FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

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FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

REVENUE REFUNDING BONDS, SERIES 2010

****

$9,675,000

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ALLEN BOONE HUMPHRIES ROBINSON LLP

BOND COUNSEL

INDEX

$9,675,000
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
REVENUE BONDS, SERIES 2010

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FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

September 14, 2010

The Honorable Stephanie Liebe
Division Chief, Public Finance Section
Office of The Attorney General of Texas
300 West 15th Street, 7th Floor
Austin, Texas 78701

Comptroller of Public Accounts
Attention: Cash & Securities Management Division
Thomas Jefferson Rusk Building
208 East 10th Street, 4th Floor, Room 448
Austin, Texas 78701-2407

Re: Fort Bend Flood Control Water Supply Corporation - $9,675,000
Revenue Refunding Bonds, Series 2010

Ladies and Gentlemen:

TO THE ATTORNEY GENERAL

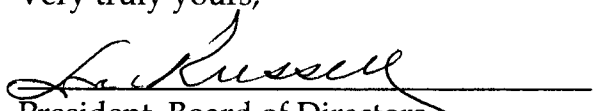
The above-referenced bonds will be sent to you for approval and we enclose one executed but undated Signature Identification and No-Litigation Certificate. Upon approval of the bonds, you are authorized and respectfully requested to insert the date in such certificate, which date is to be the same as your approval date. If any litigation should develop before you have approved such bonds, we will notify you at once by telephone and telefax. With this assurance, you can rely upon the absence of litigation at the time that you approve the bonds unless we advise you to the contrary.

After you have approved the bonds, please deliver them to the Comptroller of Public Accounts of the State of Texas for registration.

TO THE COMPTROLLER

Please forward the bonds by Federal Express to Greer Pagan, Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Very truly yours,



President, Board of Directors
Fort Bend Flood Control Water Supply
Corporation

Enclosure

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

We, the undersigned officers of Fort Bend Flood Control Water Supply Corporation (the "Corporation"), certify that we officially signed, by our facsimile signatures, on behalf of said Corporation, the following described bonds, to-wit:

> FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, dated October 1, 2010, in the total authorized aggregate principal amount of $9,675,000,

being on the date of such signing and on the date hereof the duly chosen, qualified, and acting officers authorized to execute said bonds, and holding the official titles set forth below opposite our signatures. We further certify that said facsimile signatures have been affixed to said bonds with our full knowledge and consent, and we hereby respectively adopt the same as our own signatures.

We further certify that we have caused the official seal of the Corporation to be impressed or placed in facsimile upon each of said bonds and that said seal has been duly adopted as, and is hereby declared to be, the official seal of the Corporation.

We further certify that no litigation of any nature is now pending or, to our knowledge, threatened, either in the state or federal courts, contesting or attacking said bonds or restraining or enjoining their issuance, execution, or delivery, or restraining or enjoining the levy and/or collection and/or pledge of the funds from which said bonds are payable, or in any manner questioning the authority or proceedings for the issuance, execution, or delivery of said bonds, or affecting the organization or boundaries of the Corporation, or affecting the title of the present officers of said Corporation to their offices, and that no proceedings or authority for the issuance, execution, or delivery of said bonds have been repealed, rescinded, or revoked.

WITNESS OUR HANDS the 7th day of October, 2010.

SIGNATURES	TITLE OF OFFICE
Don L. Russell	President, Board of Directors
Mike Stone	Secretary, Board of Directors

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

Before me, on the 14th day of September, 2010 personally appeared Don L. Russell as President and Mike Stone as Secretary of the Board of Directors of Fort Bend Flood Control Water Supply Corporation a political subdivision of the State of Texas, on behalf of said political subdivision, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

(NOTARY SEAL)

JUSTINE MARIE CHERNE
MY COMMISSION EXPIRES
August 15, 2012

Justine Marie Cherne
Notary Public, State of Texas

FIRST AMENDMENT TO THE AGREEMENT AMONG FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION AND FORT BEND COUNTY, TEXAS AND FORT BEND COUNTY DRAINAGE DISTRICT

THIS FIRST AMENDMENT (this "First Amendment"), is made as of September 14, 2010, by and among Fort Bend Flood Control Water Supply Corporation (the "Corporation"), a Texas nonprofit corporation, and Fort Bend County, Texas (the "County"), a body politic and corporate and a political subdivision of the State of Texas, acting by and through its governing body, the Commissioners Court of Fort Bend County, Texas, and the Fort Bend County Drainage District (the "District"), a conservation and reclamation district, a governmental agency and body politic and corporate, and a political subdivision of the State of Texas, acting by and through its governing body, the Commissioners Court of Fort Bend County, Texas.

