazoria Drainage District No. 4.

The District is located totally within the corporate limits of the City of Pearland (the "City") and obtains water, sewer and drainage service from the City. Sowell Property Partners - Parkside, L.P. and RH of Texas Limited Partnership, on behalf of the District, entered into a Utility Agreement which was subsequently assumed by the District (see "THE DISTRICT - Utility Agreement") to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. The District retains ownership and responsibility for the maintenance of the stormwater detention system, except that a homeowners' association has accepted certain maintenance responsibilities for the portion of the detention system that serves Creekside, Spring Meadow and Emerald Stone.

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City, plus the \$5.00 per month equivalent single-family connection charge (the "City Utility Rebate"). Except for the City Utility Rebate, all revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment in consideration of the payment of Impact Fees. The City's current Impact Fee is \$4,840 per connection.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 847.27 acres is approximately 2,121 with a total estimated population of 7,424 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the 1,165 fully developed single-family residential lots and other property located in the District that are enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District financed its costs of the construction or acquisition of certain of the water distribution, wastewater collection, and storm drainage facilities to serve the lots located within Creekside, Sections 1 and 2, Canterbury Park, Section 1, Twin Lakes, Section 1, Stonebridge, Section 1, Impact Fees for 617 connections, and other

facilities, with portions of the proceeds of the sale of the Outstanding Bonds. The District will finance a portion of its costs of construction or acquisition of water and distribution, wastewater collection, and storm drainage facilities to serve Spring Meadow and Stonebridge, Section 2, Providence Village Drive storm drainage facilities, Impact Fees for 118 connections, and other facilities, with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." See "RISK FACTORS - Future Debt." The District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and/or Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014.

Water Supply

The Utility Agreement requires the City to provide the District with potable water. According to the District's Engineer, the City has represented that the City's facilities provide adequate water supply capacity to provide service to all connections in the District developed with the proceeds of the sale of the Outstanding Bonds and the Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to supply the District with water under the terms of the Utility Agreement.

Wastewater Treatment

Pursuant to the Utility Agreement, the City is required to receive and treat all wastewater from the District. According to the District's Engineer, the City has represented that the City's facilities contain sufficient capacity to provide service to all connections in the District developed with the proceeds of the sale of the Outstanding Bonds and the Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to treat the District's wastewater under the terms of the Utility Agreement.

Drainage Improvements

Storm drainage for the District is provided by an internal drainage network of underground storm drainage lines that outfall into detention ponds that drain into the Barry Rose Ditch, Mary's Creek, a Cower Creek tributary and Clear Creek.

100-Year Flood Plain

The District is located within two different Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps. Such maps are Number 48039C0035 I, revised September 22, 1999, and Number 48039C0045 J, Revised September 22, 1999. The District consists of 13 tracts: Creekside, Twin Lakes, Stonebridge, Canterbury Park, Spring Meadow, Stonebridge, Province Village, Emerald Stone, Ritchey Tract, Fite Tract, Eubanks Tract, Highland Crossing and Covington Estates. Each of these tracts is partially or entirely within the designated 100-year flood plain.

As development of each tract, including Creekside, Sections 1 and 2, Canterbury Park, Section 1, Twin Lakes, Section 1, Stonebridge, Sections 1 and 2, Spring Meadow, Emerald Stone, Highland Crossing, Phase I and Preserve at Highland Glen has been undertaken, fill has been placed on the areas within the 100-year flood plain to remove each such tract from the flood plain. Appropriate FEMA map amendments have been or will be prepared to give effect to the fill placed in the flood plain in such areas of the District. These map amendments, which indicate that such areas have been removed from the designated 100-year flood plain, have been or will be submitted to FEMA, the City of Pearland and Brazoria Drainage District No. 4. The District has used and will use the detention ponds to mitigate the fill placed in the District within the 100-year flood plain.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Brazoria County, Texas, Harris County, Texas, the City of Pearland, Texas, or any political subdivision or agency other than the District, are secured by the proceeds an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source of Payment" and - "Registered Owners' Remedies."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, (ii) the single-family residential lots that have been developed by the developers of the District and of the developed lots which have been sold by the developers to homebuilders for the construction of primary residences, and (iii) commercial buildings that have been constructed within the District. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban area toward which the marketing of lots, homes and commercial enterprises is directed. Decreased levels of home construction activity and significant vacancy rates of commercial buildings located within the District would restrict the growth of property values in the District. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS" (i) the development of 1,165 single-family residential lots is complete within the District, (ii) the development of 80 single -family residential lots is underway and (iii) as of April 15, 2013, the District contained 908 single-family homes (including 70 homes under construction), and above-ground commercial improvements that include two retail shopping centers totaling approximately 64,115 square feet of building area, a Chili's restaurant containing approximately 4,030 square feet of building area, an approximately 7,000 square foot Heritage Bank and an approximately 7,000 square foot Home Town Bank have been constructed within the District, the District cannot predict the pace or magnitude of any future development, home construction or construction of future above-ground commercial improvements in the District other than that which has occurred to date.

National Economy: There has been a significant downturn in new housing construction in the United States, resulting in a decline in national housing market values. The Houston area, which includes Brazoria County and Harris County, has experienced reduced levels of home construction. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS" (i) the development of 1,165 single-family residential lots is complete within the District, (ii) the development of 80 single -family residential lots is underway and (iii) as of April 15, 2013, the District contained 908 single-family homes (including 70 homes under construction), and above-ground commercial improvements that include two retail shopping centers totaling approximately 64,115 square feet of

building area, a Chili's restaurant containing approximately 4,030 square feet of building area, an approximately 7,000 square foot Heritage Bank and an approximately 7,000 square foot Home Town Bank have been constructed within the District, the District cannot predict the pace or magnitude of any future development, home construction or construction of future above-ground commercial improvements in the District other than that which has occurred to date.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, of homebuilders to initiate the construction of new homes for sale or the construction of future commercial buildings. 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 development and/or home construction or construction of future commercial buildings within the District. In addition, since the District is located approximately 18 miles south of 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 continued downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans or construction of future commercial buildings in the District, and the level of occupancy of commercial improvements within the District, and could restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The ability of the Developers (defined in this Official Statement under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS"), or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of the Developers or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, or of any party to construct above-ground commercial improvements in the District in addition to the above-ground commercial improvements that have been constructed therein to date, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity or the construction of additional above-ground commercial improvements in the District. See "FUTURE DEVELOPMENT."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2012 Assessed Valuation is \$147,195,247. Moreover, the Estimated Valuation at January 1, 2013, of property located within the District, supplied by the Appraisal District is \$179,626,501. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$1,309,825 (2033) and the Average Annual Debt Service Requirements will be \$1,286,951 (2013 through 2034, inclusive). Assuming no increase to nor decrease from the Estimated Valuation at January 1, 2013, and the receipt of a City Tax Rebate from the City of Pearland equal to \$269,440, the approximate amount anticipated to be received by the District from the City in 2014, based upon the Estimated Valuation at January 1, 2013, tax rates of \$0.61 and \$0.60 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax for 2012 of \$0.57 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.25 per \$100 of Assessed Valuation. As the above calculations indicate, the 2012 debt service rate will not be sufficient to pay debt service on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at January 1, 2013, assuming a tax collection rate of 95%, no use of funds on hand, the receipt of a City Tax Rebate from the City of Pearland equal to \$269,440, the approximate amount anticipated to be received by the District from the City in 2014, based upon the Estimated Valuation at January 1, 2013, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance is \$1,929,384 as of April 17, 2013. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Outstanding Bonds as is delineated in "APPENDIX B - ANNUAL FINANCIAL REPORT" that is appended to this Official Statement. Moreover, as is illustrated above under the caption "Historical Values and Tax Collection History," as of March 31, 2013, the District has collected an average annual percentage of its property taxes of 99.97% for the period 2003 through 2011, and its 2012 tax is 98.40% collected as of such date. Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Outstanding Bonds without increasing the District's debt service tax rate above the rate which it levied for 2012 - \$0.57 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES." Increases in the District's tax rate to higher levels than the total \$0.82 per \$100 of Assessed Valuation rate which the District has levied for 2012 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2012 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District, is \$3.58636 as to that portion of the District which lies within Brazoria County, and \$3.697299 as to that portion of which lies within Harris County. Such aggregate rates are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Assuming the receipt of no City Tax Rebate, tax rates of \$0.77 and \$0.76 per \$100 of Assessed Valuation would be necessary to pay the Maximum Annual Debt Service Requirements and the Average Annual Debt Service Requirements, respectively, of the Bonds and the Outstanding Bonds, assuming a tax collection rate of 95%, no use of funds on hand, the issuance of no additional bonds by the District, and that no growth occurs in the District beyond the level of the Estimated Valuation at January 1, 2013. In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014. See "TAXING PROCEDURES."

