

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 12, 2016

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

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

THE BONDS ARE NOT "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book Entry Only

\$4,980,000

IMPERIAL REDEVELOPMENT DISTRICT

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

TAX INCREMENT CONTRACT REVENUE BONDS, SERIES 2016

Dated: October 1, 2016

Due: May 1, as shown below

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar") in Dallas, Texas. Interest on the Bonds will accrue from October 1, 2016, and be payable on May 1, 2017 (seven months' interest) and on each November 1 and May 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. Interest will be calculated on the basis of a 360 day year of twelve 30 day months. The Bonds are subject to redemption prior to maturity as shown below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Principal Amount(a)	Maturity (May 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(b)	Principal Amount(a)	Maturity (May 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(b)
\$ 135,000	2018			%	\$ 195,000	2031 (d)			%
140,000	2019				205,000	2032 (d)			
145,000	2020				210,000	2033 (d)			
145,000	2021				220,000	2034 (d)			
150,000	2022				225,000	2035 (d)			
155,000	2023				235,000	2036 (d)			
155,000	2024				245,000	2037 (d)			
160,000	2025 (d)				255,000	2038 (d)			
165,000	2026 (d)				265,000	2039 (d)			
170,000	2027 (d)				275,000	2040 (d)			
175,000	2028 (d)				285,000	2041 (d)			
185,000	2029 (d)				295,000	2042 (d)			
190,000	2030 (d)								

- (a) The Initial Purchaser may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from October 1, 2016, is to be added to the price.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Bonds maturing on and after May 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on May 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Imperial Redevelopment District (the "District") and will be payable from the Pledged Revenues (as defined herein). The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, Texas, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 27, 2016.

Bids Due: Thursday, September 29, 2016, at 10:00 A.M., Houston Time
Bid Award: Thursday, September 29, 2016, at 12:00 Noon, Houston Time

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT AND THE TIRZ

The Issuer.....Imperial Redevelopment District (the “District“), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

Description.....The District was created under Article XVI, Section 59 of the Texas Constitution by House Bill 3554, as passed by the 79th Texas Legislature on June 18, 2005, and operates in accordance with Chapter 8150 of the Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code, as amended. The District also has the purposes of Article III, Sections 52 and 52-a, and Article VIII, Sections 1-g of the Texas Constitution. The District contains approximately 746 acres of land, and is located in eastern Fort Bend County approximately 30 miles southwest of downtown Houston, Texas. Access to the District is provided via the State Highway 6 and US Highway 90A. Generally, the District is bordered on the south by US Highway 90A, on the west by State Highway 6 and on the north by Voss Road. Oyster Creek winds through the District. The District lies entirely within the corporate boundaries of the City of Sugar Land, Texas.

The TIRZ.....By Ordinance No. 1667, dated December 18, 2007, the City created the Reinvestment Zone Number Three, City of Sugar Land (the “TIRZ”) and adopted the Final Project Plan and Reinvestment Zone Financing Plan, as subsequently amended, (the “TIRZ Plan”) for a term of thirty years. By Ordinances No. 1888, dated February 5, 2013, and No. 2064, dated August 16, 2016 (all ordinances collectively referred to as the “TIRZ Ordinances”), the City extended the term of the TIRZ for five years to 2042 and amended the TIRZ Plan. The TIRZ covers approximately 839.4 acres, consisting of all the acreage in the District and some additional non-taxable right-of-way property. The TIRZ was created pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the “TIF Act”) and is intended to facilitate a program of public improvements to allow the development within the TIRZ of a planned mixed use community with single family residential, a hotel/conference center, recreational facilities, a sports stadium, museums and other arts and entertainment venues, land, associated parking, related water, sewer, drainage and road infrastructure, and the preservation and/or reuse of certain historic structures at the Imperial Sugar site (the “Project”).

The City and the County have agreed to deposit to a special tax increment fund established by the City (the “Tax Increment Fund”) an agreed-upon portion of the Tax Increments (as defined herein) they collect from real property in the TIRZ through the termination date of the TIRZ.

The District has entered into a contract with the TIRZ and the City that provides for the City to transfer to the District the Tax Increments in the Tax Increment Fund (less certain deductions) and for the District to issue bonds (the “Contract Revenue Bonds”) secured by such Tax Increments. The proceeds of the Contract Revenue Bonds will be used to finance certain components of the TIRZ Plan; however, the majority of the TIRZ Plan is being financed through proceeds of the District’s unlimited tax bonds.

The Contract Revenue Bonds, including the Bonds, will be payable solely from the Tax Increments the District receives from the City from the Tax Increment Fund, and owners of the Contract Revenue Bonds do not have any right, claim or interest to any amounts derived from the levy of taxes by the District. See “RISK FACTORS—The TIRZ”, and –Future Debt” and “TAX INCREMENT REINVESTMENT ZONE.”

Project and Financing PlanAs required under the TIF Act, the TIRZ Board of Directors has adopted, and the City has approved, an Amended Final Project Plan and Reinvestment Zone Financing Plan dated July 2016 (as amended, the “TIRZ Plan”). The TIRZ Plan sets out the public improvements, real estate acquisitions and other projects that are needed to induce development within the TIRZ (the “Public Improvements”). The costs associated with the design and construction of the Public Improvements, the cost of creation and

administration of the TIRZ, and financing costs (the “Project Costs”) constitute eligible Project Costs under the TIF Act. The TIRZ Plan states that the Project Costs are expected to be financed through the issuance by the District of Contract Revenue Bonds and Unlimited Tax Bonds.

Imperial.....The District and TIRZ, which consists of all the acreage within the District and some additional non-taxable right-of-way property, are being developed as Imperial, a mixed use community which includes single-family and multi-family residential, retail, office and commercial development, the Imperial Market which is a mixed use lifestyle center being redeveloped upon the former, historic Imperial Sugar Company refinery site, and an Atlantic League baseball stadium known as Constellation Field which is the home of the Sugar Land Skeeters.

Status of Development.....Development of Imperial began in 2010. The District currently includes approximately 99 developed acres of single-family residential development (353 lots). As of August 1, 2016, the District contained 96 single-family homes completed and occupied, 9 single-family homes completed and not occupied, and 33 single-family homes in various stages of construction. Of the homes under construction, 22 are under contract to be sold and 11 are unsold. An additional 49 single family residential lots are under construction on approximately 11 acres in the District with an expected completion date of November 2016.

Homebuilding in the District is currently being conducted by the following homebuilders: Darling Homes, Grace Point Homes, Partners in Building, Sitterle Homes and Meritage Homes. New homes in the District range in price from approximately \$420,000 to in excess of \$1,500,000.

In addition to the single family development described above, the District contains approximately 27 acres of baseball stadium facilities, the recently opened Fort Bend Children’s Discovery Center and the soon-to-open Sugar Land Heritage Foundation built upon approximately one acre in Imperial Market, approximately 14 acres of multi-family development including the Lofts at Imperial (a 254-unit apartment complex) and the Overture at Imperial (a 200-unit apartment complex under construction and expected to be complete in the summer of 2017), approximately 2 acres of commercial development upon which a Raceway gas station/convenience store has been constructed, and approximately 18 acres upon which a portion of the newly constructed Nalco Champion corporate offices and parking area are located.

The District also contains approximately 194 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 44 acres have been developed as 45,000 feet of walking trails, parks and open spaces, and approximately 337 acres of land are undevelopable and contained in drainage easements, right of way, District plant sites, detention areas and drill sites. See “THE DISTRICT—Status of Development” and “THE DEVELOPERS AND MAJOR LANDOWNERS.”

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

Imperial Market Development, LLC, a Texas limited liability company, is the owner of approximately 21 acres of land in the District. Imperial Market Development, LLC is the developer of the Imperial Market, which includes the Imperial Market, a mixed use development that incorporates the historic structures of the former Imperial Sugar refinery.

In 2014, Meritage Homes of Texas LLC, an Arizona limited liability company (“Meritage”) purchased 127 acres from the Landowners to develop such acreage as single family lots. Meritage began developing such acreage as Crown Garden at Imperial in 2015. Meritage is also a homebuilder in Crown Garden at Imperial. Meritage owns approximately 44 acres of undeveloped land in the District.

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

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

THE FINANCING

<i>The Issue</i>	\$4,980,000 Tax Increment Contract Revenue Bonds, Series 2016 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and bearing interest at the rates shown on the cover hereof. Interest on the Bonds accrues from October 1, 2016, and is payable on May 1, 2017 (seven months’ interest), and on each November 1 and May 1 thereafter until the earlier of maturity or prior redemption. The Bonds maturing on and after May 1, 2025, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on May 1, 2024, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”
<i>Book-Entry-Only System</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Use of Proceeds</i>	Proceeds from the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to finance certain components of the TIRZ Plan; to pay interest on funds advanced by the City on behalf of the District; and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance</i>	The Bonds are issued by the District pursuant to Chapter 8150 of the Special District Local Laws Code, Chapter 311, Texas Tax Code, an ordinance adopted by the City and a Bond Resolution approved by the District’s Board (the “Bond Resolution”).
<i>Payment Record</i>	The Bonds represent the first series of Contract Revenue Bonds issued by the District. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Outstanding Bonds</i>	The District sold its \$12,135,000 Unlimited Tax Bonds, Series 2016, on September 12, 2016 and expects to close on October 13, 2016. The unlimited tax bonds will fund road improvements provided for in the TIRZ Plan and are payable from taxes levied by the District and not from Tax Increment revenues.
<i>Not Qualified Tax Exempt Obligations</i>	The Bonds are not “qualified tax-exempt obligations” for financial institutions.
<i>Municipal Bond Rating</i>	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.
<i>Legal Opinion</i>	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas.

Financial Advisor.....FirstSouthwest, a Division of Hilltop Securities Inc., Houston, Texas.
Disclosure Counsel.....Norton Rose Fulbright US LLP, Houston, Texas.
Engineer.....LJA Engineering, Inc., Houston, Texas.

SOURCE OF AND SECURITY FOR PAYMENT

Tax IncrementsThe City has agreed to deposit to the Tax Increment Fund for the TIRZ in the City’s Treasury (the “Tax Increment Fund”) certain of its tax collections resulting from its taxation of the increase, if any, in the appraised taxable value of real property located in the TIRZ since a designated base year. Fort Bend County, Texas (the “County”) has agreed pursuant to an agreement with the City and the TIRZ (the “Interlocal Agreement”) and subject to certain limitations, to transfer to the City for deposit to the Tax Increment Fund a certain percentage of tax collections arising from its taxation of the increase, if any, in the appraised taxable value of real property located in the TIRZ since a designated base year. The City, the District and the TIRZ have entered into an agreement (the “Tri-Party Agreement”) which sets forth, among other things, the agreement of the City, on behalf of itself and the TIRZ, to pay to the District the tax collections deposited to the Tax Increment Fund less the administrative fees and deductions specified in the Tri-Party Agreement (the “Contract Payments”). The City will also contribute to the Tax Increment Fund, incremental sales tax attributable to the Sales Tax Collection Area (as defined in the TIRZ Plan) within the TIRZ in the amount of ½ cent of two (2) cent sales tax to eligible parking facilities in the TIRZ. The City’s Sales Tax Increment is not part of the Pledged Revenues pledged to payment of the Contract Revenue Bonds. See “SOURCE AND SECURITY FOR PAYMENT.”

Pledged Revenues.....The District has pledged the Contract Payments and any other money required to be deposited into the Pledged TIRZ Revenue Fund and the TIRZ Debt Service Fund (as defined herein) to payment of the Bonds and any Additional Parity Bonds issued under the Bond Resolution (collectively, the “Contract Revenue Bonds”). The District has reserved the right in the Bond Resolution to pledge such Contract Payments for the benefit of other obligations on a subordinate basis to the Contract Revenue Bonds. See “SOURCE OF AND SECURITY OF PAYMENT—Contract Payments and Pledged Revenues Defined.”

The Bond Resolution provides that the District will deposit the Contract Payments into a separate Pledged TIRZ Revenue Fund which will be kept separate and apart from other District funds. After debt service on the Contract Revenue Bonds through the succeeding May 1 has been set aside, and the Paying Agent/Registrar fees have been paid, the District may use any surplus Pledged Revenues for any lawful purpose under the TIF Act and in accordance with the Tri-Party Agreement.

Limited Obligations.....The Bonds are limited obligations of the District, payable solely from the Pledged Revenues. The Bonds are obligations of the District and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the City, the County, the State of Texas, or any other municipality, county, or other municipal or political corporation or subdivision of the State of Texas. Neither the City, the County, nor the State of Texas is obligated to make payments on the Bonds.

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

SCHEDULE 1: SELECTED FINANCIAL INFORMATION FOR THE TIRZ (UNAUDITED)

	<u>City of Sugar Land</u>	<u>Fort Bend County</u>
2016 Certified Value of the TIRZ (a), (b)	\$108,947,123	\$108,947,123
2016 Amount of Value Under Review	1,439,730	1,439,730
Tax Increment Base Values	<u>(5,602,490)</u>	<u>(11,762,870)</u>
2016 Captured Appraised Value (c)	\$104,784,363	\$98,623,983
Participant's Tax Rate (d)	\$0.3160	\$0.4580
Tax Rate Contribution used to produce Contract Tax Increments	\$0.1580	\$0.2290
Estimated 2016 Collection Rate (e)	100.00%	100.00%
City Administration Fee (2.00%) (g)	<u>3,311</u>	<u>4,517</u>
Projected Pledged Tax Increment Revenues for Tax Year 2016	\$162,248	\$221,332
Total Pledged Funds (a), (f)		\$383,580
Direct Debt Outstanding		\$4,980,000
Average Annual Debt Service (a)		\$300,614 *
Maximum Annual Debt Service		\$302,873 *
Coverage of Pledged Tax Increment Revenues to:		
Average Annual Debt Service		1.2760 *
Maximum Annual Debt Service		1.2665 *
Increment Expiration Date		December 31, 2042

* Preliminary, subject to change.

