

**SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 10  
(Fort Bend County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT  
DATED: JULY 5, 2012**

**\$6,680,000  
UNLIMITED TAX BONDS  
SERIES 2012**

**BIDS TO BE SUBMITTED: 2:00 P.M., HOUSTON TIME  
TUESDAY, JULY 17, 2012**



**RBC Capital Markets®**

Financial Advisor

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 5, 2012**

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

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

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS – Qualified Tax-Exempt Obligations."

**NEW ISSUE - Book-Entry-Only**

**\$6,680,000**

**SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 10**

(A Political Subdivision of the State of Texas, located within Fort Bend County)

**UNLIMITED TAX BONDS, SERIES 2012**

The \$6,680,000 Sienna Plantation Municipal Utility District No. 10 Unlimited Tax Bonds, Series 2012 (the "Bonds") are obligations of Sienna Plantation Municipal Utility District No. 10 (the "District") and are not obligations of the State of Texas; the City of Missouri City, Texas; Fort Bend County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of Missouri City, Texas; Fort Bend County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

**Dated: August 1, 2012**

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

Principal of the Bonds is payable upon presentation to the paying agent/registrars, initially, Regions Bank, Houston, Texas, an Alabama banking corporation, (the "Registrar" or "Paying Agent"). Interest accrues from August 1, 2012, and is payable April 1, 2013, and on each October 1 and April 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent to registered owners ("Registered Owners") as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

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

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

Maturity (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Maturity (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)
2014	\$165,000	___%	___%	2026(b)	280,000	___%	___%
2015	170,000	___%	___%	2027(b)	295,000	___%	___%
2016	180,000	___%	___%	2028(b)	310,000	___%	___%
2017	190,000	___%	___%	2029(b)	325,000	___%	___%
2018	195,000	___%	___%	2030(b)	340,000	___%	___%
2019	205,000	___%	___%	2031(b)	355,000	___%	___%
2020	215,000	___%	___%	2032(b)	370,000	___%	___%
2021(b)	225,000	___%	___%	2033(b)	385,000	___%	___%
2022(b)	235,000	___%	___%	2034(b)	405,000	___%	___%
2023(b)	245,000	___%	___%	2035(b)	425,000	___%	___%
2024(b)	260,000	___%	___%	2036(b)	440,000	___%	___%
2025(b)	270,000	___%	___%	2037(b)	465,000	___%	___%

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) Bonds maturing on April 1, 2021, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on April 1, 2020, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

The Bonds constitute the eighth series of unlimited tax bonds issued by the District. Voters in the District have authorized a total of \$123,000,000 principal amount of bonds for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District, and \$8,700,000 principal amount of bonds for parks and recreational facilities, and \$73,800,000 principal amount of refunding bonds. Following the issuance of the Bonds, \$82,140,000 principal amount of unlimited tax bonds for the System, \$8,700,000 for parks and recreation, and \$73,800,000 for refunding purposes will remain authorized and unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed upon by Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about August 14, 2012.

**SEALED BIDS TO BE SUBMITTED: 2:00 P.M., HOUSTON TIME  
TUESDAY, JULY 17, 2012**

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 jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

This Official Statement is not to be used in connection with 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.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility 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.

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. 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 such 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 "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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## **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Sienna Plantation Municipal Utility District No. 10 (the "District") of its \$6,680,000 Unlimited Tax Bonds, Series 2012 (the "Bonds").

The Bonds are issued pursuant to a resolution ("Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds, and pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, as amended, and an election held on May 15, 2004, and passed by a majority of the participating voters.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by \_\_\_\_\_ (collectively referred to herein as the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of \_\_\_\_\_% of the par value 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 District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The 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 a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the 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 from time-to-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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## **Securities Laws**

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

## **MUNICIPAL BOND GUARANTY INSURANCE AND RATING**

The District has made an application for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than that of Standard & Poor's Ratings Service, if applicable, shall be the obligation of the Underwriter. The District will pay the rating fees charged by Standard & Poor's Ratings Services.

Standard & Poor's has assigned an underlying rating of "BBB" to the District's credit. In connection with the purchase of the aforementioned municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by Standard & Poor's, will be assigned the Bonds based upon the understanding that upon delivery of the bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of the underlying rating of Standard & Poor's and the Standard & Poor's rating associated with the guaranty insurance policy issued relating to the Bonds.

**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

- The Issuer ..... Sienna Plantation Municipal Utility District No. 10 (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."
- The Issue..... \$6,680,000 Sienna Plantation Municipal Utility District No. 10 Unlimited Tax Bonds, Series 2012, are dated August 1, 2012. Interest accrues from August 1, 2012, at the rates set forth on the cover page hereof, and is payable April 1, 2013, and each October 1 and April 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature serially on April 1, in each year 2014 through 2037, both inclusive in the principal amounts set forth on the cover page. Bonds maturing on or after April 1, 2021, are subject to redemption, in whole or from time to time in part, on April 1, 2020, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS."
- Source of Payment..... The Bonds are payable from a continuing, direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Missouri City, Texas; Fort Bend County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of Payment."
- Authority for Issuance ..... The Bonds are the eighth series of bonds issued out of an aggregate of \$123,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system. Following the issuance of the Bonds, \$82,140,000 principal amount of unlimited tax bonds, \$8,700,000 in unlimited tax bonds for parks and recreational facilities, and \$73,800,000 in refunding bonds will remain authorized but unissued. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, an election held within the District on May 15, 2004, and the general laws of the State of Texas. See "THE BONDS - Authority for Issuance, and - Issuance of Additional Debt."
- Principal Use of Proceeds..... A portion of the proceeds from the sale of the Bonds will be used to redeem the \$4,043,000 Bond Anticipation Note (Bond Application No. 8, Note No. 1) (the "BAN"), the proceeds of which were used to reimburse the Developer for (i) 118 master district connection fees; (ii) a portion of the water, wastewater, drainage, clearing and grubbing of Village of Anderson Springs, Sections 4C, 9, 1B, 2, and 7; Fort Bend Independent School District Elementary School No. 43 entry roads; a culvert crossing to serve Shipman's Landing, Section 9; and (iii) associated engineering and contingency items. The remaining proceeds will be used to pay the remainder of the water, wastewater, drainage, clearing and grubbing of Village of Anderson Springs, Sections 4C, 9, 1B, 2, and 7; Fort Bend Independent School District

Elementary School No. 43 entry roads; and a culvert crossing to serve Shipman’s Landing, Section 9; and associated engineering and contingency items. In addition a portion of the proceeds of the Bonds will be used to pay developer interest, operating expenses and to pay BAN and bond issuance costs. See "THE BONDS – Use and Distribution of Bond Proceeds."

Short Term Debt ..... The District issued a \$4,043,000 principal amount Bond Anticipation Note (Bond Application No. 8, Note No. 1) (the “BAN”) on December 14, 2011, with a maturity date of December 12, 2012. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to maturity. Proceeds from the BAN were used to finance portions of certain construction costs shown under “THE BONDS – Use and Distribution of Bond Proceeds.”

Authorized But Unissued Bonds ..... Following the issuance of the Bonds, \$82,140,000 in bonds will remain authorized but unissued for waterworks, wastewater and drainage facilities, \$8,700,000 in bonds will remain authorized but unissued for parks and recreational facilities, and \$73,800,000 in bonds will remain authorized but unissued for refunding purposes. See "THE BONDS – Issuance of Additional Debt".

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

**Municipal Bond Guaranty**

Insurance and Rating ..... Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than S&P, will be at the option of the Underwriter. S&P has assigned an underlying rating of "BBB" to the District’s credit. See "MUNICIPAL BOND GUARANTY INSURANCE AND RATING."

Legal Opinion..... Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS."

Financial Advisor ..... RBC Capital Markets, LLC, Houston, Texas.

Disclosure Counsel..... Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas.

**THE DISTRICT**

Description ..... Sienna Plantation Municipal Utility District No. 10 (the "District") was created by the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), on September 26, 2002, and operates pursuant to Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 of the Texas Constitution. The District contains approximately 944 acres of land. The District is part of the development encompassed in the Sienna Plantation Development Agreement and subsequent amendments (collectively, defined as "Sienna Plantation") that contains approximately 10,500 acres. The District is located in northeast Fort Bend County, approximately 19 miles southwest of downtown Houston. The District is approximately 2 miles southwest of the intersection of the Fort Bend Parkway Toll

Road and State Highway 6; 11 miles west of the intersection of Texas State Highway 6 and Texas State Highway 288; approximately 8 miles east of the intersection of Texas State Highway 6 and U.S. Highway 59; and approximately 1 mile south of the intersection of Texas State Highway 6 and Sienna Parkway. The Brazos River and Flat Bank Creek diversion channel border the District on the west. The District is west of Sienna Plantation Management District, north of Sienna Plantation Municipal Utility District No. 12, and south of Texas State Highway 6. All of the property is in the Fort Bend County Independent School District and the Sienna Plantation Levee Improvement District of Fort Bend County, Texas ("SPLID"), and lies partially within the extraterritorial jurisdiction of the City of Missouri City (the "City") and partially within the corporate limits of the City (approximately 40 acres). See "THE DISTRICT - Description."

Sienna Plantation ..... The District is part of a 10,500-acre community known as "Sienna Plantation." This 10,500-acre community consists of four distinct developments.

Since 1997, Sienna/Johnson and Related Entities (hereinafter defined) acquired approximately 6,700 acres in Sienna Plantation and to date have developed approximately 5,775 acres. As of May 1, 2012 Sienna/Johnson and Related Entities own approximately 642 undeveloped but developable acres, of which 348 acres are in the District.

In 2008, UST-Pru Sienna, L.P. managed by Hillwood Residential (hereinafter defined) purchased approximately 3,800 acres within Sienna Plantation. Although development has not commenced to date, four municipal utility districts have been created to serve Hillwood Residential's property.

Sienna Point, a 1,035 acre rural estate lot development, has been completed with 272 lots and, as of March 1, 2012, has 162 completed homes and 2 homes under construction.

The remaining 324 acres within Sienna Plantation are currently owned by DeWalt Land Limited and are undeveloped and currently are being marketed for sale. Sienna Plantation Municipal Utility District No. 13 has been created to serve such property.

Development Agreement ..... The principal developers in Sienna Plantation are parties to the Sienna Plantation Joint Development Agreement, dated February 19, 1996, with the City of Missouri City, as amended by five amendments (collectively, the "Development Agreement") pursuant to which the City and the landowners stipulate the City's regulatory authority over the development of Sienna Plantation, establish certain restrictions and commitments related to the development of Sienna Plantation, set forth a formula for determining the timing of annexation of land within Sienna Plantation by the City, and identify and establish a master plan for the development of Sienna Plantation. The development of all land within Sienna Plantation is governed by the provisions of the Development Agreement. See "DEVELOPMENT WITHIN THE DISTRICT - Development Agreement."

- Development within the District..... Approximately 605.04 acres (1,844 lots) within the District have been developed as the single-family residential subdivisions of Anderson Springs, Sections 1A, 1B, 2, 3A, 3B, 4A, 4B, 4C, 5A, 5B, 5C, 6, 7, 8, 9, 10A, 10B, 11A, 11B, 12A, 12B, 13A, 13B, 14, 15A, 15B, 16, 17A, 17B, 18A, 19, 21, 22, 24, 25, 26A, and 26B; Steep Bank Village, Section 16; and Village of Shipman’s Landing, Section 24, 25A, and 25B. Approximately 16.71 acres (33 lots) within the District are being developed as the single-family residential subdivisions of Pecan Estates, Section 1. As of June 1, 2012, 1,534 homes were complete; 77 homes were under construction; 233 lots were developed and vacant; and 33 lots are under development. The remaining land within the District is comprised of approximately 13.96 acres developed as Jan Schiff elementary School, 5.8 acres developed as a recreation center, 45.93 undeveloped but developable acres and 256.37 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT."
- The Developers..... The developers of land in the District are 1) Sienna/Johnson North, L.P. ("SJ North"), a Texas limited partnership, whose general partner is Sienna/Johnson North GP, L.L.C., a limited liability company having Mr. Larry Johnson and Lawrence Wong as its managers; 2) Brushy Lake, L.P. ("Brushy Lake"), a Texas limited partnership, whose general partner is Brushy Lake GP, LLC, a Texas limited liability company; 3) RH of Texas, limited partnership ("RH of Texas"), a Maryland limited partnership, whose general partner is Ryland Homes of Texas, Inc., a Texas corporation; and 4) Meritage Homes of Texas, LLC, an Arizona limited liability company ("Meritage"). SJ North, Brushy Lake, RH of Texas and Meritage are collectively referred to herein as the "Developers". See "THE DEVELOPERS" and "SIENNA PLANTATION."
- Homebuilders Within the District..... Homebuilders active within the District include Plantation Homes, Ryland Homes, Meritage Homes, Highland Homes, D.R. Horton Homes, Triumph Homes, Newmark Homes, Pulte Homes, and Ashton Woods Homes. Prices of new homes being constructed within the District range from \$170,000 to more than \$350,000. Homes range in square footage from 1,700 to 4,500 square feet. See "HOMEBUILDERS ACTIVE WITHIN THE DISTRICT."
- Regional Facilities ..... Sienna Plantation Municipal Utility District No. 1 is the master municipal utility district created to provide the regional water distribution, regional wastewater collection trunk lines and regional stormwater collection trunk lines necessary to serve Sienna Plantation (collectively, the "Master District Facilities"), including the District. See "THE SYSTEM."
- Overlapping Districts and Taxes ..... SPLID is the levee improvement district created to provide the levee, detention ponds, external and interior drainage channels and outfall facilities necessary to serve Sienna Plantation. Approximately 9,832 acres of Sienna Plantation, including the entire District, is located within SPLID. SPLID will finance facilities to accomplish flood protection and accommodate storm water drainage within SPLID, including the District. SPLID currently levies a tax on property located within its boundaries, including the District, which tax is in addition to the tax levied by the District. SPLID levied a total tax of \$0.49 per \$100 of assessed valuation for the 2011 tax year. SPLID currently has \$84,955,000 principal amount of bonds outstanding and is authorized to issue an additional \$19,285,000 in unlimited tax bonds, \$47,150,000

in unlimited tax park bonds and \$41,050,000 for refunding purposes. See "TAX DATA - Estimated Overlapping Taxes" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments, and – District Tax Levee, and - Overlapping District Taxes and Functions."

### **INVESTMENT CONSIDERATIONS**

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2011 Assessed Valuation .....	\$288,027,564 (a)
(100% of market value as of January 1, 2011)	
See "TAX DATA" and "TAXING PROCEDURES."	
2012 Preliminary Valuation .....	\$337,908,864 (b)
(100% of market value as of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation as of March 8, 2012.....	\$342,822,444 (c)
(100% of estimated market value as of March 8, 2012)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds .....	\$ 31,845,000
The Bonds.....	<u>6,680,000</u>
TOTAL .....	<u>\$ 38,525,000</u>
Estimated Overlapping Debt .....	<u>\$ 28,414,377 (d)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$ 66,939,377</u>
Debt Service Fund Balance (as of June 7, 2012).....	\$ 2,262,464 (e)
General Fund Balance (as of June 7, 2012).....	\$ 764,639
Capital Projects Fund Balance (as of June 7, 2012).....	\$ 36,449
Direct Debt Ratios:	
As a percentage of 2011 Assessed Valuation (\$288,027,564).....	13.38 %
As a percentage of 2012 Preliminary Valuation (\$337,908,864).....	11.40 %
As a percentage of Estimated Valuation as of March 8, 2012 (\$342,822,444).....	11.24 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2011 Assessed Valuation (\$288,027,564).....	23.24 %
As a percentage of 2012 Preliminary Valuation (\$337,908,864).....	19.81 %
As a percentage of Estimated Valuation as of March 8, 2012 (\$342,822,444).....	19.53 %
Tax Rate per \$100 of Assessed Valuation	
The District (2011) .....	\$0.94 (f)
SPLID (2011) .....	<u>\$0.49 (g)</u>
Total.....	\$1.43
Average Annual Debt Service Requirements on the Bonds and Outstanding Bonds (2013-2037) .....	\$ 2,428,821
Maximum Annual Debt Service Requirement on the Bonds and Outstanding Bonds (2029) ..	\$ 3,178,310
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and Outstanding Bonds (2013-2037) at 95% Tax Collections	
Based Upon 2011 Assessed Valuation (\$288,027,564) .....	\$0.89
Based Upon 2012 Preliminary Valuation (\$337,908,864).....	\$0.76
Based Upon Estimated Valuation at March 8, 2012 (\$342,822,444) .....	\$0.75
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2029) at 95% Tax Collections	
Based Upon 2011 Assessed Valuation (\$288,027,564) .....	\$1.17
Based Upon 2012 Preliminary Valuation (\$337,908,864).....	\$1.00
Based Upon Estimated Valuation at March 8, 2012 (\$342,822,444) .....	\$0.98
Number of Single-Family Homes (including 77 homes in various stages of construction) as of June 1, 2012 .....	1,611

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- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District as the preliminary value as of January 1, 2012. Represents the preliminary determination of the taxable value in the District as of January 1, 2012. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value provided herein. See "TAXING PROCEDURES."
  - (c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2012 to March 8, 2012. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
  - (d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
  - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
  - (f) The TCEQ in its Staff Memorandum authorizing the District to issue the Bonds recommended the District to levy a debt service tax not less than \$0.75 per \$100 of Assessed Valuation. This recommendation was based upon the Bonds being sold at a maximum net effective interest rate of 5.69%. For the 2011 tax year, the Board of Directors levied a debt service tax rate of \$0.71 per \$100 of assessed valuation, \$0.15 per \$100 of assessed valuation for maintenance and operation purposes, and \$0.08 per \$100 of assessed valuation for contract tax purposes. See "TAX DATA - Tax Rate Calculations."
  - (g) The District is located within the boundaries of SPLID, and is subject to taxation by SPLID. SPLID levied a debt service tax of \$0.31 per \$100 of Assessed Valuation for the 2011 tax year, plus a maintenance tax of \$0.18 per \$100 of assessed valuation. Thus, the combined tax rate of SPLID and the District is \$1.43 per \$100 of assessed valuation. See "TAX DATA - Estimated Overlapping Taxes" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments, and - District Tax Levy and Overlapping District Taxes and Functions."