WITNESSETH:

WHEREAS, the Corporation, the County, and the District have previously entered into that certain Agreement Relating to Fort Bend Flood Control Water Supply Corporation $11,650,000 Revenue Bonds, Series 2001 dated as of July 3, 2001 (the "Agreement"); and

WHEREAS, the Corporation previously issued its $11,650,000 Fort Bend Flood Control Water Supply Corporation Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), pursuant to the Agreement for the purpose of financing the acquisition, construction, and maintenance of certain flood control and drainage works and improvements necessary to drain land within the County (the "Project"); and

WHEREAS, the Corporation now desires to (i) refund its Series 2001 Bonds (the "Refunded Bonds") by authorizing the issuance of its Fort Bend Flood Control Water

Supply Corporation Revenue Refunding Bonds, Series 2010 (the "Series 2010 Bonds"), (ii) amend the Agreement to provide, pursuant to Chapter 67, Texas Water Code, as amended, for the payment of the principal of and premium, if any, and interest on the Series 2010 Bonds with revenues derived from the Agreement and the providing of services to the District pursuant to the terms and provisions of the Agreement as amended herein, and (iii) take and authorize certain other actions in connection with the foregoing; and

WHEREAS, the County and the District are agreeable to amend the Agreement to allow the Corporation issue the Series 2010 Bonds and provide for the payment of principal of and premium, if any, and interest thereon;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants, and agreements set forth below, the Corporation, the County, and the District agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. The following words and terms shall have the meanings assigned to them below whenever they are used in this First Amendment, unless the context clearly requires otherwise. All terms used in the Agreement or this First Amendment, which are defined in the Resolution (as defined below), shall have the same meanings in the Agreement or the First Amendment.

"Owner" or "Owners" shall mean the Owner of the Series 2001 Bonds or the Series 2010 Bonds.

"Resolution" means the Resolution adopted by the Board of Directors of the Corporation on September 14, 2010, authorizing the issuance of the Series 2010 Bonds.

ARTICLE II

PROVISIONS

Section 2.01. The Series 2010 Bonds. The Corporation, at the request of the County, hereby agrees to issue the Series 2010 Bonds. In connection with the issuance of the Series 2010 Bonds, the Corporation, the County, and the District hereby agree as follows:

a. All references to the "Series 2001 Bonds" in the Agreement shall hereafter be interpreted to apply equally and ratably to the Series 2001 Bonds and the Series 2010 Bonds issued by the Corporation in connection with the Project at the request of the County; and

b. All provisions of the Agreement and this First Amendment shall be deemed to benefit equally and ratably the Owners of the Series 2001 Bonds and the Series 2010 Bonds, including, without limitation, the County's obligation pursuant to Section 4.01 of the Agreement.

Section 2.02. Continuing Disclosure of Information. The Corporation has agreed in the final Official Statement and in the Resolution to annually update certain financial information and operating data (the "Information") for as long as the Series 2010 Bonds are outstanding in compliance with 17 C.F.R. 240.15c2-12, as amended (the "Rule") promulgated by the Securities and Exchange Commission. The County hereby agrees to provide to the Corporation any Information necessary to comply with the Rule, as determined and requested by the Corporation, at least 30 days before the date by which the Corporation is required by the Rule to provide the Information. The Corporation agrees to

provide the County notice of the need for any Information necessary to comply with the Rule at least 30 days prior to the date the Information is due from the County. The County, as an Obligated Person under the Rule, hereby designates the Corporation as its designated agent under the Rule, and the Corporation hereby agrees to provide all Information to the appropriate repositories as required by the Rule.

ARTICLE III

MISCELLANEOUS

Section 3.01. Severability. The provisions of this First Amendment are severable, and if any provision or part of this First Amendment shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this First Amendment and the application of such provision or part of this First Amendment to other persons or circumstances shall not be affected thereby.

Section 3.03. Agreement in Effect. All terms and provisions of the Agreement, except as amended hereby, shall remain in full force and effect.

Section 3.04. Merger. This First Amendment, together with the Agreement, embodies the entire agreement among the parties relative to the subject matter hereof and thereof.

Section 3.05. Conflict. If any provision of this First Amendment conflicts with or is modified by any provision in the Agreement, the terms of this First Amendment shall control.

[Execution Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to the Agreement in multiple counterparts, each of which shall be deemed to be an original, as of the date and year first written above.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

By:_____
President, Board of Directors

ATTEST:

By:_____
Secretary/Treasurer

FORT BEND COUNTY, TEXAS

By:_____
Robert Hebert, County Judge
9-14-10

ATTEST:

By:_____
Dianne Wilson, County Clerk

FORT BEND COUNTY DRAINAGE DISTRICT

By:_____
Robert Hebert, County Judge

ATTEST:

By:_____
Dianne Wilson, County Clerk

$9,675,000
FORT BEND COUNTY, TEXAS
FLOOD CONTROL DISTRICT CONTRACT TAX
REFUNDING BONDS, SERIES 2010A

BOND PURCHASE AGREEMENT

September 14, 2010

Fort Bend County
301 Jackson Street, Suite 533
Richmond, Texas 77469

Ladies and Gentlemen:

The undersigned Jefferies & Company, Inc. (the **"Underwriter"**), acting on its own behalf and not acting as a fiduciary or agent for you hereby offers to purchase from Fort Bend Flood Control Water Supply Corporation (the **"Issuer"**) the above stated aggregate principal amount of the Issuer's Revenue Refunding Bonds, Series 2010 (the **"Bonds"**).

1. Terms of Offer. This offer is made subject to the written acceptance of this offer by the Issuer upon execution and delivery of this Bond Purchase Agreement (the "Purchase Agreement") to the undersigned on or before 10:00 p.m., Central time, on September 14, 2010. If the Issuer accepts this offer by that time, this Purchase Agreement will become legally binding upon the Issuer and the Underwriter; and if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined herein shall have the meanings set forth in the Resolution (as defined herein) or in the Official Statement (as defined herein).