- (a) At the request of the District, Fort Bend Central Appraisal District (the "Appraisal District") provided the District (not the TIRZ) with an estimate of taxable assessed value as of August 1, 2016 totaling \$145,109,875. This estimate is for informational purposes only. The 2016 Certified Value established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2016 to August 1, 2016. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Assuming the same Tax Increment base values, tax rates and collection rates as shown above, the total of the Pledged Revenues which would result from a Certified Value of \$145,109,874 is \$520,731, which would produce a coverage of Pledged Revenues to average annual debt service of 1.7322.
- (b) Certified appraised values are established annually by the Appraisal District, but are subject to change for a number of years thereafter. The City and the County have different exemptions from taxation, which also affect the taxable value. These have not been applied to the taxable value shown. See "Tax Increment Reinvestment Zone Data—Schedule 2: Summary of Assessed Value in the TIRZ."
- (c) The 2016 Captured Appraised Value shown is based on data provided by the Appraisal District and includes uncertified value at the Appraisal District's estimate of the final taxable value of properties which are currently uncertified. The uncertified accounts are generally being protested by the taxpayers and certified values for these accounts may be lower than the Appraisal District's estimate. Only values that are certified by the Appraisal District are used to produce tax revenues. See "FINANCIAL INFORMATION--Schedule 5: Tax Increment Collections" for the certified values for 2013 through 2015.
- (d) The tax rates shown are the City's and the County's anticipated 2016 tax rate. Both the City and County have authorized publication of such rate and intend to adopt such rate at their September meetings. Either entity may increase or decrease its tax rate on an annual basis, pursuant to the constraints of the Texas Property Tax Code and in the case of the City, the City Charter. Neither the City nor the County contributes its entire tax rate to the TIRZ.
- (e) Collection rates shown are based on the collection rates provided by the City for prior years. See "FINANCIAL INFORMATION—Schedule 5: Tax Increment Collections" for collection rates per tax year.
- (f) 2016 tax rates will be set in the fall of 2016 with payment due by January 31, 2017. Contract Payments arising from these taxes are expected to be transferred to the District during calendar year 2017 (payments by March 31 and September 30 per the Tri-Party Agreement) for payment of debt service on May 1, 2017 and November 1, 2017.
- (g) The City has deducted from Contract Payments previously deposited to the Tax Increment Fund the sum of \$200,000 for the City's initial administrative expenses and legal fees and estimated fees in excess of 2% per year through September 30, 2019.

PRELIMINARY OFFICIAL STATEMENT

\$4,980,000

IMPERIAL REDEVELOPMENT DISTRICT

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

TAX INCREMENT CONTRACT REVENUE BONDS SERIES 2016

This Official Statement provides certain information in connection with the issuance by Imperial Redevelopment District (the “District”) of its \$4,980,000 Tax Increment Contract Revenue Bonds, Series 2016 (the “Bonds”).

The Bonds are issued pursuant to Chapter 8150 of the Special District Local Laws Code, Chapter 311, Texas Tax Code, an ordinance adopted by the City of Sugar Land, Texas (the “City”), and a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, Reinvestment Zone Number Three, City of Sugar Land, Texas (the “TIRZ”), the Amended Project Plan and Reinvestment Zone Financing Plan, dated July 2016 (the “TIRZ Plan”), the Tri-Party Agreement, and certain other information about the District and the Developers. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefore.

SOURCE OF AND SECURITY FOR PAYMENT

General

The Bonds are limited obligations of the District payable solely from the sources described herein and are not obligations of the City, Fort Bend County, Texas (the “County”), the State of Texas, or any entity other than the District. The District is not obligated to pay principal of and interest on the Bonds from monies of the District other than the Pledged Revenues as defined herein under “—Contract Payments and Pledged Revenues Defined.”

General Statutory Requirements for Tax Increment Zones

A tax increment reinvestment zone under Chapter 311 of the Texas Tax Code (the “TIF Act”) may be created by a city or a county, which also approves a project plan and a financing plan for the zone. In the case of a city, the ordinance creating the zone and the plans may provide that the city will deposit its Tax Increments (as defined below) into a tax increment fund established by the city for the zone. Other taxing units which tax property in the zone may agree with the city that they will also deposit a portion of their Tax Increments (as defined below) into the tax increment fund established for the zone.

The amount of a taxing unit’s tax increment for a year (the “Tax Increment”) is the amount of property taxes levied and assessed by the taxing unit for that year on the captured appraised value in the zone (as defined below, the “Captured Appraised Value”). The Captured Appraised Value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the taxing unit and located in the tax increment reinvestment zone for that year less the total taxable value of all real property taxable by the unit and located in the reinvestment zone for the year in which the zone was designated as such under the TIF Act (the “Tax Increment Base”). If the boundaries of a zone are enlarged, the Tax Increment Base is increased by the taxable value of the real property added to the zone for the year in which the property was added. A taxing unit may also contribute its sales tax increment into the TIRZ.

The TIF Act provides that each taxing unit is required to pay into the tax increment fund for the zone the collected Tax Increments that it has agreed to pay under its agreement with the city and in accordance with the project plan. The TIF Act provides that the payment is to be made by the 90th day after the later of either the delinquency date for the taxing unit’s property taxes, or the date the city that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone.

The TIF Act provides that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or an earlier or later date designated by a subsequent ordinance or (2) the date on which all project costs, tax increment bonds and interest on those bonds, and other obligations have been paid in full. In addition, the TIF Act provides that a reinvestment zone may be terminated if the city that created the zone defeases its outstanding obligations, including any outstanding contract tax increment bonds. See “THE BONDS—Defeasance.”

City's Establishment of the TIRZ

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

Under the TIRZ Ordinances, the City contributes fifty percent (50%) of its Tax Increment generated from ad valorem taxes on real property in the TIRZ actually collected during the term of the TIRZ. The contribution of Tax Increments began in tax year 2008 and ends in the last year that the TIRZ is in effect.

The City has also agreed to contribute incremental sales taxes attributable to the "Sales Tax Collection Area" within the "Imperial Tract" as defined in the TIRZ Plan in the amount of ½ cent of the City's two (2) cent sales tax; however, the sales tax increment may only be used to finance parking facilities in the Imperial Tract and are not included in Contract Payments pledged to the payment of the Bonds.

The City and the TIRZ may enter into Interlocal Agreements with taxing units that tax property within the TIRZ (collectively, the "Interlocal Agreements"). These taxing units agree to contribute a certain amount of their Tax Increments arising from the TIRZ to the Tax Increment Fund, subject to the limitations set forth in each Interlocal Agreement.

The County and the City (collectively, the "Participants" and each a "Participant") are the current participants in the TIRZ.

The County's Interlocal Agreement With Respect to Tax Increments

The City, the TIRZ and the County entered into an Interlocal Agreement on August 26, 2013 (the "Interlocal Agreement"). Under the Interlocal Agreement, the County agrees to pay into the Tax Increment Fund fifty percent (50%) of all taxes collected by the County at its then prevailing tax rate on the County's Captured Appraised Value. The County's Captured Appraised Value means the total appraised value of all real property taxable by the County and located in the TIRZ less the County Base Value of \$11,762,870. The County's participation in the TIRZ commences in tax year 2013 and terminates in the last year that the TIRZ is in effect. Payments are due on March 1 and August 1 of each year beginning March 1, 2014.

The County is not obligated to deposit fund into the Tax Increment Fund established by the City until its Tax Increments in the TIRZ are actually collected, and the County's participation in the TIRZ is limited to the area of the TIRZ on the date of the Interlocal Agreement.

The County's Tax Increment Participation may be used to pay all Project Costs defined in the TIRZ Plan, except to pay for City Parking Facilities (as defined in the Interlocal Agreement) or the actual construction costs for the construction, modification or renovation of the Constellation Field sports stadium building and related interior improvements. The Bonds do not include payments for Project Costs prohibited in the County Agreement; the County Tax Increment is included in the Pledged Revenues pledged to payment of the Contract Revenue Bonds.

Calculation of Tax Increments

The Fort Bend Central Appraisal District (the "Appraisal District") appraises the property in the TIRZ for the Participants. The certified appraised value in the TIRZ is supplied to the Participants by the Appraisal District based on the Appraisal District's identification of all real property accounts within the TIRZ's boundaries. Each Participant uses the certified appraised taxable value in the TIRZ obtained from the Appraisal District, but then modifies it based on the various exemptions from taxation granted by that particular Participant. It then determines Captured Appraised Value by subtracting the Tax Increment Base of the TIRZ from the current year's taxable value in the TIRZ.

The Appraisal District may issue a “correction roll” which may affect previously certified values. Value changes can be positive or negative depending on the cause. Omitted property adds value while protest settlements, exemptions and error corrections can add or subtract value. Value changes typically are larger in dollar amount and number in the years just following the current tax year and tend to diminish in amount and number over time.

Each Participant’s determination of Captured Appraised Value will depend on the timing of its calculation (that is, what Appraisal District roll it uses) and its own exemptions. The Participants’ individual determinations resulted in the Captured Appraised Values shown under “TAX INCREMENT REINVESTMENT ZONE DATA—Schedule 5: Tax Increment Collections.” For an explanation of the different exemptions of the Participants, see “TAX INCREMENT REINVESTMENT ZONE DATA—Schedule 2: Summary of Assessed Valuation in the TIRZ.”

Calculation of Tax Increments is subject to administrative interpretation by the Participants, which may change from time to time, at the option of each such Participant.

Collection of Tax Increments

Each taxing unit participating in a tax increment reinvestment zone is to pay into the Tax Increment Fund Tax Increments equal to the amount arrived at by multiplying the Captured Appraised Value in the zone by the taxing unit’s contributed tax rate per \$100 of valuation for the tax year and then multiplying that product by the taxing unit’s collection percentage, subject to any aggregate limitation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the zone to the total taxes due to the taxing unit for the tax year from all real property in the zone. Each taxing unit’s collection percentage is shown in “TAX INCREMENT REINVESTMENT ZONE DATA—Schedule 5: Tax Increment Collections.” The TIF Act provides that payment of Tax Increments by a Participant is to be made by the 90th day after the later of either the delinquency date for the Participant’s property taxes, or the date the city or county that created the zone submits to the taxing unit an invoice specifying the tax increment produced by the taxing unit and the amount the taxing unit is required to pay into the tax increment fund for the zone.

Pursuant to the Agreement among the City, the TIRZ and the District, approved by the City Council of the City on August 16, 2016 (the “Tri-Party Agreement”), the City and the TIRZ agree to continuously collect the Tax Increments during the term of the Tri-Party Agreement, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Tax Increments paid by the taxing units participating in the TIRZ, except to the extent provided in the County Agreement or any future participation agreements. Without consent of the District, the City will not grant tax abatements that reduce the amount of the City’s Tax Increments; provided, however, the City may grant, in its sole discretion and without the consent of the District, tax abatements and/or other tax incentives (regardless of whether such abatement or incentive will reduce the amount of the City’s Tax Increment) on improvements or taxable personal property located on the Exchange Tract (as defined in the Redevelopment Agreement).

The City covenants that it will not dissolve the District and that any repeal of the right and power to collect the Tax Increments will not be effective until all the Contract Revenue Bonds have been paid in full or until they are legally defeased and all other District obligations have been satisfied.

The City, on behalf of itself and the TIRZ, will pay the District, not later than the first business day following each March 31 and September 30 during the term of the Tri-Party Agreement (beginning October 3, 2016), all monies then available in the Tax Increment Fund, subject to retention by the City of an amount equal to the City’s administrative costs connected with the TIRZ, for each year commencing October 1 that the Tri-Party Agreement is in effect, two percent (2%) of the amount available in the Tax Increment Fund. The City will withhold on a one-time basis from the initial distribution of the Tax Increments, an amount of \$200,000 to pay for administrative costs from Zone creation through September 30, 2019.

Contract Payments and Pledged Revenues Defined

The TIF Act requires that all Tax Increments arising from taxation in the TIRZ be deposited to the Tax Increment Fund for the TIRZ in the City’s treasury. Pursuant to the Tri-Party Agreement, not later than the first business day following each March 31 and September 30 during the term of the Tri-Party Agreement, the City will pay to the District all monies then available in the Tax Increment Fund not subject to retention by the City, as described above under “—Collection of Tax Increments.”

Contract Payments are defined as all Tax Increments paid by the City to the District, (i) after retention by the City on a one-time basis of an amount equal to the City’s administrative costs connected with the TIRZ, not to exceed \$200,000 from the TIRZ’s creation through September 30, 2019, and (ii) for each year commencing October 1 that the Tri-Party Agreement is in effect, two percent (2%) of the amount available in the Tax Increment Fund.

Pursuant to the Bond Resolution, the District will deposit the Contract Payments (other than the Sales Tax Increment) into the Pledged TIRZ Revenue Fund separate and apart from all other District funds. The District will deposit the City's Sales Tax Increment into the TIRZ Revenue Fund (Sales Tax), separate and apart from all other District funds, which will not be pledged towards payment of the Bonds. See "THE BOND RESOLUTION – The Funds."

Pursuant to the Bond Resolution, the District has covenanted to transfer from the Pledged TIRZ Revenue Fund to the TIRZ Debt Service Fund an amount sufficient to pay the principal and interest on the Contract Revenue Bonds for the calendar year prior to making any other transfers from the Pledged TIRZ Revenue Fund. The Pledged Revenues pledged to payment of the Bonds and any Additional Parity Bonds are defined in the Bond Resolution as all money required to be deposited into the Pledged TIRZ Revenue Fund and the TIRZ Debt Service Fund. The Pledged Revenues do not include the City's Sales Tax Increment.

Additional Parity Bonds

The District has reserved the right to issue additional parity tax increment contract revenue bonds (the "Additional Parity Bonds") on the terms set out in the Bond Resolution for any lawful purpose. Prior to issuing Additional Parity Bonds, the following conditions must be met:

- (a) the Additional Parity Bonds shall mature on, and interest shall be payable on, the same days of the year as the outstanding Contract Revenue Bonds;
- (b) the City has approved issuance of the Additional Parity Bonds on the terms set forth in the Redevelopment Agreement, as the same may be modified from time to time;
- (c) the District certifies it is not in material default with the terms of the Bond Resolution or the Tri-Party Agreement; and
- (d) The District has received from the Appraisal District taxable values meeting the requirements set forth in paragraph (e) below which show the Captured Appraised Value which, at the Participants' tax rates then in existence, will generate Tax Increments, that will be at least 125% of projected Maximum Annual Debt Service taking into account the Bonds and the Additional Parity Bonds to be issued, provided; however, that this requirement shall not apply to the issuance of any series of Additional Parity Bonds for refunding purposes that will have the result of reducing the Average Annual Debt Service Requirements on the Bonds; and
- (e) The Captured Appraisal Value required by paragraph (d) above may either be one or a combination of (1) a certificate of the Appraisal District showing certified values adjusted by the District for exemptions; (ii) a certificate of the Appraisal District showing estimated or preliminary values, adjusted by the District for exemptions and losses due to protests; or (iii) a projection prepared by an independent real estate appraiser.

