

**DRAFT**  
**10/05/09**

**FIRST COLONY MUNICIPAL  
UTILITY DISTRICT NO. 10**  
(A Political Subdivision Located in Fort Bend County, Texas)

**OFFICIAL NOTICE OF SALE AND  
PRELIMINARY OFFICIAL STATEMENT**  
**DATED: October 14, 2009**

**\$4,280,000**  
**UNLIMITED TAX BONDS**  
**SERIES 2009**

**BIDS TO BE SUBMITTED: 10:30 A.M., Houston, Texas Time**  
**Tuesday, November 3, 2009**

**BIDS TO BE PRESENTED: 12:00 Noon, Houston, Texas Time**  
**Tuesday, November 3, 2009**



Financial Advisor

**RBC Capital Markets®**

This OFFICIAL NOTICE OF SALE does not alone constitute an invitation for bids on the Bonds but is merely notice of sale of the Bonds described herein. The invitation for bids is being made by means of this OFFICIAL NOTICE OF SALE, the PRELIMINARY OFFICIAL STATEMENT and the OFFICIAL BID FORM attached hereto. Information contained in this OFFICIAL NOTICE OF SALE is qualified in its entirety by the detailed information contained in the PRELIMINARY OFFICIAL STATEMENT.

**OFFICIAL NOTICE OF SALE**

**\$4,280,000**

**FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 10**

**(A Political Subdivision of the State of Texas  
Located in Fort Bend County, Texas)**

**UNLIMITED TAX BONDS, SERIES 2009**

**Bids to be Submitted: 10:30 A.M., Houston, Texas Time  
Bids to be Opened: 12:00 Noon, Houston, Texas Time  
Tuesday, November 3, 2009**

The Bonds are obligations solely of First Colony Municipal Utility District No. 10 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any entity other than the District.

THE DISTRICT WILL DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS (See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Qualified Tax-Exempt Obligations" herein).

**THE SALE**

**Bonds Offered for Sale at Competitive Bidding . . .** First Colony Municipal Utility District No. 10 (the "District") is offering for sale \$4,280,000 Unlimited Tax Bonds, Series 2009 (the "Bonds").

**Time and Place of Bid Opening . . .** The District will receive and publicly read bids for the purchase of the Bonds at the designated meeting place outside the boundaries of the District, at the Offices of Roberts Markel, 2277 Plaza Drive, Suite 290, Sugar Land, Texas 77479 at 12:00 Noon, Houston, Texas Time, Tuesday, November 3, 2009. The Board of Directors of the District will formally award the sale of the Bonds at its meeting.

**Electronic Bidding Procedure . . .** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 10:30 A.M., Houston, Texas Time, on Tuesday, November 3, 2009, SIGNED Official Bid Forms, in duplicate, to Duncan L. Lamme, RBC Capital Markets, 1001 Fannin, Suite 1200, Houston, Texas 77002. Subscription to the i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Electronic bids must be received via PARITY in the manner described below, until 10:30 A.M., Houston, Texas Time, on Tuesday, November 3, 2009.

Electronically bids must be submitted via PARITY in accordance with this Official Notice of Sale, until 10:30 A.M., Houston, Texas Time, but no bid will be received after the time for receiving bids specified above. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed bid form delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from i-Deal, 395 Hudson Street, New York, New York 10014, (212) 806-8304.

For purposes of both the written bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net effective interest rate to the District, as described under “CONDITIONS OF THE SALE - Basis of Award” below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

**Bids by Telephone or Facsimile . . .** Bidders must submit, prior to 10:30 A.M., Houston, Texas Time, on Tuesday, November 3, 2009, duplicate SIGNED Official Bid Forms to Duncan L. Lamme, RBC Capital Markets, 1001 Fannin, Suite 1200, Houston, Texas 77002 and submit their bid by telephone or facsimile (fax) on the date of sale by 10:30 A.M., Houston, Texas Time.

A representative of RBC Capital Markets will call telephone bidders who have submitted SIGNED Official Bid Forms prior to the date of the sale. Fax bids must be received by 10:30 A.M., Houston, Texas Time, on the date of the sale. Contact Duncan L. Lamme of RBC Capital Markets on the day of the sale to obtain the fax phone numbers.

**RBC Capital Markets will not be responsible for the submission of any bids received after the above deadlines. RBC Capital Markets assumes no responsibility or liability with respect to any irregularities associated with the submission of any bids.**

**Award and Sale of the Bonds . . .** The District will take action to adopt a resolution (the “Bond Resolution”) authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly after the opening of bids. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

**Award of Bonds . . .** The Bonds will be sold in one block on an “all or none” basis. The District will take action to award the Bonds or reject all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder, the District will also adopt the resolution authorizing issuance of the Bonds (the “Bond Resolution”). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution to which Bond Resolution reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.

## THE BONDS

**Description of Bonds . . .** The Bonds will be dated November 1, 2009, and interest on the Bonds will be payable March 1, 2010, and semiannually thereafter on each September 1 and March 1 until maturity or earlier redemption. The Bonds will be delivered to the Initial Purchaser as one Bond for each maturity, in fully registered form, and may be exchanged for Bonds in the denomination of \$5,000 or any integral multiple thereof. Principal and semiannual interest will be paid by Wells Fargo Bank, N.A., the paying agent/registrar (the “Registrar”) at its corporate trust office in Houston, Texas. Principal and redemption price of the Bonds will be payable to the registered owners (“Registered Owners”) at maturity or earlier redemption upon presentation and surrender to the Registrar. 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. The Bonds mature serially on September 1 in the years and amounts shown below.

2011	\$ 90,000	2022	\$200,000
2012	95,000	2023	215,000
2013	105,000	2024	230,000
2014	110,000	2025	250,000
2015	120,000	2026	265,000
2016	130,000	2027	285,000
2017	140,000	2028	310,000
2018	150,000	2029	330,000
2019	160,000	2030	355,000
2020	175,000	2031	380,000
2021	185,000		

**Serial Bonds and/or Term Bonds:** Bidders have the option of specifying that the principal amount of the Bonds payable in any two or more consecutive years may, in lieu of maturing in each of such years, be combined into one or more term bonds. Term bonds may be used for any of the maturities in the years 2020 through 2031, both inclusive.

In the event that bidders choose to specify one or more term bonds, such term bonds will be subject to mandatory redemption by the District prior to their scheduled maturities on September 1 in the years and in the amounts set forth in the maturity schedule of the serial bonds. The term bonds, along with the serial bonds maturing on and after September 1, 2020, will be subject to optional redemption on September 1, 2019, or any date thereafter, in whole or from time to time in part, at a price of par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

**Redemption Provisions . . .** The District reserves the right to redeem prior to maturity those Bonds maturing on or after September 1, 2020, in whole or from time to time in part in integral multiples of \$5,000 on September 1, 2019, or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**Registered Form Requirement . . .** Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excluded from the Registered Owners' income for federal income tax purposes.

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

**Source and Security of Payment . . .** The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount.

**Other Terms and Covenants . . .** Other terms of the Bonds and various covenants of the District contained in the Bond Resolution are described in the Preliminary Official Statement, to which reference is made for all purposes.

## CONDITIONS OF SALE

**Types of Bids and Interest Rates . . .** The Bonds will be sold in one block, all or none, and no bid of less than 97% of par value plus accrued interest to the date of delivery will be considered. Bidders must specify the rate or rates of interest the Bonds will bear, but no bid which results in a net effective interest rate as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method), of more than \_\_\_\_% will be considered. The difference between the highest interest rate bid and the lowest interest rate bid shall not exceed 2%. Interest rates must be in multiples of 1/8 or 1/20 of 1%. Any number of interest rates and rate changes may be named, but graduating or declining interest rates within a maturity, split interest rates within a maturity, or supplemental or zero interest rates will not be acceptable. No bids generating a cash premium greater than \$5,000 will be accepted.

**Basis of Award . . .** For the purpose of awarding sale of the Bonds, the total interest cost of each bid will be computed by determining, at the interest rate or rates specified, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting therefrom the premium bid, if any. The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing. Subject to such rights, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest net effective interest rate to the District. In the event of mathematical discrepancies between the interest rate or rates and the interest rate cost determined therefrom, as both appear on the Official Bid Form, the bid will be solely governed by the interest rates shown on the Official Bid Form.

**Good Faith Deposit . . .** Each bid must be accompanied by a bank cashier's check payable to the order of "First Colony Municipal Utility District No. 10" in the amount of \$85,600 which is 2% of the par value of the Bonds. Only bank cashier's checks will be accepted. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Initial Purchaser") will be retained uncashed by the District until the Bonds are delivered. No interest will be paid on the Good Faith Deposit. Upon payment for and delivery of the Bonds in immediately available funds, the Good Faith Deposit will be returned uncashed to the Initial Purchaser. If the Initial Purchaser should fail or refuse to make payment for or accept delivery of the Bonds in accordance with its bid, then the check will be cashed and accepted by the District as full and complete liquidated damages. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded.

**Financial Advisor's Right to Bid . . .** The Financial Advisor, RBC Capital Markets Corporation, has requested the right to bid on the Bonds, and the District has given its consent.

**Rule G-36 Requirements . . .** It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rule Making Board's Rule G-36 within the required time frame. The Initial Purchaser must send two copies of the "Official Statement" along with two complete Form G-36's to the appropriate address.

### **OFFICIAL STATEMENT**

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC").

**Final Official Statement . . .** The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but will not prepare any other document or version for such purpose except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, any ratings assigned to the Bonds (if not currently included), the purchase of municipal bond insurance, if any, and the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(f)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under "OFFICIAL STATEMENT - Certification as to Official Statement."

**Changes to Official Statement . . .** If, subsequent to the date of the Official Statement, the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Conditions to Delivery." The obligation of the District to do so will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not for more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

**Delivery of Official Statements . . .** The District will furnish to the Initial Purchaser (and to each other participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day

after the end of the underwriting period referred to in SEC Rule 15c2-12(f)(2). The District will pay the expense of preparing up to 250 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

**Continuing Disclosure . . .** The District will agree in the Bond Resolution to provide certain periodic information and notices of material events in accordance with Rule 15c2-12, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of the certified copy of the Bond Resolution containing the agreement described under such heading.