**\$6,680,000**  
**SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 10**  
**UNLIMITED TAX BONDS**  
**SERIES 2012**

**INTRODUCTION**

This Official Statement of Sienna Plantation Municipal Utility District No. 10 (the "District") is provided to furnish information with respect to the issuance by the District of its \$6,680,000 Unlimited Tax Bonds, Series 2012 (the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) an election held within the District on May 15, 2004, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and (iv) an Order of the Texas Commission on Environmental Quality (the "Commission").

There follow in this Official Statement descriptions of the Bonds, the Developers, the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Such documents may be reviewed at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, or copies obtained upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The \$6,680,000 Sienna Plantation Municipal Utility District No. 10 Unlimited Tax Bonds, Series 2012, are dated August 1, 2012, with interest payable April 1, 2013, and each October 1 and April 1 thereafter until the earlier of maturity or redemption ("Interest Payment Date"). The Bonds are fully-registered serial bonds maturing on April 1 of the years shown under "MATURITY SCHEDULE" on the cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Regions Bank, an Alabama banking corporation. (the "Paying Agent" or "Registrar") in Houston, Texas. Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent to Registered Owners as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements may be agreed upon by the Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

The Depository Trust Company (“DTC”), New York NY, will act as securities depository for the securities (the “Securities”). The Securities 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 required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchase of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC account.

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### **Use of Certain Terms in Other Sections of this Official Statement**

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

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is Regions Bank, an Alabama banking corporation, Houston, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent by check mailed on each Interest Payment Date by the Paying Agent to the Bondholder at the last known address as it appears on the Registrar's books on the Record Date.

### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner,

except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Redemption of the Bonds**

Bonds maturing on April 1, 2021, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on April 1, 2020, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Registrar prior to the redemption date by such random method as the Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

### **Replacement of Registrar**

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

### **Authority for Issuance**

The Bonds constitute the eighth installment of \$123,000,000 principal amount of unlimited tax bonds authorized at an election held within the District for that purpose on May 15, 2004. Following the issuance of the Bonds, an aggregate of \$82,140,000 principal amount of unlimited tax bonds will remain authorized but unissued.

The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas. Issuance of the Bonds has been further authorized by Order of the Commission.

## **Funds**

The Bond Resolution confirms the District's Debt Service Fund (the "Debt Service Fund"). Accrued interest on the Bonds will be deposited into the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

## **Source of Payment**

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

## **Issuance of Additional Debt**

With the approval of the TCEQ, the District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$123,000,000 unlimited tax bonds to construct the System, \$73,800,000 unlimited tax refunding bonds and \$8,700,000 unlimited tax bonds for parks and recreational facilities and could authorize additional amounts. The Bonds are the eighth series of unlimited tax bonds issued by the District for construction of the System to serve the District. Following the issuance of the Bonds, \$82,140,000 unlimited tax bonds to construct the System will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the Commission).

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing utility facilities, and to finance the extension of water, wastewater and storm drainage facilities and services to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

## **No Arbitrage**

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

calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

### **Annexation by the City of Missouri City**

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Missouri City (the "City"), the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies partially within the extraterritorial jurisdiction of the City and partially in the corporate limits. In the Development Agreement, the City agrees that the City shall not annex the property in the District before such time as (i) at least 95% of the developable acreage within the District has been developed with water, wastewater and drainage facilities, and (ii) the Developers have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. Additionally, the District and the City entered into a Strategic Partnership Agreement. Pursuant to the Strategic Partnership Agreement, the City will not annex the property in the District until (i) at least 95% of the developable acreage within the District has been developed with water, wastewater and drainage facilities, and (ii) the Developers have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See "DEVELOPMENT WITHIN THE DISTRICT" and "SIENNA PLANTATION - Development Agreement."

### **Consolidation**

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

### **Defeasance**

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

### **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.

### **Registered Owners' Remedies**

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

## Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to redeem the \$4,043,000 Bond Anticipation Note (Bond Application No. 8, Note No. 1) (the "BAN"), the proceeds of which were used to reimburse the Developer for (i) 118 master district connection fees; (ii) a portion of the water, wastewater, drainage, clearing and grubbing of Village of Anderson Springs, Sections 4C, 9, 1B, 2, and 7; Fort Bend Independent School District Elementary School No. 43 entry roads; a culvert crossing to serve Shipman's Landing, Section 9; and (iii) associated engineering and contingency items. The remaining proceeds will be used to pay the remainder of the water, wastewater, drainage, clearing and grubbing of Village of Anderson Springs, Sections 4C, 9, 1B, 2, and 7; Fort Bend Independent School District Elementary School No. 43 entry roads; and a culvert crossing to serve Shipman's Landing, Section 9; and associated engineering and contingency items. In addition a portion of the proceeds of the Bonds will be used to pay developer interest, operating expenses and to pay BAN and bond issuance costs.

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
<b>A. DEVELOPER CONTRIBUTION ITEMS</b>	
3. Village of Anderson Springs, Section 1B – W, WW &D	\$ 611,975
4. Village of Anderson Springs, Section 2 – W, WW &D	200,114
2. Village of Anderson Springs, Section 4C – W, WW &D	349,024
6. Village of Anderson Springs, Section 7 – W, WW &D	702,116
1. Village of Anderson Springs, Section 9 – W, WW &D	1,091,968
5. FBISD Elem. Sch. No. 43 Entry Roads – W, WW &D	435,013
7. Culvert Crossing near Shipman's Landing, Section 9	19,412
8. Engineering, Testing and Permitting (15.95% of Item No. 1-7)	<u>543,835</u>
Total Developer Contribution Items	\$3,953,457
<b>B. DISTRICT ITEMS</b>	
1. MaUD Connection Charges	<u>\$ 981,760</u>
Total District Items	<u>\$ 981,760</u>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$4,935,217</b>
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 173,600
B. Fiscal Agent Fees	133,600
C. Interest Cost	
1. Developer Interest (MaUD Projects)	160,179
2. Developer	583,868
3. BAN Interest (\$4,043,000 @ 1.475% for 1 year)	59,634
4. Developer Interest (MaUD Projects from Bond Issue No. 7)	173,722
D. Bond Discount (3%)	200,400
E. BAN Issuance Expenses	92,347
F. Bond Issuance Expenses	33,053
G. Operating Expenses	58,500
H. Bond Application Report Costs	52,500
I. Attorney General Fee (0.10%)	6,680
J. TCEQ Bond Issuance Fee (0.25%)	<u>16,700</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$1,744,783</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$6,680,000</u></b>

## THE DISTRICT

### Authority

The District is a municipal utility district created by an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), dated September 26, 2002. The creation of the District was confirmed at an election held within the District on May 15, 2004. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code pursuant to Article XVI, Section 59 of the Texas Constitution. The District is subject to the continuing supervision of the Commission.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

The District also is authorized to construct, develop, and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District presently receives fire protection services pursuant to a contract with the City of Missouri City, for which the District pays a fee per house. See "THE SYSTEM."

### Description

The District encompasses approximately 943.81 acres of land. The District is part of the development encompassed in the Sienna Plantation Development Agreement and subsequent amendments (collectively, defined as "Sienna Plantation") which contains approximately 10,500 acres and is located entirely within Fort Bend County, Texas, approximately 19 miles southwest of the central business district of the City of Houston, Texas, and approximately 2 miles west of the Fort Bend Parkway Toll Road, 8 miles east of the intersection of U.S. Highway 59 (the "Southwest Freeway") and State Highway 6, and approximately 11 miles west of the intersection of Texas State Highway 288 and State Highway 6, and wholly within the boundaries of the Fort Bend Independent School District and SPLID. The District is located within Sienna Plantation approximately 1.0 mile south of the intersection of State Highway 6 and Sienna Parkway. The District is bordered by the external channel and Brazos River on the west; Sienna Plantation Management District on the east; and Sienna Plantation Municipal Utility District No. 12 on the south. SPLID provides major outfall drainage and flood protection for all of the land within the District.

The District is located partially within the extraterritorial jurisdiction of the City of Missouri City and has 40 acres that lie within the corporate limits of Missouri City. See "THE BONDS - Annexation by the City of Missouri City," and "SIENNA PLANTATION - Development Agreement."

### Management of the District

The District is governed by the Board of Directors (the "Board"), consisting of five directors, who have control over and management supervision of all affairs of the District. One of the directors resides in the District. The other directors own land within the District subject to a promissory note and deed of trust in favor of SJ North. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board, along with their occupations and employers, are listed below:

<u>Name</u>	<u>Title</u>	<u>Occupation</u>	<u>Term Expires May</u>
Douglas S. Earle	President	Municipal Employee	2016
Ralph J. Lojo	Vice President	Self Employed – Kwik Kopy Printing	2016
Kelly Shipley	Assistant Vice President	Engineer	2014
Mary Berna	Secretary	Residential Realtor	2016
Nikki-Jean Owen	Assistant Secretary	Real Estate Broker	2014

## **Investment Policy**

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

## **Consultants**

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, financial advisory, and legal services as follows:

### **Tax Assessor/Collector**

The District's Tax Assessor/Collector is Ms. Esther Flores of Tax Tech Inc. (the "Tax Assessor/Collector"). Tax Tech employees serve as tax assessor/collector for more than 80 other taxing jurisdictions. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

### **Bookkeeper**

The District's bookkeeper is McLennan & Associates, L.P. Such firm acts as bookkeeper for more than 100 utility districts.

### **Utility System Operator**

The District's current operator is Si Environmental, LLC. Such firm acts as operator for approximately 40 utility districts, including the Master District.

### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. McGrath & Co., PLLC prepared the financial statements of the District for the fiscal year ending July 31, 2011. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement on Auditing Standards No. 115, including the District's response thereto, is included in APPENDIX B.

### **Engineer**

The District's engineer in connection with the design and construction of the facilities for which the Bonds are being sold to reimburse the Developers is LJA Engineering, Inc. (the "Engineer"). The Engineer has also been employed by the Developers in connection with certain planning activities and the design of certain streets and related improvements within the District.

### **Financial Advisor**

The District has engaged RBC Capital Markets, LLC as financial advisor (the "Financial Advisor") to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

## **Attorney**

The District has engaged Allen Boone Humphries Robinson LLP, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

## **Community Facilities**

Community facilities available in the general geographic area of the District are set forth below:

Churches: Churches of all major denominations are located in the cities of Missouri City, Sugar Land, and the master-planned community of First Colony, all within ten miles of the District.

Employment Centers: Employment centers near the District are located in the cities of Missouri City, Houston and Sugar Land. Employers in the Missouri City area include Onedco Chemical Company, Vector Cable Company (Division of Schlumberger, Ltd.), Baylor Company (Division of Sedco, Inc.), Johnson (Division of Schlumberger, Ltd.), Sperry Sun Weld Surveying Company (Division of Sun Oil Company), Synercom Technology, Integrated Power Systems, Mazda, Automatic Valve Specialties, Texas Precision Metalcrafts, Fluor Daniel Corp., Chem Lawn, Ondeo Quanex Tubular, Sigma Chapman Engineering, Fort Bend Independent School District and Allied Glass. The District is approximately 15 miles from the Texas Medical Center in Houston.

Fire Protection: Fire protection to residents of the District is provided by the City of Missouri City Fire Department.

Transportation Facilities: Access to Sienna Plantation is provided by Sienna Parkway, a four lane boulevard which extends south from Texas State Highway 6 through the middle of the project a distance of approximately three (3) miles where it terminates. A planned extension of this road will connect with FM 521 on the southeastern boundary of Sienna Plantation. Sienna Plantation is located approximately 2 miles southwest of the Fort Bend Parkway Toll Road, eight (8) miles east of the intersection of Texas State Highway 6 and U.S. Highway 59 and approximately eleven (11) miles west of the intersection of Texas State Highway 6 and Texas State Highway 288, which are major access roads to the Houston central business district. A second access point is provided by Sienna Ranch Road, a four lane boulevard which currently extends south from Texas State Highway 6 to Sienna Springs Blvd. A planned extension of this road will connect Texas State Highway 6 to Sienna Parkway.

Medical Facilities: In addition to numerous clinics, doctors offices, and regional hospitals in the area, the District is a 30 minute drive to the Texas Medical Center. Memorial Hermann Sugar Land Hospital is located approximately 15 miles from the District. This hospital has 77 rooms within 220,000 square feet. In addition, Memorial Hermann Southwest Hospital, a 550-bed facility with an adjacent professional building, is located eleven miles northeast of the District on the Southwest Freeway. Methodist Sugar Land Hospital is located approximately 10 miles from the District. Currently, the hospital houses 180 beds with capacity to grow to 236 beds. Christus Health Care has purchased a 35-acre site in Sienna Plantation for a future medical facility. No representation can be made as to when or if such facility will be constructed.

Other Utilities: Electric service is provided by CenterPoint Energy and natural gas by Si Energy, L.P., and Entex, Inc. Telephone service is provided by Entouch Systems, Inc. and Comcast. Cable is provided by Entouch Systems, Inc. and Comcast.

Recreational Facilities: LG Sienna LLC operates an 18-hole daily-fee golf course and clubhouse in Sienna Plantation. In addition, Sienna Plantation includes four neighborhood pools and cabanas; Brushy Lake Fitness Center, a workout facility with weights and cardiovascular equipment; and three water theme parks, including Club Sienna, a recreational complex located on 12 acres that includes a 7,500 square foot clubhouse, aquatics center, one Olympic-size swimming pool, 2 water theme parks, children's playground, 8 lighted tennis courts, soccer fields, baseball fields and an open air amphitheatre capable of seating 3,000 people. All of such facilities are open to all residents of Sienna Plantation.

Schools: Land in the District is located within the Fort Bend Independent School District (“FBISD”), which provides bus service to all students within its boundaries residing more than two miles from the school. Students residing in the District would attend the following schools:

<u>School</u>	<u>Distance from District</u>
Scanlan Oaks Elementary	Located Within Sienna Plantation
Sienna Crossing Elementary School	Located Within Sienna Plantation
Jan Schiff Elementary School	Located Within Sienna Plantation
Billy Baines Middle School	Located Within Sienna Plantation
Lake Olympia Middle School	4 Miles
Ridge Point High School	Located Within Sienna Plantation
Hightower High School	4.8 Miles
Elkins High School	4.5 Miles

Shopping and Banking Facilities: Neighborhood shopping facilities are available to residents within Sienna Plantation, in the City of Missouri City, First Colony, and in southwest Houston. The nearest major shopping center is First Colony Mall, located adjacent to the Southwest Freeway, some seven miles west of the District. First Colony Mall contains approximately 1.0 million square feet of space.