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, Texas, or any other political entity other than the District, are limited obligations of the District, payable solely from the Pledged Revenues. Should the Tax Increments from the City and County decrease substantially from anticipated levels, the Pledged Revenues may not be sufficient to pay principal and interest on the Bonds. The District is not authorized to levy taxes or assess fees to pay the Bonds.

Dependence on Contract Payments

The amount of Contract Payments available for transfer to the District will be determined, in the first instance, by the appraised value of taxable real property in the TIRZ, the tax rates of the Participants, and the percentage of taxes actually collected. Tax Increments do not result from any increase in the appraised value of personal property (such as equipment and inventory) in the TIRZ. Tax Increments result only from Captured Appraised Value of real property in the TIRZ, which consists of 839.4 acres, consisting of all of the acreage contained in the District and additional non-taxable right-of-way property.

The District cannot make any guarantee that the value of the real property and improvements within the TIRZ will achieve or maintain any certain value. Property owners have the right to protest the appraised value of their property in the TIRZ and are not required to render their property for ad valorem taxation at any agreed upon level. Owners in the TIRZ may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in the TIRZ. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described in "TAX PROCEDURES OF THE PARTICIPANTS" and may be at a value lower than projected.

Neither of the Participants is required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Contract Payments; rather, Texas law and the contracts entered into by the Participants only require the Participants to pay into the Tax Increment Fund the Tax Increments they have agreed to pay and only from taxes actually collected in the TIRZ. Each Participant will set its tax rate in accordance with Title I of the Texas Tax Code (the "Property Tax Code"), which allows voters to limit an increase in tax rates to the rollback tax rate calculated for such units. See "TAX PROCEDURES OF THE PARTICIPANTS." The City's tax rate may be further limited by provisions added to its City Charter.

If the tax rates are reduced or the percentage of taxes collected in the TIRZ decline, the amount of Contract Payments will decrease.

The obligations of the Participants to pay the Tax Increments into the Tax Increment Fund are also subject to the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the Participants that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the Participant.

Uncertainty of Calculation and Collection of Contract Payments

Contract Payments are derived from Tax Increments calculated based upon the Captured Appraised Value in the TIRZ. Accordingly, they are affected by the appraisal of property within the TIRZ. The method of appraising of property within the TIRZ could have a significant impact on the Contract Payments that become available. The appraisal method or combination of methods that the Appraisal District uses within the TIRZ is within the discretion of its Chief Appraiser and may change from time to time. See "TAX PROCEDURES OF THE PARTICIPANTS —Valuation of Property for Taxation." The use of a particular method or combination of methods of appraisal with respect to property in the TIRZ may, over time, cause a decrease in the Captured Appraised Value in the TIRZ and, therefore, result in a reduction in the Contract Payments.

Additionally, the Participants must establish procedures to adjust Contract Payments when certified values change in the year in which the Tax Increment Base was established and in each subsequent tax year. Certified values are established annually for the current tax year, but are subject to change for a number of years thereafter. Value changes can be positive or negative and can be caused by such events as late-filed exemptions, settlement of property value protests, judicial determinations or the addition of property omitted from the roll. It is anticipated that each Participant will retain interest and penalty on delinquent taxes to cover the cost of collection, but will not subtract further amounts from the Contract Payments for collection costs. These administrative practices are subject to change.

Contract Payments are defined as all Tax Increments paid by the City to the District, after (i) retention by the City on a one-time basis of an amount equal to the City's administrative costs connected with the TIRZ, not to exceed \$200,000 from the TIRZ's creation through September 30, 2019, and (ii) for each year commencing October 1 that the Tri-Party Agreement is in effect, two percent (2%) of the amount available in the Tax Increment Fund. The City's Sales Tax Increment is not pledged to payment of the Contract Revenue Bonds.

Dependence on Contract Payments

If the Participants do not deposit their Tax Increments into the Tax Increment Fund on a timely basis or if the City fails to transfer the Contract Payments to the District on a timely basis, there may be insufficient funds available to pay debt service on the Bonds. The District does not maintain a debt service reserve fund which is available for payment of debt service.

There are certain inherent risks in relying upon receipt of Tax Increments from other taxing units. The City could default in its obligation to pay Contract Payments to the District or the County could default in its obligation to pay its Tax Increments to the City. In such case, enforcement of the relevant agreement would be dependent upon judicial actions, which are often subject to discretion and delay. Finally, enforcement of the obligation to pay Tax Increments could be limited, prohibited or delayed if a Participant or the District filed for bankruptcy under the United States Bankruptcy Code or similar state laws.

Dependence on Major Taxpayers and the Developers

The ten principal taxpayers in the TIRZ represent more than 50% of the taxable value in the TIRZ. Sueba Development 122 LP (apartment complex and land) represents \$16,737,530, and Nalco Company (corporate offices) represents \$15,363,660 of such value. The Developers, landowners, and home builders constitute the remaining top taxpayers. This represents ownership as of January 1, 2016. A principal taxpayer list related to the uncertified portion of the 2016 Taxable Assessed Valuation (\$1,599,700) is currently not available. If a principal taxpayer were to default in the payment of its City or County taxes, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the City's or County's ability to enforce and liquidate its tax lien, which is a time-consuming process. See "Tax Collection Limitations" in this section, "TAX INCREMENT REINVESTMENT ZONE DATA—Principal Taxpayers," "TAX PROCEDURES OF THE PARTICIPANTS—Levy and Collection of Taxes." The Developers may be limited in reimbursements from road bonds or Contract Revenue Bonds in their Redevelopment Agreement with the City which can affect development. See "TAX INCREMENT REINVESTMENT ZONE—Redevelopment Agreement."

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

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

Competition

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

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

Landowner Obligation to the District

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

Future Debt

The District has entered into the Tri-Party Agreement with the City and the TIRZ pursuant to which the District will implement the TIRZ Plan adopted by the TIRZ Board and approved by the City. Pursuant to such TIRZ Plan, the District will finance public improvements to allow development within the TIRZ, which consists of all the land in the District and additional non-taxable right-of-way property. The District will finance the public improvements through (i) the issuance of Contract Revenue Bonds, including the Bonds, which are payable from Contract Payments the City transfers to the District and (ii) the issuance of Unlimited Tax Bonds which are payable from the levy of an unlimited tax by the District.

The TIRZ Plan estimates that \$39,495,000 in principal amount of Contract Revenue Bonds and \$131,445,000 in principal amount of Unlimited Tax Bonds will need to be issued to finance Project Costs. The Bonds are the first issuance of Contract Revenue Bonds to finance Project Costs, and the District sold its first series of Unlimited Tax Bonds in the principal amount of \$12,135,000 on September 12, 2016 to finance Project Costs.

The District has reserved the right to issue Additional Parity Bonds which are secured by the Pledged Revenues on a parity basis with the then-outstanding Contract Revenue Bonds. The issuance of Additional Parity Bonds may adversely affect the investment security for the outstanding Contract Revenue Bonds. For a description of the circumstances under which Additional Parity Bonds may be issued, see "SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds." Additionally, the District may incur debt payable from the Pledged Revenues which is subordinate to the Contract Revenue Bonds.

The District plans to issue additional unlimited tax bonds to finance a large component of the TIRZ Plan. Pursuant to an election within the District on November 8, 2011 and after issuance of its first series of unlimited tax bonds, the District is authorized to issue \$239,765,000 principal amount of unlimited tax bonds for road facilities, including improvements in aid thereof, and the refunding of such bonds, \$185,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds, \$83,167,000 principal amount of unlimited tax bonds for acquiring or constructing recreational facilities and refunding of such bonds, \$138,600,000 principal amount of unlimited tax bonds for parking facilities and refunding of such bonds, and \$51,200,000 principal amount of unlimited tax bonds for economic development and refunding of such bonds. See "THE BONDS—Issuance of Additional Debt," "ROAD SYSTEM," AND "THE WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM." The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of tax-supported bonds which may be issued. **Unlimited Tax Bonds are payable solely from ad valorem taxes levied by the District and their issuance does not affect the source of payment of the Bonds.**

The District is limited in its issuance of additional debt by certain limitations in the Redevelopment Agreement with the City. See "TAX INCREMENT REINVESTMENT ZONE—Redevelopment Agreement with the City of Sugar Land."

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

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments on the Bonds may be adversely affected by the Participants' inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within the TIRZ and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the TIRZ available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the TIRZ pursuant to the Federal Bankruptcy Code could stay any attempt by a Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years, and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. The Authority has no control over the collection of property taxes by the Participants.

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 (1) 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, (2) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (3) 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. These provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in the TIRZ and may prevent the collection of penalties and interest on such taxes.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Environmental Regulation

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2007 as a severe ozone nonattainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA “8-hour” ozone standards are met. The EPA granted the governor’s request to voluntarily reclassify the HGB ozone nonattainment area from a moderate to a severe nonattainment area for the 1997 eight-hour ozone standard, effective October 31, 2008. The HGB area’s new attainment deadline for the 1997 eight-hour ozone standard must be attained as expeditiously as practicable, but no later than June 15, 2019. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA’s standards, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General Permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load (“TMDL”) of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district’s ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers (“USACE”) jointly issued a final version of the Clean Water Rule (“CWR”), which expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit (“Sixth Circuit”) put the CWR on hold nationwide. On February 22, 2016, the Sixth Circuit decided it has jurisdiction to consider lawsuits against the CWR, and on April 21, 2016, denied six petitions for en banc review of this decision. The CWR is also under review by several other appellate and state courts. If the CWR is implemented, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the “waters of the United States.” The CWR expands the federal definition of what is a jurisdictional water, which could negatively impact development in the District.

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

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.

THE BONDS

General

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

The Bonds will be dated and accrue interest from October 1, 2016, and interest is payable on each May 1 and November 1 commencing May 1, 2017 (the “Interest Payment Date”), until the earlier of maturity or prior redemption. The Bonds mature on May 1 in the amounts and years and bear interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

The Bonds are issued pursuant to Chapter 8150 of the Special District Local Laws Code, Chapter 311, Tax Code, an ordinance adopted by the City, and the Bond Resolution adopted by the Board.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, whether at maturity or by prior redemption, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check or draft dated as of the Interest Payment Date, mailed by the Paying Agent/Registrar on each Interest Payment Date to the registered owner of record (the “Registered Owner”) as of the close of business on the 15th day of the month immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner.

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

Funds

In the Bond Resolution, the Pledged TIRZ Revenue Fund is created, and the proceeds from all Contract Payments (other than City Sales Tax Increment) shall be deposited, as collected, in such fund. The City Sales Tax Increment shall be deposited into the TIRZ Revenue (Sales Tax) Fund which is not pledged to payment of the Bonds.

The Bond Resolution also creates the following funds:

- (a) the TIRZ Debt Service Fund, into which deposits shall be made from the Pledged TIRZ Revenue Fund as described below and capitalized interest, if any, and accrued interest on the Contract Revenue Bonds shall be deposited, and from which deposits shall be applied to the payment of interest and principal installments on the Contract Revenue Bonds as the same becomes due;
- (b) the TIRZ Capital Projects Fund, which shall be funded from the proceeds of each series of Contract Revenue Bonds and applied as provided in the applicable Bond Resolution or in accordance with the Tri-Party Agreement; and
- (c) the Surplus Fund, into which shall be deposited any amounts remaining in the Pledged TIRZ Revenue Fund.

Contract Payments (other than City Sales Tax Increment) are required to be deposited in the Pledged TIRZ Revenue Fund. All money in the Pledged TIRZ Revenue Fund will be applied by the District as follows: (i) to the TIRZ Debt Service Fund, amounts necessary to make the amounts on deposit therein equal to the annual debt service requirements (principal and interest payments) on the Contract Revenue Bonds for the calendar year; (ii) to the payment of fees and expenses of the Paying Agent/Registrar; (iii) to fund any account created for the benefit of any subordinate lien obligations incurred by the District, provided that immediately prior to any such transfers the deposits required by (i) and (ii) have been made or provided for; (iv) to the TIRZ Capital Projects Fund, as directed by the District to pay eligible improvements or other Project Costs permitted by the Tri-Party Agreement, including funds advanced by third parties to pay for an eligible Project Cost to the extent such costs are not paid with the proceeds of the Contract Revenue Bonds; provided that immediately prior to such transfers the deposits required by (i), (ii) or (iii) have been made or provided for; and (v) to the TIRZ Surplus Fund, as directed by the District to pay for any services, improvements or other Project Costs or any lawful purpose, permitted by the Tri-Party Agreement and the TIF Act; provided that immediately prior to any such transfers the deposits required by (i), (ii), (iii), and (iv) have been made or provided for.

The TIRZ Revenue Fund, the TIRZ Revenue (Sales Tax) Fund, the TIRZ Debt Service Fund, the TIRZ Capital Projects Fund and the TIRZ Surplus Fund are to be invested only in investments authorized by the laws of the State of Texas, but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times.

No Arbitrage

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

Record Date

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

Redemption Provisions

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

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will only be transferred in accordance with the procedure described herein under "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

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

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

Issuance of Additional Debt

The District has entered into the Tri-Party Agreement with the City and the TIRZ pursuant to which the District will implement the TIRZ Plan adopted by the TIRZ and approved by the City. Pursuant to such TIRZ Plan, the District will finance the Public Improvements to allow for development of the Project within the TIRZ. The District will finance the

Public Improvements through (i) the issuance of Contract Revenue Bonds which are payable from Contract Payments the City transfers to the District and (ii) the issuance of unlimited tax bonds which are payable from the levy of an unlimited tax by the District.

The TIRZ Plan estimates that \$39,495,000 in principal amount of Contract Revenue Bonds and \$131,445,000 in principal amount of Unlimited Tax Bonds will need to be issued to finance Projects Costs. The Bonds are the first issuance of Contract Revenue Bonds to finance Project Costs, and the District sold its first series of Unlimited Tax Bonds in the principal amount of \$12,135,000 on September 12, 2016.

The District has reserved the right to issue Additional Parity Bonds which are secured by the Pledged Revenues on an equal and ratable basis with the then-outstanding Contract Revenue Bonds. The issuance of Additional Parity Bonds may adversely affect the investment security for the outstanding Contract Revenue Bonds. For a description of the circumstances under which Additional Parity Bonds may be issued, see "SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds." Additionally, the District may incur debt payable from the Pledged Revenues which is subordinate to the Contract Revenue Bonds.