**Substantive Requirements for Official Statement . . .** 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(b)(5)(i).

## **DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS**

**Initial Delivery of Initial Bonds . . .** Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond in the principal amount of the Bonds, payable in stated installments (the “Initial Bonds”), either in typed or printed form, registered in the name of Cede & Co., manually signed or signed by facsimile by the President or Vice President and Secretary or Assistant Secretary of the Board, or executed by such facsimile signatures and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. After delivery of the Initial Bonds, they shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. and deposited with or for DTC in connection with DTC’s Book-Entry-Only System. See “THE BONDS – Book-Entry-Only System” in the Preliminary Official Statement. Initial Delivery will be at the principal corporate trust office of the Paying Agent/Registrar in Houston, Texas on November 24, 2009. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given five (5) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about November 24, 2009 and, subject to the aforementioned notice, it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., Houston, Texas time, November 24, 2009, or thereafter on the date the Bonds are tendered for delivery, up to and including December 22, 2009. If for any reason the District is unable to make delivery on or before December 22, 2009, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

**Delivery of Exchange Bonds . . .** Upon presentment of the Initial Bonds and upon payment for the Initial Bonds at the time of the Initial Delivery, the Paying Agent/Registrar shall cancel the Initial Bonds and deliver the exchange Bonds in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity in accordance with instructions received from the Initial Purchaser as to the persons to whom such exchange bonds are to be registered and transferred, the addresses of such persons, and the principal amounts and maturity of such exchange Bonds. Such Bonds shall be registered by the Paying Agent/Registrar in the name of Cede & Co. It is understood that all costs and expenses for the shipping, packing, insuring and delivery of the exchange Bonds shall be borne by the Initial Purchaser if the Initial Purchaser requests delivery of the exchange Bonds at any location other than the corporate trust office of the Paying Agent/Registrar.

**CUSIP Numbers . . .** It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this OFFICIAL NOTICE OF SALE. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. The CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid by the Initial Purchaser.

**Conditions to Delivery . . .** The Initial Purchaser’s obligation to accept delivery of and pay for the Bonds is subject to the issuance of the legal opinion of the Attorney General of Texas as to the legality of the Bonds, and the legal opinion of Allen Boone Humphries Robinson LLP (“Bond Counsel”), the No-Litigation Certificate, and the non-occurrence of the events indicated under “No Material Adverse Change” all as described below.

**Legal Opinions . . .** The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an ad valorem tax levied without limitation as to rate or amount upon all taxable property in the District, and, based upon an examination of such transcript, the approving legal opinion of Bond Counsel to a like effect and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and that the Bonds are not private activity bonds.

**Certification Regarding Offering Price of Bonds . . .** In order to provide the District with information to enable it to comply with certain conditions of the Internal Revenue Code of 1986 as amended (the "Code") relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Initial Purchaser will be required to complete, execute and deliver to the District (on or before the date of delivery of the Bonds) a certification regarding "issue price" substantially in the form accompanying this Official Notice of Sale. If the Initial Purchaser will not reoffer the Bonds for sale or has not sold a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to certify actual sales of Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any question concerning such certification should be directed to Bond Counsel.

**Qualified Tax-Exempt Obligations . . .** The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$30,000,000 for tax-exempt obligations issued after December 31, 2008 and before January 1, 2011.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2009 is not expected to exceed \$30,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$30,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2009.

An additional exception to the foregoing provision is provided in the Code for an amount of tax-exempt obligations issued after December 31, 2008 and before January 1, 2011, the total amount of which does not exceed 2 percent of the adjusted basis of all of the assets of the financial institution.

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

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

**No Material Adverse Change . . .** The obligation of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District from those set forth in or contemplated by the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

## GENERAL CONSIDERATIONS

**Book-Entry-Only System . . .** The District intends to utilize the Book-Entry-Only System of the DTC. See “THE BONDS – Book-Entry-Only System” in the Preliminary Official Statement.

**Future Registration . . .** In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred, registered and exchanged only on the registration books of the Registrar, and such registration shall be at the expense of the District, although the District or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond. A Bond may be transferred or exchanged upon surrender to the Registrar accompanied by a written instrument of transfer acceptable to the Registrar duly executed by the registered owner thereof or his attorney duly authorized in writing. Upon surrender for transfer of any Bond to the Registrar, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same stated maturity and of any authorized denomination and of a like aggregate principal amount.

**Investment Considerations . . .** The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption “INVESTMENT CONSIDERATIONS.”

**Reservation of Rights . . .** The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

**Not an Offer to Sell . . .** This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

**Municipal Bond Rating and Insurance . . .** The District has made application to Standard & Poor’s Ratings Services (“S&P”) for an underlying rating on the outstanding debt of the District and S&P has assigned a rating of “\_\_\_\_\_.” If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser 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 S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if insurance is elected to be purchased by the Initial Purchaser.

An application has been made for a commitment to issue a policy of 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 (defined below), will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described below.

**Registration and Qualification of Bonds for Sale . . .** The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, or under the Securities Act of Texas in reliance upon the exemptions provided thereunder; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. 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 sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for the sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser’s written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

**Additional Copies of Documents . . .** Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, RBC Capital Markets, 1001 Fannin, Suite 1200, Houston, Texas 77002.

Melanie Pedé, President  
Board of Directors  
First Colony Municipal Utility District No. 10

**OFFICIAL BID FORM**

President and Board of Directors  
 First Colony Municipal Utility District No. 10  
 c/o RBC Capital Markets  
 1001 Fannin Street, Suite 1200  
 Houston, Texas 77002

Members of the Board:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of First Colony Municipal Utility District No. 10 (the "District") relating to its \$4,280,000 Unlimited Tax Bonds, Series 2009 (the "Bonds"), which by reference are made a part hereof. We recognize the special investment considerations involved in these securities, and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District's legally issued Bonds, upon the terms and conditions set forth in the Bond Resolution, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$\_\_\_\_\_ (which represents \_\_\_\_\_% of par value) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds mature September 1 and bear interest in each year at the following rates:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2011	\$ 90,000	_____%	2022	\$200,000	_____%
2012	95,000	_____%	2023	215,000	_____%
2013	105,000	_____%	2024	230,000	_____%
2014	110,000	_____%	2025	250,000	_____%
2015	120,000	_____%	2026	265,000	_____%
2016	130,000	_____%	2027	285,000	_____%
2017	140,000	_____%	2028	310,000	_____%
2018	150,000	_____%	2029	330,000	_____%
2019	160,000	_____%	2030	355,000	_____%
2020	175,000	_____%	2031	380,000	_____%
2021	185,000	_____%			

The District reserves the right to redeem prior to maturity those bonds maturing on or after September 1, 2020, in whole or from time to time in part in integral multiples of \$5,000 on September 1, 2019 and on any date thereafter, at a price of par plus accrued interest from the most recent interest date to the date fixed for redemption. See "THE BONDS - Redemption Provisions."

Our calculation (which is not a part of this bid) of the interest cost from the above bid is:

Total Interest Cost.....	\$ _____
Plus: Cash Discount (Dollar amount).....	\$ _____
Net Interest Cost .....	\$ _____
Net Effective Interest Rate .....	_____%

Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated.) For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. Term bonds may be used for any of the maturities in the years 2020 through 2031. The term bonds created are as follows:

<u>Term Bond Maturity Date (September 1)</u>	<u>First Year of Mandatory Redemption</u>	<u>Principal Amount Of Term Bonds</u>	<u>Interest Rate</u>
_____	_____	\$ _____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%

Cashier's Check No. \_\_\_\_\_, issued by \_\_\_\_\_ Bank, \_\_\_\_\_, Texas and payable to your order in the amount of \$85,600 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

We agree to make payment for the Initial Bonds in immediately available funds at the offices of Wells Fargo Bank, N.A., in Houston, Texas, not later than 10:00 A.M. Houston, Texas time, on November 24, 2009, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

(Syndicate members, if any)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Respectfully submitted,

\_\_\_\_\_  
 \_\_\_\_\_  
 By: \_\_\_\_\_  
 Authorized Representative

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby accepted by First Colony Municipal Utility District No. 10 this 3rd day of November, 2009.

ATTEST:

\_\_\_\_\_  
 Secretary, Board of Directors

\_\_\_\_\_  
 President, Board of Directors

**BOND YEARS**

Interest Accrued From: November 1, 2009

Due: September 1

<u>Year</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2011	\$ 90,000	165.0000	165.0000
2012	95,000	269.1667	434.1667
2013	105,000	402.5000	836.6667
2014	110,000	531.6667	1,368.3333
2015	120,000	700.0000	2,068.3333
2016	130,000	888.3333	2,956.6667
2017	140,000	1,096.6667	4,053.3333
2018	150,000	1,325.0000	5,378.3333
2019	160,000	1,573.3333	6,951.6667
2020	175,000	1,895.8333	8,847.5000
2021	185,000	2,189.1667	11,036.6667
2022	200,000	2,566.6667	13,603.3333
2023	215,000	2,974.1667	16,577.5000
2024	230,000	3,411.6667	19,989.1667
2025	250,000	3,958.3333	23,947.5000
2026	265,000	4,460.8333	28,408.3333
2027	285,000	5,082.5000	33,490.8333
2028	310,000	5,838.3333	39,329.1667
2029	330,000	6,545.0000	45,874.1667
2030	355,000	7,395.8333	53,270.0000
2031	380,000	8,296.6667	61,566.6667
	<u>\$ 4,280,000</u>		

Average Maturity: 14.3847 years

## ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the \$4,280,000 First Colony Municipal Utility District No. 10 (the "District") Unlimited Tax Bonds, Series 2009 (the "Bonds"):

1. The undersigned is the duly authorized representative of the underwriter or the manager of the syndicate of underwriters (the "Initial Purchaser") which has purchased the Bonds from the District at competitive sale.
2. The Initial Purchaser has made a bona fide offering to the public of all of the Bonds of each maturity. The initial offering price set was the price at which the Initial Purchaser reasonably expected, on the date of such offering, to be equal to the fair market value of such maturity.
3. Other than the obligations set forth in paragraph 4 hereof (the "Retained Maturity" or "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Bonds was sold to the public is set forth below.