Sienna Plantation contains a 125,541 square foot HEB Plus grocery store, a Sonic, a Whataburger, a Wells Fargo Bank, a CVS Pharmacy, a car wash and five retail centers (aggregating approximately 100,000 square feet).

The Market at Bees Creek is located in Sienna Plantation, at the intersection of Bees Passage and Sienna Parkway. It includes Sienna Market & Deli, Exxon, Sienna Cleaners, Pepperoni’s, Sweet Tan, Gordon Insurance, Eden Nail Salon & Spa, Snowflake Donuts, Sienna Salon & Spa, Sienna Floors Expo, Bee’s Creek Grill and Sienna Plantation Animal Clinic.

## DEVELOPMENT WITHIN THE DISTRICT

Development within the District began in 2004. The Developers have developed approximately 590.23 acres within the District. The following table summarizes the status of development of the District as of June 1, 2012:

	Acres	Completed Lots	Lots Under Development	Homes		Remaining Developed Lots
				Completed	Under Construction	
Steep Bank Village, Section 16	28.96	56	0	56	0	0
Anderson Springs						
Section 1A	32.14	104	0	104	0	0
Section 1B	29.44	82	0	82	0	0
Section 2	9.84	31	0	31	0	0
Section 3A	16.32	47	0	47	0	0
Section 3B	9.62	33	0	33	0	0
Section 4A	28.14	108	0	108	0	0
Section 4B	25.82	65	0	65	0	0
Section 4C	13.80	56	0	56	0	0
Section 5A	25.77	130	0	130	0	0
Section 5B	7.46	52	0	52	0	0
Section 5C	28.37	53	0	53	0	0
Section 6	14.92	64	0	64	0	0
Section 7	23.37	95	0	86	6	3
Section 8	26.40	138	0	73	4	61
Section 9	31.46	76	0	76	0	0
Section 10A	8.70	15	0	13	2	0
Section 10B	17.35	29	0	27	1	1
Section 11A	12.03	39	0	37	0	2
Section 11B	11.12	51	0	38	2	11
Section 12A	11.29	32	0	24	3	5
Section 12B	6.54	18	0	7	1	10
Section 13A	10.44	19	0	19	0	0
Section 13B	7.58	27	0	17	3	7
Section 14	17.90	23	0	20	2	1
Section 15A	8.38	16	0	1	1	14
Section 15B	6.01	11	0	0	3	8
Section 16	4.88	15	0	11	3	1
Section 17A	6.91	20	0	7	3	10
Section 17B	6.09	23	0	8	5	10
Section 18A	4.21	16	0	8	5	3
Section 18B	3.49	15	0	0	1	14
Section 19	7.50	20	0	12	4	4
Section 21	4.04	11	0	10	0	1
Section 22	6.48	22	0	22	0	0
Section 24	4.78	11	0	6	1	4
Section 25	10.98	30	0	0	4	26
Section 26A	7.86	26	0	0	1	25
Section 26B	15.21	29	0	0	21	8
Pecan Estates						
Section 1	16.71	0	33	0	0	0
Shipman's Landing						
Section 24	12.31	39	0	39	0	0
Section 25A	9.40	27	0	26	0	1
Section 25B	31.74	70	0	66	1	3
<b>Total Home Development</b>	<b>621.75</b>	<b>1,844</b>	<b>33</b>	<b>1,534</b>	<b>77</b>	<b>233</b>

Fort Bend ISD	13.96
Recreation Center	5.80
Undevelopable Acreage	256.37
Remaining Developable Acreage within the District	<u>45.93</u>
Total	943.81

### **HOMEBUILDERS ACTIVE WITHIN THE DISTRICT**

Homebuilders active within the District include Plantation Homes, Ryland Homes, Ashton Woods Homes, Meritage Homes, Highland Homes, D.R. Horton Homes, Triumph Homes, Newmark Homes and Pulte Homes. Prices of new homes being constructed within the District range from \$170,000 to more than \$350,000. Homes range in square footage from 1,700 to 4,500 square feet.

Each lot sales contract generally requires the homebuilder to purchase a minimum number of lots during a specified takedown period following such lots becoming "buildable." In the event the homebuilder fails to meet its takedown obligations, the Developer's sole remedy is termination of the contract and retention of a nominal amount of earnest money. As of this date, each of the homebuilders is in compliance with all material obligations under its lot purchase contract.

Homebuilding began in the District in late 2004. During 2007, 2008, 2009, 2010, and 2011 the homebuilders completed approximately 217 homes, 207 homes, 125 homes, 214 homes, and 180 homes respectively. In the first five (5) months of 2012, the homebuilders have completed 82 homes.

### **THE DEVELOPERS**

#### **Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the Commission, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the Commission. Although as described above under the caption "THE BONDS – Use and Distribution of Bond Proceeds," the District requested an exemption from such developer participation requirement with respect to the facilities financed with the proceeds of the Bonds on the basis of qualification for such exclusion under the rules of the Commission, and the Commission granted such exclusion in its Order authorizing the sale of the Bonds. The relative success or failure of a developer to perform such activities in development of property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by such district. A developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a municipal utility district during the initial development phase of the property.

## DESCRIPTION OF THE DEVELOPERS

### **Sienna/Johnson North, L.P.**

Sienna/Johnson North, L.P. ("SJ North") is a Texas limited partnership whose general partner is Sienna/Johnson North GP, L.L.C., an entity owned directly or indirectly by Mr. Larry Johnson and members of his family and Mr. Charles L. Pence.

### **SJ North Development Financing**

SJ North and two related entities have obtained a \$9,000,000 revolving development loan from First Bank. Such loan bears interest at "prime" plus 2.00% with a minimum rate of 8.00% and matures on September 5, 2012. The loan is secured by a first lien deed of trust on 340 acres owned by SJ North and by the personal guarantees of Lawrence Wong and Rocky Lai. The outstanding balance on the loan is \$4,575,733 as of May 31, 2012. According to SJ North, the borrowers are in compliance with all material conditions of the loan.

SJ North has obtained a \$15,000,000 revolving development loan from Texas Capital Bank. The loan bears interest at "prime" plus 1.00% with a minimum rate of 6.00% and matures on May 7, 2015. The loan is secured by a first lien deed of trust on 250 acres owned by SJ North in the District. The outstanding balance on the loan is \$2,143,808 as of May 31, 2012. According to SJ North the borrowers are in compliance with all material conditions of the loan.

SJ North has obtained a \$1,250,000 bridge land loan from Central Bank. The loan bears interest at "prime" plus 1.50% with a minimum rate of 5.50% and matures on November 1, 2013. The loan is secured by a first lien deed of trust on 139 acres owned by SJ North in the District. The outstanding balance on the loan is \$1,250,000 as of May 31, 2012. According to SJ North the borrowers are in compliance with all material conditions of the loan.

### **Brushy Lake, L.P.**

Brushy Lake, L.P. ("Brushy Lake"), is a Texas limited partnership, whose general partner is Brushy Lake G.P., L.L.C. The co-managers of Brushy Lake GP, L.L.C. are Messrs. Larry Johnson and Lawrence Wong.

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

In December, 2011, SJ North sold approximately 57.46 acres within the District to Meritage Homes of Texas, LLC, an Arizona limited liability company ("Meritage"). Meritage is currently developing the land into the single-family residential subdivision of Pecan Estates and is the homebuilder in those sections.

### **RH of Texas, Limited Partnership**

RH of Texas, Limited Partnership ("RH of Texas"), a Texas limited partnership has developed 57.8 acres as Anderson Springs, Sections 8 and 9 and is the homebuilder in those sections. RH of Texas is a part of the Ryland Group, Inc. ("Ryland"), a publicly held company, the stock of which is listed on the New York Stock Exchange. RH of Texas is currently building homes that range in size from 1,700 to 3,400 square feet and in price from \$170,000 to \$350,000.

RH of Texas has financed its development activities in the District from funds provided by Ryland. Ryland is subject to the information requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Ryland can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Office of the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at [www.sec.gov](http://www.sec.gov) that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

## SIENNA PLANTATION

### Description of the Project

The District is part of a 10,500-acre community, which is governed by the terms and conditions of the "Sienna Plantation Joint Development Agreement" between the major landowners and developers in the community and the City of Missouri City. The Sienna Plantation Joint Development Agreement has five subsequent amendments (collectively, the "Development Agreement"). In the Development Agreement, the City and the landowners stipulate the City's regulatory authority over the development of the community, establish certain restrictions and commitments, set forth a formula for determining the timing of annexation of land by the City, and identify and establish a master plan for the development of the 10,500-acre community. This master planned area consists of four distinct developments: Sienna Plantation by Johnson Development, approximately 6,700 acres; Sienna Point, an approximately 1,053 acre rural estate subdivision; the Hillwood Development, approximately 3,800 acres; and approximately 300 acres owned by Schindler Interests.

The approximately 6,700 acres of Sienna Plantation that is being developed by Johnson Development began in 1997. This area includes 4 internal municipal utility districts and a management district: the District, Sienna Plantation Municipal Utility District No. 2, Sienna Plantation Municipal Utility District No. 3, Sienna Plantation Municipal Utility District No. 12, and Sienna Plantation Management District. This area also includes The Woods at Sienna, an approximately 213.75 acre rural estate subdivision (by design the rural estate subdivisions are not served by any municipal utility districts). Sienna Plantation Municipal Utility District No. 1 (the "Master District") is the municipal utility district created to provide the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater collection trunk lines, and regional stormwater collection trunk lines necessary to serve the 4 internal municipal utility districts, the management district, and provides water supply to The Woods at Sienna. The District is served by the Master District and is a part of the Sienna Plantation Development by Johnson Development.

UST-Pru Sienna, L.P., managed by Hillwood Residential, a Ross Perot, Jr. company, purchased approximately 3,800 acres of land in the Southern region of the 10,500-acre community. The Hillwood Development encompasses four internal municipal utility districts - Sienna Plantation Municipal Utility District Nos. 4-7. According to Hillwood representatives, timing of delivery of the initial lots has not been determined.

Approximately 1,053 acres within SPLID was developed as Sienna Point, a rural estate lot project containing approximately 272 lots ranging in size from 1.5 acres to 12 acres. All of the lots have been completed. Water and sanitary sewer service to homes in such project are provided by individual water wells and septic systems. None of such property is located within the boundaries of any of the Sienna Plantation Districts. Flood protection is provided by the Sienna Plantation Levee Improvement District of Fort Bend County ("SPLID") and all of the property located within Sienna Point is subject to the taxing jurisdiction of the SPLID. Virtually all of the 272 lots in Sienna Point have been sold to individuals. As of March 1, 2012, 162 homes have been completed and occupied and 3 homes are under construction.

SPLID encompasses approximately 9,832 acres, including the Sienna Plantation Development, which includes the District, the Schindler Interest tracts and the Hillwood Development.

According to the developers, the ultimate land use within Sienna Plantation is currently projected as follows: approximately 15,725 single-family residential lots, approximately 2,720 multi-family units, 1,150 retirement residential units, approximately 300 rural estate residential units, approximately 1,105 acres used for the development of commercial mixed-use projects, and the remaining acres will consist of the 18-hole Sienna Plantation Golf Course, clubhouse, water theme facility, swimming and tennis facilities, drainage and levee easements, street rights-of way, utility easements, open space, lakes, parks and greenbelts.

Development within Sienna Plantation to date has occurred primarily within the District, Sienna Plantation Municipal Utility District No. 2, Sienna Plantation Municipal Utility District No. 3, Sienna Plantation Municipal Utility District No. 12, Sienna Plantation Management District, Sienna Point (a 272 rural lot subdivision), and The Woods at Sienna (a 104 rural lot subdivision). Current development within Sienna Plantation includes (i) an aggregate of 6,021 single-family residential lots and an additional 237 single-family residential lots under development; (ii) 376 completed rural estate lots; (iii) a 2,400 square foot information center; (iv) an 18-hole golf course; (v) a water theme park and amphitheater; and (vi) three (3) elementary schools, one (1) middle school and

one (1) high school. As of June 1, 2012, home development within Sienna Plantation consisted of 5,557 completed single-family homes, 94 single-family homes under construction, an additional 255 rural estate homes (100 homes in The Woods of Sienna and 162 homes in Sienna Point), 2 rural estate homes under construction, 489 vacant developed lots, and 237 lots under development.

The District's tax is levied only on the property located within the District. Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the District, and the payment and collection of taxes levied thereon. Neither the faith and credit nor the taxing power of any of the Sienna Plantation municipal utility districts, other than the District, is pledged to the payment of any obligation of the District, including the Bonds. See "INVESTMENT CONSIDERATIONS." Development within the District is discussed in the section of this Official Statement entitled "DEVELOPMENT WITHIN THE DISTRICT."

### **Development Agreement**

SJ North and the other Sienna Plantation developers in Sienna Plantation have entered into the Sienna Plantation Joint Development Agreement with the City of Missouri City ("City") dated February 19, 1996, as amended by five amendments (the "Development Agreement"), which stipulate the City's regulatory authority over the development of Sienna Plantation, establishes certain restrictions and commitments related to the development of Sienna Plantation, sets forth detailed design and construction standards, stipulates a formula for determining the timing of annexations of land within Sienna Plantation by the City, and identifies and establishes a master plan for the development of Sienna Plantation. The development of all land within Sienna Plantation is governed by the provisions of the Development Agreement.

The Development Agreement limits the number of residential units within Sienna Plantation to 21,000 units, of which no more than 2,720 units may be multi-family units. In addition, there can be no more than 1,100 acres of commercial development within Sienna Plantation, and no more than an additional 300 acres of Rural Estate Lots (as defined in the Development Agreement) after the development of Sienna Point.

In the Development Agreement, the City agrees not to annex the property in the District before such time as (i) at least 95% of the developable acreage within the District has been developed with water, wastewater treatment and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. The City also agrees to provide regional wastewater treatment, fire and police protection to the residents in the District subject to the payment for such services by the District. See "THE SYSTEM - Wastewater Treatment, and - Fire Protection." The District is currently more than 95% developed and the Developer has been reimbursed to the maximum extent permitted by law.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken June, 2012)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken June, 2012)



**DISTRICT DEBT**

**Debt Service Requirement Schedule**

The following schedule sets forth the principal and estimated interest requirements for the Bonds and the principal and interest requirements for the Outstanding Bonds, assuming the Bonds bear an interest rate of 5.50%.

Year	Outstanding Debt Service	The Bonds		Total Debt Service Requirements
		Principal (Due April 1)	Interest	
2012	\$ 712,792			\$ 712,792
2013	2,369,399		\$ 428,633	2,798,032
2014	2,376,701	\$ 140,000	363,550	2,880,251
2015	2,392,646	145,000	355,713	2,893,359
2016	2,411,212	155,000	347,463	2,913,674
2017	2,431,253	165,000	338,663	2,934,915
2018	2,449,157	170,000	329,450	2,948,607
2019	2,469,968	180,000	319,825	2,969,793
2020	2,486,428	190,000	309,650	2,986,078
2021	2,504,475	205,000	298,788	3,008,263
2022	2,524,054	215,000	287,238	3,026,292
2023	2,548,633	225,000	275,138	3,048,770
2024	2,572,707	240,000	262,350	3,075,057
2025	2,586,318	250,000	248,875	3,085,193
2026	2,614,028	265,000	234,713	3,113,740
2027	2,635,039	280,000	219,725	3,134,764
2028	2,659,486	300,000	203,775	3,163,261
2029	2,676,448	315,000	186,863	3,178,310
2030	2,539,374	330,000	169,125	3,038,499
2031	1,483,513	350,000	150,425	1,983,938
2032	965,625	370,000	130,625	1,466,250
2033	568,875	390,000	109,725	1,068,600
2034	0	415,000	87,588	502,588
2035	0	435,000	64,213	499,213
2036	0	460,000	39,600	499,600
2037	0	490,000	13,475	503,475
Total	<u>\$48,978,129</u>	<u>\$6,680,000</u>	<u>\$5,775,183</u>	<u>\$61,433,312</u>

Average Annual Requirements - (2013-2037) ..... \$2,428,821  
 Maximum Annual Requirement - (2029) ..... \$3,178,310

**Selected Financial Information**

2011 Assessed Valuation .....	\$288,027,564 (a)
(100% of market value as of January 1, 2011)	
See "TAX DATA" and "TAXING PROCEDURES."	
2012 Preliminary Valuation .....	\$337,908,864 (b)
(100% of market value as of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation as of March 8, 2012.....	\$342,822,444 (c)
(100% of estimated market value as of March 8, 2012)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds .....	\$ 31,845,000
The Bonds.....	<u>6,680,000</u>
TOTAL .....	<u>\$ 38,525,000</u>
Estimated Overlapping Debt .....	<u>\$ 28,414,377 (d)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$ 66,939,377</u>
Debt Service Fund Balance (as of June 7, 2012).....	\$ 2,262,464 (e)
General Fund Balance (as of June 7, 2012).....	\$ 764,639
Capital Projects Fund Balance (as of June 7, 2012).....	\$ 36,449
Tax Rate per \$100 of Assessed Valuation	
The District (2011) .....	\$0.94 (f)
Sienna Plantation Levee	
Improvement District (2011).....	<u>0.49 (g)</u>
Total.....	\$1.43
Direct Debt Ratios:	
As a percentage of 2011 Assessed Valuation (\$288,027,564).....	13.38 %
As a percentage of 2012 Preliminary Valuation (\$337,908,864).....	11.40 %
As a percentage of Estimated Valuation as of March 8, 2012 (\$342,822,444) .....	11.24 %
Direct and Estimated Overlapping Debt Ratios:	
As of percentage of 2011 Assessed Valuation (\$288,027,564) .....	23.24 %
As a percentage of 2012 Preliminary Valuation (\$337,908,864).....	19.81 %
As a percentage of Estimated Valuation as of March 8, 2012 (\$342,822,444) .....	19.53 %

- 
- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District as the preliminary value as of January 1, 2012. Represents the preliminary determination of the taxable value in the District as of January 1, 2012. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value provided herein. See "TAXING PROCEDURES."
  - (c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2012 to March 8, 2012. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
  - (d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
  - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.