The District plans to issue additional Unlimited Tax Bonds to finance a large component of the TIRZ Plan. Pursuant to an election within the District on November 8, 2011 and after issuance of its first series of unlimited tax bonds, the District is authorized to issue \$239,765,000 principal amount of unlimited tax bonds for road facilities, including improvements in aid thereof, and the refunding of such bonds, \$185,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds, \$83,167,000 principal amount of unlimited tax bonds for acquiring or constructing recreational facilities and refunding of such bonds, \$138,600,000 principal amount of unlimited tax bonds for parking facilities and refunding of such bonds, and \$51,200,000 principal amount of unlimited tax bonds for economic development and refunding of such bonds. See "THE BONDS—Issuance of Additional Debt," "ROAD SYSTEM," AND "THE WATER SUPPLY AND WASTEWATER TREATMENT SYSTEM." The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of tax-supported bonds which may be issued. **Unlimited Tax Bonds are payable solely from ad valorem taxes levied by the District and their issuance does not affect the source of payment of the Bonds.**

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

Dissolution

Under Texas law, the District may be abolished and dissolved by the City of Sugar Land (the "City") without the District's consent. If the District is dissolved, the City of Sugar Land will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to dissolution by the City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City to sell bonds of the City in an amount necessary to discharge such obligations. Dissolution of the District by the City is a policymaking matter within the discretion of the Mayor and the City Council of the City, and, therefore, the District makes no representation that dissolution will or will not occur. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

Remedies in Event of Default

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

the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See “RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations.”

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

General

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Of proceeds to be received from sale of the Bonds, \$4,521,400 is estimated for construction costs, and \$458,000 is estimated for nonconstruction costs.

CONSTRUCTION COSTS

• Phase II University Boulevard.....	\$ 4,521,400
Total Construction Costs.....	\$ 4,521,400

NON-CONSTRUCTION COSTS

• Legal Fees.....	\$ 139,500
• Financial Advisory Fees.....	99,600
• Underwriter's Discount (3%).....	149,400
• Attorney General Fee.....	4,980
• Bond Issuance Expenses.....	47,020
• Contingency (a).....	-
Total Non-Construction Costs.....	\$ 458,600
TOTAL BOND ISSUE REQUIREMENT.....	\$ 4,980,000

(a) Represents surplus funds resulting from the sale of the Bonds at a lower bond discount than estimated and can be used for purposes allowed, including payment for road projects and improvements in aid thereof.

TAX INCREMENT REINVESTMENT ZONE

The Zone

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

The City and the County have agreed to deposit to a special tax increment fund established by the City (the “Tax Increment Fund”) certain Tax Increments (described herein) arising from the TIRZ.

Per the Tri-Party Agreement, the District shall use the Tax Increment Fund generated by the TIRZ to implement the TIRZ Plan. The Tri-Party Agreement authorizes the District to issue Contract Revenue Bonds payable from Pledged Revenues for eligible Projects in the TIRZ Plan. It is estimated that the Pledged Revenues will support approximately 24% of the total Project Costs of the TIRZ. It is intended that the balance of Project Costs will be paid for with proceeds of the District’s unlimited tax bonds. SEE “RISK FACTORS—Future Debt.”

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

Project and Financing Plan and Economic Development Program

The TIRZ is intended to facilitate a program of public improvements to allow the development of a master planned mixed use community with single-family attached and detached residential, commercial and a hotel/conference center facilities, recreational facilities, including a sports stadium, museums and other arts and entertainment venues, associated land, associated parking and related infrastructure, and the preservation and/or reuse of certain historic structures at the Imperial Sugar site and a museum to house Imperial Sugar artifacts (collectively, the “Project”). The City determined that the TIRZ was necessary because of the lack of infrastructure and extraordinary costs of development associated with the remediation and redevelopment of the Imperial Sugar site and the stadium.

The TIRZ Plan sets out the public improvements, real estate acquisitions and other projects that are needed to induce development within the TIRZ (the “Public Improvements”). The costs associated with the design and construction of the Public Improvements, the cost of creation and administration of the TIRZ, and financing costs (the “Project Costs”) constitute eligible project costs under the TIF Act.

The Project Costs will be financed through (1) contributions by the City and County into the Tax Increment Fund; and (2) the District’s issuance of unlimited tax bonds. Pursuant to the TIRZ Ordinances and an Interlocal Agreement between the City and the County, the City will contribute fifty percent of its incremental ad valorem taxes collected in the TIRZ to pay for Project Costs; and the County will contribute fifty percent of its incremental ad valorem taxes collected in the TIRZ to pay for Project Costs. The City will also contribute incremental sales taxes attributable to the Sales Tax Collection Area within the Imperial Tract in the amount of ½ cent of the City’s 2 cent sales tax (or 25% of the City’s sales tax increment as defined by the Act) (the “Sales Tax Increment”) to eligible parking facilities in the TIRZ. Construction and growth of value of the Project is scheduled to take place in phases over a thirty-five year period.

Pursuant to a Tri-Party Agreement (described below), the District will use the Tax Increments to implement the Project Plan, and with the consent of the City, issue Contract Revenue Bonds payable from the Tax Increments of the City and County. However, the majority of the Project Costs in the TIRZ will be financed by the District through the issuance of ad valorem tax bonds for Project Costs. The Developers within the TIRZ and the City will be reimbursed by the District primarily through the issuance of bonds secured by an unlimited tax levied by the District and incremental tax revenues collected in the TIRZ, which reimbursements shall be made in accordance with the Redevelopment Agreement.

Redevelopment Agreement with City of Sugar Land

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

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

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

- The City consented to the creation of the District and approved the general land use plan.
- The City designated the Tax Increment Reinvestment Zone No. 3 (the “TIRZ”) overlaying the District and agreed to participate in the TIRZ in an amount equal to fifty percent (50%) of ad valorem taxes and ½ of its two cents of sales and use taxes collected within the TIRZ.
- The Developer conveyed property to the District which conveyed it to the City for construction of Constellation Field, an Atlantic League ball field within the District; City contributed \$10,000,000 for public infrastructure and parking facilities to serve Constellation Field to be reimbursed from District bond proceeds.

- The District will pay and/or reimburse the City for the District’s share of an extension of University Boulevard, a thoroughfare in the District, which share is estimated to be \$14.9 million.
- The District must use the value generated in the Imperial Market to determine the feasibility of reimbursement to the developer of the Imperial Market only until such developer is fully reimbursed.
- The District may not issue bonds payable from Pledged Revenues or ad valorem tax road bonds (with certain exceptions including payments to the City for University Boulevard and Constellation Field) until certain development thresholds are met by the developer of the Imperial Market.
- All proceeds of the District’s bond issues (and other revenues that are available for reimbursement and not necessary for operation and maintenance of the District or debt service on District bonds) must be applied per the priorities described in the Redevelopment Agreement.
- The District may not use the value in the Imperial Market to determine the feasibility of reimbursement to any other developer in the District, except for the developer of the Imperial Market. The District must make a good faith effort to maximize Tax Increment revenues to reimburse those projects that can only be reimbursed with Tax Increment revenues (as opposed to ad valorem taxes).
- The District must use bond proceeds to make payments to the City by certain dates, assuming values exist in the District to feasibly issue such bonds.
- No residential development (including multi-family) may be built in the Imperial Market until the developer of the Imperial Market provides funding to construct certain public and private infrastructure.

Any major deviation from the terms of the Redevelopment Agreement by the Development Manager or the District may be considered a material breach of the Redevelopment Agreement and may adversely affect development in the District. Additionally, the failure of the developer of the Imperial Market to meet its obligations in the Redevelopment Agreement may adversely affect development in the District and the ability of the District to sell bonds.

Tri-Party Agreement

The District, the City and the TIRZ entered into that Agreement By and Among the City of Sugar Land, Texas, Reinvestment Zone Number Three, City of Sugar Land, Texas and the Imperial Redevelopment District dated July 19, 2016, but effective as of December 18, 2007 (the “Tri-Party Agreement”) to, among other terms, allow the District to use the Tax Increment revenues to implement the TIRZ Plan, including funding the construction of Projects and/or reimbursing the Development Manager, the City or other Developers financing the construction of Projects. The District may also take the following actions with the prior written request of the City Manager of the City: (a) enter into any contract on behalf of the TIRZ or City, or (b) take any action to manage or administer the TIRZ.

Pledge of TIRZ Revenue Fund. The Tri-Party Agreement allows for the creation of the TIRZ Revenue Fund by the District for the purpose of receiving the Tax Increments to be deposited therein by the City. Upon receipt of consent of the City Council to issue a particular series of Contract Revenue Bonds, the District may pledge and assign all or a part of the TIRZ Revenue Fund under the Tri-Party Agreement to the owners and holders of such Contract Revenue Bonds. In the Tri-Party Agreement, the City consents to any assignment and pledge of the TIRZ Revenue Fund for the benefit of bondholders consistent with this Agreement.

Tax Increment Fund. The City has established and will maintain a separate Tax Increment Fund consisting of a general account with separate subaccounts for the County’s Tax Increment, the City’s Sales Tax Increment and the City’s Ad Valorem Tax Increment, in the City treasury into which Tax Increments shall be deposited. During the term of this Agreement, Tax Increments shall be paid to the District from the Tax Increment Fund and shall be applied by the City and the TIRZ in the following order of priority:

(i) administrative costs of the City relating to the TIRZ in the amount of 2% of amount available in the Tax Increment Fund (except for the initial distribution as described herein); and

(ii) payment to the TIRZ Revenue Fund of the Contract Payments collected in the Tax Increment Fund for:

(a) amounts pledged or required for the payment of outstanding Contract Revenue Bonds secured by the TIRZ Revenue Fund;

(b) reimbursement to any Developer, including the City, of any eligible Project Costs, provided that such reimbursements shall comply with all requirements of the Redevelopment Agreement, including, without limitation, priority of reimbursement and satisfaction of prerequisites for reimbursement by Developers other than the City;

(c) payment of any other District Obligations relating to the TIRZ;

(d) any other Project Cost; and

(e) payment of the costs of the operation, maintenance and repair of the leased premises within the “Container Warehouse” as such term is defined within the Redevelopment Agreement.

Use of County Tax Increment. The County’s Tax Increment shall be deposited into the Tax Increment Fund and applied in order of priority as established above, but the County Tax Increment may not be used to pay for (i) City Parking Facilities as defined in the Interlocal Agreement or (ii) the actual construction costs for the construction, modification or renovation of the Constellation Field sports stadium building and related interior improvements.

The Sales Tax Increment. The City’s Sales Tax Increment shall be deposited into the Tax Increment Fund and applied in order of priority as established above. However, unless otherwise agreed to in writing by the City, the Sales Tax Increment shall be applied solely to reimburse the Developers for eligible Project Costs related to structured parking on the Imperial Tract in accordance with the Redevelopment Agreement.

Collection and Payment of Tax Increments by the City and the TIRZ. In consideration of the services and Projects to be provided by the District, the City and the TIRZ covenant and agree that they will, as authorized under the TIF Act and other applicable laws, continuously collect the Tax Increments from the Taxing Units in accordance with the Interlocal Agreement and other future participation agreements, if any, during the term of this Agreement in the manner and to the maximum extent permitted by applicable law. To the extent the City and the TIRZ may legally do so, the City and the TIRZ also covenant and agree that they will not permit a reduction in the Tax Increments paid by the City and County except to the extent provided in the Interlocal Agreement or other future participation agreements, if any. Absent written consent of the District, the City will not grant tax abatements that reduce the amount of the City’s Tax Increment; provided, however, that the City may grant, in its sole discretion and without the consent of the District, the following: tax abatements and/or other tax incentives (regardless of whether such abatement or incentive will reduce the amount of the City’s Tax Increment) on improvements or taxable personal property located on the Exchange Tract (as defined in the Redevelopment Agreement). The City may grant tax incentives using ad valorem or sales tax revenues that are not part of the Tax Increment to be collected by the TIRZ (including, without limitation, agreements to rebate taxes pursuant to Chapter 380, Texas Local Government Code or other law). In addition, the City covenants and agrees that it will not dissolve the District and that any repeal of the right and power to collect the Tax Increments will not be effective until all the Contract Revenue Bonds have been paid in full or until they are legally defeased and all other District Obligations have been satisfied. The City and the TIRZ further covenant and agree that they will make all payments by a direct deposit into the TIRZ Revenue Fund without counterclaim or offset.

Limitation of Source of Payment. The City and the TIRZ shall have no financial obligation to the District other than as provided in this Agreement or in other agreements between the City, the TIRZ and the District. The obligation of the City and the TIRZ to the District under the Tri-Party Agreement is limited to the Tax Increments that are collected by the City. The Tri-Party Agreement shall create no obligation on the City or the TIRZ that is payable from taxes or other moneys of the City other than the Tax Increments that are collected by the City.

Obligations of City and the TIRZ to be Absolute. The obligation of the City and the TIRZ to make the payments set forth in the Tri-Party Agreement shall be absolute and unconditional, and until such time as the Agreement, Contract Revenue Bonds, and the District Obligations have been fully paid or provision for payment thereof shall have been made in accordance with their terms (or, with respect to the Tax Increments, the date of expiration of the TIRZ, if earlier.)

Payments. The City, on behalf of itself and the TIRZ, will pay the District, not later than the first business day following each March 31st and September 30th during the term of this Agreement (beginning October 3, 2016), all monies then available in the Tax Increment Fund (which for the first payment has accrued since the designation of the TIRZ in 2007), and subject to the retention by the City of an amount equal to the City’s administrative costs connected with the TIRZ, not to exceed, in each year (spanning September 1st through August 31st), two percent (2%) of the amount available in the Tax Increment Fund. Any delinquent payments to the Tax Increment Fund shall accrue penalties and interest in accordance with Section 311.013 of the Act.

Initial Distribution. As part of an initial distribution, the parties agree that the funds currently on hand within the Tax Increment Fund shall be distributed no later than August 30, 2016 as follows: (i) \$200,000 to remain within the Tax Increment Fund for administrative costs related to the TIRZ from the TIRZ's creation through August 31, 2019 (the "Administrative Reserve"), and (ii) the remaining balance of \$92,621 to the TIRZ Revenue Fund. The Administrative Reserve shall be used by the TIRZ Board to reimburse the City for its administrative costs related to the TIRZ from the TIRZ's creation through August 31, 2019. Should any portion of the Administrative Reserve remain after December 31, 2019, such amounts shall be transferred by the TIRZ Board to the TIRZ Revenue Fund within sixty (60) days. Each year (spanning September 1st through August 31st) that the Agreement is in effect, the City will also withhold two percent (2%) of the amount available in the Tax Increment Fund, which will be used by the TIRZ Board to reimburse the City for its administrative costs relative to the TIRZ.