Principal Amount Maturing	Year of Maturity (September 1)	Issue Price	Principal Amount Maturing	Year of Maturity (September 1)	Issue Price
\$ 90,000	2011	_____%	\$200,000	2022	_____%
95,000	2012	_____%	215,000	2023	_____%
105,000	2013	_____%	230,000	2024	_____%
110,000	2014	_____%	250,000	2025	_____%
120,000	2015	_____%	265,000	2026	_____%
130,000	2016	_____%	285,000	2027	_____%
140,000	2017	_____%	310,000	2028	_____%
150,000	2018	_____%	330,000	2029	_____%
160,000	2019	_____%	355,000	2030	_____%
175,000	2020	_____%	380,000	2031	_____%
185,000	2021	_____%			

4. In the case of the Retained Maturities, the Initial Purchaser reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each Retained Maturity at the initial offering price/yield as set forth below:

Principal Amount at Maturity	Maturity	Issue Price	Principal Amount at Maturity	Maturity	Issue Price
\$ 90,000	2011	_____%	\$200,000	2022	_____%
95,000	2012	_____%	215,000	2023	_____%
105,000	2013	_____%	230,000	2024	_____%
110,000	2014	_____%	250,000	2025	_____%
120,000	2015	_____%	265,000	2026	_____%
130,000	2016	_____%	285,000	2027	_____%
140,000	2017	_____%	310,000	2028	_____%
150,000	2018	_____%	330,000	2029	_____%
160,000	2019	_____%	355,000	2030	_____%
175,000	2020	_____%	380,000	2031	_____%
185,000	2021	_____%			

5. Please choose the appropriate statement: ( ) Initial Purchaser will not purchase bond insurance for the Bonds. ( ) Initial Purchaser will purchase bond insurance from \_\_\_\_\_ (the "Insurer") for a fee/premium of \$\_\_\_\_\_ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Initial Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

6. The term "public" as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers (including the Initial Purchaser or members of the selling group or persons that are related to or controlled by, or are acting on behalf of or as agents for the undersigned or members of the selling group).

7. The Initial Purchaser understands that the statements made herein will be relied upon, by the District in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes and in complying with the requirements of Section 1202.008 of Chapter 1202, Texas Government Code, as amended.

EXECUTED and DELIVERED this \_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
(Name of Underwriter or Initial Purchaser)

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 14, 2009**

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. See "Tax Matters" for a discussion of the opinion of Bond Counsel.**

*The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS -- Qualified Tax-Exempt Obligations."*

**NEW ISSUE – Book-Entry-Only**

**\$4,280,000**

**FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 10**

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

**UNLIMITED TAX BONDS, SERIES 2009**

Dated: November 1, 2009

Due: September 1, as shown below

The Bonds described above (the "Bonds") will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of and interest on the Bonds will be payable by Wells Fargo Bank, N.A. (the "Registrar"). Interest accrues from November 1, 2009, and is payable on March 1, 2010 and each September 1 and March 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360 day year of twelve 30 day months.

The Bonds will be 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."

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

Due (September 1)	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Nos. (c)	Due (September 1)	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Nos. (c)
2011	\$ 90,000	___%	___%		2022	\$200,000	___%	___%	
2012	95,000	___%	___%		2023	215,000	___%	___%	
2013	105,000	___%	___%		2024	230,000	___%	___%	
2014	110,000	___%	___%		2025	250,000	___%	___%	
2015	120,000	___%	___%		2026	265,000	___%	___%	
2016	130,000	___%	___%		2027	285,000	___%	___%	
2017	140,000	___%	___%		2028	310,000	___%	___%	
2018	150,000	___%	___%		2029	330,000	___%	___%	
2019	160,000	___%	___%		2030	355,000	___%	___%	
2020	175,000	___%	___%		2031	380,000	___%	___%	
2021	185,000	___%	___%						

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of \_\_\_% of par, plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of \_\_\_\_\_%.
- (b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser, and may subsequently be changed. Accrued interest from November 1, 2009 is to be added to the price.
- (c) CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds.
- (d) Bonds maturing on September 1, 2020, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2019, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds maturing on and after September 1, 2020, is calculated to the lower of yield to redemption or maturity. In addition, the Initial Purchaser may designate one or more of the Bonds maturing in years 2020 through 2031, both inclusive, as term bonds. See accompanying "Official Note of Sale."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. **THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed on for the District by Fulbright & Jaworski L.L.P., Houston, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 24, 2009.

**BIDS TO BE SUBMITTED: 10:30 A.M., Houston, Texas Time**  
**BIDS TO BE PRESENTED: 12:00 Noon, Houston, Texas Time**  
**Tuesday, November 3, 2009**

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

**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.

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

All of the summaries of the statutes, resolutions, contracts, audits, and 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 the District, upon payment of duplication costs.

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

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**AERIAL PHOTOGRAPH  
PHOTOGRAPHS  
APPENDIX A – Annual Financial Report**

## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. Particularly, the reader should refer to indicated sections for more complete information on the discussed topic.

- The District..... First Colony Municipal Utility District No. 10 (the “District”), a political subdivision of the State of Texas, created by an Order of the Texas Commission on Environmental Quality (“TCEQ” or “Commission”), dated November 2, 2004, is located wholly within the City of Sugar Land’s corporate limits. The District is located in northeast Fort Bend County within the corporate limits of the City of Sugar Land, approximately 25 miles southwest of the central business district of Houston, at the intersection of State Highway 6 and US 59. The District operates under Chapter 54 and Chapter 49 of the Texas Water Code, and other general statutes of Texas applicable to municipal utility districts. See “THE DISTRICT.”
- The Bonds..... \$4,280,000 First Colony Municipal Utility District No. 10 Unlimited Tax Bonds, Series 2009 (the “Bonds”) are issued pursuant to a resolution of the District’s Board of Directors (the “Bond Resolution”). The Bonds are serial bonds in the aggregate principal amount of \$4,280,000, maturing annually in varying amounts in the years 2011 through 2031, inclusive. Bonds maturing September 1, 2020 through 2031, both inclusive, are subject to redemption prior to their scheduled maturities on September 1, 2019, and on any date thereafter. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”
- Book-Entry-Only ..... The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “THE BONDS - Book-Entry-Only System.”
- Tax-Exemption ..... In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations. See “TAX MATTERS” herein for a discussion of Bond Counsel’s opinions.
- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. The Bonds are obligations of the District, and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, Texas, or any entity other than the District. See “THE BONDS - Source of Payment.”
- Municipal Bond Rating and Insurance
- The District has made application to Standard & Poor’s Ratings Services (“S&P”) for an underlying rating on the outstanding debt of the District and S&P has assigned a rating of “\_\_\_.” If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may, at the election of the Initial Purchaser, be assigned to 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 S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if insurance is elected to be purchased by the Initial Purchaser.

An application has been made for a commitment to issue a policy of 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 (defined below), will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described below. See “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE.”

Use of Proceeds ..... Proceeds of the sale of the Bonds will be used to finance the District’s share of the following projects: (i) lift station and utility extensions for Creekbend Drive; (ii) fill at First Colony Blvd. and US 59; (iii) impact fees for 23.17-acre commercial tract (Cloverleaf); (iv) water, wastewater, and drainage facilities serving the Enclave at Lake Pointe, Lake Pointe Section 2-A, Fidelity at Lake Pointe, Lake Pointe Village East, First Colony Boulevard at US 59 and SE Quadrant Cloverleaf; and (v) to pay for certain financing, legal and other costs related to the issuance of the Bonds. See “SOURCES AND USES OF FUNDS.”

Status of Development.. The District encompasses approximately 226 acres of which approximately 163 acres have been developed with water, sanitary sewer, and drainage facilities. There are approximately 53 remaining developable acres and approximately 11 undevelopable acres. Commercial development within the District consists of approximately 435,000 square feet of office space and approximately 200,000 square feet of retail space that is either complete or in various stages of construction. As of September 15, 2009, the District contained approximately 125,000 square feet of occupied retail space anchored by a 50,000 square foot Whole Foods. Other retail consists of various shopping, personal services and restaurants. A subsidiary of St. Luke’s Episcopal Health System, St. Luke’s Sugar Land Hospital, opened in October 2008 with a full spectrum of inpatient and outpatient services. Medistar Corporation, the developer of the hospital, also developed a 150,000 square foot medical office building that directly connects to the hospital.

Residential development within the District consists of approximately 47 acres developed as 284 lots. As of October 5, 2009, there were 92 completed homes, 11 homes under construction, and 181 vacant lots. See “THE DISTRICT – Status of Development and Commercial Development.”

Developer ..... Lake Pointe Town Center, Ltd. (the “Partnership” or the “Developer”) is a Texas limited partnership between three Texas limited partnerships: PCD Lake Pointe, Ltd., the 0.5% general partner; Planned Community Developers, Ltd., the 2.0% limited partner; and Town Center Lakeside, Ltd., the 97.5% limited partner. The Partnership was formed on May 26, 2004, for the purpose of pursuing the development of the 190 acre, mixed-use planned community known as Lake Pointe Town Center in Sugar Land, Texas. The development of the District is being managed by Planned Community Developers, Ltd. (“PCD”). The principals of PCD have over 20 years of experience in the planning, developing, contracting, leasing, marketing and managing of commercial and residential projects. See (“THE DEVELOPER”).