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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e)

insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem the property within six (6) months for commercial property and two (2) years for residential and other types of property (a taxpayer may redeem property after the purchaser's deed issued at the foreclosure sale is filed in the county records). See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. 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 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. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$71,135,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$57,850,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$71,135,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the water distribution, wastewater collection, storm drainage facilities and Impact Fees that the District has financed with the proceeds of the sale of the Outstanding Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees with portions of the proceeds of the sale of its approximately \$6,645,000 Unlimited Tax Bonds, Series 2014, that the District expects to issue in approximately the first quarter of 2014.

The District's Engineer currently estimates that the aforementioned \$71,135,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities and to pay Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment to the District by the City to provide service to all of the currently undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been no definitive judicial determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that, although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

Competitive Nature of Houston Housing and Commercial Building Markets

The single-family development and housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that the building programs that are planned by the Builders or any future home builder(s) will be continued or completed, that additional commercial buildings will be constructed within the District, or that any development projects other than those that have been heretofore undertaken in the District will be initiated or completed. The likelihood of the construction of future homes or commercial buildings or the initiation of any new residential or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants 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 understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Environmental and Air Quality 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;
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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 Commission may impact new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston area (“HGB area”) – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – was designated by the EPA in 2008 as a severe ozone nonattainment area, with an attainment date of June 15, 2019. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s “8-hour” ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the Commission have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA’s standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

In order to comply with the EPA’s standards for the HGB area, the Commission has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. 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 utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

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

Operations of the District's sewer facilities will be subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued pursuant to the National Pollutant Discharge Elimination System ("NPDES") program. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System program.

Operations of utility districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities (which will be reissued, and could be revised, in 2013) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which should be issued by the end of 2012 and is undergoing significant revisions during TCEQ's renewal of that permit). The TCEQ and/or EPA are expected to issue more stringent stormwater discharge permit. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff.

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings - "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - General," and " - Utility Agreement," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information,

insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Pearland with respect to the sale of the Bonds. 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, other than the matters discussed immediately above.

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the appropriate officers of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened 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.

No Material Adverse Change

The obligations of the Underwriters to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. If the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for 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 or corporations, except for certain alternative minimum tax consequences for corporations.

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 bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond 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 Advisor, and the Underwriter, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers 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 thereof. 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 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 initial offering price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, (a) the difference between (i) the principal amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of an owner who has purchased such Original Issue Discount Bond 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 Original Issue Discount 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 discussion assumes, in reliance upon certain representations of the Underwriters, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. 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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 that 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 Original Issue Discount Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, redemption, sale, or other disposition of such Original Issue Discount Bonds.

Qualified Tax-Exempt Obligations

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

The Issuer will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2013 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2013.

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developers, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made by the District as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The District's financial statements for the fiscal year ended July 31, 2012, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants has agreed to the publication of such financial statements in this Official Statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement of Auditing Standards No. 115, including the District's response thereto, is included in "APPENDIX B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT" and "THE SYSTEM" has been provided by LJA Engineering & Surveying, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Mr. Thomas W. Lee and Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee's and Assessments of the Southwest Inc.'s authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements 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 were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the "end of the underwriting period."

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2013.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by the last day of January 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.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701 TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; and (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of such Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of such 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 information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 holders 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 to 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 SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of such 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 Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

Official Statement “Deemed Final”

For purposes of compliance with SEC Rule 15c2-12, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in SEC Rule 15c2-12.

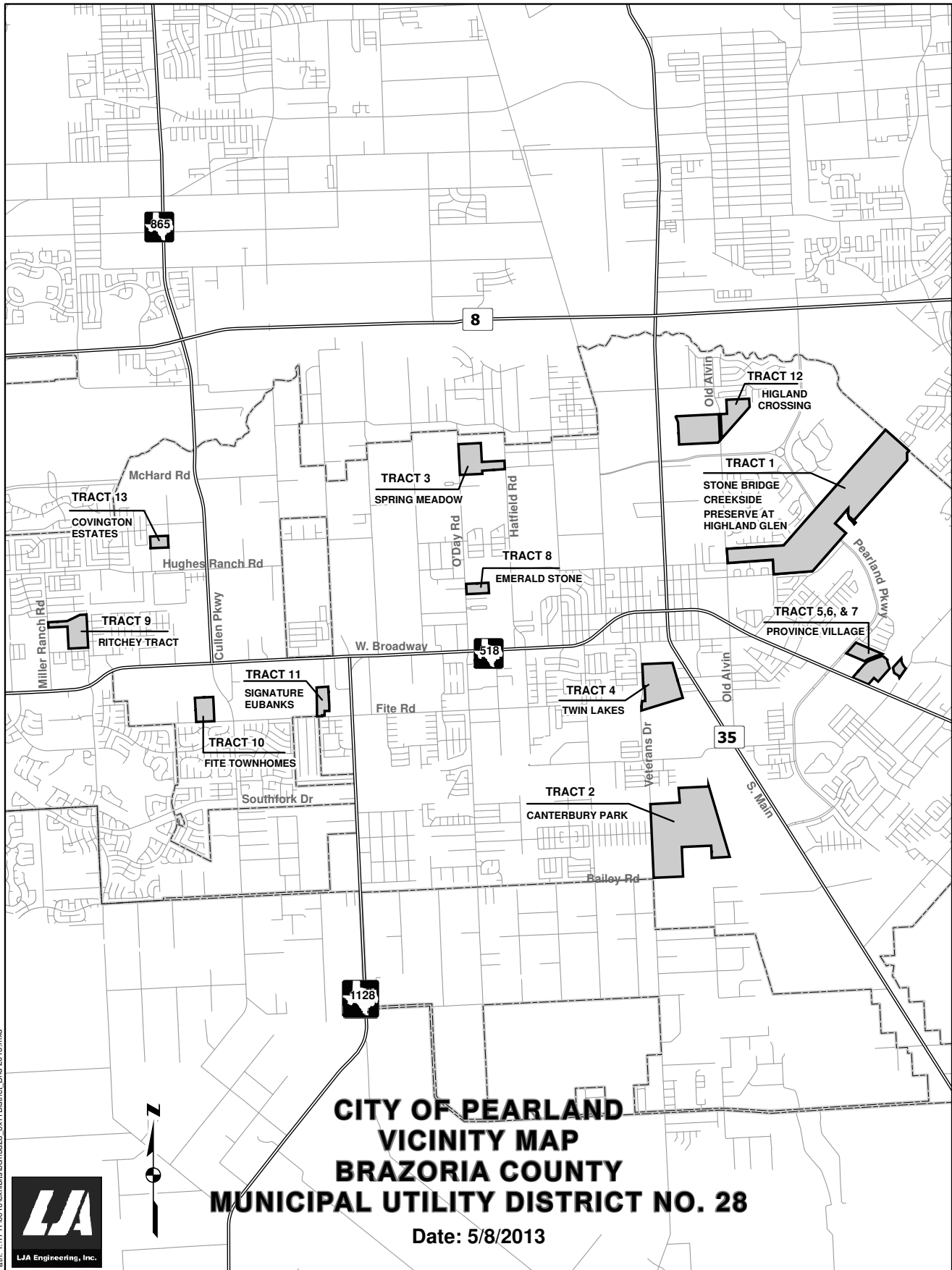
This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 28 as of the date shown on the first page hereof.