Term. This Agreement shall become effective, and its initial term shall begin, on the effective date, and end upon the latter of the termination of the TIRZ, which is expected to be December 31, 2042, all obligations of the Redevelopment Agreement have been satisfied or the full payment or defeasance of all Contract Revenue Bonds or the satisfaction of District Obligations.

Dissolution of District or Zone. The City agrees not to dissolve the District or the TIRZ unless it makes satisfactory arrangements to provide for the payments of the Contract Revenue Bonds, or other District Obligations incurred prior to the District's dissolution. In the event of the dissolution of the District, the City shall deposit in the Tax Increment Fund all monies in the TIRZ Revenue Fund.

THE DISTRICT

General

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

The District was created, among other things, for the purposes of purchase, construction, operation and maintenance of public improvements authorized for a tax increment reinvestment zone and a municipal management district. The District is authorized to enter into a contract with a tax reinvestment zone and a city that provides for the District to manage or assist in managing the reinvestment zone or to implement or assist in implementing the reinvestment zone's project plan and reinvestment zone financing plan. The contract may require that the District issue bonds or other obligations and pledge the contract revenues to the payment of the bonds or other obligations. See "TAX INCREMENT REINVESTMENT ZONE—The Tri-Party Agreement" and "—Redevelopment Agreement with City of Sugar Land."

The District is also empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is further empowered to construct thoroughfare, arterial and collector roads and improvements in aid thereof and to establish parks and recreational facilities, including sports and community venues. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities.

The District may provide for the creation of programs and the making of loans and grants of public money for the public purposes of development and diversification of the state's economy, the elimination of unemployment and underemployment, or the development or expansion of transportation or commerce.

The Texas Commission on Environmental Quality (the "Commission") exercises continuing supervisory jurisdiction over the District only for the water, wastewater and drainage projects. The District is required to observe certain requirements of the City of Sugar Land, Texas which require certain public facilities to be designed in accordance with applicable City standards, and the City must approve the District's bonds.

Location

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

Land Use

The District and TIRZ (which includes all the acreage in the District and some additional non-taxable right-of-way property) are being developed as Imperial, a mixed use community which includes single-family and multi-family residential, retail, office and commercial development, the Imperial Market which is a mixed use lifestyle center being redeveloped upon the former, historic Imperial Sugar Company refinery site, and an Atlantic League baseball stadium known as Constellation Field which is the home of the Sugar Land Skeeters. Development of Imperial began in 2010. The District currently includes approximately 99 developed acres of single-family residential development (353 lots), approximately 11 acres under construction for single-family residential development (49 lots), approximately 27 acres of baseball stadium facilities, approximately 14 acres of multi-family development, approximately 2 acre of commercial development, approximately 18 acres of corporate office and parking, approximately 44 acres of trails, parks and open spaces, approximately 194 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, and approximately 337 acres which are undevelopable (ponds, drainage easements, right-of-ways, plant sites, detention areas and drill sites). The table below represents a detailed breakdown of the current acreage and development in the District.

	<u>Approximate Acres</u>	<u>Lots</u>
<i>Single-Family Residential</i>		
Quiet Cove at Imperial	25	79
Silent Manor at Imperial (37 Patio Homes and 27 Townhomes)	13	64
The Point at Imperial (All Brownstones)	5	35
Crown Garden at Imperial,		
Section 1A	12	42
Section 1B	22	63
Section 2A (a)	11	49
Section 2B	<u>22</u>	<u>70</u>
Subtotal	110	402
<i>Constellation Field Ball Park</i>	27	
<i>Multi-Family (454 units) (b)</i>	14	
<i>Commercial (including Children’s Discovery Center)</i>	2	
<i>Industrial</i>	18	
<i>Trails, Parks and Open Spaces</i>	44	
<i>Future Development</i>	194	---
<i>Non-Developable (c)</i>	<u>337</u>	<u>---</u>
Totals.....	746	402

- (a) Underground utilities are constructed, and paving is underway and expected to be complete in November 2016.
- (b) 254 units are complete and 65% occupied. An additional 200 units are under construction and expected to be complete in the summer of 2017.
- (c) Includes ponds, drainage easements, right-of-ways, District plant sites, City of Sugar Land surface treatment plant, detention areas and drill sites.

Status of Development

Single-Family Residential: Home construction in the District began in 2010, and as of August 1, 2016, the District contained 96 single-family homes completed and occupied, 9 single-family homes completed and not occupied, and 33 single-family homes in various stages of construction. Of the homes under construction, 22 are under contract to be sold and 11 are unsold.

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

Multi-Family and Commercial: The District contains approximately 14 acres of multi-family development including the Lofts at Imperial (a 254-unit apartment complex) and the Overture at Imperial (a 200-unit apartment complex) which is under construction and expected to be open in the summer of 2017, a Raceway gas station/convenience store constructed upon 2 acres of land, and a portion of the newly constructed Nalco Champion corporate offices and parking area upon approximately 18 acres.

Community Facilities: Constellation Field, the home of the Sugar Skeeters Atlantic League baseball team, is constructed on approximately 27 acres in the District. The former refinery site of the Imperial Sugar Company site is being redeveloped as the Imperial Market. Currently, one acre in the Imperial Market has been developed which includes the recently opened Fort Bend Children’s Discovery Center (an affiliate of the Children’s Museum of Houston) and the soon-to-open Sugar Land Heritage Foundation. Recreation facilities in the District ultimately include approximately 45,000 feet of walking trails, parks and open spaces constructed around approximately 62 acres of lakes and Oyster Creek, which winds through the District.

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

100-Year Flood Plain: According to the Engineer, approximately 400 acres of land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Map dated April 2, 2014. Fill has been placed on a majority of the land in the flood plain, including the lots in Quiet Cove, Silent Manor and Crown Garden subdivisions, to remove such land from the flood plain. By four Letters of Map Revision for Fill (“LOMR-F”) dated November 19, 2013, November 25, 2014, April 6, 2015 and December 30, 2015 and a Letter of Final Determination for the Letter of Map Revision (“LOMR”) dated April 29, 2016, approximately 171 acres have been removed from the 100 year flood plain designation. Currently, the District has approximately 229 acres of land in the floodplain, of which approximately 8 are developable. Cherokee is the process of contracting with the District Engineer to prepare the additional LOMR-F which will remove the remaining 8 acres from the floodplain.

MANAGEMENT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William Little	President	September 1, 2018
Dennis Parmer	Vice President	September 1, 2020
Tim Stubenrouch	Secretary	September 1, 2018
Pritesh Shah	Assistant Vice President/Assistant Secretary	September 1, 2018
James A. Thompson	Assistant Secretary	September 1, 2020

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

Tax Assessor/Collector

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

Bookkeeper

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

System Operator

The City operates the District's system.

Engineer

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

Attorney

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

Financial Advisor

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

Auditor

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 Commission. The District's audited financial statements for the fiscal year ending November 30, 2015 have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's November 30, 2015 audited financial statements.

ROAD SYSTEM

The TIRZ Plan includes construction of road infrastructure. Two major thoroughfares, Imperial Boulevard and Stadium Drive (a future extension of University Boulevard), currently exist within the District's boundaries. Both roadways are included on the City's and/or Fort Bend County's thoroughfare plan. Imperial Boulevard and Stadium Drive have been accepted for ownership, operation, and maintenance by the City. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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

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

UTILITY AGREEMENT WITH CITY OF SUGAR LAND

All land in the District and TIRZ is located within the corporate limits of the City of Sugar Land. The City of Sugar Land and the Cherokee Sugar Land, L.P. (on behalf of the District) have entered into the Utility Agreement, dated June 26, 2007, which obligates the District to acquire, construct and extend water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City of Sugar Land, to convey title to such utility facilities to the City of Sugar Land. The Utility Agreement has been assigned by Cherokee to the District. The City of Sugar Land will then operate and maintain such facilities, and be responsible for establishing water and sewer rates and collection charges for water and sewer service from District customers. The District will sell bonds to provide for the construction of the System.

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

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

GENERAL FUND

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements and an unaudited summary from the District's bookkeeper for the period ended June 30, 2016. Reference is made to such statements and records for further and more complete information. The revenues of the District other than Tax Increment revenues are not pledged to the payment of the Bonds.

	<u>12/1/15 to 6/30/16 (a)</u>	<u>Fiscal Year Ended November 30</u>	
		<u>2015</u>	<u>2014</u>
REVENUES:			
Property Taxes	\$ 560,090	\$ 274,084	\$ 130,356
Penalties and Interest	-	137	-
Investment Earnings	121	129	-
Intergovernmental Contribution	-	-	-
TOTAL REVENUES	\$ 560,211	\$ 274,350	\$ 130,356
EXPENDITURES:			
Professional Fees	\$ 147,925	\$ 155,442	\$ 128,891
Contracted Services	5,250	18,990	17,669
Utilities	35,651	65,131	48,918
Administrative	10,312	17,731	20,545
Other	542	597	1,030
Capital Outlay	-	-	-
TOTAL EXPENDITURES	\$ 199,680	\$ 257,891	\$ 217,053
NET REVENUES	\$ 360,531	\$ 16,459	\$ (86,697)
Developer Advances		-	83,000
FUND BALANCE, BEGINNING OF YEAR	\$ 23,159	\$ 6,700	\$ 10,397
FUND BALANCE, END OF YEAR	\$ 383,690	\$ 23,159	\$ 6,700

(a) Unaudited. Provided by the bookkeeper.

THE DEVELOPERS AND MAJOR LANDOWNERS

Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave streets (in areas where District facilities are being financed with bonds), a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds. The taxes of the District are not pledged to the payment of the Bonds.

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

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

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

Imperial Market Development, LLC

Imperial Market Development, LLC, a Texas limited liability company, is the owner of approximately 21 acres of land in the District. Imperial Market Development, LLC is the developer of the Imperial Market, which includes the Imperial Market, a mixed use development that incorporates the historic structures of the former Imperial Sugar refinery.

Meritage Homes of Texas LLC

In 2014, Meritage Homes of Texas LLC, an Arizona limited liability company ("Meritage") purchased 127 acres from the Landowners to develop such acreage as single family lots. Meritage began developing such acreage as Crown Garden at Imperial in 2015. Meritage is also a homebuilder in Crown Garden at Imperial. Meritage owns approximately 44 acres of undeveloped land in the District.

Sueba Development 122 LP

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

Cherokee, Imperial Market Development, LLC, Meritage, and Sueba are collectively referred to herein as the "Developers."

Development Management

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

Larry D. Johnson, President of The Johnson Development Corp., has over 40 years of experience in real estate development. Mr. Johnson's real estate activities include over 77 projects resulting in the development of nearly 40,000

acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities and multi-family housing. In the Houston metropolitan area, Mr. Johnson has been involved in the development of Steeplechase, Sienna Plantation, Silverlake, Fall Creek, Tuscan Lakes, Riverstone, Cross Creek Ranch, Woodforest, Edgewater, Harmony, Harvest Green, Grand Central Park, Jordan Ranch, Veranda and Willow Creek Farms.

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

FINANCIAL INFORMATION

Debt Service Requirements

The following sets forth the debt service requirements for the Bonds at estimated market rates.

<u>Year</u>	Debt Service on the Bonds		
	Principal	Interest	Total
2017		\$ 178,504	\$ 178,504
2018	\$ 135,000	163,423	298,423
2019	140,000	160,673	300,673
2020	145,000	157,823	302,823
2021	145,000	154,778	299,778
2022	150,000	151,458	301,458
2023	155,000	147,873	302,873
2024	155,000	143,920	298,920
2025	160,000	139,428	299,428
2026	165,000	134,470	299,470
2027	170,000	129,193	299,193
2028	175,000	123,585	298,585
2029	185,000	117,553	302,553
2030	190,000	111,083	301,083
2031	195,000	104,248	299,248
2032	205,000	97,022	302,022
2033	210,000	89,500	299,500
2034	220,000	81,706	301,706
2035	225,000	73,641	298,641
2036	235,000	65,156	300,156
2037	245,000	56,156	301,156
2038	255,000	46,781	301,781
2039	265,000	37,031	302,031
2040	275,000	26,906	301,906
2041	285,000	16,406	301,406
2042	295,000	5,531	300,531
Total	\$ 4,980,000	\$ 2,713,844	\$ 7,693,844

Average Annual Debt Service Requirements (2017-2042)	\$300,614
Maximum Annual Debt Service Requirements (2023)	\$302,873

Additional Obligations of the District

The District has multiple obligations in addition to the Contract Revenue Bonds. These include the Redevelopment Agreement and agreements to reimburse developers and the City for construction of public infrastructure. These obligations are payable from proceeds of the District’s Unlimited Tax Bonds and Contract Revenue Bonds.

The District has also sold its Unlimited Tax Bonds, Series 2016 in the amount of \$12,135,000 to be used for road improvements.

Any of the District’s obligations payable from the Pledged Revenues are subordinate to the Contract Revenue Bonds.

TAX INCREMENT REINVESTMENT ZONE DATA

Schedule 2: Summary of Assessed Valuation in the TIRZ

The following summary of the 2016, 2015 and 2014 certified assessed valuation within the TIRZ is provided by the Appraisal District. The District received an Estimated Taxable Assessed Valuation as of August 1, 2016 of \$145,109,875 from the Appraisal District. A breakdown of the Estimated Taxable Assessed Valuation as of August 1, 2016 is not available from the Appraisal District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	2016 Taxable Assessed Valuation	2015 Taxable Assessed Valuation	2014 Taxable Assessed Valuation
Land	\$ 52,020,240	\$ 42,152,220	\$ 38,174,420
Improvements	70,172,950	25,161,620	973,470
Personal Property	0	0	0
Exemptions	(13,246,067)	(13,193,325)	(14,270,794)
Uncertified Value	1,439,730	-	-
Total Taxable Assessed Valuation	\$ 110,386,853	\$ 54,120,515	\$ 24,877,096

For the 2016 tax year, the City has a 10% local option homestead exemption and an exemption for persons 65 years of age or older and disabled persons of \$70,000. For the 2016 tax year, the County has an exemption equal to the greater of a 20% local option homestead exemption and \$5,000 and an “over-65” or disabled exemption of \$100,000.

Schedule 3: Principal Taxpayers in the TIRZ

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion of the 2016 tax roll. A principal taxpayer list for the uncertified portion of the 2016 tax roll is not available.