Homebuilders within the District .....	Currently, Hahnfeld-Witmer-Davis Companies, Christopher Sims Custom Homes, Steve Fuqua Homes and Centamark have purchased lots and are building luxury patio/courtyard homes in Section 4. Hahnfeld-Witmer-Davis Companies, Christopher Sims Custom Homes, and Steve Fuqua Homes have purchased lots and are building luxury villas in Section 5. Section 4, Creekbend, consists of 87 lots and Section 5, The Villas, consists of 18 lots. The homes are priced from \$700,000 up to \$2,000,000.  Additionally, Hahnfeld-Witmer-Davis is constructing townhomes and urban studios in Sections 2 and 3. Homes in Sections 2 and 3 are priced from \$400,000 to \$1,000,000. ZK Homes is constructing patio homes and townhomes in the section known as The Enclave at Lake Pointe. Homes in The Enclave at Lake Pointe are priced from \$400,000 to \$800,000.
Authorized but Unissued Bonds .....	After the issuance of the Bonds, \$4,200,000 of bonds for water, sewer and drainage and \$7,250,000 of bonds for parks and recreation will remain authorized but unissued. The voters of the District may, in the future authorize the issuance of additional bonds. See "THE BONDS - Issuance of Additional Debt." The District has applied to the TCEQ for the approval of \$2,750,000 in bonds for park and recreation facilities and anticipates selling these bonds in 2010.
Qualified Tax-Exempt Obligations .....	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations."
Payment Record.....	The Bonds are the third installment of bonds issued by the District. The District has never defaulted on the payment of principal or interest on its previously issued bonds. See "SELECTED FINANCIAL INFORMATION - Total Outstanding Bonds."
Authority for Issuance .....	The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held in the District and an order of the TCEQ.
Legal Opinion .....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.
Engineer.....	Costello, Inc., Houston, Texas.
Financial Advisor .....	RBC Capital Markets Corporation, Houston, Texas.
Disclosure Counsel .....	Fulbright & Jaworski L.L.P.

THE BONDS INVOLVE CERTAIN INVESTMENT CONSIDERATIONS, AND ALL PROPSECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION SUMMARY**  
**(Unaudited at October 1, 2009)**

2009 Certified Assessed Valuation .....		\$289,406,718 (a)
Direct Debt:		
Outstanding Bonds .....	\$	9,380,000
The Bonds .....		<u>4,280,000</u>
Total .....	\$	13,660,000 (b)
Ratio of Direct Debt to 2009 Certified Assessed Valuation .....		4.72%
Debt Service Fund Balance.....	\$	604,698 (c)
Anticipated 2009 Tax Rate		
Debt Service .....	\$0.40	
Maintenance & Operations.....	<u>0.35</u>	
Total.....		<u>\$0.75/\$100A.V.</u> (d)
Projected Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2011/2031 High Years) (“Average Annual Requirement”).		\$1,132,980
Projected Maximum Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2031) (“Maximum Annual Requirement”) .....		\$1,150,175
Tax rate required to pay Projected Average Annual Requirement based upon 2009 Certified Assessed Valuation at 95% collections .....		\$0.42/\$100 A.V.
Tax rate required to pay Projected Maximum Annual Requirement based upon 2009 Certified Assessed Valuation at 95% collections .....		\$0.42/\$100 A.V.
Status of Residential Development as of October 5, 2009:		
Completed Homes	92	
Homes Under Construction	11	
Vacant Lots	<u>181</u>	
Total	<u>284</u>	

(a) As certified by the Fort Bend Central Appraisal District (“FBCAD”). See “TAXING PROCEDURES.”

(b) See “DISTRICT DEBT,” and “THE BONDS Legal Ability to Issue Additional Debt.”

(c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the District’s debt service funds.

(d) The Commission has recommended that the District levy a debt service tax rate of not less than \$0.26 per \$100 valuation for the 2009 tax year.

**OFFICIAL STATEMENT**  
relating to

**\$4,280,000**

**FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 10**  
(A political subdivision of the State of Texas located within Fort Bend County, Texas)

**Unlimited Tax Bonds**  
**Series 2009**

**INTRODUCTION**

The Official Statement provides certain information in connection with the issuance of the First Colony Municipal Utility District No. 10 Unlimited Tax Bonds, Series 2009 (the "Bonds").

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), an election held within the District and a resolution (the "Bond Resolution") adopted by the Board of Directors of First Colony Municipal Utility District No. 10 (the "District"), a political subdivision of the State of Texas located within Fort Bend County, Texas.

The Official Statement includes descriptions of the Bonds, the Bond Resolution, and certain information about the District and its financial condition and about the developer of land in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request.

**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. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated November 1, 2009, and will mature on the dates and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INTIAL REOFFERING YIELDS" on the cover page hereof. Interest on the Bonds is payable on each March 1 and September 1 ("Interest Payment Date") beginning March 1, 2010. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000.

**Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid through Wells Fargo Bank, N.A., Houston, Texas the initial Paying Agent/Registrar (the "Registrar"). Provision is made in the Bond Resolution for replacement of the Registrar. If the Registrar is replaced by the District, the new registrar shall act in the same capacity as the previous registrar. Any new registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or of any State, and authorized under such laws to perform the duties of paying agent and registrar for the Bonds.

**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, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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. DTC 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." 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) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, printed certificates for the Bonds are required to be printed and delivered (see "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration").

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. Discontinuance of the DTC Book-Entry-Only System by the District may require consent of DTC participants under DTC Operational Arrangements.

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

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

### **Source of Payment**

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

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

## **Authority for Issuance**

The Bonds are issued pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, the Bond Resolution and an Order of the Commission. The projects to be financed with the proceeds of the Bonds, and the issuance of the Bonds for such purpose, was approved by order of the Commission. Before the Bonds can be issued the Attorney General of Texas must pass upon the legality of the Bonds. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

At a bond election held within the District on February 5, 2005, the voters authorized issuance of \$18,080,000 principal amount of unlimited tax bonds for water, sewer and drainage, \$7,250,000 of bonds for parks and recreation and \$9,040,000 of refunding bonds. The Bonds constitute the third issuance of bonds from such authorization. After sale of the Bonds, \$4,200,000 of bonds for water, sewer and drainage and \$7,250,000 of bonds for parks and recreation will remain authorized but unissued in addition to \$9,040,000 of voted refunding bonds. See "Issuance of Additional Debt" below.

## **Funds**

The proceeds from all taxes levied, assessed and collected for and on account of the Bonds shall be deposited, as collected, in the District's Debt Service Fund and used only for the purpose of paying principal of and interest on the Bonds.

## **No Arbitrage**

The District will certify as of the date of delivery of the Bonds that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered, 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. Moreover, the District will covenant 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.

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2020 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2019 or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision

has been made to redeem the same, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

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

So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

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

The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

### **Replacement of Bonds**

In the event the Book-Entry-Only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to hold them harmless. The District or the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District will have \$4,200,000 of bonds for water, sewer and drainage and \$7,250,000 of bonds for parks and recreation authorized but unissued after the issuance of the bonds; in addition to \$9,040,000 voted refunding bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

Before issuing any additional bonds for water, sewer, drainage and/or park and recreation facilities, the District would have to obtain approval of the Commission for the issuance of such bonds and the projects to be financed thereby. The District has applied to the Commission for the approval of \$2,750,000 in park and recreation bonds. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds without additional voter approval.

According to the Developer, following the issuance of the Bonds, and with respect to funds advanced by the Developer as of October 1, 2009, the District will owe the Developer approximately \$4,672,000 for funds heretofore advanced on behalf of the District for parks and recreation. After the issuance of the Bonds, there will be no reimbursements outstanding for water, sewer and drainage purposes. The District has entered into agreements to reimburse such amounts from the proceeds of future bond issues, subject to TCEQ approval of each such bond issue.

## **Consolidation and Dissolution**

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.

The City of Sugar Land has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the Utility Service Agreement between the District and the City of Sugar Land. See "Utility Service Agreement Between the District and the City of Sugar Land." Under the terms of that Agreement, the City may not dissolve the District until 90% of the developable acreage in the District has been developed with water, sewer, drainage and park facilities and the Developer has been reimbursed for said facilities or the City assumes such reimbursement obligation. If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City.

## **Remedies in Event of Default**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to waive such immunity for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws 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.

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to the Texas Bond Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

## **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 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.

## SOURCES AND USES OF FUNDS

Proceeds of the sale of Bonds will be used to reimburse the Developer for funds advanced for the design and construction of the facilities listed below under “Developer Contribution Items” and to pay interest to the Developer related to such advances (calculated pursuant to the rules of the TCEQ). The proceeds will also be used to pay for other costs including bond issuance expenses, as set forth below.

Proceeds of the sale of the Bonds will be used to finance the following construction and engineering costs:

### Construction Costs

	<u>District’s Share</u>
<b>A. DEVELOPER CONTRIBUTION ITEMS</b>	
1. The Enclave at Lake Pointe – W, WW, & D	\$ 709,517
2. Lake Pointe, Section 2-A – W, WW, & D	116,090
3. Fidelity at Lake Pointe – W, WW, & D	75,609
4. Creekbend Drive – Lift Station and Utility Extension	623,814
5. Lake Pointe Village East – WW & D	60,211
6. First Colony Boulevard at US 59 – W, WW, & D	492,173
7. First Colony Boulevard at US 59 – Fill	320,218
8. SE Quadrant Cloverleaf Utilities	129,652
9. Contingency	47,102
10. Engineering and Lab	<u>476,748</u>
Total Developer Contribution Items	\$3,051,134
<b>B. DISTRICT ITEMS</b>	
1. Impact Fees for 23.17-acre Commercial Tract (Cloverleaf)	<u>\$ 527,310</u>
Total District Contribution Items	<u>\$ 527,310</u>
<b>Total Construction Costs (83.61% of BIR)</b>	<b><u>\$3,578,444</u></b>

### Nonconstruction Costs

A. Legal Fees	\$ 122,000
B. Fiscal Agent Fees	
85,600	
C. Developer Interest	280,526
D. Bond Discount	128,400
E. Bond Issuance Costs	30,050
F. Bond Application Report Cost	40,000
G. Attorney General Fee	4,280
H. TCEQ Bond Issuance	<u>10,700</u>
<b>Total Nonconstruction Costs (16.39% of BIR)</b>	<b><u>\$ 701,556</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$4,280,000</u></b>

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

## THE DISTRICT

### General

First Colony Municipal Utility District No. 10 (the “District”) was created by order of the TCEQ, dated November 2, 2004, and by a confirmation election held within the District on February 5, 2005, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

At the time of the confirmation election, the District encompassed 189.8 acres. The District approved the annexation of 23.17 acres on September 10, 2008, and approved the annexation of 13.33 acres on November 12, 2008.