2. Purchase and Sale of Bonds. On the terms and conditions and in reliance on the representations, warranties, and covenants of the Issuer described below, the Underwriter will purchase from the Issuer, and the Issuer will sell to the Underwriter, all (but not less than all) of the Issuer's $9,675,000.00 Revenue Refunding Bonds, Series 2010. Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the Issuer, but rather is acting solely in its individual capacity as Underwriter for its own account. The issuer has consulted its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

The Bonds shall have the principal amount, maturities, redemption, terms, and bear interest as described in the Official Statement. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the bond resolution adopted by the Issuer on September 14, 2010 (the "Resolution").

The purchase price for the Bonds shall be $10,398,331.63 (representing the par amount of the Bonds, plus an original issue premium of $784,853.30 and less an underwriting discount of $61,521.67.

3. Background and Purpose. Proceeds from the sale of the Bonds will be used to (i) refund certain obligations of the Corporation described in Schedule I (the "Refunded Bonds") of the POS and (ii) to pay costs of issuance associated with the issuance the Bonds.

4. Public Offering. The Underwriter will make a bona fide public offer of all of the Bonds at public offering prices which do not exceed (or at public offering yields which are not less than) those set forth on the cover page of the Official Statement described below. Subject to the foregoing sentence, the Underwriter may change such offering prices (or yields) in their discretion without notice to the Issuer. The Underwriter also may offer the Bonds to dealers (including dealers depositing the Bonds into unit trusts) and others at prices lower than such public offering prices stated on the inside cover of the Official Statement (or at yields higher than such initial public offering yields). The Underwriter also reserves the right to (i) over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice. On or before Closing, the Underwriter shall execute the Certificate prepared by Bond Counsel verifying the initial offering prices to the public at which a substantial amount of each stated maturity of the Bonds was sold to the public.

5. Offering Documents.

(a) The Official Statement. The Issuer previously has delivered copies of the Preliminary Official Statement dated September 8, 2010 (the "*Preliminary Official Statement*") to the Underwriters. The Issuer will prepare a final Official Statement relating to the Bonds, which will be (i) dated the date of this Contract, (ii) complete within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "*Rule*"), and (iii) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the execution hereof. Such final Official Statement, including the cover page thereto, all exhibits, appendices, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Bonds, is herein referred to as the "*Official Statement*". Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriters sufficient quantities of the Preliminary Official Statement as the Underwriters deem necessary to satisfy the obligations of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriters in connection with the public offering, sale and distribution of the Bonds. The Issuer hereby represents and warrants that the Preliminary Official Statement has been deemed final by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(b) Delivery of Official Statement. The Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Purchase Agreement (but, in any event, not later than within seven business days after the Issuer's acceptance of this Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall reasonably request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

(c) Amendments and Supplements to Official Statement. If, after the date of this Purchase Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Agreement and any representation, warranty or covenant made herein, or any certificate delivered by the Issuer in accordance herewith, the issuer makes no representations with respect to the descriptions in the Preliminary Official Statements or the Official Statement of The Depository Trust Company, New York, New York ("DTC"), or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(d) Filing Official Statement. The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

(e) Continuing Disclosure. The Issuer will agree in the Resolution to provide certain periodic information and notices of material events in accordance with Rule (the "Undertaking"), as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Underwriter' obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or their agent of a certified copy of the Resolution containing the agreement described under such heading.

(f) Use of Official Statement. The Underwriter, all members of any selling group which may be formed in connection with the distribution of the Bonds, and all dealers to whom any of the Bonds may be sold by the Underwriter or by members of any selling group may use the Official Statement and the information contained therein, including any amendments or supplements thereto, in connection with the offering and sale of the Bonds.

(g) Substantive Requirements for Official Statement. To the best knowledge and belief of the Issuer, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. The Issuer has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

6. Representations and Warranties of Issuer. The Issuer represents and warrants to the Underwriter that:

(a) Due Organization, Authority and Authorization: The Issuer is a duly constituted authority of the County of Fort Bend created pursuant to recodified Chapter 67, Texas Water Code, as amended, to finance drainage improvements by issuing tax-exempt revenue bonds on behalf of Fort Bend County (the "County"). The County is a body politic and corporate, a political subdivision of the State of Texas (the "State") and has full legal right, power, and authority pursuant to the Constitution and general laws of the State, including Chapter 518, Acts of 1955, 54th Legislature of Texas Regular Session as amended, and Chapters 791 and 1371 of the Texas Government Code, as amended (collectively, the "Act"), and at the date of the Closing will have full legal right, power and authority under the Act and the Resolution (i) to adopt the Bond Resolution, and to enter into, execute and deliver this Purchase Agreement and all documents required under the Bond Resolution or hereunder to be executed and delivered by the Issuer (this Agreement and the Bond Resolution are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions contemplated by the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(b) Valid Obligations: The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Resolution and this Purchase Agreement, will constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the

Resolution and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Resolution will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of ad valorem taxes it purports to create as set forth in the Resolution.

(c) No Other Action Required: By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents, (iii) the approval, distribution and use of the Preliminary Official Statement and the approval, execution, distribution and use of the Official Statement for use by the Underwriter in connection with the public offering of the Bonds and (iv) the consummation by it of all other transactions contemplated by the Official Statement, and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement.