- (f) The TCEQ in its Staff Memorandum authorizing the District to issue the Bonds recommended the District to levy a debt service tax not less than \$0.75 per \$100 of Assessed Valuation. This recommendation was based upon the Bonds being sold at a maximum net effective interest rate of 5.69%. For the 2011 tax year, the Board of Directors levied a debt service tax rate of \$0.71 per \$100 of assessed valuation, \$0.15 per \$100 of assessed valuation for maintenance and operation purposes, and \$0.08 per \$100 of assessed valuation for contract tax purposes. See "TAX DATA - Tax Rate Calculations."
- (g) The District is located within the boundaries of SPLID, and is subject to taxation by SPLID. SPLID levied a debt service tax of \$0.31 per \$100 of Assessed Valuation for the 2011 tax year, plus a maintenance tax of \$0.18 per \$100 of assessed valuation. Thus, the combined tax rate of SPLID and the District is \$1.43 per \$100 of assessed valuation. See "TAX DATA - Estimated Overlapping Taxes" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments, and - District Tax Levy and Overlapping District Taxes and Functions."

### Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of May 31, 2012	Estimated Overlapping	
		Percent	Amount
Fort Bend County	\$ 487,365,000	0.72%	\$ 3,526,788
Fort Bend Independent School District	939,699,425	1.21	11,327,330
City of Missouri City	158,840,000	0.01	15,884
Sienna Plantation Levee Improvement District	84,955,000	15.94	<u>13,544,374</u>
Total Estimated Overlapping Debt			\$28,414,377
Direct Debt		100.00%	<u>38,525,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$66,939,377</u>

(a) Includes the Bonds.

### Debt Ratios

	% of 2011 Assessed Valuation	% of 2012 Preliminary Valuation	% of Estimated Valuation as of March 8, 2012
Direct Debt .....	13.38%	11.40%	11.24%
Direct and Estimated Overlapping Debt.....	23.24%	19.81%	19.53%

## TAXING PROCEDURES

### **Authority to Levy Taxes**

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

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

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. 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 of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. For the 2012 tax year, the District has granted a \$10,000 exemption for residents who are disabled or 65 and older.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect

taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30. See "TAX DATA - Exemptions."

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

## **Tax Abatement**

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, Fort Bend County has not designated any portion of the District as a reinvestment zone.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

### **Rollback of Operation and Maintenance Tax Rate**

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and

contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). For the 2011 tax year, the Board of Directors levied a debt service tax rate of \$0.71 per \$100 of assessed valuation, \$0.15 per \$100 of assessed valuation for maintenance and operation purposes, and \$0.08 per \$100 of assessed valuation for contract tax purposes.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 Assessed Valuation.
Contract:	Unlimited (no legal limit as to rate or amount).

### **Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On May 15, 2004, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

### **Contract Tax**

The District's obligation to pay its share of the costs of operating the Master District facilities is secured by the unlimited taxing power of the District. See "THE SYSTEM - Master District Contract."

## Exemptions

The District has adopted an exemption from ad valorem taxation of \$10,000 of the approved value of residence homestead of individuals who are disabled or are sixty-five (65) years of age or older. To date, the District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Portions of the land owned by the Developers are undeveloped and at some future date could be used for agricultural purposes. Under state law, the owner(s) of such land could be entitled to have such land valued on the basis of its agricultural productivity (qualified open-space land), which would be a small fraction of its fair market value. The Developers have waived, on behalf of themselves and their successors and assigns, any right to claim such valuation in future years. The waivers are binding for a period of 30 years.

## Additional Penalties

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

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2011 Assessed Valuation (\$288,027,564), 2012 Preliminary Valuation (\$337,908,864) or the Estimated Valuation as of March 8, 2012 (\$342,822,444). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirements (2013-2037).....	\$2,428,821
Tax Rate of \$0.89 on the 2011 Assessed Valuation produces .....	\$2,435,273
Tax Rate of \$0.76 on the 2012 Preliminary Valuation produces .....	\$2,439,702
Tax Rate of \$0.75 on the Estimated Valuation as of March 8, 2012 .....	\$2,442,610
Maximum Annual Debt Service Requirement (2029).....	\$3,178,310
Tax Rate of \$1.17 on the 2011 Assessed Valuation produces .....	\$3,201,426
Tax Rate of \$1.00 on the 2012 Preliminary Valuation produces .....	\$3,210,134
Tax Rate of \$0.98 on the Estimated Valuation as of March 8, 2012 .....	\$3,191,677

## Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. All the land located within the District lies within SPLID. The following chart includes the 2011 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2011 Tax Rate Per \$100 of A.V.</u>	
	<u>Outside</u>	<u>Within</u>
	<u>City of Missouri City</u>	<u>City of Missouri City(b)</u>
The District	\$0.94000(a)	\$0.94000(a)
Fort Bend County	0.49976	0.49976
Fort Bend Independent School District	1.34000	1.34000
City of Missouri City	--	0.52840
Houston Community College System	--	0.09722
Sienna Plantation Levee Improvement District of Fort Bend County, Texas	<u>0.49000</u>	<u>0.49000</u>
Total Tax Rate	<u>\$3.26976</u>	<u>\$3.89538</u>

(a) See "Tax Rate Distribution" below.

(b) 40 acres is located in the corporate limits of City of Missouri City. None of such land has been developed.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

#### Historical Tax Collections

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy (b)	% of Collections Current Year	Fiscal Year Ending	% of Collections as of 05/31/2012
2004	\$ 5,892,950	\$0.9000	\$ 53,037	100.00%	9/30/2005	100.00%
2005	11,059,203	0.9000	99,533	99.56%	9/30/2006	100.00%
2006	69,315,700	0.9000	623,841	97.28%	9/30/2007	100.00%
2007	125,985,278	0.9000	1,133,868	98.31%	9/30/2008	100.00%
2008	172,799,482	0.9400	1,624,315	98.83%	9/30/2009	100.00%
2009	211,411,058	0.9400	1,987,264	99.57%	9/30/2010	100.00%
2010	233,541,204	0.9400	2,195,287	99.77	9/30/2011	100.00%
2011	288,027,564	0.9400	2,707,459	98.85% (b)	9/30/2012	98.85%

(a) See "Tax Rate Distribution" below.

(b) As of May 31, 2012.

#### Tax Rate Distribution

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Service	\$0.71	\$0.73	\$0.73	\$0.75	\$0.71	\$0.80
Maintenance	0.15	0.21	0.21	0.19	0.19	0.10
Contract	<u>0.08</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>\$0.94</u>	<u>\$0.94</u>	<u>\$0.94</u>	<u>\$0.94</u>	<u>\$0.90</u>	<u>\$0.90</u>

## Assessed Valuation Summary

The following represents the type of property comprising the last five years of assessed valuation tax rolls:

Type of Property	2011 Assessed Valuation	2010 Assessed Valuation	2009 Assessed Valuation	2008 Assessed Valuation	2007 Assessed Valuation
Land	\$ 75,563,820	\$ 63,494,190	\$ 59,819,260	\$ 52,926,350	\$ 41,995,110
Improvements	214,056,670	171,297,330	152,452,700	120,320,560	83,716,517
Personal Property	2,431,590	2,061,280	2,048,300	1,933,360	1,490,340
Exemptions	<u>(4,034,516)</u>	<u>(3,040,300)</u>	<u>(2,909,202)</u>	<u>(2,380,788)</u>	<u>(1,216,689)</u>
Total	<u>\$288,027,564</u>	<u>\$233,812,500</u>	<u>\$211,411,058</u>	<u>\$172,799,482</u>	<u>\$125,985,278</u>

## Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2011 tax year.

Taxpayer	Type of Property	Assessed Valuation 2011 Tax Roll
Sienna/Johnson North, LP (a)	Land & Improvement	\$ 4,684,860
RH of Texas, Limited Partnership (a)	Land & Improvements	2,044,900
Pulte Homes of Texas LP	Land, Improvements and Personal Property	1,862,100
Centerpoint Energy Electric	Personal Property	822,490
Highland Homes - Houston Ltd	Land, Improvements and Personal Property	790,850
Homeowner	Land & Improvements	693,820
Homeowner	Land & Improvements	593,880
Homeowner	Land & Improvements	526,010
Deutsche Bank National Trust Company	Land & Improvements	491,280
Homeowner	Land & Improvements	<u>489,100</u>
Total		<u>\$12,999,290</u>
% of Respective Tax Roll		4.51%

(a) See "THE DEVELOPERS."

## THE SYSTEM

### General

The internal water distribution, wastewater collection and stormwater facilities are being provided by the District. Water supply, wastewater treatment and major trunk water lines, wastewater collection and storm sewer facilities are being provided by Sienna Plantation Municipal Utility District No. 1 ("Master District") through contractual agreement (the "Master District Contract"). All of such water, wastewater and stormwater facilities are referred to herein as the "System." The Master District was created by the Commission and, pursuant to the Master District Contract, has the responsibility to provide such facilities necessary to serve 9,700 acres (the "Service Area") including the District, Sienna Plantation Municipal Utility District Nos. 2, 3, 4, 5, 6, 7, 12, 13 and Sienna Plantation Management District (each a "Participant District"). Flood protection and certain stormwater drainage facilities are being provided by Sienna Plantation Levee Improvement District of Fort Bend County, Texas ("SPLID").

### Regulation

Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of several Federal, State and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the

TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Fort Bend County, and, in some instances, SPLID, the TCEQ and the U.S. Army Corps of Engineers. Missouri City and Fort Bend County also exercises regulatory jurisdiction over the District's System.

### **Master District Contract**

The District and the Master District have entered into the Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities (the "Master District Contract"). Each of the Participant Districts has already or will enter into an identical Master District Contract with the Master District. Under the Master District Contract, the Master District is obligated to provide the water supply, storm sewer collection, wastewater treatment facilities and regional water distribution and regional wastewater collection trunk lines necessary to serve the District and the other Participant Districts. To provide funds necessary to acquire the needed facilities the District and the other Participant Districts are required under the contract to pay connection charges to the Master District in amounts sufficient to enable the Master District to provide such services. The connection charge, which is subject to recalculation periodically, is determined by dividing the current estimated costs of all the aforementioned regional facilities to be constructed minus the payments which have previously been received for connections purchased, by the anticipated number of connections remaining to be purchased, within the Service Area. Between recalculation dates, the ENR Construction Cost Index may be applied as an escalator to the connection charge. In lieu of payment of connection charges, the District, with the approval of the Master District, may construct facilities for the Master District which after completion are conveyed to the Master District as a credit against connection charges. Currently, the connection charge to the District is \$8,320/per equivalent single-family connection ("ESFC").

The Master District bills the Participating Districts (including the District) on a monthly basis for amounts sufficient to pay the Master District's costs and expenses of operating and maintaining its regional facilities. The Master District is presently charging the District and the other Participating Districts \$38.00 per ESFC per month for both water and sewer services and \$0.25 per 1,000 gallons of usage to fund renewal and replacement of Master District facilities. The obligation of the District to make monthly payments to the Master District is secured by the taxing power of the District, and the obligation of each of the other Participant Districts to make monthly payments is secured by the taxing powers of each such district.

As of June 1, 2012, the District had 1,590 active non-irrigation ESFC.

### **Water Supply**

The Master District owns and operates Sienna Plantation Water Plant Nos. 1 & 2 ("Plant Nos. 1 & 2"), which currently consist of five (5) wells totaling 5,900 gallons per minute ("gpm"), a 379,000 gallon ground storage tank, a 805,000 gallon ground storage tank, a 512,000 gallon ground storage tank, a 608,000 gallon ground storage tank, one 30,000 gallon hydropneumatic tank, one 35,000 gallon hydropneumatic tank, three 20,000 gallon hydropneumatic tanks, two 10,000 gallon hydropneumatic tanks, 17,807 gpm of booster pump capacity, an auxiliary diesel-powered generator at each site, and related appurtenances. Currently, such plants are rated to serve 8,130 ESFCs. As of June 1, 2012, the Master District was serving approximately 6,478 active non-irrigation esfc.

The Master District entered into an interlocal agreement with the City of Missouri City on January 7, 2008, under this agreement, the Master District is entitled to all of the capacities and facilities necessary to support 1,000 ESFC from the City of Missouri City Mustang Bayou Plant. The interconnect between the City of Missouri City and the Master District system is complete. The Master District's existing water supply system with the interconnect is capable of serving 9,130 ESFC.

### **Wastewater Treatment**

The Master District owns and operates two wastewater treatment plants ("WWTP") to serve Sienna Plantation. Currently, Sienna Plantation is split into two interim wastewater regions, the North and Central Regions. The Master District currently operates a 1,200,000 gallons per day ("gpd") WWTP located in the Central region (WWTP #2) (sufficient to serve 4,800 ESFC), and a 902,000 gpd WWTP located in the North region (WWTP #3) (sufficient to serve 3,608 ESFC), assuming each ESFC utilizes 250 gpd of wastewater treatment capacity for

WWTP #2 and 250 gpd for WWTP #3. As of June 1, 2012, the Master District was serving 4,479 active ESFC in Sienna South and 1,889 ESFC in Sienna North. Portions of the District are located in both WWTP service areas.

### **Flood Protection and Drainage Facilities**

Approximately 9,832 of Sienna Plantation's approximate 10,500 acres are located within the SPLID. The system consists of two independent levee and outfall drainage networks, as well as flood plain reclamation (fill) sites for land within SPLID not protected by a levee.

Sienna South Levee and Drainage System – SPLID's initial Plan of Reclamation covered the approximately 6,465 acres of land known as Sienna South. The levee and related outfall structures and channels were completed in 1984.

According to SPLID's Engineer, as a result of the construction of the facilities financed by SPLID, all land located within Sienna South was removed from the 100-year flood plain of the Brazos River. Such area located within the District is now designated by the applicable Flood Hazard Boundary Map of the Federal Emergency Management Agency ("FEMA") as lying within a designated "Zone X," which designates an area protected from the 100-year flood event by a levee. As a result of SPLID's construction of the levee, internal detention and drainage systems, SPLID's Engineer has defined an "internal" 100-year flood plain. This flood plain is designated as below the lowest floor slab elevation for residential construction, as required by applicable federal regulations.

According to SPLID's Engineer, the existing levee and drainage outfall system is sufficient to provide flood plain reclamation, flood protection and outfall drainage necessary to serve the existing development within Sienna South, including the lots under development.

Sienna North Levee and Drainage System – SPLID's Amended Plan of Reclamation covers approximately 2,516-acres in Sienna North, which includes the District. The phase of the levee and related outfall structures and channels were completed in 2004.