Stacey Wagner
President, Board of Directors
Brazoria County Municipal
Utility District No. 28

ATTEST:

Stefania Ricks
Secretary, Board of Directors
Brazoria County Municipal
Utility District No. 28

APPENDIX A
LOCATION MAP



APPENDIX B

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

BRAZORIA AND HARRIS COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2012

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

BRAZORIA AND HARRIS COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2012

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Board of Directors
Brazoria County Municipal Utility District No. 28
Brazoria and Harris Counties, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 28 (the "District"), as of and for the year ended July 31, 2012, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 the District as of July 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Brazoria County Municipal Utility District No. 28

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 31 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 to 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 as a whole. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in 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 as a whole.


McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

October 17, 2012

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012

Our discussion and analysis of Brazoria County Municipal Utility District No. 28's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2012. Please read it in conjunction with the District's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Assets and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 8 through 11. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 13 and 14 reports how the District's net assets changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance taxes, contract revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012

FUND FINANCIAL STATEMENTS (Continued)

assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of current year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 12 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities on page 15 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 29 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$9,350,982 as of July 31, 2012.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Assets		
	2012	2011	Change Positive (Negative)
Current and Other Assets	\$ 4,310,681	\$ 4,237,361	\$ 73,320
Capital Assets (Net of Accumulated Depreciation)	<u>5,975,409</u>	<u>5,186,155</u>	<u>789,254</u>
Total Assets	<u>\$ 10,286,090</u>	<u>\$ 9,423,516</u>	<u>\$ 862,574</u>
Long-Term Liabilities	\$ 13,300,000	\$ 13,610,000	\$ 310,000
Other Liabilities	<u>6,337,072</u>	<u>5,041,478</u>	<u>(1,295,594)</u>
Total Liabilities	<u>\$ 19,637,072</u>	<u>\$ 18,651,478</u>	<u>\$ (985,594)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (12,952,899)	\$ (12,464,736)	\$ (488,163)
Restricted	1,883,021	1,625,637	257,384
Unrestricted	<u>1,718,896</u>	<u>1,611,137</u>	<u>107,759</u>
Total Net Assets	<u>\$ (9,350,982)</u>	<u>\$ (9,227,962)</u>	<u>\$ (123,020)</u>

The following table provides a summary of the District's operations for the years ended July 31, 2012, and July 31, 2011. The District's net assets decreased by \$123,020 during the current fiscal year.

	Summary of Changes in the Statement of Activities		
	2012	2011	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,146,927	\$ 1,061,889	\$ 85,038
Contract Revenues	240,494	221,523	18,971
Other Revenues	<u>19,156</u>	<u>25,785</u>	<u>(6,629)</u>
Total Revenues	\$ 1,406,577	\$ 1,309,197	\$ 97,380
Expenses for Services	<u>1,529,597</u>	<u>1,257,568</u>	<u>(272,029)</u>
Change in Net Assets	\$ (123,020)	\$ 51,629	\$ (174,649)
Net Assets, Beginning of Year	<u>(9,227,962)</u>	<u>(9,279,591)</u>	<u>51,629</u>
Net Assets, End of Year	<u>\$ (9,350,982)</u>	<u>\$ (9,227,962)</u>	<u>\$ (123,020)</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2012, were \$2,867,551, an increase of \$129,086 from the prior year.

The General Fund fund balance increased by \$154,618, primarily due to maintenance tax and contract revenues exceeding service operation expenditures.

The Debt Service Fund fund balance increased by \$161,925, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$187,457, primarily due to the use of bond proceeds for capital expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenue was \$22,400 more than budgeted. Actual expenditures were \$35,418 less than budgeted. See the budget to actual comparison on page 31.

CAPITAL ASSETS

The District's investment in capital assets as of July 31, 2012, amounts to \$5,975,409. This investment in capital assets includes detention pond facilities and connection charges.

<u>Capital Assets At Year-End, Net of Accumulated Depreciation</u>	
Capital Assets Not Subject to Depreciation:	
Land for Detention Facilities	\$ 929,133
Capital Assets Subject to Depreciation:	
Detention Facilities	3,132,949
Connection Charges	<u>1,913,327</u>
Total Net Capital Assets	<u>\$ 5,975,409</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$13,610,000. The changes in the debt position of the District during the fiscal year ended July 31, 2012, are summarized as follows:

Bond Debt Payable, August 1, 2011	\$ 13,825,000
Less: Principal Paid	<u>215,000</u>
Bond Debt Payable, July 31, 2012	<u>\$ 13,610,000</u>

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2012**

LONG-TERM DEBT ACTIVITY (Continued)

The District's Series 2010 bonds carry an underlying rating of "BBB". The insured ratings for the Series 2006 and Series 2007 Bonds have been withdrawn. The above ratings are as of year-end and reflect all changes during the current fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Municipal Utility District No. 28, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash, Note 5	\$ 562,783	\$ 959,375
Investments, Note 5	13,178	1,138,555
Receivables:		
Property Taxes	2,657	10,161
Penalty and Interest on Delinquent Taxes		2,342
Accrued Interest		2,099
Due from Developer	28,564	
Due from Other Funds, Note 2	25,031	3,143
Prepaid Costs	46,256	
Unamortized Bond Issuance Costs		
Unamortized Bond Discount		
Land, Note 6		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	<u>\$ 678,469</u>	<u>\$ 2,115,675</u>

The accompanying notes to basic financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 106,476	\$ 1,628,634	\$	\$ 1,628,634
27,673	1,179,406		1,179,406
	12,818		12,818
	2,342		2,342
	2,099		2,099
	28,564		28,564
	28,174	(28,174)	
	46,256		46,256
		1,051,298	1,051,298
		359,264	359,264
		929,133	929,133
		<u>5,046,276</u>	<u>5,046,276</u>
<u>\$ 134,149</u>	<u>\$ 2,928,293</u>	<u>\$ 7,357,797</u>	<u>\$ 10,286,090</u>