(d) No Default and Non-Contravention: As of the date hereof, the Issuer is not in material breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing; and the execution and delivery of the Bonds, the Issuer Documents and the adoption of the Resolution and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Resolution.

(e) No Other Approvals: Except for the approval of the Bonds by the Attorney General of the State of Texas and the registration thereof by the comptroller of Public Accounts of the State of Texas, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable of the Issuer Documents, the issuance of the Bonds or the due performance by the Issuer of its obligations under the Issuer Documents, and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the

Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) No Litigation: Except as disclosed in the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of taxes pledged to the payment of principal of and interest on the Bonds pursuant to the Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Resolution or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents.

(g) Accuracy of Official Statement: The Bonds and the Resolution conform to the descriptions thereof contained in the Official Statement under the caption "THE BONDS;" the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the caption "THE BONDS" ; the Bond Resolution conforms to the description thereof contained in the Official Statement; and the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement.

(h) Financial Statements. The financial statements of, and other financial information regarding the Issuer in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. Prior to the Closing, the Issuer will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer. The Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer.

(i) Use of Proceeds: The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Resolution and not to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds

(j) Information Provided to Underwriter: The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and

(B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(k) No Material Changes: Prior to the Closing the Issuer will not offer or issue any bonds, Bonds or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, payable from or secured by any ad valorem taxes which will secure the Bonds without the prior approval of the Underwriter.

(l) Officers' Certificates: Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Purchase Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made thereon.

(m) The Issuer covenants that between the date hereof and the Closing it will take no actions which will cause the representations and warranties made in this Section to be untrue as of Closing.

(n) The Issuer, to the extent heretofore requested by the Underwriter, has delivered to the Underwriter true, correct, complete, and legible copies of all information, applications, reports, or other documents of any nature whatsoever submitted to any rating agency for the purpose of obtaining a rating for the Bond and, in each instance, true, correct, complete, and legible copies of all correspondence or other communications relating, directly or indirectly, thereto.

7. The Closing

(a) Time and Place. At 10:00 a.m., Central time, on October 12, 2010 or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing"), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 2 of this agreement by a wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of The Paying Agent/Registrar, or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of Bonds. Delivery of the Bonds shall be made through facilities of the Depository Trust Company, New York, New York ("DTC") utilizing the book-entry-only form of issuance. The bonds shall be delivered in definitive fully registered form in the name Cede & Co., all as provided in the Official Statement and shall be made available to the Underwriter at least one business day before the closing for the purpose of inspection at the offices of the Depository or, if the bonds are to be held in safekeeping for the Depository by the

Paying Agent/Registrar pursuant to the Depository's FAST system, at the designated payment office of the Paying Agent/Registrar. In addition, the Issuer and the Underwriter agrees that there shall be a preliminary Closing held at such place as the Issuer and the Underwriters shall mutually agree, commencing at least 24 hours prior to the Closing; provided however, that such preliminary Closing shall not be required if Bond Counsel provides a complete transcript of the proceedings acceptable to counsel for the Underwriter at least 24 hours prior to the Closing.

8. Conditions to Closing. The Underwriter has entered into this Purchase Agreement in reliance upon the accuracy in all material respects representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Purchase Agreement, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter and Underwriter Counsel:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Purchase Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and Underwriters' Counsel to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Resolution shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the Bonds;

(f) At or prior to the Closing, the Issuer shall have received evidence that the Bond Insurance Policy shall be in effect for the Bonds on the date of the Closing;

(g) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the reasonable judgment of the Underwriter, is material and adverse and that makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(h) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(i) No suit, action, investigation, or legal or administrative proceeding shall be threatened or pending before any court or governmental agency which is likely to result in the restraint, prohibition, or the obtaining of damages or other relief in connection with the issuance of the Bonds or the consummation of the transactions described herein, or which, in the reasonable opinion of the Underwriter, would have a materially adverse effect on the transactions described herein.

(j) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Purchase Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter and counsel to the Underwriter;

(k) At or prior to the Closing, the Underwriter shall receive each of the following executed or certified documents:

(1) The Preliminary Official Statement and the Official Statement, and each supplement or amendment thereto, if any, executed on behalf of the Issuer by its President and Secretary of the Board of Trustees, or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The Resolution certified as having been duly adopted and in full force and effect with all supplements or amendments as may have been agreed to by the Underwriter and containing the undertaking of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule (the "Undertaking");

(3) The approving opinion of Allen Boone Humphries Robinson LLP ("Bond Counsel") with respect to the Bonds, substantially in the form attached to the Official Statement;

(5) A supplemental opinion of Bond Counsel, dated the date of Closing addressed to the Underwriter, substantially to the effect that:

(i) the Bonds are exempted securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Resolution under the Trust Indenture Act; and

(ii) except to the extent noted herein, said firm has not verified and is not passing upon, and does not assume any responsibility for the accuracy, completeness or fairness of the statements and information contained in the Preliminary Official Statement, but that such firm has reviewed the statements and information contained in the Preliminary Official Statement under the captions "THE BONDS" (excluding the information under the subcaption "Book-Entry-Only System" and "Bondholder's Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance With Prior Undertakings"), "OTHER INFORMATION -Registration and Qualification of Bonds for Sale," and "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas," and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution.