According to SPLID's Engineer, as a result of the construction of the facilities financed by SPLID, the land located within Sienna North was removed from the 100-year flood plain of the Brazos River. Such area located within the District is now designated by the applicable Flood Hazard Boundary Map of the Federal Emergency Management Agency ("FEMA") as lying within a designated "Zone X," which designates an area protected from the 100-year flood event by a levee. As a result of SPLID's construction of the levee, internal detention and drainage systems, the SPLID's Engineer has defined an "internal" 100-year flood plain. This flood plain is designated as below the lowest floor slab elevation for residential construction, as required by applicable federal regulations.

According to SPLID's Engineer, the existing levee and drainage outfall system is sufficient to serve the existing development within Sienna North, including the lots under development.

The Sienna North Levee and Drainage System has experienced unanticipated infiltration during high water events. One source of the infiltration was the gates at the outfall structures, which according to SPLID's Engineer, has been corrected.

SPLID's Engineer suspects that a second source of infiltration is groundwater. The District has constructed two 100,000 gallon per minute ("GPM") pump stations to serve the Sienna North Levee System. According to SPLID's, these pumping facilities will be sufficient to handle the calculated infiltration.

### **100-Year Flood Plain**

As stated above, according to the District's Engineer, the entirety of Sienna South has been removed from the FEMA 100-year flood plain designation as a consequence of the construction of levee and drainage improvements financed by SPLID. Upon completion of the levee serving Sienna North and the issuance of a Letter of Map Revision by FEMA, approximately 2,400 acres in Sienna North were removed from the 100-year flood plain. The "100-year flood plain" is a hypothetical engineering and meteorological concept that defines a geographical area that would supposedly be flooded by a rain storm in intensity statistically having a one percent chance of occurring in any one year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local

regulatory requirements and to be eligible for federal flood insurance subsidies. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. If substantial or frequent flooding of homes were to occur in the District, the marketing of homes and the future growth of property values in the District could be adversely affected.

### **Fire Protection**

Pursuant to a contract between the District and the City, fire protection to residents of the District is provided by the Missouri City Fire Department from an 8,400 square foot fire station located on Sienna Parkway approximately 0.5 miles from the boundary of the District. The District pays the City a monthly fee for such services.

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Missouri City, Texas; or any political subdivision other than the District. The Bonds will be secured by a continuing, direct, annual ad valorem tax, levied without legal limitation as to rate or amount, levied against all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

### **Factors Affecting Taxable Values and Tax Payments**

***Economic Factors:*** The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as of June 1, 2012, the District contained 1,611 homes, including 77 homes under construction, the District cannot predict the pace or magnitude of future construction in the District. See "DEVELOPMENT WITHIN THE DISTRICT" and "THE DEVELOPERS."

***Recent Events in Real Estate Market:*** In the past 3 years, the construction loan and commercial mortgage markets in the United States have been under pressure due to many economic factors, including the tightening of credit standards, reduction of access to capital, and interest rate adjustments. Recently, the Harris and Fort Bend County area has experienced reduced levels of residential, commercial, retail and multi-family construction. The District cannot predict what impact, if any, a continued downturn in the national and local residential real estate market may have on the Harris and Fort Bend County area market and assessed values in the District.

***Location and Access:*** The District is located in an outlying area of the Houston metropolitan area, approximately 19 miles from the central business district of the City of Houston, 1 mile from a major toll road system and 8 miles from two major highways (U.S. Hwy 59 and Texas State Hwy 288). The Developers and homebuilders active within the District compete for the sale of developed lots and homes with numerous residential development projects located closer to major employment centers and closer to major freeways. In addition, many of the residential developments with which the District competes have lower overlapping taxes. As a result, particularly during times of increased competition, the Developers and homebuilders may find themselves at a competitive disadvantage to the developers and homebuilders in other residential projects located closer to major urban centers or with lower overlapping taxes. See "THE DISTRICT."

***Dependence on Construction of Future Improvements:*** The District is substantially undeveloped. Unless the District's tax base grows as a result of construction of housing and other taxable improvements, the District will be required to levy taxes at a rate (when combined within the tax rate levied by SPLID) substantially higher than customarily levied by other similar utility districts. The District's 2011 tax rate of \$0.94 per \$100 of assessed valuation, which, combined with the 2011 tax rate for SPLID produces a tax rate for comparison purposes of \$1.43 per \$100 of assessed valuation. At the present time, combined tax rates of such amount are uncommon among the majority of utility districts in the Houston metropolitan area, although many newly activated districts project combined tax rates in the range of \$1.25 to \$1.50 per \$100 of assessed valuation. Consequently, an increase in the combined tax rate of the District and SPLID to a higher level may have an adverse impact on future development in the District and on the District's ability to collect such tax. Assuming the 2012 Preliminary Valuation of \$337,908,864, a District tax rate of \$0.88 per \$100 of assessed valuation would be required to pay average annual debt service requirements on the Bonds. Assuming the Estimated Valuation as of March 8, 2012 of \$342,822,444, a District tax rate of \$0.74 per \$100 of assessed valuation would be required to pay average annual debt service requirements on the Bonds. In addition, SPLID currently has \$79,835,000 principal amount of bonds outstanding. In the event no development occurs within SPLID after such bonds are sold, the combined tax rates of the two overlapping districts would go significantly higher. See "TAX DATA - Tax Rate Calculations."

***Developers' Obligations to the District:*** There is no commitment by or legal requirement of the Developers, or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT WITHIN THE DISTRICT," "THE DEVELOPERS," and "HOMEBUILDERS ACTIVE WITHIN THE DISTRICT."

***Maximum Impact on District Tax Rates:*** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2011 Assessed Valuation of property located within the District (see "TAX DATA") is \$288,027,564, the 2012 Preliminary Valuation is \$337,908,864 and the Estimated Valuation as of March 8, 2012 is \$342,822,444. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$3,178,310 (2029) and the average annual debt service requirements will be \$2,428,821 (2013-2037, inclusive). Assuming no increase to nor decrease from the 2011 Assessed Valuation of \$288,027,564, tax rates of \$1.17 and \$0.89 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the annual debt service requirement, respectively. Assuming no increase to nor decrease from the 2012 Preliminary Valuation of \$337,908,864, tax rates of \$1.00 and \$0.76 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Valuation as of March 8, 2012 of \$342,822,444, tax rates of \$0.98 and \$0.75 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

***Flooding Due to Levee Breach or Overtopping:*** The SPLID's levee and drainage system have been designed and constructed to all current standards. See "THE SYSTEM." However, the system does not protect against all flooding scenarios. There are two instances in which flooding could occur in the SPLID: 1) an overtopping of the levee, or 2) a failure (or breach) of the levee system.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event. The 100-year event elevation for the Brazos River adjacent to the SPLID's levee, ranges from 58.72 feet above mean sea level to 66.40 feet above mean sea level. According to the SPLID's engineer, overtopping of the Sienna Levee system may occur from storm events with a recurrence interval of less than 0.2% based on the effective FEMA models for the Brazos River in Fort Bend County.

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

### **District Tax Levy and Overlapping District Taxes and Functions**

The entirety of the District is located within Sienna Plantation Levee Improvement District of Fort Bend County, Texas ("SPLID"), a levee improvement district that covers approximately 9,832 acres of land. SPLID has constructed certain improvements to remove land within SPLID from the flood plain and to accommodate storm water drainage within SPLID, including the District. As of the date of this Official Statement, SPLID has \$84,955,000 principal amount of bonds outstanding. The principal of and interest on SPLID bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property located within SPLID, including the District but not the area in the City of Missouri City Tax Increment Reinvestment Zone No. 3 (the "TIRZ"). SPLID levied a debt service tax of \$0.31 per \$100 of Assessed Valuation for 2011, plus a maintenance tax of \$0.18 per \$100 of Assessed Valuation, for a total 2011 tax of \$0.49 per \$100 of Assessed Valuation. Since SPLID's debt is payable from an unlimited tax, the full and timely payment of such tax by the owners of property located within SPLID will directly affect SPLID's ability to meet its debt obligations. Furthermore, the absence of continued development and growth of taxable values in SPLID or other factors could result in increases in SPLID's tax rate.

The combined tax rates of the District and SPLID (anticipated to total \$1.43 per \$100 valuation) is higher than the tax levy of many municipal utility districts in the Houston metropolitan area.

In the event that SPLID's debt service tax rate of \$0.31 per \$100 of Assessed Valuation, plus its maintenance tax of \$0.18 per \$100 of assessed valuation, prove to be insufficient to enable SPLID to meet debt service requirements on its indebtedness and/or its maintenance and operating requirements, SPLID would be required to increase its tax rate to a level sufficient to meet such requirements. SPLID's 2011 Assessed Valuation is \$1,806,608,537 and the 2012 Preliminary Valuation is \$1,884,421,877.

As described in this Official Statement under the caption "SIENNA PLANTATION," the development and construction activity completed within Sienna Plantation includes the development of approximately 6,021 single-family residential lots, the development of 272 rural estate lots in Sienna Point, the development of 104 rural estate lots in The Woods, and the construction of more than 5,916 homes of which 100 homes are under construction, plus certain amenities and commercial improvements. Such development and construction activity, together with development and construction activity anticipated to occur within Sienna Plantation in the future, are expected to contribute to increases in Sienna Plantation's assessed valuation. The District cannot guarantee whether any of the land development projects which are planned for or are underway in the District will be successful or whether the assessed valuation of the land located within the District will increase sufficiently to justify continued payment of the District tax by property owners. Increases in the District's tax rate so that the combined tax rate between the District and Sienna Plantation Levee Improvement District rises above \$1.43 per \$100 valuation would have an adverse impact upon future development within the District and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As discussed in this Official Statement under the caption "THE SYSTEM - Master District Contract," on May 24, 2007, the District executed a Contract for Financing Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities (the "Master District Contract") with Sienna Plantation Municipal Utility District No. 1 (the "Master District"), which requires the Master District to supply water to the District and provide wastewater treatment service to the District. The Master District Contract defines the means by which the District's pro rata share and the pro rata share of all other Sienna Plantation MUDs, which are parties to the Master District Contract

(collectively defined in the Master District Contract as the "Participant Districts"), of the cost of such service will be determined. The Master District Contract obligates the District to pay such pro rata share in the form of monthly charges per connection and one-time connection charges for each equivalent single-family connection from the proceeds of ad valorem taxes levied for such purpose or from any other lawful source of District income.

The tax rate that may be required to service debt on any bonds issued by the District or SPLID is subject to numerous uncertainties such as the growth of taxable values within such district, the impact of any payments to the TIRZ by SPLID, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates.

There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Sienna Plantation MUDs, including the District, will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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.

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

## **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS".

## **Bond Insurance Risk Factors**

*The Issuer has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Issuer has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.*

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the Issuer or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## **Future Debt**

After the issuance of the Bonds, the District will have \$82,140,000 authorized but unissued bonds for waterworks, sanitary sewer and drainage facilities, \$8,700,000 for park and recreational facilities and \$73,800,000 authorized but unissued bonds for refunding purposes (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developers approximately \$14,350,000 for the expenditures to construct water, sanitary sewer and drainage facilities to serve the developed land within the District and approximately \$2,150,000 for expenditures to construct park and recreational facilities. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

## **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Developers will be continued or completed. The respective competitive positions of the Developers and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

## **Continuing Compliance with Certain Covenants**

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

## **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

## **Environmental Regulation**

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

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

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

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

In order to comply with the EPA’s standards for the HGB area, the Commission has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. These additional controls could have a negative impact on the HGB area’s economic growth and development.

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

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

Operations of utility districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007 and expires August 12, 2012; TCEQ is currently revising and renewing that permit). The TCEQ and/or EPA are expected to issue a much more stringent stormwater discharge permit in the near future. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff.

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

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax

purposes under existing law, and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS (except for information under the subheading "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "THE SYSTEM - Master District Contract," "SIENNA PLANTATION – Joint Development Agreement," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the Commission approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

#### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

#### **No Material Adverse Change**

The obligations of the 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 subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

### **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) the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, 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 Resolution or if the foregoing representations should be determined to be

inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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.

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

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

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

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

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

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

The foregoing is based on the assumptions that (a) the 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.

### **Qualified Tax-Exempt Obligations**

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

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities subordinate to the District during calendar year 2012 is not expected to exceed \$10,000,000 and that the District and entities subordinate to the District have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2012.

Notwithstanding this exception, financial institutions acquiring the bonds will be subject to a 20% disallowance of allocable interest expense.

## CONTINUING DISCLOSURE OF INFORMATION

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

### Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "Appendix B" (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 2012. The District will provide the updated information to EMMA.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX B (Financial Statements of the District). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after July 31, 2012. Any information 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 is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

### Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

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

## **Compliance With Prior Undertakings**

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

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developers, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT - Description" and "DEVELOPMENT WITHIN THE DISTRICT," has been provided by LJA and that engineering information included in the section entitled "THE SYSTEM," as related to "Water Supply" and "Wastewater Treatment," has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

#### **Certification as to Official Statement**

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

#### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, 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 in writing 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

#### **Official Statement "Deemed Final"**

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

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

## CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Sienna Plantation Municipal Utility District No. 10 as of the date shown on the first page hereof.

/s/ Douglas S. Earle  
President, Board of Directors  
Sienna Plantation Municipal Utility District No. 10

ATTEST:

/s/ Mary Berna  
Secretary, Board of Directors  
Sienna Plantation Municipal Utility District No. 10



AERIAL PHOTOGRAPH OF THE DISTRICT



**APPENDIX B  
FINANCIAL STATEMENTS OF THE DISTRICT**

**SIENNA PLANTATION MUNICIPAL  
UTILITY DISTRICT NO. 10**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**July 31, 2011**

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# McGrath & Co., PLLC

Certified Public Accountants

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## Independent Auditors' Report

Board of Directors

Sienna Plantation Municipal Utility District No. 10

Fort Bend County, Texas


We have audited the accompanying financial statements of the governmental activities and each major fund of Sienna Plantation Municipal Utility District No. 10, as of and for the year ended July 31, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Sienna Plantation Municipal Utility District No. 10's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sienna Plantation Municipal Utility District No. 10, as of July 31, 2011, 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.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Houston, Texas  
November 8, 2011

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

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***Sienna Plantation Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2011***

**Using this Annual Report**

Within this section of the financial report of Sienna Plantation Municipal Utility District No. 10 (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 July 31, 2011. 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 Assets and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. 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 Assets* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Assets* includes all of the assets and liabilities of the District, with the difference reported as net assets. Over time, changes in net assets may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The *Statement of Activities* reports how the District's net assets have changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

*Sienna Plantation Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2011*

**Fund Financial Statements**

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

In the government-wide statements, the difference between assets and liabilities is called net assets. The District's net assets at July 31, 2011, were negative \$6,202,116.

Net assets are categorized based on their availability to provide financial resources for the District. Net assets that are "Invested in capital assets, net of related debt" represent the District's investments in capital assets, less any debt used to acquire those assets that is still outstanding. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. "Restricted" net assets represent amounts that are restricted for future debt service requirements. "Unrestricted" net assets represent amounts available to meet the District's future obligations.

A comparative summary of the District's overall financial position, as of July 31, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 5,888,706	\$ 5,107,337
Capital assets	<u>35,287,780</u>	<u>26,386,513</u>
Total assets	<u>41,176,486</u>	<u>31,493,850</u>
Current liabilities	1,515,656	3,893,012
Long-term liabilities	<u>45,862,946</u>	<u>32,409,633</u>
Total liabilities	<u>47,378,602</u>	<u>36,302,645</u>
Net assets:		
Invested in capital assets, net of related debt	(8,545,623)	(7,196,375)
Restricted	2,243,545	2,306,026
Unrestricted	<u>99,962</u>	<u>81,554</u>
Total net assets	<u>\$ (6,202,116)</u>	<u>\$ (4,808,795)</u>

**Sienna Plantation Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2011**

**Financial Analysis of the District as a Whole (continued)**

The total net assets of the District decreased by \$1,393,321. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2011</u>	<u>2010</u>
Revenues		
Property taxes, penalties and interest	\$ 2,244,625	\$ 2,037,471
Water and sewer	1,085,412	938,255
Other revenues	<u>725,000</u>	<u>459,792</u>
Total revenues	<u>4,055,037</u>	<u>3,435,518</u>
Expenses		
Current service operations	2,146,324	1,795,975
Interest and fiscal agent fees	1,891,000	1,688,059
Debt issuance costs	170,309	54,862
Intergovernmental	266,063	113,318
Depreciation and amortization	<u>974,662</u>	<u>952,484</u>
Total expenses	<u>5,448,358</u>	<u>4,604,698</u>
Change in net assets	(1,393,321)	(1,169,180)
Net assets, beginning of year	<u>(4,808,795)</u>	<u>(3,639,615)</u>
Net assets, end of year	<u><u>\$ (6,202,116)</u></u>	<u><u>\$ (4,808,795)</u></u>

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

The District's combined fund balances, as of July 31, 2011, were \$3,716,262. The following is a summary of changes in fund balances for the prior two fiscal years:

	<u>2011</u>	<u>Increase (Decrease)</u>	<u>2010</u>	<u>Increase</u>	<u>2009</u>
General Fund	\$ 579,209	\$ (8,975)	\$ 588,184	\$ 88,333	\$ 499,851
Debt Service Fund	2,615,456	(77,297)	2,692,753	595,712	2,097,041
Capital Projects Fund	<u>521,597</u>	<u>183,790</u>	<u>337,807</u>	<u>70,555</u>	<u>267,252</u>
	<u><u>\$ 3,716,262</u></u>	<u><u>\$ 97,518</u></u>	<u><u>\$ 3,618,744</u></u>	<u><u>\$ 754,600</u></u>	<u><u>\$ 2,864,144</u></u>

Fund balance in the Debt Service Fund decreased as a result of debt service requirements exceeding property tax revenues. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the debt service fund to ensure that the District will be able to meet its future debt service requirements. Fund balance in the Capital Projects Fund increased primarily due to proceeds received from the sale of bonds.