The accompanying notes to basic financial
statements are an integral part of this report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 7,728	\$
Accrued Interest Payable		
Due to Developers, Note 9		
Due to Other Funds, Note 2	3,143	
Due to Taxpayers		9,680
Deferred Revenues:		
Property Taxes	2,657	10,161
Penalty and Interest on Delinquent Taxes		2,342
Long-Term Liabilities:		
Bonds Payable, Due Within One Year, Note 3		
Bonds Payable, Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 13,528</u>	<u>\$ 22,183</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 46,256	\$
Restricted for Authorized Construction:		
Bond Proceeds		
Restricted for Debt Service		2,093,492
Unassigned	<u>618,685</u>	
TOTAL FUND BALANCES	<u>\$ 664,941</u>	<u>\$ 2,093,492</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 678,469</u>	<u>\$ 2,115,675</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

The accompanying notes to basic financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$ 7,728	\$	\$ 7,728
		222,974	222,974
		5,786,690	5,786,690
25,031	28,174	(28,174)	
	9,680		9,680
	12,818	(12,818)	
	2,342	(2,342)	
		310,000	310,000
		<u>13,300,000</u>	<u>13,300,000</u>
<u>\$ 25,031</u>	<u>\$ 60,742</u>	<u>\$ 19,576,330</u>	<u>\$ 19,637,072</u>
\$	\$ 46,256	\$ (46,256)	\$
109,118	109,118	(109,118)	
	2,093,492	(2,093,492)	
	<u>618,685</u>	<u>(618,685)</u>	
<u>\$ 109,118</u>	<u>\$ 2,867,551</u>	<u>\$ (2,867,551)</u>	<u>\$ -0-</u>
<u>\$ 134,149</u>	<u>\$ 2,928,293</u>		
		\$ (12,952,899)	\$ (12,952,899)
		1,883,021	1,883,021
		<u>1,718,896</u>	<u>1,718,896</u>
		<u>\$ (9,350,982)</u>	<u>\$ (9,350,982)</u>

The accompanying notes to basic financial statements are an integral part of this report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JULY 31, 2012

Total Fund Balances – Governmental Funds	\$ 2,867,551
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Unamortized bond issuance costs and bond discounts in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	1,410,562
Capital assets and land used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	5,975,409
Deferred tax revenues for the 2011 and prior tax levies became part of recognized revenue in the governmental activities of the District.	12,818
Deferred penalty and interest revenues for the 2011 and prior tax levies became part of recognized revenue in the governmental activities of the District	2,342
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:	
Due to Developers	\$ (5,786,690)
Accrued Interest Payable	(222,974)
Bonds Payable Within One Year	(310,000)
Bonds Payable After One Year	<u>(13,300,000)</u>
	<u>(19,619,664)</u>
Total Net Assets – Governmental Activities	<u>\$ (9,350,982)</u>

The accompanying notes to basic financial
statements are an integral part of this report.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 237,206	\$ 906,960
Contract Revenues, Note 8	44,530	195,964
Penalty and Interest		5,399
Investment Revenues	1,414	9,413
Miscellaneous Revenues		<u>2,033</u>
TOTAL REVENUES	<u>\$ 283,150</u>	<u>\$ 1,119,769</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 88,501	\$ 2,447
Contracted Services	11,700	22,569
Depreciation, Note 6		
Other	28,331	8,134
Conveyance of Assets, Note 6		
Capital Outlay		
Debt Service:		
Bond Principal		215,000
Bond Interest		<u>709,694</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 128,532</u>	<u>\$ 957,844</u>
NET CHANGE IN FUND BALANCES	\$ 154,618	\$ 161,925
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS – AUGUST 1, 2011	<u>510,323</u>	<u>1,931,567</u>
FUND BALANCES/NET ASSETS – JULY 31, 2012	<u>\$ 664,941</u>	<u>\$ 2,093,492</u>

The accompanying notes to basic financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,144,166	\$ 2,761	\$ 1,146,927
	240,494		240,494
	5,399	682	6,081
215	11,042		11,042
	<u>2,033</u>		<u>2,033</u>
<u>\$ 215</u>	<u>\$ 1,403,134</u>	<u>\$ 3,443</u>	<u>\$ 1,406,577</u>
 \$ 6,588	 \$ 97,536	 \$	 \$ 97,536
	34,269		34,269
		140,110	140,110
30	36,495		36,495
		543,149	543,149
181,054	181,054	(181,054)	
	215,000	(215,000)	
	<u>709,694</u>	<u>(31,656)</u>	<u>678,038</u>
<u>\$ 187,672</u>	<u>\$ 1,274,048</u>	<u>\$ (255,549)</u>	<u>\$ 1,529,597</u>
\$ (187,457)	\$ 129,086	\$ (129,086)	\$
		(123,020)	(123,020)
<u>296,575</u>	<u>2,738,465</u>	<u>(11,966,427)</u>	<u>(9,227,962)</u>
<u>\$ 109,118</u>	<u>\$ 2,867,551</u>	<u>\$ (12,218,533)</u>	<u>\$ (9,350,982)</u>

The accompanying notes to basic financial statements are an integral part of this report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2012

Net Change in Fund Balances - Governmental Funds	\$ 129,086
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenue when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	2,761
Governmental funds report penalties and interest on tax collections when received. However, in the Statement of Activities, revenue for the current year is recorded when the penalties are assessed.	682
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(140,110)
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net assets, capital assets are increased by new purchases and the Statement of Activities is not effected.	181,054
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments are reported as a reduction of liability.	215,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on the long-term debt through fiscal year end.	31,656
Governmental funds report costs paid for assets that are conveyed to the City of Pearland for operations as capital outlay. However, in the Statement of Activities, the transfer of these assets is reflected as an expenditure.	<u>(543,149)</u>
Change in Net Assets - Governmental Activities	<u>\$ (123,020)</u>

The accompanying notes to basic financial
statements are an integral part of this report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 1. CREATION OF DISTRICT

Brazoria County Municipal Utility District No. 28 of Brazoria County, Texas (the "District") was created effective February 27, 2003, by an Order of the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 12, 2003, and the first bonds were sold on July 18, 2006.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipal utility district. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Assets – This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Assets and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Assets is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Assets.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds.

General Fund - To account for resources not required to be accounted for in another fund, maintenance taxes, contract revenues, costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as another financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2012, the Capital Projects Fund recorded a payable of \$25,031 to the General Fund for bond issuance costs and the Debt Service Fund recorded a receivable of \$3,143 from the General Fund for an over transfer of maintenance taxes.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal period.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances are included on the Balance Sheet as follows:

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, requires the classification of fund balances in governmental funds using the following hierarchy:

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. BONDS PAYABLE

	<u>Series 2006</u>	<u>Series 2007</u>	<u>Series 2010</u>
Amount Outstanding – July 31, 2012	\$ 4,695,000	\$ 5,750,000	\$ 3,165,000
Interest Rates	4.20% - 6.50%	4.625% - 7.125%	4.00% - 6.00%
Maturity Date	September 1, 2012/2034	September 1, 2012/2034	September 1, 2012/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2013 (1)	September 1, 2014 (2)	September 1, 2017 (3)

- (1) Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2006 term bonds maturing on September 1, 2017, September 1, 2019, September 1, 2021, September 1, 2023, September 1, 2025, September 1, 2028, September 1, 2031 and September 1, 2034, are subject to mandatory redemption by random selection beginning September 1, 2016, September 1, 2018, September 1, 2020, September 1, 2022, September 1, 2024, September 1, 2026, September 1, 2029 and September 1, 2032, respectively.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 3. BONDS PAYABLE (Continued)