(6) An opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, substantially to the effect that:

(i) the Bonds are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act and the Resolution need not be qualified under the Trust Indenture Act; and

(ii) based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding The Depository Trust Company and its book-entry system and information regarding any bond insurance or surety policy, in each case as to which no view need be expressed).

(7) A certificate, dated the date of Closing, of the Issuer to the effect that (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) no litigation or proceeding against it is pending or, to its knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues, including payments on the Bonds, pursuant to the Resolution, and other income or the levy or collection of the taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) the resolutions of the Issuer authorizing the execution, delivery and/or performance of the Official Statement, the Bonds and Issuer Documents have been duly adopted by the Issuer, are in

full force and effect and have not been modified, amended or repealed, and (iv) to the best of its knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (iv) there has not been any materially adverse change in the operations or financial condition of the Issuer since the latest date as of which audited financial information is available;

(8) A certificate of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriter (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the Issuer there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(9) The approving opinion of the Attorney General of the State of Texas and the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds;

(10) Any other certificates and opinions required by the Resolution for the issuance thereunder of the Bonds;

(11) Evidence satisfactory to the Underwriters that the Bonds have been assigned the ratings as provided in the Official Statement by Moody's Investors Service, Inc. and that such ratings are in effect as of the date of Closing; and

(12) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Section 10 hereof shall continue in full force and effect.

9. Term and Termination.

(a) Term. This Purchase Agreement becomes effective when the Issuer accepts the offer made hereby before it expires by executing this Purchase Agreement in the place provided below and delivering an executed counterpart to the Underwriter and shall continue in full force and effect until the Bonds are delivered to the Underwriter.

(b) Termination: The Underwriter shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Purchase Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the reasonable judgment of the Underwriter, by the occurrence of any of the following:

(1) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein;

(2) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(3) any state blue sky or securities commission or other governmental agency or body in any state in which Bonds have been sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(4) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(5) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(6) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the assessments or the levy of taxes to pay principal of and interest on the Bonds;

(7) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) there shall have occurred since the date of this Purchase Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur;

(9) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would materially and adversely affect the ability of the Underwriter to market the Bonds;

(10) any fact or event shall exist or have existed that, in the Underwriter's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement;

(11) There shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that at the date of this

Agreement has published a rating (or has been asked to furnish a rating on the Bonds) on any of the Issuer's debt obligations that are secured in a like manner as the Bonds, which action reflects a change or possible change, in the ratings accorded any such obligations of the Issuer (including any rating to be accorded the Bonds);

(12) A material disruption in securities settlement, payment or clearance services shall have occurred;

(13) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing date, including 1933 Act, the Securities Exchange Act of 1934 and the Trust Indenture Act; and

(14) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission which prohibition shall not be due to the malfeasance, misfeasance or nonfeasance of the Underwriter.

10. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, (ii) the fees and disbursements of Bond Counsel and the Issuer's Financial Advisor; (iii) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings, (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Registrar; (vii) advertising expenses (except any advertising expenses of the Underwriter as set forth below); (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and members of the Issuer; and (ix) any other expenses mutually agreed to by the Issuer and the Underwriter to be reasonably considered expenses of the Issuer which are incident to the transactions contemplated hereby.

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Purchase Agreement, the Blue Sky Survey and Legal Investment Memorandum; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriter.

11. Notices. Any notice to the Issuer under this Purchase Agreement may be given by delivering or posting the same in writing at the address on the cover page to this Contract, Attention: County Auditor, and any such notice to the Underwriter may be given by delivering or

posting the same to Jefferies & Company, 333 Clay Street, 10th Floor, Houston Texas 77002, Attention: Mark Ellis.

12. Parties in Interest. This Purchase Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Purchase Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Agreement; and (iii) any termination of this Purchase Agreement.

13. Section Headings. The section, subsection, and other subdivision headings herein are for convenience of reference only and do not affect the construction hereof.

14. Severability. If any provision of this Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

15. Business Day. For purposes of this Purchase Agreement, "business day" means any day on which the New York Stock Exchange is open for trading. If any provision of this Purchase Agreement or any application thereof is invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

16. Counterparts. This Purchase Agreement may be executed in counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

17. Governing Law. This Purchase Agreement will be governed by and construed in accordance with the law of the State of Texas.

18. No Personal Liability. None of the members of the Board of Directors, nor any officer, agent, or employee of the Issuer, shall be charged personally by the Underwriter with any liability, or be held liable to the Underwriter under any term or provision of this Purchase Agreement, or because of execution or attempted execution, or because of any breach or attempted or alleged breach, of this Purchase Agreement.

Very truly yours,

JEFFERIES & COMPANY, INC.