**Sienna Plantation Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2011**

**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 revenues and 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 \$9,900 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at July 31, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Capital assets not being depreciated:		
Land and improvements	\$ 2,978,053	\$ 2,061,307
Capital assets being depreciated/amortized:		
Infrastructure	21,567,872	18,544,266
Impact fees	15,283,322	9,442,682
Subtotal	<u>36,851,194</u>	<u>27,986,948</u>
Less accumulated depreciation/amortization:		
Infrastructure	(1,929,657)	(1,445,917)
Impact fees	(2,611,810)	(2,215,825)
Subtotal	<u>(4,541,467)</u>	<u>(3,661,742)</u>
Depreciable capital assets, net	<u>32,309,727</u>	<u>24,325,206</u>
Capital assets, net	<u>\$ 35,287,780</u>	<u>\$ 26,386,513</u>

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

- Village of Anderson Springs, Sections 10B, 11B, 12B, 13B, 14, 16, 17A, 17B and 18A – water, sewer and drainage
- Village of Anderson Springs, Section 15 Drainage Channel and Amenity Lake, Phase 2
- Village of Anderson Springs Drainage Channel/Amenity Lake B
- Sanitary lead to serve multi-family site
- Sienna Ranch Road North, Phase 1 – planting and irrigation
- Sienna Ranch Road – Sienna Springs Blvd. intersection/sidewalks
- Sienna-Anderson Springs Lake “B” planting and irrigation

The District also paid connection fees to Sienna Plantation Municipal Utility District No. 1, which are recorded as impact fees.

***Sienna Plantation Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2011***

**Capital Assets (continued)**

As discussed in Note 7, the District has contractual commitments in the amount of \$1,284,835 for construction of water, sewer, drainage facilities and sidewalks. The District will owe its developers for these projects upon completion of construction.

**Long-Term Debt**

At July 31, 2011 and 2010, the District had total bonded debt outstanding as shown below:

Series	2011	2010
Series 2005	\$ 1,795,000	\$ 1,850,000
Series 2006	4,360,000	4,490,000
Series 2007	3,700,000	3,805,000
Series 2008	4,610,000	4,745,000
Series 2009	6,145,000	6,300,000
Series 2010	4,835,000	
Series 2011	7,310,000	
	<u>\$ 32,755,000</u>	<u>\$ 21,190,000</u>

During the year, the District issued its Series 2010 Bonds in the amount of \$4,960,000 and its Series 2011 Bonds in the amount of \$7,310,000. At July 31, 2011, the District had \$88,820,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$8,700,000 for parks and recreational facilities and \$73,800,000 for refunding purposes.

During the year, the District repaid a \$2,742,000 bond anticipation note (BAN) with proceeds from the Series 2010 bonds, and issued a \$6,180,000 BAN, which was repaid from the Series 2011 bonds to provide short term financing for developer reimbursements. See Note 6 for additional information.

**Next Year's Budget and Property Taxes**

**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 water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2011 Actual	2012 Budget
Total revenues	\$ 2,292,017	\$ 2,265,688
Total expenditures	<u>(2,300,992)</u>	<u>(2,265,688)</u>
Net change in fund balance	(8,975)	
Beginning fund balance	588,184	579,209
Ending fund balance	<u>\$ 579,209</u>	<u>\$ 579,209</u>

*Sienna Plantation Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2011*

**Next Year's Budget and Property Taxes (continued)**

**Property Taxes**

The District's property tax base increased approximately \$54,277,000 for the 2011 tax year from \$233,522,680 to \$287,799,364. This increase was primarily due to new construction in the District. For the 2011 tax year, the District has levied a maintenance tax rate of \$0.15 per \$100 of assessed value, a debt service tax rate of \$0.71 per \$100 of assessed value and a contract tax rate of \$0.08 per \$100 of assessed value, for a total combined tax rate of \$0.94. Current year tax rates were \$0.21 for maintenance and operations and \$0.73 for debt service.

## **Basic Financial Statements**

*Sienna Plantation Municipal Utility District No. 10*  
*Statement of Net Assets and Governmental Funds Balance Sheet*  
*July 31, 2011*

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash	\$195,762	\$ 978,320	\$ 109,511	\$1,283,593
Investments	121,031	1,638,509	471,556	2,231,096
Taxes receivable	3,816	16,322		20,138
Customer service receivables, net	222,746			222,746
Internal balances	53,763	(1,643)	(52,120)	
Due from developer	31,962			31,962
Other receivables	6,842	270		7,112
Master District reserves	196,753			196,753
Deferred bond issuance costs, net				
Capital assets not being depreciated				
Capital assets, net				
<b>Total Assets</b>	<u>\$832,675</u>	<u>\$2,631,778</u>	<u>\$ 528,947</u>	<u>\$3,993,400</u>
<b>Liabilities</b>				
Accounts payable	\$115,736	\$	\$ 7,350	\$ 123,086
Due to other governments	89,912			89,912
Deferred revenues	43,393	16,322		59,715
Customer deposits	4,425			4,425
Accrued interest payable				
Due to developers				
Long-term bonded debt:				
Due within one year				
Due after one year				
<b>Total Liabilities</b>	<u>253,466</u>	<u>16,322</u>	<u>7,350</u>	<u>277,138</u>
<b>Fund Balances/Net Assets</b>				
<b>Fund Balances:</b>				
Nonspendable	196,753			196,753
Restricted		2,615,456	521,597	3,137,053
Unassigned	382,456			382,456
<b>Total Fund Balances</b>	<u>579,209</u>	<u>2,615,456</u>	<u>521,597</u>	<u>3,716,262</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$832,675</u>	<u>\$2,631,778</u>	<u>\$ 528,947</u>	<u>\$3,993,400</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt				
Restricted for debt service				
Unrestricted				
<b>Total Net Assets</b>				

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$	\$ 1,283,593
	2,231,096
	20,138
	222,746
	31,962
	7,112
	196,753
1,895,306	1,895,306
2,978,053	2,978,053
<u>32,309,727</u>	<u>32,309,727</u>
<u>37,183,086</u>	<u>41,176,486</u>
	123,086
	89,912
(52,100)	7,615
	4,425
380,618	380,618
14,899,319	14,899,319
910,000	910,000
<u>30,963,627</u>	<u>30,963,627</u>
<u>47,101,464</u>	<u>47,378,602</u>
(196,753)	
(3,137,053)	
<u>(382,456)</u>	
<u>(3,716,262)</u>	
(8,545,623)	(8,545,623)
2,243,545	2,243,545
99,962	99,962
<u>\$(6,202,116)</u>	<u>\$(6,202,116)</u>

*Sienna Plantation Municipal Utility District No. 10*  
*Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended July 31, 2011*

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Water service	\$ 421,545	\$	\$	\$ 421,545
Sewer service	659,403			659,403
Fire service	133,982			133,982
Property taxes	491,799	1,707,908		2,199,707
Penalties and interest	31,634	22,842		54,476
Tap connection and inspection	247,786			247,786
Surface water	292,715			292,715
Accrued interest on bonds at date of sale		16,776		16,776
Miscellaneous	12,643			12,643
Investment earnings	510	9,230	636	10,376
<b>Total Revenues</b>	<b>2,292,017</b>	<b>1,756,756</b>	<b>636</b>	<b>4,049,409</b>
<b>Expenditures/Expenses:</b>				
<b>Current service operations</b>				
Purchased services	694,188			694,188
Professional fees	125,187		68,518	193,705
Contracted services	632,306	38,607		670,913
Repairs and maintenance	171,538			171,538
Utilities	2,391			2,391
Surface water conversion	312,764			312,764
Administrative	70,250	4,270		74,520
Other	26,305			26,305
<b>Capital outlay</b>			7,264,837	7,264,837
<b>Debt service</b>				
Principal		705,000		705,000
Interest and agent fiscal fees		1,086,176	797,425	1,883,601
Debt issuance costs			872,254	872,254
<b>Intergovernmental</b>				
Master District lease	213,350			213,350
Master District renewal and replacement fund	52,713			52,713
<b>Depreciation and amortization</b>				
<b>Total Expenditures/Expenses</b>	<b>2,300,992</b>	<b>1,834,053</b>	<b>9,003,034</b>	<b>13,138,079</b>
Deficiency of revenues under expenditures/expenses	(8,975)	(77,297)	(9,002,398)	(9,088,670)
<b>Other Financing Sources/Uses:</b>				
Proceeds from sale of bonds			12,270,000	12,270,000
Bond discount			(341,812)	(341,812)
Proceeds from bond anticipation note			6,180,000	6,180,000
Repayment of bond anticipation notes			(8,922,000)	(8,922,000)
Net change in fund balances	(8,975)	(77,297)	183,790	97,518
Change in net assets				
<b>Fund Balance/Net Assets:</b>				
<b>Beginning of the year</b>	<b>588,184</b>	<b>2,692,753</b>	<b>337,807</b>	<b>3,618,744</b>
<b>End of the year</b>	<b>\$ 579,209</b>	<b>\$ 2,615,456</b>	<b>\$ 521,597</b>	<b>\$ 3,716,262</b>

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 4,464	\$ 426,009
	659,403
	133,982
(7,057)	2,192,650
(2,501)	51,975
	247,786
27,498	320,213
(16,776)	12,643
	10,376
5,628	4,055,037
	694,188
	193,705
	670,913
	171,538
	2,391
	312,764
	74,520
	26,305
(7,264,837)	
(705,000)	
7,399	1,891,000
(701,945)	170,309
	213,350
	52,713
974,662	974,662
(7,689,721)	5,448,358
7,695,349	(1,393,321)
(12,270,000)	
341,812	
(6,180,000)	
8,922,000	
(97,518)	(1,393,321)
(1,393,321)	(1,393,321)
(8,427,539)	(4,808,795)
\$ (9,918,378)	\$ (6,202,116)

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***Sienna Plantation Municipal Utility District No. 10***  
***Notes to Basic Financial Statements***  
***July 31, 2011***

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

The accounting policies of Sienna Plantation Municipal Utility District No. 10 (the “District”) conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated September 26, 2002, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 24, 2004, and the first bonds were sold on August 23, 2005.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. 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 Assets* and the *Statement of Activities*.

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 has three governmental funds types, which are all reported as major funds.

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

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred revenues because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

**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 July 31, 2011, an allowance of \$5,000 was provided for possible uncollectible water/sewer accounts.

**Unbilled Services Receivable**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

*Sienna Plantation Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2011*

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

**Interfund Activity**

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

**Capital Assets**

Capital assets, which primarily consist of land; impact fees; and water, wastewater and drainage facilities 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 or amortized using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years
Impact Fees	Max 40 years

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

**Fund Balances – Governmental Funds**

During the current fiscal year, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Types*, which requires the classification of fund balances in governmental funds using the following hierarchy:

*Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balances consist of amounts paid to Sienna Plantation Municipal District No. 1 as contractual operating and contingency reserves for the regional water and sewer facilities.

*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’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

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

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

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

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

*Unassigned* - all other spendable amounts in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. 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 value of unbilled utility revenues and receivables; the useful lives and impairment of tangible and intangible assets; the value of amounts due to developer; and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Sienna Plantation Municipal Utility District No. 10**  
**Notes to Basic Financial Statements**  
**July 31, 2011**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 3,716,262
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 39,829,247	
Less accumulated depreciation/amortization	<u>(4,541,467)</u>	
Change due to capital assets		35,287,780
<p>Bond issuance costs are recorded as expenditures in the funds, but are deferred and amortized in the government wide statements.</p>		
Historical cost	2,156,122	
Less accumulated amortization	<u>(260,816)</u>	
Change due to bond issue costs		1,895,306
<p>Certain accounts receivables have been billed and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds. The difference consists of:</p>		
Property taxes receivable	17,073	
Penalties and interest receivable	3,065	
Due from developer	<u>31,962</u>	
		52,100
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:</p>		
Bonds payable, net	(31,873,627)	
Interest payable on debt	<u>(380,618)</u>	
Change due to long-term debt		(32,254,245)
<p>Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Assets</i>.</p>		
		(14,899,319)
Total net assets - governmental activities		<u><u>\$ (6,202,116)</u></u>

**Sienna Plantation Municipal Utility District No. 10**  
**Notes to Basic Financial Statements**  
**July 31, 2011**

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the *Statement of Activities***

Net change in fund balances - total governmental funds \$ 97,518

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference consists of:

Water service	\$	4,464	
Property taxes		(7,057)	
Penalties and interest		(2,501)	
Surface water		27,498	
		22,404	22,404

Capital outlays for developer reimbursements are reported as expenditures in the funds; however in the government wide statements, these amounts reduce the liability for due to developer. 1,424,197

Capital outlays for District funded assets are expenditures in the funds, but are additions to capital assets in the government-side statements. 5,840,640

In the *Statement of Activities*, capital assets are depreciated or amortized over their estimated useful lives as depreciation/amortization expense. (879,725)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Also governmental funds report issuance costs and discounts when the related debt is first issued, whereas these amounts are deferred and amortized in the *Statement of Activities*.

Issuance of long term debt		(12,270,000)	
Bond discount		341,812	
Proceeds from bond anticipation note		(6,180,000)	
Repayment of bond anticipation note		8,922,000	
Issuance costs of long term debt		701,945	
Principal payments		705,000	
Amortization of bond issuance costs		(94,937)	
Interest expense accrual on debt		(24,175)	
		(7,898,355)	(7,898,355)

Change in net assets of governmental activities \$ (1,393,321)

*Sienna Plantation Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2011*

**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, (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.

As of July 31, 2011, the District’s investments consist of the following:

<u>Fund</u>	<u>Type</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
General	TexPool	\$ 121,031	AAAm	81 days
Debt Service	TexPool	1,638,509	AAAm	81 days
Capital Projects	TexPool	471,556	AAAm	81 days
Total		<u>\$ 2,231,096</u>		

*Sienna Plantation Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2011*

**Note 3 – Deposits and Investments (continued)**

**TexPool**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares.

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

**Note 4 – Amounts Due to/from Other Funds**

Amounts due to/from other funds at July 31, 2011, include the following:

	<b>Interfund</b>	
	<u><b>Receivable</b></u>	<u><b>Payable</b></u>
General Fund	\$ 53,763	\$
Debt Service Fund		1,643
Capital Projects Fund		52,120
	<u>\$ 53,763</u>	<u>\$ 53,763</u>

Amounts reported as due to/from between funds are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

**Sienna Plantation Municipal Utility District No. 10**  
**Notes to Basic Financial Statements**  
**July 31, 2011**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2011, follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets not being depreciated:			
Land and improvements	\$ 2,061,307	\$ 916,746	\$ 2,978,053
Capital assets being depreciated/amortized:			
Infrastructure	18,544,266	3,023,606	21,567,872
Impact fees	9,442,682	5,840,640	15,283,322
	<u>27,986,948</u>	<u>8,864,246</u>	<u>36,851,194</u>
Less accumulated depreciation/amortization:			
Infrastructure	(1,445,917)	(483,740)	(1,929,657)
Impact fees	(2,215,825)	(395,985)	(2,611,810)
	<u>(3,661,742)</u>	<u>(879,725)</u>	<u>(4,541,467)</u>
Depreciable capital assets, net	<u>24,325,206</u>	<u>7,984,521</u>	<u>32,309,727</u>
Capital assets, net	<u>\$ 26,386,513</u>	<u>\$ 8,901,267</u>	<u>\$ 35,287,780</u>

Depreciation expense for the current year was \$879,725.