- (2) Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2007 term bonds maturing on September 1, 2017, September 1, 2019, September 1, 2021, September 1, 2023, September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031 and September 1, 2034 are subject to mandatory redemption beginning September 1, 2016, September 1, 2018, September 1, 2020, September 1, 2022, September 1, 2024, September 1, 2026, September 1, 2028, September 1, 2030 and September 1, 2032, respectively.
- (3) Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2010 term bonds maturing on September 1, 2034, are subject to mandatory redemption by random selection beginning on September 1, 2031.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2012:

Bond Debt Payable – August 1, 2011		\$ 13,825,000
Less: Bond Principal Retirement		
Series 2006	\$ 95,000	
Series 2007	<u>120,000</u>	<u>215,000</u>
Bond Debt Payable – July 31, 2012		<u>\$ 13,610,000</u>
Bond Debt Payable –		
Due Within One Year		\$ 310,000
Due After One Year		<u>13,300,000</u>
Bond Debt Payable – July 31, 2012		<u>\$ 13,610,000</u>
Original Bonds Voted		<u>\$ 89,155,000</u>
Original Bonds Approved		<u>\$ 14,415,000</u>
Original Bonds Issued		<u>\$ 14,415,000</u>
Refunding Bonds Voted		<u>\$ 57,850,000</u>

As of July 31, 2012, the debt service requirements on the bonds outstanding were as follows:

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 3. BONDS PAYABLE (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 310,000	\$ 659,519	\$ 969,519
2014	335,000	639,853	974,853
2015	360,000	618,609	978,609
2016	380,000	598,028	978,028
2017	405,000	579,667	984,667
2018-2022	2,320,000	2,608,523	4,928,523
2023-2027	2,955,000	2,000,700	4,955,700
2028-2032	3,785,000	1,183,429	4,968,429
2033-2035	<u>2,760,000</u>	<u>212,887</u>	<u>2,972,887</u>
	<u>\$ 13,610,000</u>	<u>\$ 9,101,215</u>	<u>\$ 22,711,215</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended July 31, 2012, the District levied an ad valorem debt service tax rate of \$0.65 per \$100 of assessed valuation, which resulted in a tax levy of \$909,162 on the adjusted valuation of \$139,826,335 for the 2011 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

Levy Date - October 1, or as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of collateral eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such collateral are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,664,951 and the bank balance was \$2,669,247. Of the bank balance, \$1,557,475 was covered by federal depository insurance and the balance was collateralized with securities held in a third-party depository in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at July 31, 2012, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 562,783	\$	\$ 562,783
DEBT SERVICE FUND	959,375	1,036,317	1,995,692
CAPITAL PROJECTS FUND	<u>106,476</u>	<u> </u>	<u>106,476</u>
TOTAL DEPOSITS	<u>\$ 1,628,634</u>	<u>\$ 1,036,317</u>	<u>\$ 2,664,951</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and 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, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain 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 invests in TexSTAR, an external investment pool that is not SEC-registered. Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of TexSTAR. The fair value of the District's position in the pool is the same as the value of pool shares. As of July 31, 2012, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u>					
TexSTAR	\$ 13,178	\$ 13,178	\$	\$	\$
<u>DEBT SERVICE FUND -</u>					
TexSTAR	102,238	102,238			
Certificates of Deposit	1,036,317	1,036,317			
<u>CAPITAL PROJECTS</u>					
<u>FUND -</u>					
TexSTAR	27,673	27,673			
Total Investments	<u>\$ 1,179,406</u>	<u>\$ 1,179,406</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2012, the District's investment in TexSTAR was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2012.

	<u>August 1, 2011</u>	<u>Additions</u>	<u>Decreases</u>	<u>July 31, 2012</u>
Capital Assets Not Being Depreciated				
Land for Detention Facilities	\$ 927,395	\$ 1,738	\$	\$ 929,133
Construction in Progress		929,364	929,364	
Total Capital Assets Not Being Depreciated	<u>\$ 927,395</u>	<u>\$ 931,102</u>	<u>\$ 929,364</u>	<u>\$ 929,133</u>
Capital Assets at Historical Cost Subject to Depreciation				
Detention Facilities	\$ 2,803,486	\$ 748,310	\$	\$ 3,551,796
Connection Charges	<u>2,072,093</u>	<u>179,316</u>		<u>2,251,409</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 4,875,579</u>	<u>\$ 927,626</u>	<u>\$ -0-</u>	<u>\$ 5,803,205</u>
Less Accumulated Depreciation				
Detention Facilities	\$ 345,024	\$ 73,823	\$	\$ 418,847
Connection Charges	<u>271,795</u>	<u>66,287</u>		<u>338,082</u>
Less Total Accumulated Depreciation	<u>\$ 616,819</u>	<u>\$ 140,110</u>	<u>\$ -0-</u>	<u>\$ 756,929</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,258,760</u>	<u>\$ 787,516</u>	<u>\$ -0-</u>	<u>\$ 5,046,276</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 5,186,155</u>	<u>\$ 1,718,618</u>	<u>\$ 929,364</u>	<u>\$ 5,975,409</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 6. CAPITAL ASSETS (Continued)

The District has recorded a liability in the Statement of Net Assets to various Developers within the District for the cost of utilities constructed in the District that have been conveyed to the City of Pearland for ownership, operation and maintenance. The District has conveyed a total of \$10,527,341 of utilities to the City, which includes \$543,149 of utilities conveyed during the current fiscal year. Those utilities conveyed to the City are not capital assets of the District. The District remains responsible for maintenance of the completed detention facilities.

NOTE 7. MAINTENANCE TAX

On May 3, 2003, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District. During the year ended July 31, 2012, the District levied an ad valorem maintenance tax rate of \$0.17 per \$100 of assessed valuation, which resulted in a tax levy of \$237,781 on the adjusted taxable valuation of \$139,826,335 for the 2011 tax year.

NOTE 8. UTILITY AGREEMENT

On September 3, 2003, the District executed an assumption of a Utility Agreement dated February 25, 2002, between the City of Pearland, Texas (the "City") and two developers in the District. The Utility Agreement was executed by the Developers on behalf of the District. The Agreement acknowledges that the District is within the corporate limits of the City. The Agreement provides that the District acquire for the benefit of and conveyance to the City the water, sewer and drainage utilities needed to serve lands being developed within the boundaries of the District and in order to enhance the economic feasibility of the District. The City agreed to make annual tax and monthly water and sewer revenue rebate payments to the District in consideration of the District's financing, acquisition, and construction of such facilities.

The Agreement contemplates that the District will issue bonds from time to time, when economically feasible and allowed by law and appreciable regulations, to finance the facilities. Upon completion of construction of the utilities and until the bonds financing the facilities are retired, the utilities will be conveyed to the City and a security interest will be reserved to the District for the purpose of securing the performance of the City under the Agreement. Upon conveyance of the facilities to the City, the City will assume responsibility for the operation and maintenance of the facilities.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 8. UTILITY AGREEMENT (Continued)

The City is obligated to expand, enlarge, and modify its water supply and distribution system and its wastewater treatment and collection system to have capacity available to serve new improvements within the District. In consideration for the provision of the requisite capacities, the District agrees to pay to the City a Connection Charge of \$2,678 per equivalent connection. The City can amend the Connection Charge from time to time in accordance with the requirements of state law. Presently, the Connection Charge has been increased to \$4,840 per equivalent connection to the system.