### Location

The District is a political subdivision of the State of Texas, located in Northeast Fort Bend County within the City of Sugar Land’s corporate limits. The District is approximately 25 miles southwest of the central business district of Houston, at the intersection of State Highway 6 and US 59. The District lies entirely within the boundaries of the Fort Bend Independent School District.

### Authority

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the Commission. The District has no plans to provide a fire department. The District is also empowered to establish parks and recreational facilities for the residents of the District.

The District is authorized to issue its bonds to finance its water, sanitary sewer and drainage facilities, with the approval of the Commission and the Attorney General of Texas, to the extent authorized by the District’s qualified voters. After the issuance of the Bonds, the District will have \$4,200,000 of bonds for water, sewer and drainage and \$7,250,000 of bonds for parks and recreation authorized but unissued which are payable from ad valorem taxes unlimited as to rate or amount.

### Status of Development

The following chart more completely describes the use of land and the status of single family residential development within the District as of October 5, 2009.

	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Single Family Development					
Lake Pointe Section 2	3.1	20	20	0	0
Lake Pointe Section 2-A	1.4	18	4	5	9
Lake Pointe Section 3	3.4	41	41	0	0
Lake Pointe Section 4	18.8	87	17	1	69
Lake Pointe Section 5	7.6	18	5	1	12
The Enclave at Lake Pointe	<u>12.7</u>	<u>100</u>	<u>5</u>	<u>4</u>	<u>91</u>
	<u>47.0</u>	<u>284</u>	<u>92</u>	<u>11</u>	<u>181</u>
Commercial Development	115.5				
Undeveloped but Developable Acreage	52.6				
Undevelopable Acreage (Includes Streets, Drainage Easements, Parks, Recreational and open space)	<u>11.2</u>				
Total	<u>226.3</u>				

## **Homebuilders**

Currently, Hahnfeld-Witmer-Davis Companies, Christopher Sims Custom Homes, Steve Fuqua Homes and Centamark have purchased lots and are building luxury patio/courtyard homes in Section 4. Hahnfeld-Witmer-Davis Companies, Christopher Sims Custom Homes, and Steve Fuqua Homes have purchased lots and are building luxury villas in Section 5. Section 4, Creekbend, consists of 87 lots and Section 5, The Villas, consists of 18 lots. The homes are priced from \$700,000 up to \$2,000,000.

Additionally, Hahnfeld-Witmer-Davis is constructing townhomes and urban studios in Sections 2 and 3. Homes in Sections 2 and 3 are priced from \$400,000 to \$1,000,000. ZK Homes is constructing patio homes and townhomes in the section known as The Enclave at Lake Pointe. Homes in The Enclave at Lake Pointe are priced from \$400,000 to \$800,000.

## **Commercial Development**

Commercial development within the District consists of approximately 435,000 square feet of office space and approximately 200,000 square feet of retail space that is either complete or in various stages of construction. Office space consists of lease space as well as office condominiums. There are several health care businesses currently operating in the District including Orthopedic Specialists of Texas, Sugar Land Rehabilitation Hospital, Villalon Pediatric Dentistry and Southwest Cosmetic Surgery & Skin Care Center. Retail development consists primarily of restaurants and bank branches. Restaurants currently operating in the District are Buffalo Wild Wings, Panda Express, Raising Cane's Chicken Fingers and Arby's. Banking institutions with branches open in the District include First Bank, Comerica Bank, Ironstone Bank and Trustmark Bank.

As of September 15, 2009, the District contained approximately 125,000 square feet of occupied retail space anchored by a 50,000 square foot Whole Foods. Other retail consists of various shopping, personal services and restaurants.

A subsidiary of St. Luke's Episcopal Health System, St. Luke's Sugar Land Hospital, opened in October 2008 with a full spectrum of inpatient and outpatient services. The 100-bed, acute care hospital features two floors of decorated private rooms; a full floor decorated to women's services including a newborn nursery and a level-2 NICU; a 16-bed intensive care unit; eight surgical suites and special procedure rooms for endoscopy and pain procedures; cardiac catheterization labs; comprehensive diagnostic and imaging services; an emergency department with 11 standard treatment rooms, one trauma room and five pediatric observation rooms; and a sleep center.

Medistar Corporation, the developer of the hospital, also developed a 150,000 square foot medical office building that directly connects to the hospital. The two buildings are situated on 12 acres, which will allow for expansion. Medistar is one of the premier medical developers in the nation, specializing in municipal facilities, hospitals and outpatient medical facilities.

## **Future Development**

The District contains approximately 52.6 undeveloped but developable acres. The District can make no representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

## **THE DEVELOPER**

### **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 project, designing the utilities and streets to be constructed in the project, designing any community facilities to be built, defining a land plan, 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 distribution) and selling commercial reserves and improved lots to builders, developers, or other third parties. In certain 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 municipal utility district pursuant to the rules of the Commission. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Lake Pointe Town Center, Ltd./Planned Community Developers, Ltd.**

Lake Pointe Town Center, Ltd. ("the Partnership" or "the Developer") is a Texas limited partnership between three Texas limited partnerships: PCD Lake Pointe, Ltd., the 0.5% general partner; Planned Community Developers, Ltd., the 2.0% limited partner; and Town Center Lakeside, Ltd., the 97.5% limited partner. The Partnership was formed on May 26, 2004, for the purpose of pursuing the development of the 190 acre, mixed-use planned community known as Lake Pointe Town Center in Sugar Land, Texas.

The development of the District is being managed by Planned Community Developers, Ltd. ("PCD"). The 226-acres within the District is being developed as a mixed use development at the intersection of U.S. 59 and State Highway 6. PCD is also the developer of the 9,700 acre First Colony Master Planned Community (First Colony) in Sugar Land, Texas, located southwest of Houston and is currently developing River's Edge, a new 370-acre community in Richmond, Texas. PCD continues to oversee the phased development of the 32-acre Sugar Land Town Square, located at the intersection of U.S. Highway 59 and State Highway 6.

First Colony is a mature master planned community with over 13,000 homes and more than 45,000 residents. PCD successfully developed First Colony over the last 20 years into one of the premier master planned communities in the country and a clear leader in the Houston market. The growth of First Colony and its outstanding demographics have created strong demand for quality retail products and services.

The management of PCD has over 20 years of experience in planning, developing, contracting, leasing, marketing, and managing commercial and residential properties. The six principals of PCD have considerable prior experience in their respective areas of development, construction, finance, sales/leasing, and real estate law. The partners have complimentary skills and talents combining for a very effective development team which successfully guided First Colony through Houston's real estate depression of the mid-1980's. Taking valuable lessons from the downturn, this group is adept at adjusting to changing market conditions to make decisions to build, hold, or sell as needed to maximize asset values. Key members of the management team have distinguished themselves as leaders in the Fort Bend County business community. Representative community involvement by PCD management includes various roles in the Fort Bend County Chamber of Commerce, First Colony Community Association, Greater Fort Bend Economic Development Council, Fort Bend Independent School District Education Foundation, Greater Houston Builders Association, and the Sugar Land Rotary Club.

Over the past ten years, this team has developed and sold over 6,000 residential lots with attendant amenities and hundreds of acres of both commercial and industrial sites. PCD has leased, built, managed, and sold over 2.0 million square feet of retail shopping centers and nearly 1.1 million square feet of industrial and office space. PCD's projects are characterized by innovative architectural designs, highest quality construction and materials, and maximum positive impacts to the community in which they are built.

Neither the Developer nor any affiliate of the Developer, if any, is obligated to pay principal of or interest on the Bonds. Furthermore, the Developer has no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

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

All land in the District is located within the corporate limits of the City. The City and the District have entered into the Utility Agreement, dated March 2, 2004, which obligates the District to acquire, construct and extend water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City, to convey title to such utility facilities to the City. The City will then operate and maintain such facilities, and be responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents. The City also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in the City. Pursuant to

the Utility Agreement with the District, the City has agreed to rebate to the District a portion of City taxes collected on taxable property within the District. Pursuant to the Utility Agreement, the City agrees to pay fifty percent (50%) of such City taxes collected upon taxable property within the District beginning with taxes collected for the 2007 tax year and continuing each year thereafter until the year 2044 and thereafter the City's payment obligation shall cease and the City shall not pay any portion of City taxes to the District. The dollar amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City under the formula will vary from year to year. Any significant reduction in the amount of the tax rebate may require an increase the District's rate of taxation in order to meet its obligations.

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

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

See "TAX DATA – Tax Adequacy for Debt Service."

## **THE SYSTEM**

### **Regulation**

According to the District's Engineer, Costello, Inc. ("Costello" or "Engineer"), the District's water distribution, wastewater collection and drainage facilities (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the Commission, the City of Sugar Land and the Fort Bend County Drainage District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission.

Pursuant to the Utility Agreement, as the District completes water, sewer & facilities, it transfers ownership of those facilities to the City.

Thereafter, the City of Sugar Land provides these services to residents and commercial properties within the District, and is subject to regulation by, among others, the United States Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

### **DISTRICT BONDS AUTHORIZED BUT UNISSUED**

<b><u>Date of Issued Authorization</u></b>	<b><u>Purpose</u></b>	<b><u>Authorized</u></b>	<b><u>Amount to Date</u></b>	<b><u>Unissued</u></b>
February 5, 2005	Water, Sanitary Sewer & Drainage	\$18,080,000	\$13,880,000 (a)	\$ 4,200,000
February 5, 2005	Recreational	\$ 7,250,000	0	\$ 7,250,000
February 5, 2005	Refunding	\$ 9,040,000	0	\$ 9,040,000

(a) Includes the Bonds.