**Note 6 – Bond Anticipation Note**

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

At the beginning of the current year, the District had BANs outstanding in the amount of \$2,742,000 (BAN 1). On October 12, 2010, the District paid BAN 1 through the issuance of its Series 2010 Unlimited Tax Bonds.

On October 28, 2010, the District issued a \$6,180,000 (BAN 2) to provide short term financing for reimbursing its developers for the construction of capital assets within the District. This BAN carries interest at 2.54% and was due on October 27, 2011. On July 13, 2011, the District paid BAN 2 through the issuance of its Series 2011 unlimited tax bonds.

The effects of these transactions on the District's short term obligations are as follows:

Beginning balance	\$ 2,742,000
Amounts borrowed	6,180,000
Amounts repaid	(8,922,000)
Ending balance	<u>\$ -</u>

**Sienna Plantation Municipal Utility District No. 10**  
**Notes to Basic Financial Statements**  
**July 31, 2011**

**Note 7 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer and drainage 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.

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

Due to developers, beginning of year	\$ 12,383,164
Developer reimbursements	(1,424,197)
New developer funded construction	<u>3,940,352</u>
Due to developers, end of year	<u><u>\$ 14,899,319</u></u>

In addition, the District will owe the developers approximately \$1,284,835, 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>
Sienna Ranch Road North, Phase 3 sidewalks Lift Station No. 27	\$ 20,480 330,531	\$ 18,432	\$ 2,048 330,531
Water, sewer and drainage facilities to serve Village of Anderson Springs, Section 15A	675,313	147,788	527,525
Water, sewer and drainage facilities to serve Village of Anderson Springs, Section 19	258,511	182,706	75,806
	<u><u>\$ 1,284,835</u></u>	<u><u>\$ 348,926</u></u>	<u><u>\$ 935,910</u></u>

**Note 8 - Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 32,755,000
Unamortized discounts	(881,373)
	<u><u>\$ 31,873,627</u></u>
Due within one year	<u><u>\$ 910,000</u></u>

**Sienna Plantation Municipal Utility District No. 10**  
**Notes to Basic Financial Statements**  
**July 31, 2011**

**Note 8 - Long-Term Debt (continued)**

The District's bonds payable at July 31, 2011, consists of unlimited tax bonds as follows:

<u>Series</u>	<u>Amounts Outstanding</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date, Serially, Beginning/ Ending</u>	<u>Interest Payment Dates</u>	<u>Call Dates</u>
2005	\$ 1,795,000	\$ 1,900,000	4.50% - 5.50%	October 1, 2010/2029	April 1, October 1	April 1, 2014
2006	4,360,000	4,840,000	4.15% - 6.50%	April 1, 2008/2030	April 1, October 1	April 1, 2014
2007	3,700,000	4,000,000	4.00% - 6.50%	April 1, 2009/2030	April 1, October 1	April 1, 2015
2008	4,610,000	4,870,000	4.25% - 6.20%	April 1, 2010/2030	April 1, October 1	April 1, 2016
2009	6,145,000	6,300,000	4.00% - 5.25%	April 1, 2011/2031	April 1, October 1	April 1, 2017
2010	4,835,000	4,960,000	2.50% - 5.00%	April 1, 2011/2032	April 1, October 1	April 1, 2018
2011	7,310,000	7,310,000	3.00% - 5.00%	April 1, 2012/2033	April 1, October 1	April 1, 2019
	<u>\$ 32,755,000</u>	<u>\$ 34,180,000</u>				

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

At July 31, 2011, the District had authorized but unissued bonds in the amount of \$88,820,000 for water, sewer and drainage facilities; \$8,700,000 for park and recreational facilities; and \$73,800,000 for refunding purposes.

On October 12, 2010, the District issued its \$4,960,000 Series 2010 Unlimited Tax Bonds at a net effective interest rate of 4.683759% to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to pay off a \$2,742,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On July 13, 2011, the District issued its \$7,310,000 Series 2011 Unlimited Tax Bonds at a net effective interest rate of 4.883084% to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to pay off a \$6,180,000 BAN issued during the current fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

*Sienna Plantation Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2011*

**Note 8 - Long-Term Debt (continued)**

The Changes in the District's long term debt during the year are as follows:

Bonds payable, beginning of year	\$ 21,190,000
Bonds issued	12,270,000
Bonds retired	(705,000)
Bonds payable, end of year	<u>\$ 32,755,000</u>

As of July 31, 2011, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 910,000	\$ 1,387,063	\$ 2,297,063
2013	965,000	1,425,585	2,390,585
2014	1,015,000	1,383,214	2,398,214
2015	1,075,000	1,340,189	2,415,189
2016	1,140,000	1,295,104	2,435,104
2017	1,210,000	1,247,321	2,457,321
2018	1,280,000	1,195,186	2,475,186
2019	1,355,000	1,143,129	2,498,129
2020	1,430,000	1,086,807	2,516,807
2021	1,510,000	1,026,050	2,536,050
2022	1,595,000	962,900	2,557,900
2023	1,690,000	895,210	2,585,210
2024	1,790,000	764,057	2,554,057
2025	1,885,000	743,357	2,628,357
2026	2,000,000	659,279	2,659,279
2027	2,115,000	568,777	2,683,777
2028	2,240,000	471,302	2,711,302
2029	2,365,000	367,671	2,732,671
2030	2,340,000	255,224	2,595,224
2031	1,375,000	143,525	1,518,525
2032	915,000	73,500	988,500
2033	555,000	27,742	582,742
	<u>\$ 32,755,000</u>	<u>\$ 18,462,192</u>	<u>\$ 51,217,192</u>

**Note 9 – Property Taxes**

On May 15, 2004, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

**Sienna Plantation Municipal Utility District No. 10**  
**Notes to Basic Financial Statements**  
**July 31, 2011**

**Note 9 – Property Taxes (continued)**

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2011 fiscal year was financed through the 2010 tax levy. The 2010 tax levy consists of property taxes rates of \$0.94 per \$100 of assessed value, of which \$0.21 was allocated to maintenance and operations and \$0.73 was allocated to debt service. The resulting tax levy was \$2,195,113 on the adjusted taxable value of \$233,522,680.

Net property taxes receivable, at July 31, 2011, consisted of the following:

Current year taxes receivable	\$ 14,661
Prior years taxes receivable	2,412
	<u>17,073</u>
Penalty and interest receivable	3,065
Net property taxes receivable	<u><u>\$ 20,138</u></u>

**Note 10 – Contracts with Sienna Plantation Municipal Utility District No. 1**

The District, together with each conservation and reclamation district located within Sienna Plantation, has contracted with Sienna Plantation Municipal Utility District No. 1 (the “Master District”) to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drainage services, fire protection and other services and facilities permitted by law for the entire Sienna Plantation development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- The District’s prorated share of the Master District’s capital cost (connection charges),
- Monthly connection charges in an amount sufficient to meet the District’s prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities by customers in the District,
- Monthly charges for the Master District’s renewal and replacement fund, which was established by the Master District to provide funding to repair and replace aging Master District facilities, and
- The District’s prorated share of the Master District’s monthly wastewater treatment plant lease payments

During the period ended July 31, 2011, the District incurred charges for these fees as follows:

- \$5,840,640 for Master District connection charges for capital costs
- \$694,188 for purchased services for monthly operational and maintenance costs
- \$52,713 for renewal and replacement charges
- \$213,350 for the District’s pro-rata share of wastewater treatment plant leases

The contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District may adjust the reserve as needed, not less than annually. At July 31, 2011, the District has paid \$151,907 to the Master District for the operating reserve and \$44,846 for an extraordinary contingency reserve.

**Note 10 – Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)**

**Master District Debt**

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. As of July 31, 2011, the Master District has not issued any bonds.

**Wastewater Treatment Services Contract**

Regional wastewater treatment services will be provided to each district within Sienna Plantation by the Master District pursuant to the First Amendment and Restated Wastewater Treatment Services Contract (the “Wastewater Agreement”) between the Master District and the City of Missouri City. Pursuant to the Wastewater Agreement, the Master District will own and operate one or more temporary wastewater treatment plants to serve development within Sienna Plantation until such time as it has been determined that a permanent wastewater treatment plant is required. The Master District is responsible for the ultimate design and construction of the permanent wastewater treatment plant, with the costs of such facility allocated among the participating districts on a pro-rata basis. The Master District agrees to obtain City approval prior to the design and construction of the permanent wastewater treatment plant and to ensure proper compliance with the City’s regionalization scheme.

**Note 11 – Strategic Partnership Agreement**

The District has entered into a Strategic Partnership Agreement (the “Agreement”) with the City of Missouri City (the “City”) dated April 22, 2004, which stipulates the City’s regulatory authority over the District and stipulates a formula for determining the time of annexation of land within the District by the City and identifies and establishes a master plan for the development of the District. In the Agreement, the City agrees not to annex the property in the District before such time as (i) as least 90% of the developable acreage within the District has been developed with water, wastewater treatment and drainage facilities; and (ii) the Developer has been reimbursed for the maximum extent permitted by the rules of the Texas Control on Environmental Quality or the City assumes any obligation for such reimbursement.

**Note 12 – 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.

**Required Supplementary Information**

*Sienna Plantation Municipal Utility District No. 10  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended July 31, 2011*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Water service	\$ 301,800	\$ 301,800	\$ 421,545	\$ 119,745
Sewer service	653,122	653,122	659,403	6,281
Fire service	124,593	124,594	133,982	9,388
Property taxes	480,000	475,000	491,799	16,799
Penalties and interest	24,000	24,000	31,634	7,634
Tap connection and inspection	33,660	36,960	247,786	210,826
Surface water	217,157	217,157	292,715	75,558
Miscellaneous	3,900	600	12,643	12,043
Investment earnings	600	600	510	(90)
<b>Total Revenues</b>	<u>1,838,832</u>	<u>1,833,833</u>	<u>2,292,017</u>	<u>458,184</u>
<b>Expenditures:</b>				
<b>Current service operations:</b>				
Purchased services	612,786	612,786	694,188	(81,402)
Professional fees	112,700	112,700	125,187	(12,487)
Contracted services	442,021	442,021	632,306	(190,285)
Repairs and maintenance	142,732	98,340	171,538	(73,198)
Utilities	6,240	6,240	2,391	3,849
Surface water conversion	221,589	221,589	312,764	(91,175)
Administrative	77,375	80,804	70,250	10,554
Other	10,327	10,327	26,305	(15,978)
<b>Intergovernmental</b>				
Master District lease	212,132	212,132	213,350	(1,218)
Master District renewal and replacement fund		35,969	52,713	(16,744)
<b>Total Expenditures</b>	<u>1,837,902</u>	<u>1,832,908</u>	<u>2,300,992</u>	<u>(468,084)</u>
Net change in fund balance	930	925	(8,975)	(9,900)
<b>Fund Balance:</b>				
<b>Beginning of the year</b>	<u>588,184</u>	<u>588,184</u>	<u>588,184</u>	
<b>End of the year</b>	<u>\$ 589,114</u>	<u>\$ 589,109</u>	<u>\$ 579,209</u>	<u>\$ (9,900)</u>

*Sienna Plantation Municipal Utility District No. 10*  
*Notes to Required Supplementary Information*  
*July 31, 2011*

**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 primarily to include expenditures for the District's pro-rata share to the Master District Renewal and Replacement Fund.

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## **Texas Supplementary Information**

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Sienna Plantation Municipal Utility District No. 10  
 TSI-1. Services and Rates  
 July 31, 2011

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

- |  |   |   |  |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water            | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater       | <input type="checkbox"/> Flood Control                    | <input type="checkbox"/> Irrigation          |
| <input checked="" type="checkbox"/> Parks / Recreation   | <input checked="" type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads                            | <input type="checkbox"/> Security            |
| <input checked="" 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

(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:	\$ 22.10	10,000	N	\$ 2.00	10,001 to 20,000
				\$ 2.50	20,001 to no limit
Wastewater:	\$ 44.97	N/A	Y		

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 22.10 Wastewater \$ 44.97

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"	1,273	1,257	x 1.0	1,257
1"	189	189	x 2.5	473
1.5"	8	8	x 5.0	40
2"	29	29	x 8.0	232
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,500	1,484		2,027
Total Wastewater	1,433	1,417	x 1.0	1,417

See accompanying auditor's report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-1. Services and Rates*  
*July 31, 2011*

**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 purchased:	<u>207,802,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>207,802,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</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 Missouri City

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

ETJs in which the District is located: City of Missouri City

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10  
 TSI-2 General Fund Expenditures  
 For the Year Ended July 31, 2011*

<b>Purchased services</b>		<u>\$ 694,188</u>
<b>Professional fees</b>		
Legal		77,177
Audit		10,700
Engineering		<u>37,310</u>
		<u>125,187</u>
<b>Contracted services</b>		
Bookkeeping		18,688
Operator		40,230
Garbage collection		249,897
Tap connection and inspection		184,834
Fire service		<u>138,657</u>
		<u>632,306</u>
<b>Repairs and maintenance</b>		<u>171,538</u>
<b>Utilities</b>		<u>2,391</u>
<b>Surface water conversion</b>		<u>312,764</u>
<b>Administrative</b>		
Directors' fees		13,950
Printing and office supplies		21,740
Insurance		10,589
Other		<u>23,971</u>
		<u>70,250</u>
<b>Other</b>		<u>26,305</u>
<b>Intergovernmental</b>		
Master District lease		213,350
Master District renewal and replacement fund		<u>52,713</u>
		<u>266,063</u>
<b>Total expenditures</b>		<u><u>\$ 2,300,992</u></u>

**Reporting on Utility Services in Accordance with HB 3693:**

	<u>Usage</u>	<u>Cost</u>
Electrical	12,536 kWh	\$ 2,391
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-3. Investments*  
*July 31, 2011*

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
<b>General Fund</b>				
TexPool	499/7888900001	Variable	N/A	\$ 121,031
<b>Debt Service Fund</b>				
TexPool	499/7888900003	Variable	N/A	1,638,509
<b>Capital Projects Fund</b>				
TexPool	449/7888900002	Variable	N/A	<u>471,556</u>
<b>Total - All Funds</b>				<u><u>\$ 2,231,096</u></u>

See accompanying auditors' report.