In consideration of the development of the land within the District and City and the related increase in taxable value and as a result of the conveyance of the facilities to the City, the City agreed to make an annual payment to the District of a portion of the City's tax revenues actually collected and received by the City, exclusive of any interest and penalties paid by the taxpayer to the City and exclusive of any collection costs incurred by the City. All annual payments received by the District will be deposited into the Debt Service Fund of the District. During the current fiscal year, the District recorded contract payments of \$195,964 in accordance with the terms of this provision. The initial Annual Payment was at a rate of \$0.15 per \$100 of assessed valuation. The Annual Payment will be incrementally reduced upon the occurrence of the District decreasing its combined debt service and operation and maintenance tax rate.

In addition to the Annual Payment, the City will impose a \$5.00 monthly surcharge per equivalent single-family connection located within the District and the City will pay such \$5.00 per connection to the District monthly. During the current fiscal year, \$44,530 in revenue was recorded for monthly surcharge contract payments.

The District and City acknowledge that the City has the legal authority to dissolve the District should the appropriate circumstances exist. The City agrees that the District will not be abolished until such time as the District is fully developed and has sold all bonds necessary to finance the costs of the facilities and has reimbursed developers and landowners within the District in accordance with the financing and reimbursement agreements previously entered into by the District. The term of the Agreement is limited to either the dissolution of the District by the City or the expiration of 40 years from the date of the Agreement.

NOTE 9. UNREIMBURSED COSTS

The District has executed a Financing Agreement for Construction of Facilities and Water and Wastewater Capacity Connection charges with several Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds to reimburse the Developers. For the facilities and city connection charges funded by the Developers, the District has recorded a liability of \$4,465,231 for the completed facilities. The facilities included within this amount

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 9. UNREIMBURSED COSTS (Continued)

include: (i) the water, wastewater and drainage facilities conveyed to the City for ownership, maintenance and operation by the City; and (ii) the detention facilities for which the District retains ownership, which are not conveyed to the City.

In accordance with the terms of other Developer Financing Agreements, the Developers have advanced monies to the District's General Fund in order for the District to meet its ongoing financial obligations. The District used a portion of its Series 2006 and Series 2007 bonds to reimburse the Developers for a portion of these advances leaving \$30,000 still owed as of July 31, 2012. This amount has been recorded in the Statement of Net Assets as a part of the amount Due to Developer.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2012

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 215,000	\$ 237,206	\$ 22,206
Contract Revenues	45,000	44,530	(470)
Investment Revenues	<u>750</u>	<u>1,414</u>	<u>664</u>
TOTAL REVENUES	<u>\$ 260,750</u>	<u>\$ 283,150</u>	<u>\$ 22,400</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 96,500	\$ 88,501	\$ 7,999
Contracted Services	14,000	11,700	2,300
Other	<u>53,450</u>	<u>28,331</u>	<u>25,119</u>
TOTAL EXPENDITURES	<u>\$ 163,950</u>	<u>\$ 128,532</u>	<u>\$ 35,418</u>
NET CHANGE IN FUND BALANCE	\$ 96,800	\$ 154,618	\$ 57,818
FUND BALANCE – AUGUST 1, 2011	<u>510,323</u>	<u>510,323</u>	<u>-0-</u>
FUND BALANCE – JULY 31, 2012	<u>\$ 607,123</u>	<u>\$ 664,941</u>	<u>\$ 57,818</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2012

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2012

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>N/A</u>	Drainage
<u>N/A</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>N/A</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>X</u>	Other (specify): <u>Storm Water Detention</u>				

Pursuant to an agreement between the District and the City of Pearland (the "City"), water, wastewater and drainage facilities (except storm water detention ponds) constructed by the District have been conveyed to the City. The City maintains the facilities and operates the facilities for the benefit of the residents of the District. Therefore, the District will not be responsible for operation of the utilities within its boundaries. The District is responsible for the maintenance of its detention ponds.

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved N/A.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$ N/A Wastewater: \$ N/A Surcharge: \$ N/A

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2012

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"			x 1.0	
1"			x 2.5	
1½"			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 Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

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

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2012

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☐ No ☒

County or Counties in which District is located:

Brazoria and Harris Counties, Texas

Is the District located within a city?

Entirely ☒ Partly ☐ Not at all ☐

City or Cities in which the District is Located?

City of Pearland, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2012

PROFESSIONAL FEES:	
Auditing	\$ 11,500
Engineering	18,676
Legal	<u>58,325</u>
TOTAL PROFESSIONAL FEES	<u>\$ 88,501</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,100
Recording Secretary	<u>600</u>
TOTAL CONTRACTED SERVICES	<u>\$ 11,700</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,850
Travel	11,906
Insurance	1,995
Office Supplies and Postage	1,201
Payroll Taxes	820
Other	<u>559</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 28,331</u>
TOTAL EXPENDITURES	<u><u>\$ 128,532</u></u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SCHEDULE OF INVESTMENTS
JULY 31, 2012

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	02005-2222-000	Varies	Daily	\$ 13,178	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexSTAR	02005-3333-000	Varies	Daily	\$ 102,238	\$
Certificate of Deposit	6113625	0.50%	09/10/12	202,551	388
Certificate of Deposit	6000007655D	0.55%	10/01/12	207,204	375
Certificate of Deposit	9009001725	0.45%	09/10/12	202,297	351
Certificate of Deposit	106831	0.50%	10/01/12	221,417	358
Certificate of Deposit	4120697	0.80%	09/10/12	202,848	627
TOTAL DEBT SERVICE FUND				\$ 1,138,555	\$ 2,099
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	02005-4444-000	Varies	Daily	\$ 27,673	\$ -0-
TOTAL - ALL FUNDS				\$ 1,179,406	\$ 2,099

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2012

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE –				
AUGUST 1, 2011	\$ 2,085		\$ 7,972	
Adjustments to Beginning Balance	<u>(3)</u>	\$ 2,082	<u>(13)</u>	\$ 7,959
Original 2011 Tax Levy	\$ 237,858		\$ 909,456	
Adjustment to 2011 Tax Levy	<u>(77)</u>	<u>237,781</u>	<u>(294)</u>	<u>909,162</u>
TOTAL TO BE ACCOUNTED FOR		\$ 239,863		\$ 917,121
TAX COLLECTIONS:				
Prior Years	\$ 953		\$ 3,640	
Current Year	<u>236,253</u>	<u>237,206</u>	<u>903,320</u>	<u>906,960</u>
TAXES RECEIVABLE –				
JULY 31, 2012		<u>\$ 2,657</u>		<u>\$ 10,161</u>
TAXES RECEIVABLE BY YEAR:				
2011		\$ 1,528		\$ 5,842
2010		855		3,270
2009		<u>274</u>		<u>1,049</u>
		<u>\$ 2,657</u>		<u>\$ 10,161</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2012