By: _____ Mark Ellis
Title: Managing Director

Accepted and Agreed to as of 1:15 p.m., this September 14, 2010

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

By: _____

Name: Don L. Russell

Title: President

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

PRELIMINARY OFFICIAL STATEMENT
DATED SEPTEMBER 8, 2010

Ratings:
Moody's: "Aa1"
See ("OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is not includable in the alternative minimum tax on individuals or corporations, except for certain alternative minimum tax consequences for corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE BONDS **WILL BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$10,105,000*
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
(Fort Bend County, Texas)
REVENUE REFUNDING BONDS, SERIES 2010

Dated Date: October 1, 2010 **Due: March 1, as shown on the inside cover**

The $10,105,000* Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010 (the "Bonds") are special obligations of Fort Bend Flood Control Water Supply Corporation (the "Corporation") payable pursuant to a contract (the "Contract") between the Corporation, Fort Bend County, Texas (the "County"), and the Fort Bend County Drainage District (the "District"). Under the terms of the Contract, the County is required to levy and collect a continuing direct, annual ad valorem tax on all taxable property within the County, within the limits prescribed by law, in an amount sufficient, together with all other available funds of the Corporation, to pay principal and interest on the Bonds as they mature. The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 67, Texas Water Code, as amended and pursuant to a resolution (the "Resolution") authorizing the Bonds adopted by the Board of Directors of the Corporation and confirmed and ratified by the County.

Interest on the Bonds will accrue from October 1, 2010, (the "Dated Date") and will be payable March 1 and September 1 of each year commencing March 1, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or any integral multiple thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Co., N.A. (see "THE BONDS - PAYING AGENT/REGISTRAR").

PURPOSE... Proceeds from the sale of the Bonds will be used (i) to refund certain obligations of the Corporation described in Schedule I (the "Refunded Bonds"), and (ii) and to pay the costs of issuance associated with the Bonds.

See Maturity Schedule on the Inside Cover

OPTIONAL REDEMPTION ... The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION ... In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Bond and continuing on March 1 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Bonds then subject to redemption. The Corporation, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the Corporation or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

LEGALITY ... The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas (see "APPENDIX C - FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by Bates & Coleman, P.C., Houston, Texas.

DELIVERY ... It is expected that the Bonds will be available for delivery through the facilities of DTC on October 12, 2010.

JEFFERIES & COMPANY

* Preliminary; subject to change.

MATURITY SCHEDULE*

Principal*	Maturity Mar 1	Rate	Yield [1]	CUSIP Numbers [2]	Principal*	Maturity Mar 1	Rate	Yield [1]	CUSIP Numbers [2]
$ 145,000	2011				$ 990,000	2017			
1,015,000	2012				970,000	2018			
1,025,000	2013				955,000	2019			
1,100,000	2014				915,000	2020 [3]			
1,070,000	2015				905,000	2021 [3]			
1,015,000	2016								

$_____ _____% TERM BONDS DUE _____ PRICED TO YIELD [1] ____% CUSIP [2]

(Accrued Interest from October 1, 2010 to be added)

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* Preliminary; subject to change.

(1) The initial reoffering prices or yields of the Bonds are furnished by the Underwriters (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, A Division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

(3) The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document as the same may be supplemented or corrected by the Corporation from time-to-time, may be treated as an OFFICIAL STATEMENT with respect to the Bonds described herein "deemed final" by the Corporation as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of Rule 15c2-12.

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 Corporation 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 will 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 jurisdictions.

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

The information set forth herein has been obtained from the Corporation and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein 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 Corporation or other matters described.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CORPORATION	The Corporation is a duly constituted authority of the County, created pursuant to recodified Chapter 67, Texas Water Code, as amended, to finance drainage improvements by issuing tax-exempt revenue bonds on behalf of the County.
THE COUNTY	The County is a political subdivision of the State, located in southeast Texas. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.
THE DISTRICT	The District is a conservation and reclamation district created by Texas Laws Chapter 303, 51st Regular Session under authority of Article XVI, Section 59 of the Texas Constitution for the purpose of reclamation and drainage of overflowed lands and other lands needing drainage within the County, Texas.
THE BONDS	The Bonds are issued as $10,105,000* Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010. The Bonds are issued as serial bonds maturing March 1, 2011 through March 1, 2021, inclusive unless the Underwriters designate one or more maturities as a Term Bond (see "THE BONDS - DESCRIPTION OF THE BONDS"and "OPTIONAL REDEMPTION").
PAYMENT OF INTEREST	Interest on the Bonds accrues from October 1, 2010, and is payable March 1, 2011, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE BONDS - DESCRIPTION OF THE BONDS").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 67, Texas Water Code, as amended, and the Resolution adopted by the Corporation and confirmed and ratified by the County (see "THE BONDS - AUTHORITY FOR ISSUANCE").
SECURITY FOR THE BONDS	The Bonds are payable pursuant to a Contract between the Corporation, the County, and the District wherein the County has covenanted and agreed to levy and collect a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County in an amount sufficient to pay the debt service on the Bonds and to pay such debt service on behalf of the Corporation (see "THE BONDS - SECURITY AND SOURCE OF PAYMENT").
OPTIONAL REDEMPTION	The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION"). Additionally, the Bonds may be subject to mandatory redemption in the event the Underwriters elected to aggregate one or more maturities as a Term Bond (see"THE BONDS – MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is not includable in the alternative minimum taxable income of individuals or corporations, except for certain alternative minimum tax consequences for corporations. See "Tax Matters" for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used (i) to refund certain obligations of the corporation described in Schedule I (the "Refunded Bonds"), and (ii) and to pay the costs of issuance associated with the Bonds.
RATINGS	The presently outstanding tax supported debt of the County is rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P") without regard to credit enhancement. The Bonds have been rated "Aa1" by Moody's (see "OTHER INFORMATION - RATINGS").

* Preliminary; subject to change.