**Sienna Plantation Municipal Utility District No. 10**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2011**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>	<b>Totals</b>	
Taxes Receivable, Beginning of Year	\$ 5,260	\$ 18,879	\$ 24,139	
Adjustments	(347)	150	(197)	
Adjusted Receivable	4,913	19,029	23,942	
2010 Original Tax Levy	464,093	1,613,276	2,077,369	
Adjustments	26,304	91,440	117,744	
Adjusted Tax Levy	490,397	1,704,716	2,195,113	
Total to be accounted for	495,310	1,723,745	2,219,055	
Tax collections:				
Current year	487,122	1,693,330	2,180,452	
Prior years	4,378	17,152	21,530	
Total Collections	491,500	1,710,482	2,201,982	
Taxes Receivable, End of Year	\$ 3,810	\$ 13,263	\$ 17,073	
Taxes Receivable, By Years				
2010	\$ 3,275	\$ 11,386	\$ 14,661	
2009	535	1,877	2,412	
Taxes Receivable, End of Year	\$ 3,810	\$ 13,263	\$ 17,073	
	2010	2009	2008	2007
Property Valuations:				
Land	\$ 63,452,390	\$ 59,819,260	\$ 52,926,350	\$ 41,995,110
Improvements	171,560,150	152,452,700	120,320,560	83,716,517
Personal Property	2,048,050	2,048,300	1,933,360	1,487,340
Exemptions	(3,537,910)	(2,909,202)	(2,380,788)	(1,216,689)
Total Property Valuations	\$ 233,522,680	\$ 211,411,058	\$ 172,799,482	\$ 125,982,278
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.21	\$ 0.21	\$ 0.19	\$ 0.10
Debt service tax rates	0.73	0.73	0.75	0.80
	\$ 0.94	\$ 0.94	\$ 0.94	\$ 0.90
Adjusted Tax Levy:	\$ 2,195,113	\$ 1,987,264	\$ 1,624,315	\$ 1,133,841
Percentage of Taxes Collected to Taxes Levied **	99.33%	99.88%	100.00%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on May 15, 2004

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

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2005--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 60,000	\$ 80,909	\$ 140,909
2013	60,000	77,609	137,609
2014	65,000	74,309	139,309
2015	70,000	71,059	141,059
2016	70,000	68,119	138,119
2017	80,000	65,179	145,179
2018	85,000	61,819	146,819
2019	90,000	58,100	148,100
2020	95,000	54,163	149,163
2021	100,000	50,006	150,006
2022	105,000	45,631	150,631
2023	110,000	41,038	151,038
2024	115,000	36,225	151,225
2025	125,000	31,050	156,050
2026	130,000	25,425	155,425
2027	135,000	19,575	154,575
2028	145,000	13,500	158,500
2029	155,000	6,975	161,975
	<u>\$ 1,795,000</u>	<u>\$ 880,691</u>	<u>\$ 2,675,691</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2006--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 135,000	\$ 197,248	\$ 332,248
2013	145,000	190,498	335,498
2014	150,000	183,465	333,465
2015	160,000	177,240	337,240
2016	170,000	170,520	340,520
2017	180,000	163,295	343,295
2018	190,000	155,555	345,555
2019	200,000	147,385	347,385
2020	210,000	138,585	348,585
2021	220,000	129,345	349,345
2022	230,000	119,445	349,445
2023	245,000	109,095	354,095
2024	260,000	39,947	299,947
2025	270,000	86,117	356,117
2026	285,000	73,697	358,697
2027	300,000	60,587	360,587
2028	320,000	46,712	366,712
2029	335,000	31,912	366,912
2030	355,000	16,419	371,419
	<u>\$ 4,360,000</u>	<u>\$ 2,237,067</u>	<u>\$ 6,597,067</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2007--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 115,000	\$ 167,625	\$ 282,625
2013	120,000	160,150	280,150
2014	125,000	152,350	277,350
2015	135,000	144,225	279,225
2016	140,000	135,450	275,450
2017	150,000	126,350	276,350
2018	160,000	116,600	276,600
2019	165,000	110,200	275,200
2020	175,000	103,600	278,600
2021	185,000	96,600	281,600
2022	195,000	89,200	284,200
2023	210,000	81,400	291,400
2024	220,000	73,000	293,000
2025	230,000	64,200	294,200
2026	245,000	55,000	300,000
2027	260,000	45,200	305,200
2028	275,000	34,800	309,800
2029	290,000	23,800	313,800
2030	305,000	12,200	317,200
	<u>\$ 3,700,000</u>	<u>\$ 1,791,950</u>	<u>\$ 5,491,950</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2008--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 140,000	\$ 221,153	\$ 361,153
2013	150,000	212,753	362,753
2014	160,000	204,315	364,315
2015	165,000	195,515	360,515
2016	175,000	186,440	361,440
2017	185,000	176,990	361,990
2018	195,000	166,815	361,815
2019	210,000	156,090	366,090
2020	220,000	144,540	364,540
2021	230,000	132,440	362,440
2022	245,000	122,665	367,665
2023	260,000	112,253	372,253
2024	275,000	101,203	376,203
2025	290,000	89,515	379,515
2026	305,000	76,900	381,900
2027	325,000	63,633	388,633
2028	340,000	49,170	389,170
2029	360,000	34,040	394,040
2030	380,000	17,480	397,480
	<u>\$ 4,610,000</u>	<u>\$ 2,463,910</u>	<u>\$ 7,073,910</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2009--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 165,000	\$ 282,381	\$ 447,381
2013	175,000	275,781	450,781
2014	185,000	268,781	453,781
2015	195,000	261,381	456,381
2016	210,000	253,581	463,581
2017	220,000	245,181	465,181
2018	235,000	236,381	471,381
2019	250,000	226,981	476,981
2020	265,000	216,981	481,981
2021	280,000	206,050	486,050
2022	300,000	194,150	494,150
2023	315,000	181,025	496,025
2024	335,000	166,850	501,850
2025	355,000	151,356	506,356
2026	380,000	134,494	514,494
2027	405,000	116,444	521,444
2028	430,000	96,194	526,194
2029	455,000	74,694	529,694
2030	480,000	51,375	531,375
2031	510,000	26,775	536,775
	<u>\$ 6,145,000</u>	<u>\$ 3,666,836</u>	<u>\$ 9,811,836</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2010--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 120,000	\$ 199,856	\$ 319,856
2013	130,000	196,856	326,856
2014	135,000	193,606	328,606
2015	145,000	190,231	335,231
2016	155,000	186,606	341,606
2017	165,000	182,538	347,538
2018	170,000	177,588	347,588
2019	180,000	172,275	352,275
2020	195,000	166,200	361,200
2021	205,000	159,131	364,131
2022	215,000	150,931	365,931
2023	230,000	142,331	372,331
2024	245,000	132,844	377,844
2025	255,000	122,431	377,431
2026	275,000	111,275	386,275
2027	290,000	98,900	388,900
2028	305,000	85,488	390,488
2029	325,000	71,000	396,000
2030	345,000	54,750	399,750
2031	365,000	37,500	402,500
2032	385,000	19,250	404,250
	<u>\$ 4,835,000</u>	<u>\$ 2,851,587</u>	<u>\$ 7,686,587</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2011--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 175,000	\$ 237,891	\$ 412,891
2013	185,000	311,938	496,938
2014	195,000	306,388	501,388
2015	205,000	300,538	505,538
2016	220,000	294,388	514,388
2017	230,000	287,788	517,788
2018	245,000	280,428	525,428
2019	260,000	272,098	532,098
2020	270,000	262,738	532,738
2021	290,000	252,478	542,478
2022	305,000	240,878	545,878
2023	320,000	228,068	548,068
2024	340,000	213,988	553,988
2025	360,000	198,688	558,688
2026	380,000	182,488	562,488
2027	400,000	164,438	564,438
2028	425,000	145,438	570,438
2029	445,000	125,250	570,250
2030	475,000	103,000	578,000
2031	500,000	79,250	579,250
2032	530,000	54,250	584,250
2033	555,000	27,742	582,742
	<u>\$ 7,310,000</u>	<u>\$ 4,570,151</u>	<u>\$ 11,880,151</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2011*

Due During Fiscal Years Ending	Principal Due April 1,	Interest Due October 1, April 1,	Total
2012	\$ 910,000	\$ 1,387,063	\$ 2,297,063
2013	965,000	1,425,585	2,390,585
2014	1,015,000	1,383,214	2,398,214
2015	1,075,000	1,340,189	2,415,189
2016	1,140,000	1,295,104	2,435,104
2017	1,210,000	1,247,321	2,457,321
2018	1,280,000	1,195,186	2,475,186
2019	1,355,000	1,143,129	2,498,129
2020	1,430,000	1,086,807	2,516,807
2021	1,510,000	1,026,050	2,536,050
2022	1,595,000	962,900	2,557,900
2023	1,690,000	895,210	2,585,210
2024	1,790,000	764,057	2,554,057
2025	1,885,000	743,357	2,628,357
2026	2,000,000	659,279	2,659,279
2027	2,115,000	568,777	2,683,777
2028	2,240,000	471,302	2,711,302
2029	2,365,000	367,671	2,732,671
2030	2,340,000	255,224	2,595,224
2031	1,375,000	143,525	1,518,525
2032	915,000	73,500	988,500
2033	555,000	27,742	582,742
	<u>\$ 32,755,000</u>	<u>\$ 18,462,192</u>	<u>\$ 51,217,192</u>

See accompanying auditors' report.

**Sienna Plantation Municipal Utility District No. 10**  
**TSI-6. Change in Long-Term Bonded Debt**  
**July 31, 2011**

	<b>Bond Issue</b>			
	<b>Series 2005</b>	<b>Series 2006</b>	<b>Series 2007</b>	<b>Series 2008</b>
Interest rate	4.50% - 5.50%	4.15% - 6.5%	4.00% - 6.50%	4.25% - 6.2%
Dates interest payable	04/01 & 10/01	04/01 & 10/01	04/01 & 10/01	04/01 & 10/01
Maturity dates	4/1/06 to 4/1/29	4/1/08 to 4/1/30	4/1/09 to 4/1/30	4/1/10 to 4/1/30
Beginning bonds outstanding	\$ 1,850,000	\$ 4,490,000	\$ 3,805,000	\$ 4,745,000
Bonds issued				
Bonds retired	<u>(55,000)</u>	<u>(130,000)</u>	<u>(105,000)</u>	<u>(135,000)</u>
Ending bonds outstanding	<u>\$ 1,795,000</u>	<u>\$ 4,360,000</u>	<u>\$ 3,700,000</u>	<u>\$ 4,610,000</u>
Interest paid during fiscal year	<u>\$ 83,934</u>	<u>\$ 205,698</u>	<u>\$ 174,450</u>	<u>\$ 229,523</u>
Paying agent's name and city	<u>Wells Fargo Bank, N.A., Houston, Texas</u>			
	Water, Sewer and Drainage Bonds	Park Bonds	Refunding Bonds	
Bond Authority:				
Amount Authorized by Voters	\$ 123,000,000	\$ 8,700,000	\$ 73,800,000	
Amount Issued	<u>(34,180,000)</u>			
Remaining To Be Issued	<u>\$ 88,820,000</u>	<u>\$ 8,700,000</u>	<u>\$ 73,800,000</u>	

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

Debt Service Fund cash and temporary investments balances as of July 31, 2011:	<u>\$ 2,616,829</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,328,054</u>

See accompanying auditors' report.

<b>Bond Issue</b>			
<b>Series 2009</b>	<b>Series 2010</b>	<b>Series 2011</b>	<b>Totals</b>
4.00% - 5.25%	2.50% - 5.00%	3.00% - 5.00%	
04/01 & 10/01	04/01 & 10/01	04/01 & 10/01	
4/1/11 to 4/1/31	4/1/11 to 4/1/32	4/1/12 to 4/1/33	
\$ 6,300,000	\$	\$	\$ 21,190,000
	4,960,000	7,310,000	12,270,000
<u>(155,000)</u>	<u>(125,000)</u>		<u>(705,000)</u>
<u>\$ 6,145,000</u>	<u>\$ 4,835,000</u>	<u>\$ 7,310,000</u>	<u>\$ 32,755,000</u>
<u>\$ 288,581</u>	<u>\$ 101,491</u>	<u>\$</u>	<u>\$ 1,083,676</u>

*Sienna Plantation Municipal Utility District No. 10*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*

*For the Last Five Fiscal Years*

	<b>Amounts</b>				
	2011	2010	2009	2008	2007
<b>Revenues:</b>					
Water service	\$ 421,545	\$ 326,609	\$ 301,255	\$ 207,851	\$ 172,737
Sewer service	659,403	611,646	494,619	400,616	301,411
Fire service	133,982	52,629	98,672	79,239	60,191
Property taxes	491,799	445,363	329,344	234,401	67,506
Penalties and interest	31,634	25,132	31,280	20,350	19,945
Tap connection and inspection	247,786	211,781	153,797	213,431	247,707
Surface water	292,715	162,675	98,057	38,607	14,210
Miscellaneous	12,643	14,596	10,656	10,756	14,635
Investment earnings	510	695	2,014	3,509	1,860
<b>Total Revenues</b>	<b>2,292,017</b>	<b>1,851,126</b>	<b>1,519,694</b>	<b>1,208,760</b>	<b>900,202</b>
<b>Expenditures:</b>					
<b>Current service operations</b>					
Purchased services	694,188	596,181	529,060	416,440	324,640
Professional fees	125,187	103,602	114,547	98,091	95,649
Contracted services	632,306	535,038	447,948	426,245	393,452
Repairs and maintenance	171,538	227,832	96,616	38,336	240,837
Utilities	2,391	2,049	461	205	
Surface water conversion	312,764	170,189	116,769	46,909	18,091
Administrative	70,250	59,942	62,286	53,096	43,732
Other	26,305	20,929	19,567	14,380	14,639
<b>Intergovernmental</b>					
Master District lease	213,350	18,413			
Master District renewal and replacement fund	52,713				
<b>Total Expenditures</b>	<b>2,300,992</b>	<b>1,715,762</b>	<b>1,387,254</b>	<b>1,093,702</b>	<b>1,131,040</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (8,975)</u>	<u>\$ 135,364</u>	<u>\$ 132,440</u>	<u>\$ 115,058</u>	<u>\$ (230,838)</u>

\* Percentage is negligible

See accompanying auditors' report.

**Percent of Fund Total Revenues**

2011	2010	2009	2008	2007
18%	18%	20%	17%	19%
29%	33%	33%	33%	33%
6%	3%	6%	7%	7%
21%	24%	22%	19%	7%
1%	1%	2%	2%	2%
11%	11%	10%	18%	28%
13%	9%	6%	3%	2%
1%	1%	1%	1%	2%
*	*	*	*	*
100%	100%	100%	100%	100%
30%	32%	35%	34%	36%
5%	6%	8%	8%	11%
28%	29%	29%	35%	44%
7%	12%	6%	3%	27%
*	*	*	*	
14%	9%	8%	4%	2%
3%	3%	4%	4%	5%
1%	1%	1%	1%	2%
9%	1%			
2%				
99%	93%	91%	89%	127%
1%	7%	9%	11%	-27%

**Sienna Plantation Municipal Utility District No. 10**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

	<b>Amounts</b>				
	2011	2010	2009	2008	2007
<b>Revenues:</b>					
Property taxes	\$ 1,707,908	\$ 1,555,856	\$ 1,295,204	\$ 890,314	\$ 540,052
Penalties and interest	22,842	24,362	25,669	19,133	7,487
Accrued interest on bonds at date of sale	16,776	15,232	7,250	9,356	
Miscellaneous		25		25	
Investment earnings	9,230	16,629	18,697	33,734	26,718
<b>Total Revenues</b>	<b>1,756,756</b>	<b>1,612,104</b>	<b>1,346,820</b>	<b>952,562</b>	<b>574,257</b>
<b>Expenditures:</b>					
Tax collection services	42,877	39,954	40,597	22,556	15,769
Other				2,358	1,783
Debt service - Principal	705,000	400,000	210,000	110,000	
Interest and fiscal agent fees	1,086,176	865,019	654,288	394,350	239,982
<b>Total Expenditures</b>	<b>1,834,053</b>	<b>1,304,973</b>	<b>904,885</b>	<b>529,264</b>	<b>257,534</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>\$ (77,297)</b>	<b>\$ 307,131</b>	<b>\$ 441,935</b>	<b>\$ 423,298</b>	<b>\$ 316,723</b>
Total Active Retail Water Connections	1,484	1,283	1,101	954	768
Total Active Retail Wastewater Connections	1,417	1,222	1,053	920	766

\* Percentage is negligible

See accompanying auditors' report.

**Percent of Fund Total Revenues**

2011	2010	2009	2008	2007
97%	97%	96%	93%	94%
1%	2%	2%	2%	1%
1%	1%	1%	1%	
	*		*	
1%	1%	1%	4%	5%
100%	100%	100%	100%	100%
2%	2%	3%	2%	3%
			*	*
40%	25%	16%	12%	
62%	54%	49%	41%	42%
104%	81%	68%	55%	45%
-4%	19%	32%	45%	55%

**Sienna Plantation Municipal Utility District No. 10**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**July 31, 2011**

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): May 11, 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
<b>Board Members:</b>				
Douglas S. Earle	5/08 to 5/12	\$ 2,550	\$ 1,582	President
Ralph J. Lojo	5/08 to 5/12	4,350	1,803	Vice President
Kelly Shipley	5/10 to 5/14	2,100	216	Assistant Vice President
Mary Z. Berna	5/08 to 5/12	2,850	2,123	Secretary
Nikki-Jean Owen	5/10 to 5/14	2,100	364	Assistant Secretary
<b>Consultants:</b>				
		Amounts Paid		
Allen Boone Humphries Robinson LLP	02/04	\$ 500,408		Attorney
Southwest Water Company	03/04	500,458		Operator
McLennan & Associates LP	04/04	27,471		Bookkeeper
Tax Tech, Inc.	02/04	26,996		Tax Collector
Fort Bend Central Appraisal District	Legislation	11,518		Property Valuation
Perdue Brandon Fielder Collins & Mott LLP	03/05	4,893		Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	02/04	96,104		Engineer
McGrath & Co., PLLC	Annual	21,650		Auditor
RBC Capital Markets	02/04	314,603		Financial Advisor

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

See accompanying auditors' report.