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
PROPERTY VALUATIONS				
Land	\$ 33,046,788	\$ 31,558,203	\$ 31,657,630	\$ 25,676,213
Improvements	145,252,110	114,340,094	93,403,430	80,142,132
Personal Property	2,791,110	2,655,490	2,209,870	2,532,740
Exemptions	<u>(41,263,673)</u>	<u>(19,062,964)</u>	<u>(2,217,608)</u>	<u>(2,106,400)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 139,826,335</u>	<u>\$ 129,490,823</u>	<u>\$ 125,053,322</u>	<u>\$ 106,244,685</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.65
Maintenance	<u>0.17</u>	<u>0.17</u>	<u>0.17</u>	<u>0.17</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.82</u>	<u>\$ 0.82</u>	<u>\$ 0.82</u>	<u>\$ 0.82</u>
ADJUSTED TAX LEVY*	<u>\$ 1,146,943</u>	<u>\$ 1,061,889</u>	<u>\$ 1,025,544</u>	<u>\$ 871,348</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.36%</u>	<u>99.61%</u>	<u>99.87%</u>	<u>100.00%</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on May 3, 2003.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012

S E R I E S 2 0 0 6			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 100,000	\$ 214,135	\$ 314,135
2014	110,000	207,310	317,310
2015	115,000	199,997	314,997
2016	120,000	192,360	312,360
2017	130,000	185,730	315,730
2018	135,000	180,165	315,165
2019	145,000	174,249	319,249
2020	150,000	167,980	317,980
2021	160,000	161,312	321,312
2022	170,000	154,135	324,135
2023	180,000	146,522	326,522
2024	190,000	138,475	328,475
2025	200,000	129,893	329,893
2026	215,000	120,659	335,659
2027	225,000	110,812	335,812
2028	240,000	100,350	340,350
2029	255,000	89,213	344,213
2030	265,000	77,512	342,512
2031	285,000	65,138	350,138
2032	300,000	51,975	351,975
2033	315,000	38,137	353,137
2034	335,000	23,513	358,513
2035	<u>355,000</u>	<u>7,987</u>	<u>362,987</u>
TOTAL	<u>\$ 4,695,000</u>	<u>\$ 2,937,559</u>	<u>\$ 7,632,559</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012

S E R I E S 2 0 0 7			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 125,000	\$ 286,722	\$ 411,722
2014	140,000	277,281	417,281
2015	150,000	266,950	416,950
2016	160,000	257,906	417,906
2017	170,000	250,275	420,275
2018	180,000	242,181	422,181
2019	185,000	233,625	418,625
2020	200,000	224,481	424,481
2021	205,000	214,863	419,863
2022	215,000	204,887	419,887
2023	225,000	194,297	419,297
2024	240,000	182,963	422,963
2025	250,000	171,019	421,019
2026	260,000	158,587	418,587
2027	275,000	145,375	420,375
2028	290,000	131,250	421,250
2029	310,000	116,250	426,250
2030	320,000	100,500	420,500
2031	335,000	84,125	419,125
2032	355,000	66,875	421,875
2033	370,000	48,750	418,750
2034	390,000	29,750	419,750
2035	<u>400,000</u>	<u>10,000</u>	<u>410,000</u>
TOTAL	<u>\$ 5,750,000</u>	<u>\$ 3,898,912</u>	<u>\$ 9,648,912</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012

S E R I E S 2 0 1 0			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2013	\$ 85,000	\$ 158,662	\$ 243,662
2014	85,000	155,262	240,262
2015	95,000	151,662	246,662
2016	100,000	147,762	247,762
2017	105,000	143,662	248,662
2018	105,000	139,465	244,465
2019	110,000	135,163	245,163
2020	115,000	130,547	245,547
2021	120,000	125,492	245,492
2022	125,000	119,978	244,978
2023	130,000	113,982	243,982
2024	130,000	107,613	237,613
2025	140,000	100,862	240,862
2026	145,000	93,647	238,647
2027	150,000	85,994	235,994
2028	155,000	77,891	232,891
2029	155,000	69,559	224,559
2030	170,000	60,719	230,719
2031	175,000	51,122	226,122
2032	175,000	40,950	215,950
2033	190,000	30,000	220,000
2034	195,000	18,450	213,450
2035	<u>210,000</u>	<u>6,300</u>	<u>216,300</u>
TOTAL	<u>\$ 3,165,000</u>	<u>\$ 2,264,744</u>	<u>\$ 5,429,744</u>

See accompanying independent auditor's report.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2012

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2013	\$ 310,000	\$ 659,519	\$ 969,519
2014	335,000	639,853	974,853
2015	360,000	618,609	978,609
2016	380,000	598,028	978,028
2017	405,000	579,667	984,667
2018	420,000	561,811	981,811
2019	440,000	543,037	983,037
2020	465,000	523,008	988,008
2021	485,000	501,667	986,667
2022	510,000	479,000	989,000
2023	535,000	454,801	989,801
2024	560,000	429,051	989,051
2025	590,000	401,774	991,774
2026	620,000	372,893	992,893
2027	650,000	342,181	992,181
2028	685,000	309,491	994,491
2029	720,000	275,022	995,022
2030	755,000	238,731	993,731
2031	795,000	200,385	995,385
2032	830,000	159,800	989,800
2033	875,000	116,887	991,887
2034	920,000	71,713	991,713
2035	<u>965,000</u>	<u>24,287</u>	<u>989,287</u>
TOTAL	<u>\$13,610,000</u>	<u>\$ 9,101,215</u>	<u>\$ 22,711,215</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2012

Description	Original Bonds Issued	Bonds Outstanding August 1, 2011
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds – Series 2006	\$ 5,050,000	\$ 4,790,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds – Series 2007	6,200,000	5,870,000
Brazoria County Municipal Utility District No. 28 Unlimited Tax Bonds – Series 2010	<u>3,165,000</u>	<u>3,165,000</u>
Total	<u>\$ 14,415,000</u>	<u>\$ 13,825,000</u>

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 89,155,000	\$ 57,850,000
Amount Issued	<u>14,415,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 74,740,000</u>	<u>\$ 57,850,000</u>

*Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of July 31, 2012: \$ 2,097,930

Average annual debt service payment (principal and interest) for remaining term of all bond debt: \$ 987,444

For interest rates, interest payment dates and maturity dates, see Note 3.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2012</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 95,000	\$ 220,473	\$ 4,695,000	Wells Fargo Bank, N.A. Houston, TX
	120,000	295,450	5,750,000	Wells Fargo Bank, N.A. Houston, TX
		<u>193,771</u>	<u>3,165,000</u>	Wells Fargo Bank, N.A. Houston, TX
<u>\$ -0-</u>	<u>\$ 215,000</u>	<u>\$ 709,694</u>	<u>\$ 13,610,000</u>	