**SELECTED FINANCIAL INFORMATION**  
**(Unaudited)**

2009 Certified Assessed Valuation .....	\$289,406,718 (a)
Direct Debt	
Outstanding Bonds .....	\$ 9,380,000
The Bonds.....	<u>4,280,000</u>
Gross Debt .....	\$ 13,660,000 (b)
Ratio of Direct Debt to 2009 Certified Assessed Valuation .....	4.72%

Area of District: 226.3 acres

- (a) As certified by the Fort Bend Central Appraisal District ("FBCAD").  
(b) See "DISTRICT DEBT," and "THE BONDS - Legal Ability to Issue Additional Debt."

**Total Outstanding Bonds**

<u>Date of Issue</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding as of November 24, 2009(b)</u>
September 1, 2007	2007	\$ 5,700,000	\$ 5,570,000
December 1, 2008	2008	3,900,000	3,810,000
November 1, 2009	2009 (a)	<u>4,280,000</u>	<u>4,280,000</u>
		<u>\$13,880,000</u>	<u>\$13,660,000</u>

- (a) The Bonds.  
(b) Anticipated delivery date of the Bonds.

**Cash and Investment Balances (Unaudited at September 9, 2009)**

General Fund	Cash and Temporary Investments	\$1,024,403
Debt Service Fund (a)	Cash and Temporary Investments	\$ 603,698
Capital Projects Fund	Cash and Temporary Investments	\$ 223

- (a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.

## Estimated 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, unless otherwise indicated, from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person 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 be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Body (a)</u>	<u>Outstanding Gross Debt</u>	<u>As of</u>	<u>% Overlpg. Gross Debt</u>	<u>Overlpg. Gross Debt</u>
Fort Bend County	\$468,660,000	09/30/09	0.54%	\$ 2,530,764
Fort Bend ISD	992,850,188	09/30/09	0.89%	8,836,367
City of Sugar Land	113,820,000	09/30/09	2.36%	2,686,152
Fort Bend County LID No. 2	3,130,000	09/30/09	5.49%	<u>171,837</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$14,225,120
First Colony M.U.D. No. 10	\$ 13,880,000 (b)	11/24/09 (c)	100.00%	<u>\$13,880,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				<u>\$28,105,120</u>

Ratio of Estimated Direct and Overlapping Debt to 2009 Certified Assessed Valuation 9.71%

(a) Taxing jurisdictions with outstanding general obligation debt.

(b) Includes the Bonds.

(c) Anticipated delivery date of the Bonds.

## Overlapping Taxes for 2008

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 of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or other general revenue purposes.

Set forth below is an estimation of the 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. The following chart includes the 2008 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Overlapping Entity</u>	<u>2008 Tax Rate Per \$100 Assessed Valuation</u>
Fort Bend County	\$0.48376
Fort Bend Independent School District	1.27000
The City of Sugar Land	0.30000
Fort Bend County LID No. 2	0.14500
Fort Bend County Drainage District	0.01600
The District	<u>0.75000</u> (a)
Total	<u>\$2.96476</u>

(a) The Commission has recommended that the District levy a debt service tax rate of not less than \$0.26 per \$100 valuation for the 2009 tax year.

**Classification of Assessed Valuation (a)**

The following represents the type of property comprising the 2009, 2008 and 2007 tax rolls:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 95,763,850	\$ 80,728,160	\$63,947,300
Improvements	157,840,698	113,589,750	30,524,420
Personal Property	48,422,880	11,314,680	996,230
Exemptions/Exempt Property	<u>(12,620,710)</u>	<u>(194,440)</u>	<u>(59,400)</u>
	<u>\$289,406,718</u>	<u>\$205,438,150</u>	<u>\$95,408,550</u>

(a) Supplied by the Fort Bend Central Appraisal District. The valuations may have subsequently been adjusted.

**Tax Collections**

The following statement of tax collections set forth in condensed form is the tax collection of the District. Such summary has been prepared for inclusion herein based upon information from the District’s annual financial report and the records of the District Tax Assessor/Collector. Reference is made to such records for further and more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Tax</u>		<u>Current Collection</u>		<u>Total Collection</u>		<u>Fiscal Year Ending</u>
			<u>Levy</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>		
2006 (a)	\$ 45,367,623	\$0.75	\$ 340,257	\$ 340,257	100.00%	\$ 340,257	100.00%	7/31/07	
2007	95,408,550	0.75	715,565	686,775	95.98%	686,775	95.98%	7/31/08	
2008	205,438,150	0.75	1,540,787	1,478,384	95.95%	1,497,170	97.17%	7/31/09 (b)	
2009	289,406,718	0.75 (c)		(in process of collection)				7/31/10	

(a) District’s first year to levy a tax.

(b) Unaudited.

(c) Anticipated 2009 tax rate.

**District Tax Rate**

	<u>Anticipated</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>2009</u>			
Debt Service	<u>\$0.40</u>	<u>\$0.40</u>	<u>\$0.25</u>	<u>\$0.00</u>
Maintenance & Operation	<u>0.35</u>	<u>0.35</u>	<u>0.50</u>	<u>0.75</u>
Total	<u>\$0.75</u>	<u>\$0.75</u>	<u>\$0.75</u>	<u>\$0.75</u>

**Tax Rate Limitation**

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

Maintenance: \$0.75 per \$100 Assessed Valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. An election was held within the District on February 5, 2005, which authorized the levy of a maintenance tax not to exceed \$0.75/\$100 assessed valuation. The District anticipates levying a maintenance tax of \$0.35 per \$100 of assessed valuation for tax year 2009.

**Principal Taxpayers**

The following list of top ten principal taxpayers was provided by the District’s Tax Assessor/Collector based on the 2008 and 2009 certified tax rolls of the District, which reflect ownership as of January 1 of each year. Ownership changes since January 1, 2008 are not known to the District.

<u>Principal Taxpayers</u>	<u>Type of Property</u>	<u>2009 Assessed Valuation</u>	<u>2008 Assessed Valuation</u>
Medistar Sugar Land	Land & Improvements	\$ 62,178,890	\$ 37,561,340
Lake Pointe Town Center, Ltd. (a)	Land & Improvements	32,508,940	32,351,150
St. Lukes Sugar Land	Personal Property	31,871,220	*
Sugar Land Rehabilitation	Land & Improvements	11,681,980	11,681,980
HWD LTD	Land & Improvements	11,472,460	6,921,690
Fondren Investments LTD	Land & Improvements	6,267,720	6,000,000
TT Partners LP	Land & Improvements	6,034,950	6,034,950
Whole Foods Market	Personal Property	5,275,440	5,268,340
Sugarland Properties, Inc. (a)	Land	4,843,050	*
Planned Community Developers II, Ltd. (a)	Land	3,849,680	*
Brooks Street Orthopedics	Land & Improvements	*	8,883,570
Katari LTD	Land & Improvements	*	4,716,010
Bobcat Group LP	Land & Improvements	*	3,716,900
<b>Total</b>		<b>\$ 175,984,330</b>	<b>\$ 123,135,930</b>
<b>Percent of Assessed Valuation</b>		<b>60.81%</b>	<b>59.75%</b>

\* Not a principal taxpayer in that year.  
(a) See “THE DEVELOPER.”

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2009 Certified Assessed Valuation and utilize tax rates adequate to service the District’s total proposed debt service requirements on the Bonds (estimated at 6.00% per annum). See “INVESTMENT CONSIDERATIONS – Factors Affecting Tax Values and Tax Payments – Maximum Impact of District Tax Rates.”

Projected Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2011 through 2031 High Years) .....	\$1,132,980
\$0.42 Tax Rate on 2009 Certified Assessed Valuation of \$289,406,718 @ 95% collections produces .....	\$1,154,733
Projected Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2031).....	\$1,150,175
\$0.42 Tax Rate on 2009 Certified Assessed Valuation of \$289,406,718 @ 95% collections produces .....	\$1,154,733

## MANAGEMENT

### Board of Directors

The current directors of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Melanie Pedé	President	2010
Zac Cypert	Vice President	2012
Richard E. Conti	Treasurer	2010
Rodney L. Craig	Secretary	2012
Stewart Jacobson	Director	2012

Directors Jacobson and Craig are residents of the District. The remaining directors own property in the District subject to a note and deed of trust in favor of the Developer. Directors have four-year terms staggered every two years. Elections are held only in even numbered years on the second Saturday in May.

### Tax Assessor/Collector

The tax assessor/collector for the District is Bob Leared of Bob Leared Interests, Inc. According to Bob Leared Interests, Inc., its employees currently serve approximately 155 other special districts as tax assessor/collector.

### Operator of Water and Sewer Facilities

The City of Sugar Land, pursuant to the Utility Functions and Service Allocation Agreement between the District and the City, operates the District's water and sewer system. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND".

### Bookkeeper

McLennan & Associates, L.P. acts as bookkeeper for the District. McLennan & Associates, L.P. performs similar services for approximately 106 other utility districts.

### Engineer

The consulting engineer for the District is Costello, Inc. Costello, Inc. currently serves approximately 35 other special districts as engineer.

### Bond Counsel/General Counsel

The District employs Allen Boone Humphries Robinson LLP as Bond Counsel in connection with the issuance of bonds by the District. Such firm also acts as general counsel for the District on other matters.

### Financial Advisor

RBC Capital Markets Corporation (the "Financial Advisor") was employed in 2004 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

## PROJECTED DEBT SERVICE SCHEDULE

The following schedule sets forth the principal and estimated interest requirements, assuming the Bonds are issued at an interest rate of 6.00%.