BOOK-ENTRY-ONLY-SYSTEM .....The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD ..... Neither the County nor the Corporation has ever defaulted in payment of their bonds.

SELECTED FINANCIAL INFORMATION OF THE COUNTY

Fiscal Year Ending	Estimated County Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation ("G.O.") Tax Debt	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent Of Total Tax Collections	Tax Year
2005	435,160	$ 23,430,077,530	$ 53,842	$205,710,000	$ 473	0.88%	99.87%	2004
2006	435,160	26,049,121,823	59,861	230,080,000	529	0.88%	99.81%	2005
2007	501,974	28,933,750,694	57,640	375,765,000	749	1.30%	99.79%	2006
2008	501,974	33,393,702,935	66,525	367,690,000	732	1.10%	99.60%	2007
2009	528,392	38,166,425,554	72,231	479,050,000	907	1.26%	99.41%	2008
2010	547,876	39,444,283,971	71,995	467,335,000 [3]	853 [3]	1.18% [3]	98.32% [4]	2009

(1) Source: Fort Bend Economic Development Council.
(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.
(3) Projected, includes the Bonds, excludes the Refunded Bonds.
(4) Partial collections through July 31, 2010.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY OF THE COUNTY

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Beginning Balance	$ 38,745,345 [1]	$ 35,701,557	$ 36,839,696	$ 29,387,788	$ 29,594,905
Total Revenue	202,351,004	178,619,780	154,532,126	140,059,393	127,438,871
Total Expenditures	196,582,144	167,430,805	147,075,383	125,726,125	116,298,500
Transfer In (Out)	(9,950,498)	(8,145,190)	(8,594,882)	(6,881,360)	(11,347,488)
Ending Balance	$ 34,563,707	$ 38,745,342	$ 35,701,557	$ 36,839,696	$ 29,387,788

(1) Restated.

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners Court	Position	Length of Service	Term Expires December 31
Robert Hebert	County Judge	7 Years	2010
Richard Morrison	Commissioner - Precinct 1	1 Year	2012
Grady Prestage	Commissioner - Precinct 2	19 Years	2010
Andy Meyers	Commissioner - Precinct 3	13 Years	2012
James Patterson	Commissioner - Precinct 4	11 Years	2010

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Service to County
Ed Sturdivant	County Auditor	6 Years
Jeff Council	County Treasurer	2 Years
Patsy Schultz	Tax Assessor/Collector	2 Years
Roy Cordes, Jr.	County Attorney	2 Years

CORPORATION OFFICIALS

Board of Directors	Position
Don Russell	President
Jim Condrey	Vice President
A.J. Colbert	Asst. Vice President
Mike Stone	Secretary/Treasurer
Leonard Gurecky	Asst. Secretary/Treasurer

CONSULTANTS AND ADVISORS

Auditors ..... Null-Lairson, P.C.
Houston, Texas

Bond Counsel ..... Allen Boone Humphries Robinson LLP
Houston, Texas

Financial Advisor ..... First Southwest Company
Houston, Texas

PREMLIMINARY OFFICIAL STATEMENT

RELATING TO

$10,105,000*
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
(FORT BEND COUNTY, TEXAS)
REVENUE REFUNDING BONDS, SERIES 2010

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $10,105,000* Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010 ("the Bonds"). Capitalized terms not otherwise defined herein shall have the same meanings assigned to such terms in the resolution to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Resolution"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, First Southwest Company, Houston, Texas.

DESCRIPTION OF THE CORPORATION

The Corporation was created and organized by Fort Bend County, Texas in March 1987 under the provisions of Article 1434a, Vernon's Texas Civil Statutes, as amended, and operates pursuant to Chapter 67, Texas Water Code. The Corporation has been utilized by the County to construct major flood improvement projects in the eastern portion of the County generally known as the "Oyster Creek Project," and in the western portion of the County, generally known as the "Big Creek Project." The Corporation is a duly constituted authority of the County, not a political subdivision, authorized by Chapter 67, Texas Water Code to finance drainage improvements by issuing tax-exempt revenue bonds on behalf of the County. The Corporation is governed by a Board of Directors consisting of five members, all of whom are appointed by the County. All major decisions and actions approved by the Board of Directors for the Corporation must be approved and ratified by the Commissioners Court of the County, including the issuance of the Bonds and any other bonds issued by the Corporation. The County maintains the records of the Corporation including financial records.

DESCRIPTION OF THE COUNTY

The County was organized in 1838 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other County elected officers include the County Clerk, County Attorney, County Tax Assessor/Collector and County Treasurer. The County Auditor is appointed for a term of two years by and serves at the will of the State District Judges whose courts are located in Fort Bend County, Texas. The 2000 Census population for the County was 354,452, an increase of 57% over the 1990 population of 225,421. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated October 1, 2010, and mature on March 1 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing March 1, 2011. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 67, Texas Water Code and the Resolution, as confirmed and ratified by the County.

SECURITY AND SOURCE OF PAYMENT

The Bonds are payable pursuant to a contract between the Corporation, the County and the District, as amended (the "Contract"). Pursuant to the Contract, the Corporation will be obligated to design, acquire, manage, administer, and complete the remainder of the Big Creek Project on behalf of the County and the District. Pursuant to the Contract, the County is obligated to purchase the Big Creek Project from the Corporation and to make periodic payments of the purchase price equal to the debt service on the Bonds (the "Purchase Price"). By resolution of the governing body of the County, to be adopted on September 14, 2010, the County has levied and pledged a direct and continuing ad valorem tax for the payment of debt service on the Bonds as it becomes due and payable.