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of 2016 Taxable Assessed Value</u>
Sueba Development 122 LP (a),(b)	\$ 16,737,530	15.36%
Nalco Company	15,363,660	14.10%
Cherokee Sugar Land LP (b)	6,514,740	5.98%
Partners in Building LP	4,315,200	3.96%
Gracepoint Holding Company LLC	3,444,150	3.16%
CDCG MTH Imperial LP	3,103,860	2.85%
Darling Homes of Texas LLC	1,982,840	1.82%
Mountainprize Inc.	1,643,000	1.51%
Sitterle Homes-Houston LLC	1,623,950	1.49%
Meritage Homes of Texas LLC (b)	1,226,000	1.13%
Total	\$ 55,954,930	51.36%

(a) Multifamily apartment complex.
 (b) See "THE DEVELOPERS AND MAJOR LANDOWNERS."

Schedule 4: Overlapping Tax Rates for 2016

Property within the TIRZ is subject to taxation by several taxing jurisdictions. Set forth below are all the taxes levied for the 2016 tax year by all taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions. Tax Increments are derived from the taxes levied by the City and the County on property within the TIRZ.

	<u>Tax Rate Per \$100 Appraised Valuation</u>
Fort Bend County (including Drainage District)	\$0.4580
Fort Bend Independent School District (a)	1.3400
City of Sugar Land	<u>0.3160</u>
Total Overlapping Tax Rate	\$2.1140
The District	<u>1.1000</u>
Total Tax Rate	\$3.2140

(a) Based on the School District's 2015 tax rate.

Schedule 5: Tax Increment Collections

City of Sugar Land (a)

Tax Year	Base Value (b)	Current Value	Current Increment	Tax Rate	Increment Tax Rate (50%)	Increment Collections	Collection Rate (c)
2013	\$5,602,490	\$11,957,778	\$6,355,288	\$0.3090	\$0.1545	\$9,819	100.00%
2014	5,602,490	23,500,000	17,897,510	0.3160	0.1580	28,278	100.00%
2015	5,602,490	54,226,474	48,623,984	0.3160	0.1580	76,826	100.00%
2016 (d)	5,602,490	110,386,853	104,784,363	0.3160	0.1580	165,559	100.00%

Fort Bend County, Texas (a)

Tax Year	Base Value (b)	Current Value	Current Increment	Tax Rate	Increment Tax Rate (50%)	Increment Collections	Collection Rate (c)
2013	\$11,762,870	\$11,957,778	\$194,908	\$0.4848	\$0.2424	\$472	100.00%
2014	11,762,870	23,500,000	11,737,130	0.4728	0.2364	27,747	100.00%
2015	11,762,870	54,226,474	42,463,604	0.4650	0.2325	98,728	100.00%
2016 (d)	11,762,870	110,386,853	98,623,983	0.4580	0.2290	225,849	100.00%

- (a) Information from the City’s Department of Finance based on appraised values provided by the Appraisal District.
- (b) Base value for the City was the taxable value in the TIRZ in the TIRZ’s year of creation, which was 2007; the County’s Base Value was provided for in the County Agreement.
- (c) The collection rate was provided by the City’s Department of Finance.
- (d) Projected collections for 2016; however, neither the City nor the County has set its 2016 tax rate but both have authorized publication of their anticipated tax rates of these amounts.

TAX PROCEDURES OF THE PARTICIPANTS

Authority to Levy Taxes

Under Texas law each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries.

Property Tax Code and County-Wide Appraisal District

The Property Tax Code specifies the taxing procedures of all political subdivisions of the State of Texas, including each Participant. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the Participants

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 TIRZ are subject to taxation by each Participant. However, the tax revenue generated by each Participant on any personal property is not included in the Tax Increments. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, community housing development organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. Furthermore, each Participant must grant exemptions to certain disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A

veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran's or surviving spouse's residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of his or her residential homestead in an amount equal to the partially disabled veteran's disability rating if the residential homestead was donated by a charitable organization. Also, subject to certain conditions, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residential homestead, which may be transferred to a subsequent residential homestead.

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

Additional Homestead Exemptions: Each Participant may by its own action exempt residential homesteads of persons 65 years of age or older and of certain disabled persons to the extent deemed advisable by the respective governing body of such Participant. Qualifying surviving spouses of persons 65 years of age or older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A Participant may be required to offer such an exemption if a majority of voters approve it at an election. A Participant would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Each Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a Participant's obligation to pay tax-supported debt incurred prior to adoption of the exemption by a Participant.

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

Historic Tax Exemptions: The governing body of a taxing unit may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or site, if the structure or site is designated as a recorded Texas Historic Landmark or a state archeological landmark by the Texas Historical Commission or is designated as a historically or archeologically significant site in need of tax relief to encourage its preservation by the governing body of the taxing unit.

Exemptions for Community Housing Development Organizations: The Property Tax Code provides that a Community Housing Development Organization (a "CHDO") is entitled to an exemption from taxation of improved or unimproved real property under certain circumstances. A CHDO which applies for an exemption on or after January 1, 2004, is entitled to exemption from taxation of 50 percent of the appraised value of improved or unimproved real property it owns if it has, for at least the three preceding years, (i) been exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code, (ii) met certain requirements for a charitable organization as delineated in the Texas Tax Code; and (iii) had as one or more of its purposes to provide low-income housing. In addition, for property to be exempt, the CHDO must own the property for the purpose of constructing or rehabilitating a housing project and renting or selling the property to an individual or family who is below a specified income level, to be adjusted annually by cost of living.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property within the boundaries of each Participant must be appraised by its Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by its Appraisal Review Board, it is used by each Participant in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are generally to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

In determining the market value of property, the Appraisal District is required by Texas law to consider the cost, income and market data comparison methods of appraisal and must use the method the Chief Appraiser of the Appraisal District considers most appropriate. If the cost method of appraisal is used to determine the market value of the property, the Appraisal District is required to (i) use cost data from generally accepted sources; (ii) make appropriate adjustments for physical, functional, or economic obsolescence; (iii) make available on request cost data developed and used by the Appraisal District as applied to all properties within a property category; (iv) clearly state the reason for any variation between generally accepted cost data and locally produced cost data if the data vary by more than 10 percent; and (v) make available to the property owner on request all applicable market data that demonstrate the difference between the replacement cost of the improvements to the property and the depreciated value of the improvements. If the Appraisal District uses the income method of appraisal to determine the market value of real property, the Appraisal District is required to: (i) use rental income and expense data pertaining to the property if possible and applicable; (ii) make any projections of future rental income and expenses only from clear and appropriate evidence; (iii) use data from generally accepted sources in determining an appropriate capitalization rate; and (iv) determine a capitalization rate for income-producing property that includes a reasonable return on investment, taking into account the risk associated with the investment. If the Appraisal District uses the market data comparison method of appraisal to determine the market value of real property, the Appraisal District is required to use comparable sales data if possible and adjust the comparable sales to the subject property.

The Texas Constitution and the Property Tax Code allow certain land to be appraised at less than market value. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residential homesteads to 10 percent annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the affected Participant can collect taxes based on the new use, including taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires each Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years.

Taxpayer Remedies

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

Levy and Collection of Taxes

Each Participant is required annually to calculate and publicize its “effective tax rate” and “rollback tax rate.” In setting the annual tax rate each year, the Participant cannot adopt a tax rate exceeding the Participant’s “rollback tax rate” without submitting such tax rate to a referendum election and a majority of the voters voting at such election must approve the adopted rate. If voters do not approve the higher tax rate, the tax rate for that year is the “rollback tax rate.”

“Effective Tax Rate” for any given year means the rate that will produce the previous year’s tax levy (adjusted) from the current year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of the previous year’s taxes and new values are not included in the current year’s taxes. “Rollback tax rate” means the rate that will produce the previous year’s maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.08 plus a rate that will produce the current year’s debt service from the current year’s values (unadjusted) divided by the anticipated tax collection rate.

Before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the Participant, the rate of taxation is set based upon the valuation of property within the Participant as of the preceding January 1. If the Participant does not set a tax rate before the later of September 30 or the 59th day after the date the certified appraisal roll is received by the Participant, the tax rate for the Participant is automatically set at the lower of last year’s rate or the effective tax rate.

The City may also be limited in setting its tax rate by restrictions adopted by city voters and added to the City Charter. See “RISK FACTORS—Tax Collections Limitations and Foreclosure Remedies.”

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Participant’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residential homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is a person 65 years of age or older or disabled 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.

Participant’s Rights in the Event of Tax Delinquencies

Taxes levied by each Participant are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each taxing unit having power to tax the property. Each Participant’s tax lien is on a parity with tax liens of other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of another taxing entity is determined by applicable federal law.

At any time after taxes on property become delinquent, a Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations with respect to residential homesteads described in the preceding section. In filing a suit to foreclose a tax lien on real property, the Participant 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 and by bankruptcy proceedings that may restrict collection of taxpayer debts. A taxpayer has the right to redeem a mineral estate or property that was used at the time the suit was filed for

residential homestead or agricultural purposes within two years after the purchaser's deed issued at the foreclosure sale is filed in the county's real property records. A taxpayer has the right to redeem property that was used for all other purposes within six months after the purchaser's deed is filed in the county records. "RISK FACTORS—Tax Collections Limitations and Foreclosure Remedies."

Each Participant is responsible for the collection of its taxes unless it elects to transfer such functions to another governmental entity.

Effect of FIRREA on Tax Collections

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.

These provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the TIRZ and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property. "RISK FACTORS—Tax Collections Limitations and Foreclosure Remedies."

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the Pledged Revenues, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

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

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the 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 Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

subject to the “branch profits tax“ on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Not Qualified Tax-Exempt Obligations

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

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

Securities Laws

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

"THE DISTRICT" – the Developers, LJA Engineering, Inc. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS AND MAJOR LANDOWNERS" – Developers; "SELECTED FINANCIAL INFORMATION—Unaudited" – The City; "MANAGEMENT" - District Records; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES OF THE PARTICIPANTS," "LEGAL MATTERS," and "TAX MATTERS" - Allen Boone Humphries Robinson LLP.

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT," "ROAD SYSTEM," and "STATUS OF DEVELOPMENT—100 Year Flood Plain" has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The District's audited financial statements for the fiscal year ending November 30, 2015 have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's November 30, 2015 audited financial statements.

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

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of 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 financial information and operating data annually to the MSRB. The information to be updated with respect to the District and TIRZ includes all quantitative financial information and operating data of the general type included in this Official Statement in "SELECTED FINANCIAL INFORMATION FOR THE TIRZ (UNAUDITED) Schedules 1," "TAX INCREMENT REINVESTMENT ZONE DATA, Schedules 2, 3, 4, and 5," "THE BONDS—Issuance of Additional Debt," "GENERAL FUND," "FINANCIAL INFORMATION," and APPENDIX A: Financial Statements of the District. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2016. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

The District will also provide certain financial information and operating data with respect to the City annually to the MSRB. The financial information and operating data to be provided is the City's government-wide financial statements pertaining to the TIRZ (a discretely presented component unit of the City). The District will update and provide this information within twelve months after the end of each of its fiscal years ending in or after 2016. Any information concerning the City so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the City may be required to employ from time to time pursuant to state law or regulation, and audited if the

audit report is completed within the period during which it must be provided. If the audit report of the City is not complete within such period, then the District shall provide unaudited financial statements for the City to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

Specified Event Notices

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

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has not previously entered into a continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

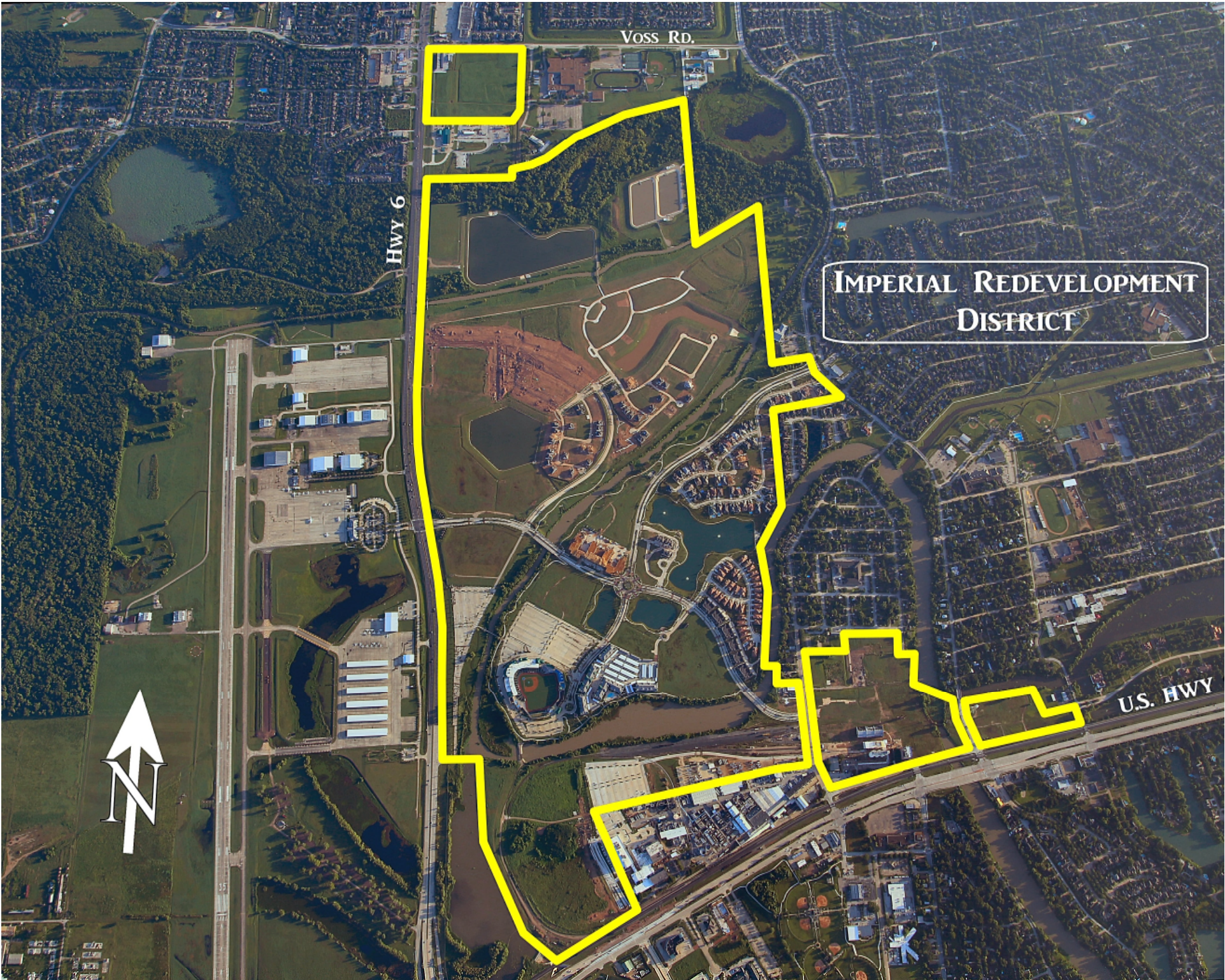
This Official Statement was approved by the Board of Directors of Imperial Redevelopment District, as of the date shown on the cover page.