Series 2009 - The Bonds						
Year Ended 31-Dec	Outstanding Debt Service	Principal Due 9/1	Interest (a)		Total Principal & Interest	New Debt Service
			Due 3/1	Due 9/1		
2010	\$ 757,873.75	\$ -	\$ 85,600.00	\$ 128,400.00	\$ 214,000.00	\$ 971,873.75
2011	762,113.75	90,000.00	128,400.00	128,400.00	346,800.00	1,108,913.75
2012	760,523.75	95,000.00	125,700.00	125,700.00	346,400.00	1,106,923.75
2013	763,298.75	105,000.00	122,850.00	122,850.00	350,700.00	1,113,998.75
2014	765,208.75	110,000.00	119,700.00	119,700.00	349,400.00	1,114,608.75
2015	766,233.75	120,000.00	116,400.00	116,400.00	352,800.00	1,119,033.75
2016	771,308.75	130,000.00	112,800.00	112,800.00	355,600.00	1,126,908.75
2017	769,808.75	140,000.00	108,900.00	108,900.00	357,800.00	1,127,608.75
2018	771,958.75	150,000.00	104,700.00	104,700.00	359,400.00	1,131,358.75
2019	767,678.75	160,000.00	100,200.00	100,200.00	360,400.00	1,128,078.75
2020	767,353.75	175,000.00	95,400.00	95,400.00	365,800.00	1,133,153.75
2021	770,581.25	185,000.00	90,150.00	90,150.00	365,300.00	1,135,881.25
2022	767,077.50	200,000.00	84,600.00	84,600.00	369,200.00	1,136,277.50
2023	767,152.50	215,000.00	78,600.00	78,600.00	372,200.00	1,139,352.50
2024	765,611.25	230,000.00	72,150.00	72,150.00	374,300.00	1,139,911.25
2025	767,433.75	250,000.00	65,250.00	65,250.00	380,500.00	1,147,933.75
2026	762,340.00	265,000.00	57,750.00	57,750.00	380,500.00	1,142,840.00
2027	760,280.00	285,000.00	49,800.00	49,800.00	384,600.00	1,144,880.00
2028	756,375.00	310,000.00	41,250.00	41,250.00	392,500.00	1,148,875.00
2029	755,495.00	330,000.00	31,950.00	31,950.00	393,900.00	1,149,395.00
2030	747,375.00	355,000.00	22,050.00	22,050.00	399,100.00	1,146,475.00
2031	747,375.00	380,000.00	11,400.00	11,400.00	402,800.00	1,150,175.00
	<u>\$ 16,790,457.50</u>	<u>\$ 4,280,000.00</u>	<u>\$ 1,825,600.00</u>	<u>\$ 1,868,400.00</u>	<u>\$ 7,974,000.00</u>	<u>\$ 24,764,457.50</u>

(a) Interest on the Bonds estimated at 6.00%.

## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land or any other entity. The Bonds, equally and ratably with future bonds, are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS - Source of Payment.” The investment quality of the Bonds depends on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See “Registered Owners’ Remedies” and “Tax Collections” below.

### Factors Affecting Taxable Values and Tax Payments

**National Economy:** Nationally, there has been a significant downturn in new housing and commercial construction caused, in part, by the unavailability of lending, resulting in a decline in market values. The Houston area has seen a decrease in construction as well as decreases in residential and commercial values. The District cannot predict what impact a continued downturn in the housing and commercial market may have on the Houston-area market, though a significant decrease in market values would result in a decrease in taxable values in the District.

**Economic Factors and Interest Rates:** The rate of development of the District is primarily related to the vitality of the commercial real estate market and the residential housing industry in the Houston area. New commercial and residential construction can be significantly affected by factors such as interest rates, construction costs, energy availability and consumer demand. Decreased levels of development activity tend to restrict the growth of property values in the District.

Interest rates have a direct impact on the level of housing construction activity. Long-term rates affect a home purchaser’s ability to qualify for and to afford the total financing costs of a new home. High long-term interest rates may negatively affect home sales and the rate of growth of taxable property values in the District. Further, the short-term interest rates at which developers and builders are able to obtain financing for development and building costs may affect the developers’ or builders’ ability or willingness to complete development or building plans.

**Competitive Nature of Residential Housing Market:** The housing industry in the Houston metropolitan area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be implemented or completed. The competitive position of the Developer in the sale of improved lots to builders or in the construction of single-family residential units by the builders is affected by most of the factors discussed in this section, and such competitive position is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. As illustrated in this Official Statement under the caption “SELECTED FINANCIAL INFORMATION - Principal Taxpayers”, the District’s principal taxpayers in 2009 owned property located within the District the aggregate assessed valuation of which comprised approximately 60.81% of the District’s total 2009 Assessed Valuation. Three taxpayers, MediStar Sugar Land Medical Center, Lake Pointe Town Center, Ltd., and St. Luke’s Sugar Land owned property representing approximately 43.73% of the District’s 2009 taxable value. In the event MediStar Sugar Land Medical Center, Lake Pointe Town Center, Ltd., St. Luke’s Sugar Land, or any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See “SELECTED FINANCIAL INFORMATION - Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

**Developers' Obligations to the District:** There is no commitment by or legal requirement of the Developer, 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 homebuilder to proceed at any particular pace with the construction of homes in the District. While the Developer, in most cases, retains the right to repurchase land from buyers who fail to commence construction of buildings within 18 months of purchasing the land, there is no commitment or legal requirement of the Developer to make such repurchase in order to facilitate and encourage timely construction of buildings in the District. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future construction activity in the District. Failure to construct taxable improvements would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "THE DISTRICT – Status of Development" and "THE DEVELOPER."

**Maximum Impact on District Tax Rates:** Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2009 Certified Assessed Valuation is \$289,406,718 (see "SELECTED FINANCIAL INFORMATION"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,150,175 (2031), and the Projected Average Annual Debt Service Requirement, on a calendar year basis, will be \$1,132,980 (2011 through 2031 High Years, inclusive). Assuming no increase or decrease from the 2009 Certified Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.42 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.42 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement. The Commission has recommended that the District levy a Debt Service Tax Rate in 2009 of not less than \$0.26 per \$100 assessed valuation. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "SELECTED FINANCIAL INFORMATION – Tax Adequacy for Debt Service." The Commission's recommendation is based on and assumes projections of additional development. The District makes no representation that such additional development will actually occur. Property within the District also is subject to taxes levied by other political subdivisions. See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement."

### **Tax Collections**

The District's ability to make debt service payments on the Bonds 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 two years of foreclosure. 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. Because ownership of the land within the District will become highly fragmented among a large number of taxpayers, 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 other ways: first, a debtor's confirmation plan to allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of taxes assessed against the debtor, including taxes that have already been paid.

### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that if the District defaults in the payment of the principal or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Resolution, then the Registered Owners shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, to protect the interests of the bondholders, and all legal actions to enforce such remedies would

have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Resolution does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. The Texas Legislature has not generally waived the District's immunity from suit for money damages, and if such immunity was waived and a judgment obtained, 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 and interest on the Bonds.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the registered owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the Commission prior to filing for bankruptcy. The Commission must investigate the financial condition of the District and will authorize the District to proceed only if the Commission determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debt and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file with the Bankruptcy Court a plan for the adjustment of its debt. If such a plan were confirmed by the Bankruptcy Court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District. A District may not be placed into bankruptcy involuntarily.

### **Operating Funds**

Because the City of Sugar Land operates the utilities within the District, the District's only sources of revenue to pay the operating expenses of the District are proceeds from bond issues and maintenance tax proceeds. In 2008, the District levied a \$0.35 maintenance tax and a \$0.40 debt service tax for a total tax of \$0.75 per \$100 of appraised value. The District's Operating Fund balance at September 9, 2009, was \$1,024,403. Continued maintenance of a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developer, the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District's debt service tax, could result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "OPERATING STATEMENT."

### **Marketability**

The District has no understanding 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 difference between the bid and asked price of other bonds issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

## **Future Debt**

The District has the right to issue the remaining \$4,200,000 of bonds for water, sewer and drainage and \$7,250,000 of bonds for parks and recreation which have been authorized but unissued and such additional bonds as may hereafter be approved by both the Board and voters of the District. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The District also has the right to issue refunding bonds, bond anticipation notes and revenue bonds without voter approval. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Issuance of Additional Debt.”

According to the Developer, following the issuance of the Bonds, and with respect to funds advanced by the Developer as of October 1, 2009, the District will owe the Developer and approximately \$4,672,000 for funds heretofore advanced on behalf of the District for parks and recreation. After the issuance of the Bonds, there will be no reimbursements outstanding for water, sewer and drainage purposes. The District has entered into agreements to reimburse such amounts from the proceeds of future bond issues, subject to TCEQ approval of each bond issue, or from excess operation funds.

## **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 could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

## **Environmental Regulation**

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district (“Utility Districts”) 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 injunctive relief as to future compliance of and the ability to operate the Utility District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Utility Districts, including the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

**Air Quality Issues.** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (“TCEQ”) 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 2007 as a severe ozone nonattainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA “8-hour” ozone standards are met. Both the TCEQ and EPA have taken comments on the submission of a new State Implementation Plan (“SIP”) which would account for the severe classification of the HGB area and propose ways of complying with the goals for attainment. On September 23, 2009, the Commission approved proposal of a number of SIP revisions and associated rule revisions for the HGB area for 8-hour ozone standard. The attainment date for severe nonattainment regions is June 15, 2019. To provide for reductions in

ozone concentrations as a result of this classification, the EPA and the TCEQ 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 TCEQ has proposed SIPs 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. In response to the severe ozone nonattainment designation, the TCEQ is now working on additional control technologies for the next SIP submission to the EPA, which it has requested be finalized by April 2010. This means that additional control strategies will need to be implemented in order to achieve attainment, and it is possible that 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 the 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. Further, EPA adopted new drinking water rules in 2006 (the Stage 2 Disinfectants and Disinfection Byproducts Rule; the Long Term 2 Enhanced Surface Water Treatment Rule, and the Ground Water Rule), which the TCEQ adopted on December 19, 2007. These new rules, effective January 10, 2008, may increase costs to public water systems for sampling and treatment. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a Utility District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on Utility Districts' ability to obtain and maintain TPDES permits. On April 8, 2009, the Commission approved the adoption of eighteen TMDLs for bacteria in Buffalo and White Oak Bayous and tributaries in the San Jacinto River Basin. These new TMDLs were approved by EPA in June 2009. Utility Districts may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

Operations of Utility Districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on August 14, 2006) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007). Utility Districts are also required to develop and implement stormwater pollution prevention plans and stormwater management plans. 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. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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.

## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

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

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

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by the federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty (20) percent 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. The District has not adopted a residential homestead exemption for persons sixty-five years of age or older and certain disabled persons. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. See “SELECTED FINANCIAL INFORMATION - Classification of Assessed Value.”

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has not granted a general residential homestead exemption. See “SELECTED FINANCIAL INFORMATION.”

**Freeport Goods Exemption:** Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District.

### **Tax Abatement**

The City or Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the Fort Bend Independent School District, the District, or the City 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 agreement. The terms of all tax abatement agreements need not be the same.

### **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.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized herein. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

## **District and Taxpayer Remedies**

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

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. 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 would not be affected by a rollback election.

## **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.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "SELECTED FINANCIAL INFORMATION - Overlapping Taxes for 2008"). A tax lien on real property takes priority over the claim of most creditors and other

holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. In addition, a person 65 or older may defer or abate a suit to collect delinquent taxes on the person's residence homestead. See "INVESTMENT CONSIDERATIONS-General - Tax Collection Limitations and Foreclosure Remedies."

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, 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 income tax purposes under existing law, and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustments for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," except for the information under the subheading "Book-Entry-Only System," "THE DISTRICT - General," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF SUGAR LAND," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement or conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bonds 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 the information contained herein.

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

## **No Material Adverse Change**

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

## **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.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. 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.

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income

tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

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

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

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

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

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

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

## **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$30,000,000 for tax-exempt obligations issued after December 31, 2008 and before January 1, 2011.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2009 is not expected to exceed \$30,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$30,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2009.

An additional exception to the foregoing provision is provided in the Code for an amount of tax-exempt obligations issued after December 31, 2008 and before January 1, 2011, the total amount of which does not exceed 2 percent of the adjusted basis of all of the assets of the financial institution.

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Initial Purchaser") bearing the interest rates shown under "MATURITIES," on the cover page hereof, 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, as amended (the "IBA" method).

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser prior to 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 and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Initial Purchaser at the yields specified on the cover page. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

THE PRICES AND OTHER TERMS RESPECTING 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 THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

### **Securities Laws**

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

No application has been made to a rating company for a rating on the Bonds, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made. No application has been made to a bond insurance company for bond insurance, nor is it expected that the District would have been successful in obtaining bond insurance had such application been made.

### **MUNICIPAL BOND RATING**

The District has made application to Standard & Poor's Ratings Services ("S&P") for an underlying rating on the outstanding debt of the District and S&P has assigned a rating of "\_\_\_\_." If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser 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 S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if insurance is elected to be purchased by the Initial Purchaser.

### **MUNICIPAL BOND INSURANCE**

An application has been made for a commitment to issue a policy of 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 (defined below), will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described below.

### **Bond Insurance Risk Factors**

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Initial Purchaser 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 absent 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 that the Trustee exercises and the Bond Insurer's consent may be required in connection with amendments to the applicable Agreements or Indenture.

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 by the Trustee pursuant to the applicable Agreements. 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 description of MUNICIPAL BOND RATING herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Trustee may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or the Initial Purchaser 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.

#### **FINANCIAL ADVISOR**

RBC Capital Markets Corporation (the "Financial Advisor") was employed in 2004 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

#### **OFFICIAL STATEMENT**

##### **Consultants**

In approving this Official Statement, the District has relied upon the following consultants. Each consultant has consented to the use of the information provided by such firms.

***The Engineer.*** The information contained in this Official Statement relating to engineering and to the description of the System has been provided by Costello, Inc. and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

***Appraisal District & Tax Assessor/Collector.*** The information contained in this Official Statement relating to the assessed valuation of property, classification of assessed valuation, tax collection rates, principal taxpayers, and in particular, such information contained in the section captioned "SELECTED FINANCIAL INFORMATION" has been provided by the Fort Bend Central Appraisal District and Bob Leared Interests, Inc. in reliance upon their authority as experts in the field of tax assessing and tax collecting, respectively.

**Auditor.** The District's financial statements are audited by Null-Lairson, P.C., and excerpts of the District's Audited Financial Statements as of July 31, 2008 have been included as APPENDIX "A." The District has engaged McGrath & Co. PLLC, to prepare the audited financial statements for the fiscal year ending July 31, 2009. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement of Auditing Standards No. 112, including the District's response thereto, is included in Appendix A.

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

The District, acting by and through its Board of Directors in its official capacity, and in reliance upon the consultants 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 fewer 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.

## **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 included under the headings "SELECTED FINANCIAL INFORMATION," and "APPENDIX A" (the Audit). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2009. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 ("Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Material Event Notices**

The District will also provide timely notices of certain events to EMMA. The District will provide notice of any of the following events with respect to the Bonds, if the event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Bond Resolution make any provision for debt service reserves, credit enhancement, or liquidity enhancement.) In addition, the District will provide timely notice of any failure by it to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to EMMA.

### **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 and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

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

**MISCELLANEOUS**

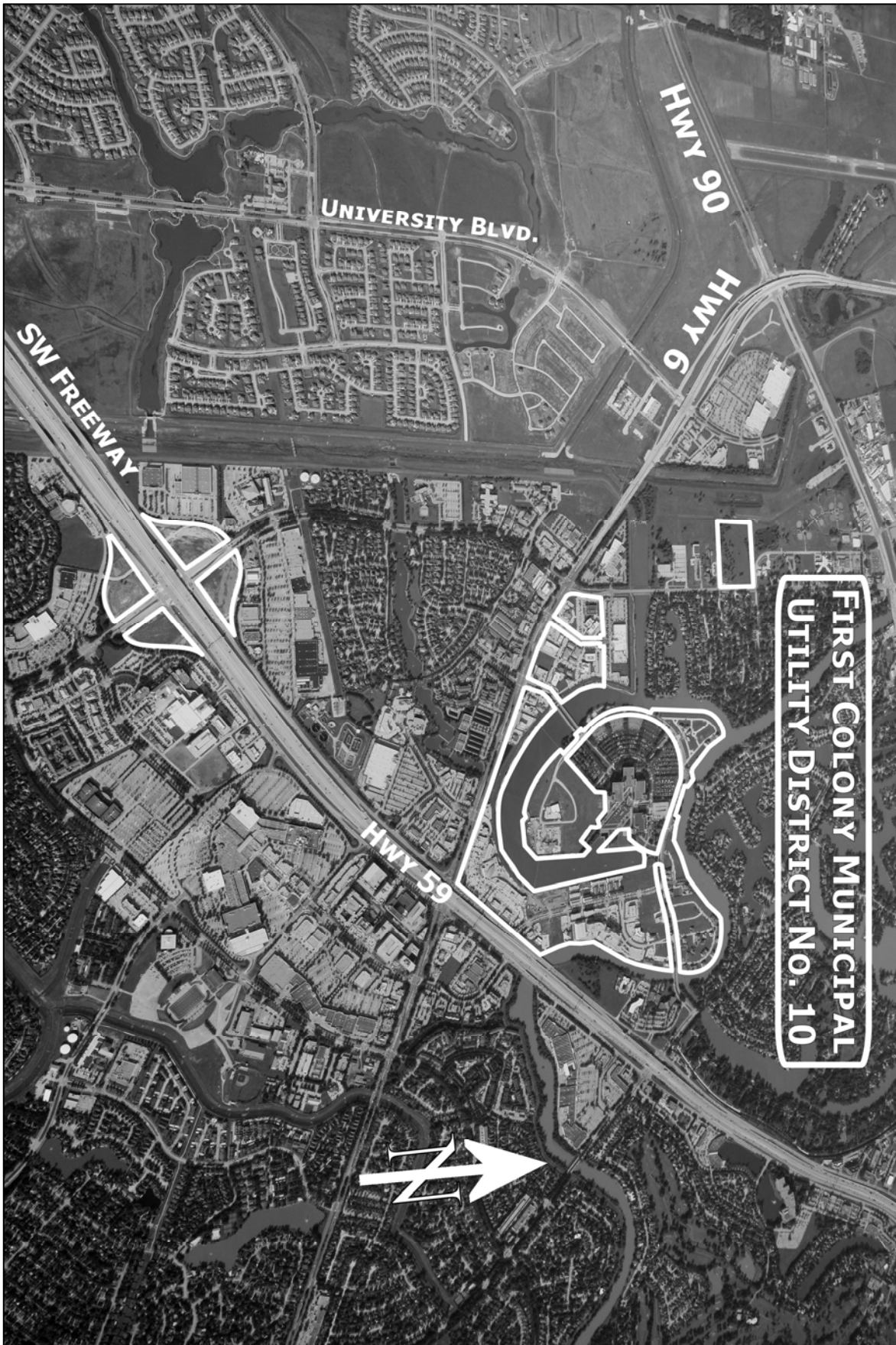
All estimates, statements and assumptions in this OFFICIAL STATEMENT and APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly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

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

/s/ \_\_\_\_\_  
Melanie Pedé  
President, Board of Directors  
First Colony Municipal Utility District No. 10

/s/ \_\_\_\_\_  
Rodney L. Craig  
Secretary, Board of Directors  
First Colony Municipal Utility District No. 10

**AERIAL PHOTOGRAPH**  
**(Dated September 30, 2009)**



**PHOTOGRAPHS**



**Single Family Residential**



**Single Family Residential**

## PHOTOGRAPHS



**Home Under Construction**



**St. Luke's Sugar Land Hospital**

## PHOTOGRAPHS



**Luxury Townhomes**



**Luxury Townhomes**

## PHOTOGRAPHS



**Whole Foods Market**



**Retail Shopping Center**

## **APPENDIX A**

The information contained in this appendix has been excerpted from the audit report of First Colony Municipal Utility District No. 10, of Fort Bend County, Texas, for the period ended July 31, 2008. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request