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	<u>Amounts</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES			
Property Taxes	\$ 237,206	\$ 220,840	\$ 214,060
Contract Revenues	44,530	37,508	38,097
Investment Revenues	<u>1,414</u>	<u>886</u>	<u>351</u>
TOTAL REVENUES	<u>\$ 283,150</u>	<u>\$ 259,234</u>	<u>\$ 252,508</u>
EXPENDITURES			
Professional Fees	\$ 88,501	\$ 94,582	\$ 73,949
Contracted Services	11,700	13,400	12,750
Repairs and Maintenance		1,005	4,130
Other	<u>28,331</u>	<u>42,612</u>	<u>35,331</u>
TOTAL EXPENDITURES	<u>\$ 128,532</u>	<u>\$ 151,599</u>	<u>\$ 126,160</u>
NET CHANGE IN FUND BALANCE	\$ 154,618	\$ 107,635	\$ 126,348
BEGINNING FUND BALANCE	<u>510,323</u>	<u>402,688</u>	<u>276,340</u>
ENDING FUND BALANCE	<u>\$ 664,941</u>	<u>\$ 510,323</u>	<u>\$ 402,688</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2009</u>	<u>2008</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 180,812	\$ 130,403	83.8%	85.2%	84.8%	84.4%	74.8%
33,085	41,595	15.7	14.5	15.1	15.4	23.9
<u>412</u>	<u>2,259</u>	<u>0.5</u>	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>	<u>1.3</u>
<u>\$ 214,309</u>	<u>\$ 174,257</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 77,606	\$ 81,088	31.3%	36.5%	29.3%	36.2%	46.5%
12,437	14,650	4.1	5.2	5.0	5.8	8.4
	7,825		0.4	1.6		4.5
<u>33,627</u>	<u>41,796</u>	<u>10.0</u>	<u>16.4</u>	<u>14.0</u>	<u>15.7</u>	<u>24.0</u>
<u>\$ 123,670</u>	<u>\$ 145,359</u>	<u>45.4%</u>	<u>58.5%</u>	<u>49.9%</u>	<u>57.7%</u>	<u>83.4%</u>
\$ 90,639	\$ 28,898	<u>54.6%</u>	<u>41.5%</u>	<u>50.1%</u>	<u>42.3%</u>	<u>16.6%</u>
<u>185,701</u>	<u>156,803</u>					
<u>\$ 276,340</u>	<u>\$ 185,701</u>					

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	<u>Amounts</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES			
Property Taxes	\$ 906,960	\$ 844,388	\$ 818,464
Contract Revenues	195,964	184,015	180,474
Penalty and Interest	5,399	11,288	14,625
Investment Revenues	9,413	13,972	12,338
Miscellaneous Revenues	<u>2,033</u>		
TOTAL REVENUES	<u>\$ 1,119,769</u>	<u>\$ 1,053,663</u>	<u>\$ 1,025,901</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 33,150	\$ 31,791	\$ 27,487
Debt Service Principal	215,000	205,000	195,000
Debt Service Interest and Fees	<u>709,694</u>	<u>530,307</u>	<u>545,010</u>
TOTAL EXPENDITURES	<u>\$ 957,844</u>	<u>\$ 767,098</u>	<u>\$ 767,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 161,925</u>	<u>\$ 286,565</u>	<u>\$ 258,404</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 161,925</u>	<u>\$ 286,565</u>	<u>\$ 258,404</u>
BEGINNING FUND BALANCE	<u>1,931,567</u>	<u>1,645,002</u>	<u>1,386,598</u>
ENDING FUND BALANCE	<u>\$ 2,093,492</u>	<u>\$ 1,931,567</u>	<u>\$ 1,645,002</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percent of Total Revenues				
<u>2009</u>	<u>2008</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 708,501	\$ 498,598	81.0%	80.1%	79.8%	78.2%	76.0%
144,823	107,701	17.5	17.5	17.6	16.0	16.4
29,475	13,874	0.5	1.1	1.4	3.3	2.1
20,117	35,724	0.8	1.3	1.2	2.2	5.5
<u>2,668</u>	<u>50</u>	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>0.3</u>	<u>—</u>
<u>\$ 905,584</u>	<u>\$ 655,947</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 32,350	\$ 21,831	3.0%	3.0%	2.7%	3.6%	3.3%
185,000	5,000	19.2	19.5	19.0	20.4	0.8
<u>623,577</u>	<u>240,298</u>	<u>63.4</u>	<u>50.3</u>	<u>53.1</u>	<u>68.9</u>	<u>36.6</u>
<u>\$ 840,927</u>	<u>\$ 267,129</u>	<u>85.6%</u>	<u>72.8%</u>	<u>74.8%</u>	<u>92.9%</u>	<u>40.7%</u>
<u>\$ 64,657</u>	<u>\$ 388,818</u>	<u>14.4%</u>	<u>27.2%</u>	<u>25.2%</u>	<u>7.1%</u>	<u>59.3%</u>
<u>\$ -0-</u>	<u>\$ 161,619</u>					
\$ 64,657	\$ 550,437					
<u>1,321,941</u>	<u>771,504</u>					
<u>\$1,386,598</u>	<u>\$ 1,321,941</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2012

District Mailing Address - Brazoria County Municipal Utility District No. 28
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2012	Expense reimbursements for the year ended July 31, 2012	Title
Stacey Wagner	05/2010 05/2014 (Elected)	\$ 1,800	\$ 965	President
John Gordon	05/2012 05/2016 (Elected)	\$ 2,850	\$ 1,505	Vice President
Roland Garza	05/2010 05/2014 (Elected)	\$ 1,650	\$ 342	Assistant Vice President
Stefania Ricks	05/2010 05/2014 (Elected)	\$ 2,700	\$ 968	Secretary
James Nester	05/2012 05/2016 (Elected)	\$ 1,050	\$ 1,292	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 17, 2012.

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution (TWC Section 49.060) on March 12, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2012

Consultants:	Date Hired	Fees / Compensation for the year ended July 31, 2012	Title
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	07/28/03	\$ 63,814	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	11/03/04	\$ 12,600	Auditor
Myrtle Cruz, Inc. 1621 Milam, 3 rd Floor Houston, TX 77002	05/07/03	\$ 12,131	Bookkeeper
Brazoria County Appraisal District 500 N. Chenango Angleton, TX 77515	Legislative Action	\$ 8,541	Central Appraisal District
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1265 North Loop West, Suite 600 Houston, TX 77008	03/03/04	\$ 2,447	Delinquent Tax Attorney
LJA Engineering & Surveying, Inc. 2929 Briarpark, Suite 600 Houston, TX 77042-3703	05/07/03	\$ 59,376	Engineer
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, TX 77024	05/07/03	\$ -0-	Financial Advisor
Erin Garcia c/o Myrtle Cruz, Inc. 1621 Milam, 3 rd Floor Houston, TX 77002	08/18/10	\$ -0-	Investment Officer
Thomas W. Lee, RTA P. O. Box 1368 Friendswood, TX 77546-1368	06/04/03	\$ 15,476	Tax Assessor/ Collector

See accompanying independent auditor's report.

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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October 17, 2012

Board of Directors
Brazoria County Municipal
Utility District No. 28
Brazoria and Harris Counties, Texas

In planning and performing our audit of the financial statements of Brazoria County Municipal Utility District No. 28 (the "District") as of and for the year ended July 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Statement of Auditing Standards No. 115 ("SAS No. 115"), effective for audits of financial statements for periods ending on or after December 15, 2009, set about to identify and define deficiencies in internal control that might be significant deficiencies or material weaknesses. SAS No. 115 requires that significant deficiencies or material weaknesses be communicated to management in writing.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weaknesses

Last year, and again this year, we observed the following matters that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (the "Directors"). Some Districts, from time to time, also have employees that function as a component of management. In most cases the day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors, and from time to time employees, of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors, and from time to time employees, of the District are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. SAS No. 115 does not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of SAS No. 115 to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the control deficiencies above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. Stated another way, if an organization is unable to issue, without the auditors' involvement, complete financial statements with footnotes in accordance with generally accepted accounting principles and free of material misstatement, that inability is a symptom of a significant deficiency in the system of internal control.

Management's Response

The District's Board of Directors is appointed or elected from the general population and do not necessarily have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unqualified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