/s/ _____
President, Board of Directors
Imperial Redevelopment District

ATTEST:

/s/ _____
Secretary, Board of Directors
Imperial Redevelopment District

**AERIAL PHOTOGRAPH
(July 2016)**



Voss Rd.

Hwy 6

IMPERIAL REDEVELOPMENT DISTRICT

U.S. HWY



PHOTOGRAPHS

The following photographs were taken in the District in July 2016, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.



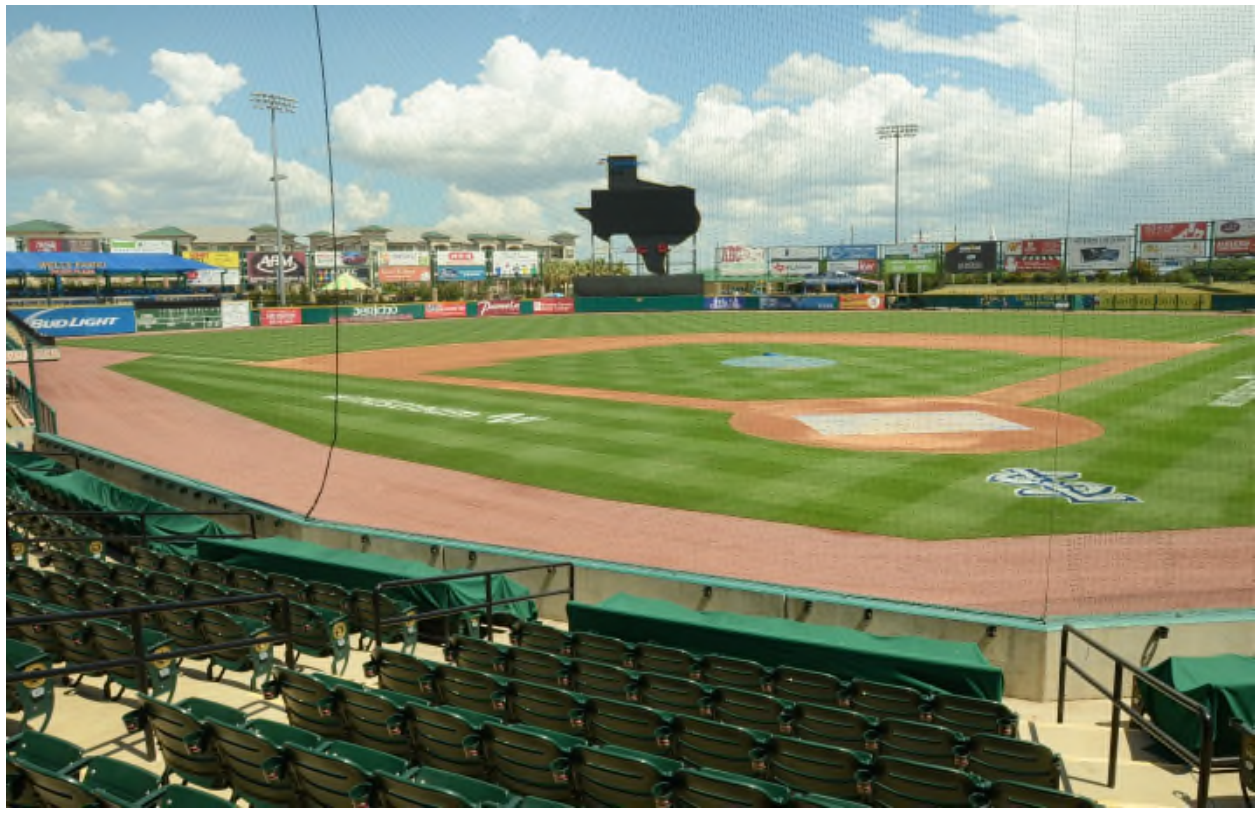
















APPENDIX A

District Audited Financial Statements for the fiscal year ended November 30, 2015

IMPERIAL REDEVELOPMENT DISTRICT

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

November 30, 2015

IMPERIAL REDEVELOPMENT DISTRICT

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

November 30, 2015

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McGrath & Co., PLLC

Certified Public Accountants

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Independent Auditors' Report

Board of Directors
Imperial Redevelopment District
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Imperial Redevelopment District, as of and for the year ended November 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Imperial Redevelopment District, as of November 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

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

McGrath & Co, PLLC

Houston, Texas
March 24, 2016

Management's Discussion and Analysis

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*Imperial Redevelopment District
Management's Discussion and Analysis
November 30, 2015*

Using this Annual Report

Within this section of the financial report of Imperial Redevelopment District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended November 30, 2015. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

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

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

*Imperial Redevelopment District
Management's Discussion and Analysis
November 30, 2015*

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

Fund Financial Statements

The fund financial statements include the *Governmental Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at November 30, 2015, was negative \$31,283,261. The District's net position is negative because the District incurs debt to construct certain public infrastructure facilities which it conveys to the City of Sugar Land. A comparative summary of the District's overall financial position, as of November 30, 2015 and 2014, is as follows:

	2015	2014
Current and other assets	\$ 636,934	\$ 274,064
Capital assets	12,644,532	8,021,807
Total assets	<u>13,281,466</u>	<u>8,295,871</u>
Current liabilities	16,732	10,329
Long-term liabilities	43,950,952	31,497,810
Total liabilities	<u>43,967,684</u>	<u>31,508,139</u>
Total deferred inflows of resources	<u>597,043</u>	<u>257,035</u>
Net position		
Net investment in capital assets	608,172	895,619
Unrestricted	<u>(31,891,433)</u>	<u>(24,364,922)</u>
Total net position	<u>\$ (31,283,261)</u>	<u>\$ (23,469,303)</u>

***Imperial Redevelopment District
Management's Discussion and Analysis
November 30, 2015***

The total net position of the District decreased by \$7,813,958. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2015</u>	<u>2014</u>
Revenues		
Property taxes, penalties and interest	\$ 274,221	\$ 130,356
Other	129	
Total revenues	<u>274,350</u>	<u>130,356</u>
Expenses		
Operating and administrative	257,891	217,053
Depreciation	519,675	143,360
Total expenses	<u>777,566</u>	<u>360,413</u>
Change in net position before other item	(503,216)	(230,057)
Other item		
Transfers to other governments	<u>(7,310,742)</u>	<u>(8,295,590)</u>
Change in net position	(7,813,958)	(8,525,647)
Net position, beginning of year	<u>(23,469,303)</u>	<u>(14,943,656)</u>
Net position, end of year	<u>\$ (31,283,261)</u>	<u>\$ (23,469,303)</u>

Financial Analysis of the District's Fund

The District's fund balance in the General Fund, as of November 30, 2015, was \$23,159. Comparative summaries of the General Fund's financial position as of November 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Total assets	<u>\$ 636,934</u>	<u>\$ 274,064</u>
Total liabilities	\$ 16,732	\$ 10,329
Total deferred inflows	597,043	257,035
Total fund balance	<u>23,159</u>	<u>6,700</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 636,934</u>	<u>\$ 274,064</u>

*Imperial Redevelopment District
Management's Discussion and Analysis
November 30, 2015*

Comparative summaries of the General Fund's activities for the current and prior fiscal year are as follows:

	<u>2015</u>	<u>2014</u>
Total revenues	\$ 274,350	\$ 130,356
Total expenditures	<u>(257,891)</u>	<u>(217,053)</u>
Revenues over/(under) expenditures	16,459	(86,697)
Other changes in fund balance		83,000
Net change in fund balance	<u>\$ 16,459</u>	<u>\$ (3,697)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. In the previous year, the District relied on advances from its developers to supplement revenue shortfalls.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$40,659 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

*Imperial Redevelopment District
Management's Discussion and Analysis
November 30, 2015*

Capital Assets

Capital assets held by the District at November 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 4,285,892</u>	<u>\$ 5,089,298</u>
Capital assets being depreciated		
Drainage facilities	3,207,354	
Street lights	727,038	727,038
Pedestrian bridges	1,042,609	1,042,609
Landscaping improvements	<u>4,183,542</u>	<u>1,445,090</u>
	<u>9,160,543</u>	<u>3,214,737</u>
Less accumulated depreciation		
Drainage facilities	(239,391)	
Street lights	(145,408)	(109,056)
Pedestrian bridges	(108,404)	(73,651)
Landscaping improvements	<u>(308,700)</u>	<u>(99,521)</u>
	<u>(801,903)</u>	<u>(282,228)</u>
Depreciable capital assets, net	<u>8,358,640</u>	<u>2,932,509</u>
Capital assets, net	<u><u>\$ 12,644,532</u></u>	<u><u>\$ 8,021,807</u></u>

The District completed construction of the following during the current year:

- Point at Imperial facilities, Phase 2 - detention pond and drainage
- Imperial roundabout – landscaping
- Imperial Oyster Creek Park, Phase 1 – landscaping
- Imperial Oyster Creek Park, Phase 2 – landscaping
- Imperial North Stadium Drive – landscaping
- Sugar refinery parcel soil action response

The District and the City of Sugar Land (the “City”) have entered into agreements which obligate the District to construct public infrastructure such as water, wastewater, storm drainage and road facilities to serve the District and, when completed, to convey title to the facilities to the City. For the year ended November 30, 2015, capital assets in the amount of \$7,310,742 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

As discussed in Note 5, the District has contractual commitments in the amount of \$9,866,782 for construction of water, sewer, drainage and road facilities and landscaping improvements. The District will owe its developers for these projects upon completion of construction.

*Imperial Redevelopment District
Management's Discussion and Analysis
November 30, 2015*

Long-Term Debt

At November 30, 2015, the District had \$185,600,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$83,167,000 for park and recreational facilities; \$251,900,000 for road improvements; \$138,600,000 for parking facilities and \$51,200,000 for economic development.

Next Year's Budget

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

	<u>2015 Actual</u>	<u>2016 Budget</u>
Total revenues	\$ 274,350	\$ 589,653
Total expenditures	<u>(257,891)</u>	<u>(312,900)</u>
Revenues over expenditures	16,459	276,753
Beginning fund balance	6,700	23,159
Ending fund balance	<u>\$ 23,159</u>	<u>\$ 299,912</u>

Property Taxes

The District's property tax base increased approximately \$29,368,000 for the 2015 tax year from \$24,908,666 to \$54,276,641. This increase was primarily due to new construction in the District. For the 2015 tax year, the District has levied a maintenance tax rate of \$1.10 per \$100 of assessed value. This is the same rate levied for the 2014 tax year.

Basic Financial Statements

*Imperial Redevelopment District
Statement of Net Position and Governmental Fund Balance Sheet
November 30, 2015*

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 49,112	\$ -	\$ 49,112
Taxes receivable	581,802		581,802
Prepaid items	6,020		6,020
Capital assets not being depreciated		4,285,892	4,285,892
Capital assets, net		8,358,640	8,358,640
Total Assets	<u>\$ 636,934</u>	<u>12,644,532</u>	<u>13,281,466</u>
Liabilities			
Accounts payable	\$ 16,732		16,732
Due to developers		43,950,952	43,950,952
Total Liabilities	<u>16,732</u>	<u>43,950,952</u>	<u>43,967,684</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>597,043</u>		<u>597,043</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable	6,020	(6,020)	
Unassigned	17,139	(17,139)	
Total Fund Balance	<u>23,159</u>	<u>(23,159)</u>	
Total Liabilities and Fund Balance	<u>\$ 636,934</u>		
Net Position			
Net investment in capital assets		608,172	608,172
Unrestricted		(31,891,433)	(31,891,433)
Total Net Position		<u>\$ (31,283,261)</u>	<u>\$ (31,283,261)</u>

See notes to basic financial statements.

Imperial Redevelopment District

*Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance
For the Year Ended November 30, 2015*

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 274,084	\$ -	\$ 274,084
Penalties and interest	137		137
Investment earnings	129		129
Total Revenues	<u>274,350</u>	<u> </u>	<u>274,350</u>
Expenditures/Expenses			
Operating and administrative			
Professional fees	155,442		155,442
Contracted services	18,990		18,990
Utilities	65,131		65,131
Administrative	17,731		17,731
Other	597		597
Depreciation		519,675	519,675
Total Expenditures/Expenses	<u>257,891</u>	<u>519,675</u>	<u>777,566</u>
Revenues Over/(Under) Expenditures/Expenses	16,459	(519,675)	(503,216)
Other Item			
Transfers to other governments		(7,310,742)	(7,310,742)
Net Change in Fund Balance	16,459	(16,459)	
Change in Net Position		(7,813,958)	(7,813,958)
Fund Balance/Net Position			
Beginning of the year	6,700	(23,476,003)	(23,469,303)
End of the year	<u>\$ 23,159</u>	<u>\$ (31,306,420)</u>	<u>\$ (31,283,261)</u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

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

Creation

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

The District’s primary activities include the construction of water, sewer, drainage, roads, parks and other public facilities. As further discussed in Note 9, the water, sewer, drainage and road facilities will be conveyed to the City of Sugar Land upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal revenue source is property taxes. Expenditures include costs associated with the daily operations of the District.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

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

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

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

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

Prepaid Items

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

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At November 30, 2015, an allowance for uncollectible accounts was not considered necessary.

Capital Assets

Capital assets, which primarily consist of detention ponds and certain drainage facilities associated with the detention ponds, pedestrian bridges, street lighting and landscaping improvements, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Useful Life</u>
Drainage facilities	45 years
Street lights	20 years
Pedestrian bridges	30 years
Landscaping improvements	20 years

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

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred inflows of financial resources at the government wide level consist of the 2015 property tax levy, which was levied to finance the 2016 fiscal year.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance – Governmental Fund

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balance.

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

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 balance.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Imperial Redevelopment District
Notes to Basic Financial Statements
November 30, 2015

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental fund	\$	23,159
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 13,446,435	
Less accumulated depreciation	<u>(801,903)</u>	
Change due to capital assets		12,644,532

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(43,950,952)
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Total net position - governmental activities		<u><u>\$ (31,283,261)</u></u>
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Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities*

Net change in fund balance - governmental fund	\$	16,459
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In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(519,675)
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The District conveys certain public infrastructure to the City of Sugar Land upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.		(7,310,742)
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Change in net position of governmental activities		<u><u>\$ (7,813,958)</u></u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Imperial Redevelopment District
Notes to Basic Financial Statements
November 30, 2015

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended November 30, 2015, follows:

	Beginning Balances	Additions	Adjustments	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 5,089,298	\$ 1,087,896	\$ (1,891,302)	\$ 4,285,892
Capital assets being depreciated				
Drainage facilities		1,316,052	1,891,302	3,207,354
Streets lights	727,038			727,038
Pedestrian bridges	1,042,609			1,042,609
Landscaping improvements	1,445,090	2,738,452		4,183,542
	<u>3,214,737</u>	<u>4,054,504</u>	<u>1,891,302</u>	<u>9,160,543</u>
Less accumulated depreciation				
Drainage facilities		(71,275)	(168,116)	(239,391)
Streets lights	(109,056)	(36,352)		(145,408)
Pedestrian bridges	(73,651)	(34,753)		(108,404)
Landscaping improvements	(99,521)	(209,179)		(308,700)
	<u>(282,228)</u>	<u>(351,559)</u>	<u>(168,116)</u>	<u>(801,903)</u>
Subtotal depreciable capital assets, net	<u>2,932,509</u>	<u>3,702,945</u>	<u>1,723,186</u>	<u>8,358,640</u>
Capital assets, net	<u>\$ 8,021,807</u>	<u>\$ 4,790,841</u>	<u>\$ (168,116)</u>	<u>\$ 12,644,532</u>

Depreciation expense for the current year was \$351,559.

During the current year, the District revised its classification of certain land and improvement assets to drainage facilities. Capital asset values have been adjusted accordingly.

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, road and recreational facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ. The District does not record the capital asset and related liability on the government wide statements until construction of the facilities is complete. The District's developers have also advanced funds to the District for operating expenses.

*Imperial Redevelopment District
Notes to Basic Financial Statements
November 30, 2015*

Note 5 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ 31,497,810
New developer funded construction	12,453,142
Due to developers, end of year	<u>\$ 43,950,952</u>

In addition, the District will owe the developers approximately \$9,866,782, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and audited by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Imperial, Phase 2 - detention pond and drainage facilities (contract no. 1)	\$ 3,240,012	\$ 2,749,128	\$ 490,884
Imperial Sugar Company Site, Phase 4 - demolition	237,977	153,284	84,693
Imperial lift station no. 3	897,375		897,375
Utilities to serve Crown Garden at Imperial, Section 2B	1,132,467		1,132,467
Paving to serve Crown Garden at Imperial, Section 2B	813,001		813,001
Imperial Children's Museum - water and sewer	278,675		278,675
Soil response action - power plant parcel	22,050		22,050
Imperial Residential, Phase 1 (Imperial Quiet Cove and Silent Manor) - landscaping	1,160,180	1,044,162	116,018
Imperial amenity lakes - landscaping	767,985	669,845	98,140
Imperial Oyster Creek Park, Phase 3 - landscaping	1,317,060		1,317,060
	<u>\$ 9,866,782</u>	<u>\$ 4,616,419</u>	<u>\$ 5,250,363</u>

Note 6 – Long-Term Debt

At November 30, 2015, the District had authorized but unissued bonds in the amount of \$185,600,000 for water, sewer and drainage facilities; \$83,167,000 for park and recreational facilities; \$251,900,000 for road facilities; \$138,600,000 for parking facilities and \$51,200,000 for economic development.

Note 7 – Property Taxes

On November 8, 2011, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value, road facilities limited to \$0.25 per \$100 assessed value and economic development limited to \$1.50 per \$100 assessed value.

Note 7 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2015 fiscal year was financed through the 2014 tax levy, pursuant to which the District levied property taxes of \$1.10 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$273,995 on the adjusted taxable value of \$24,908,666.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2015 levy collections in the amount of \$15,241 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2015 tax levy of \$597,043 is reported as deferred inflows. These amounts will be recognized as revenue in 2016.

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Sugar Land (the "City"), the District transfers certain public infrastructure (i.e., water, sewer, drainage and road facilities) to the City (see Note 9). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended November 30, 2015, the total amount of projects completed and transferred to the City was \$7,310,742.

Note 9 – Utility Agreement with the City of Sugar Land

On June 26, 2007, Cherokee Sugar Land LP (the "Developer") entered into a utility agreement with the City of Sugar Land (the "City") for construction of water, wastewater and drainage facilities (the "system") to serve land within the District. The Developer's rights and obligations under this agreement were subsequently assigned to the District. As the system is acquired or constructed, the District will transfer the system to the City. The District or its developer will pay the City a connection fee per each equivalent single family connection needed to serve the District. The term of the agreement is 30 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

*Imperial Redevelopment District
Notes to Basic Financial Statements
November 30, 2015*

Note 10 – Redevelopment Agreement

On June 26, 2007, the City and Developer entered into a redevelopment agreement for the purposes of developing or redeveloping a 721 acre tract of land in Fort Bend County known as the Imperial Tract. The Imperial Tract will be developed into a master-planned, mixed-use community with single-family residential, commercial and recreational facilities including the redevelopment of historical structures.

In 2007, as part of the redevelopment of the Imperial Tract, the City created Reinvestment Zone Number Three, City of Sugar Land (the “TIRZ”) for an initial term of 30 years. The term was extended in 2013 to the earlier of December 31, 2042 or such time that any tax increment bonds issued to pay project costs have been paid in full. TIRZ revenues will be used to promote and redevelop the property within the TIRZ, which includes the Imperial Tract. The base value for determining the amount of the tax increment value is \$11,762,870, which is the taxable value of all real property within the boundaries of the TIRZ as of January 1, 2012. The City will participate in the TIRZ by contributing 50% of the ad valorem tax increment and ½ of 1% of sales and use taxes actually collected within the boundary of the TIRZ. Fort Bend County will contribute 50% of the ad valorem tax increment, provided that none of the County’s tax increment will be used for the construction and renovation of stadium improvements and City parking facilities.

On October 5, 2010, the City, Imperial Johnson, LLC, acting on behalf of the Developer and the General Land Office, (“Development Manager”) and the District entered into an amended redevelopment agreement for the preparation and construction of a baseball stadium, related parking facilities and certain public infrastructure. The City has constructed baseball facilities and related parking. The District has constructed certain public infrastructure. The Development Manager and the District have provided the City real properties for the stadium and related parking.

Off-site Force Main

The Development Manager will finance and construct a 16” offsite force main and receive connection fee credits from the City equal to \$2,700,000. The City will assist the Development Manager to acquire right of ways or easements required for construction. Right of way costs will be paid by the District.

Stadium Tract, Off-site Parking Tract and Adjacent Tract

The Development Manager conveyed the Stadium tract and off-site parking tract to the District, and the District has conveyed them to the City. The District will pay to the Development Manager \$4,574,000 plus interest from the date of conveyance of the tracts in accordance with a financing agreement.

Note 10 – Redevelopment Agreement (continued)

Public Infrastructure to Serve Stadium

The Development Manager will convey right of ways to the City. Costs of right of ways will be entitled to reimbursement from the District subject to rules of the TCEQ. The District is responsible for engineering and construction of the public infrastructure to serve the stadium tract and adjacent tract. The City contributed \$7,000,000 to the District in 2011 to pay for a portion of the costs of the public infrastructure. All costs for public infrastructure in excess of the City contribution is the Development Manager's obligation, subject to reimbursement from the District.

City Construction and Financing of City Parking Facilities

The City is solely responsible for constructing and financing the City parking facilities. The City will be reimbursed up to \$3,000,000 of its parking facilities costs and its public infrastructure contribution from revenues generated by the TIRZ. Any tax dollars from the TIRZ that exceed the amounts due to the City will be paid to the District to fund other eligible projects in the TIRZ final project plan and plan of finance, which include the stadium tract, off-site parking tract and adjacent tract.

Note 11 – Risk Management

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

Note 12 – Concentration of Risk

Approximately 76% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the only source of revenue for the District, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

*Imperial Redevelopment District
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended November 30, 2015*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 251,936	\$ 251,936	\$ 274,084	\$ 22,148
Penalties and interest			137	137
Investment earnings			129	129
Total Revenues	<u>251,936</u>	<u>251,936</u>	<u>274,350</u>	<u>22,414</u>
Expenditures				
Operating and administrative				
Professional fees	190,000	190,000	155,442	34,558
Contracted services	9,050	9,050	18,990	(9,940)
Utilities	53,000	77,200	65,131	12,069
Administrative	24,750	24,750	17,731	7,019
Other	3,000	3,000	597	2,403
Total Expenditures	<u>279,800</u>	<u>304,000</u>	<u>257,891</u>	<u>46,109</u>
Revenues Over (Under) Expenditures	(27,864)	(52,064)	16,459	68,523
Other Financing Sources				
Developer advances	27,864	27,864		(27,864)
Net Change in Fund Balance		(24,200)	16,459	40,659
Fund Balance				
Beginning of the year	6,700	6,700	6,700	
End of the year	<u>\$ 6,700</u>	<u>\$ (17,500)</u>	<u>\$ 23,159</u>	<u>\$ 40,659</u>

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated expenditures.

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Texas Supplementary Information

Imperial Redevelopment District
TSI-1. Services and Rates
November 30, 2015

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

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

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

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

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

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

*Imperial Redevelopment District
TSI-1. Services and Rates
November 30, 2015*

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

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

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

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

Is the District located entirely within one county? Yes No

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

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

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

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

ETJs in which the District is located: _____

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

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

See accompanying auditors' report.

*Imperial Redevelopment District
TSI-2 General Fund Expenditures
For the Year Ended November 30, 2015*

Professional fees		
Legal		\$ 126,021
Audit		7,500
Engineering		21,921
		<u>155,442</u>
Contracted services		
Bookkeeping		9,000
Tax assessor collector		7,981
Appraisal district fees		2,009
		<u>18,990</u>
Utilities		<u>65,131</u>
Administrative		
Directors fees		10,650
Printing and office supplies		1,202
Insurance		1,479
Other		4,400
		<u>17,731</u>
Other		<u>597</u>
Total expenditures		<u>\$ 257,891</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	654,506 kWh	\$ 60,580
Water	1,100 gallons	4,551
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Imperial Redevelopment District
TSI-4. Taxes Levied and Receivable
November 30, 2015*

	Maintenance Taxes		
Taxes Receivable, Beginning of Year	\$		244,017
Adjustments			16,961
Adjusted Receivable			<u>260,978</u>
2015 Original Tax Levy			601,585
Adjustments			(4,542)
Adjusted Tax Levy			<u>597,043</u>
Total to be accounted for			<u>858,021</u>
Tax collections:			
Current year			15,241
Prior years			260,978
Total Collections			<u>276,219</u>
Taxes Receivable, End of Year	\$		<u><u>581,802</u></u>
Taxes Receivable, By Years			
2015	\$		<u><u>581,802</u></u>
		<u>2015</u>	<u>2014</u>
Property Valuations:		<u>2013</u>	
Land	\$	41,624,560	\$ 37,921,910
Improvements		25,031,860	830,520
Personal Property		83,450	15,390
Exemptions		(12,463,229)	(13,859,154)
Total Property Valuations	\$	<u>54,276,641</u>	\$ <u>24,908,666</u>
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$	1.10	\$ 1.10
Adjusted Tax Levy:	\$	<u>597,043</u>	\$ <u>273,995</u>
Percentage of Taxes Collected to Taxes Levied ***		<u>2.55%</u>	<u>100.00%</u>

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

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

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

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

See accompanying auditors' report.

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

	Amounts				
	2015	2014	2013	2012	2011
Revenues					
Property taxes	\$ 274,084	\$ 130,356	\$ -	\$ -	\$ -
Penalties and interest	137				
Miscellaneous				301	
Investment earnings	129				5,664
Intergovernmental contribution					7,000,000
Total Revenues	<u>274,350</u>	<u>130,356</u>		<u>301</u>	<u>7,005,664</u>
Expenditures					
Operating and administrative					
Professional fees	155,442	128,891	140,327	188,831	260,112
Contracted services	18,990	17,669	9,864	7,800	8,875
Repairs and maintenance			27,065		116,034
Utilities	65,131	48,918	10,745	4,733	8,676
Administrative	17,731	20,545	23,147	21,782	32,603
Other	597	1,030	217	1,388	12,340
Capital outlay					6,888,427
Total Expenditures	<u>257,891</u>	<u>217,053</u>	<u>211,365</u>	<u>224,534</u>	<u>7,327,067</u>
Revenues Over/(Under) Expenditures	<u>\$ 16,459</u>	<u>\$ (86,697)</u>	<u>\$ (211,365)</u>	<u>\$ (224,233)</u>	<u>\$ (321,403)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2015	2014	2013	2012	2011
100%	100%			
*				
			100%	
*				*
				100%
100%	100%	N/A	100%	100%
57%	99%	N/A	62735%	4%
7%	14%	N/A	2591%	*
		N/A		2%
24%	38%	N/A	1572%	*
6%	16%	N/A	7237%	*
*	1%	N/A	461%	*
				98%
94%	168%	N/A	74596%	104%
6%	(68%)	N/A	(74,496%)	(4%)

Imperial Redevelopment District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended November 30, 2015

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 1, 2010
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Bill Little	09/12 - 09/16	\$ 2,400	\$ 69	President
Mary Joyce	09/14 - 09/18	1,650	25	Vice President
Tim Stubenrouch	09/12 - 09/16	2,100	54	Secretary
Pritesh Shah	09/12 - 09/16	1,350	21	Assistant Secretary
Dennis Parmer	09/14 - 09/18	3,150	2,391	Assistant Vice President
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2007	Amounts Paid		Attorney
		\$ 126,021		
Myrtle Cruz, Inc.	2007	9,897		Bookkeeper
Tax Tech, Inc.	2007	7,981		Tax Collector
Fort Bend Central Appraisal District	Legislation	2,009		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008			Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	2008	18,721		Engineer
McGrath & Co., PLLC	Annual	7,500		Auditor
Hilltop Securities	2007			Financial Advisor

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