ESCROW AGREEMENT

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or semi-annual interest payment date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Resolution provides that the Corporation and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of September 14, 2010. The Bond Resolution further provides that from the proceeds of the sale of the Bonds, along with other monies lawfully available to the Corporation, the Corporation will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase obligations permitted under Section 1207.062, Texas Government Code (the "Escrowed Securities"). Grant Thornton L.L.P. will verify at the time of delivery of the Bonds to the Underwriter certain mathematical calculations to the effect that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment of the amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

OPTIONAL REDEMPTION

The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2020*, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2019*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Corporation may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Bond and continuing on March 1in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Bonds then subject to redemption. The Corporation, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the Corporation or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

* Preliminary; subject to change.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The Resolution provides that the Corporation may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the Corporation 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 Corporation 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 Corporation adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the 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 Corporation 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 Corporation: (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.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the Corporation has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the Corporation: (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.

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 accredited by 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 Corporation believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Corporation 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). One fully registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 and 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 Bonds ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the 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 Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar on payable dates 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 in 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 or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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 Resolution will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the County, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES

The Resolution does not specify events of default with respect to the Bonds. If the Corporation 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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Resolution, the registered owners may seek a writ of mandamus to compel Corporation or County officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the covenants included in the Resolution and the Corporation's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. 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. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the Corporation to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

SOURCES AND USES OF BOND PROCEEDS*

The Bonds are being issued to (i) advance refund certain obligations of the corporation described in Schedule I (the "Refunded Bonds"), and (ii) to pay the costs of issuance associated with the Bonds.

Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources of Funds:	
Par Amount of Bonds	
Reoffering Net Premium	
Accrued Interest	
	$ -
Uses of Funds:	
Deposit to Escrow Fund	
Underwriter's Discount	
Costs of Issuance	
Deposit to Debt Service Fund	
	$ -

TAX INFORMATION REGARDING THE COUNTY

AD VALOREM TAX LAW

The appraisal of property within the County is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

Reference is made to the Texas, Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this second provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Effective January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The County also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By each September 1 or as soon thereafter as practicable, the Commissioners Court adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Commissioners Court may not adopt a tax rate that exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6 %	1 %	7 %
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE

The County grants an exemption to the market value of the residence homestead of persons over 65 years of age or disabled of $100,000.

The County has granted an additional exemption of 20% of the market value of residence homesteads.

See TABLE 1 for a listing of the amounts of the exemptions described above.

The County has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the County against the exempt value of residence homesteads for the payment of debt.

The County does not tax nonbusiness personal property; and the County collects its own taxes.

The County does not permit split payments, and discounts are not allowed.

The County does tax freeport property.

The County does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

TAX ABATEMENT POLICY

The County has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT REINVESTMENT ZONE

A municipality in the County may establish a tax increment reinvestment zone ("TIRZ") within a defined area of such municipality. In 2005, the Texas Legislature authorized Texas counties to create a TIRZ within a defined area of the county. The cost of certain public improvements in a TIRZ may be financed or repaid by contribution of future tax revenues from incremental increases in property values in the TIRZ. The County may contribute all or a portion of its tax revenue on such increase in value to a special tax increment fund created by the municipality. The County has agreed to participate in TIRZs in the past and may continue to do so in the future. To date, three TIRZ's have been created in which the County participates. One TIRZ was created by the City of Katy to support the Katy Mills Mall development. Another TIRZ was create by the City of Sugar Land to support the Sugar Land Town Square development and the other TIRZ was created by the City of Missouri City to redevelop an area of the City of Missouri City. See footnote (1) to Table 6 for a discussion of the County's participation in the City of Katy TIRZ.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2010 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		$ 50,234,646,372
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	$ 5,343,522,800	
Over 65 Exemptions	1,738,676,580	
Disabled & Deceased Veteran's Exemptions	288,442,582	
Lease Vehicle Exemption	158,197,236	
Abatements	307,506,280	
Productivity Loss	2,376,871,548	
Pollution	389,612,950	
House Bill 366	209,090	
Community Housing Development	16,082,030	
Historical	13,608,635	
Prorated Exempt Property	3,793,657	
10% Homestead Cap Adjustment	153,839,013	10,790,362,401
2010 Taxable Assessed Valuation		$ 39,444,283,971
County Funded Debt Payable from Ad Valorem Taxes (as of October 1, 2010)		
Limited Tax Bonds	$ 203,545,000	
Unlimited Tax Road Bonds	117,635,000	
Unlimited Tax Toll Road Bonds[1]	135,890,000	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds[2]	160,000	
The Bonds*	10,105,000	
County Funded Debt Payable from Ad Valorem Taxes		$ 467,335,000
Ratio Tax Supported Gross Debt to Taxable Assessed Valuation		1.18%

2010 Population Estimate - 547,876 [3]
Per Capita Taxable Assessed Valuation - $71,995
Per Capita Tax Debt - $853

*Preliminary, subject to change.

Source: Fort Bend Economic Development Council for 2009.

(1) The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds.

(2) Does not include the Refunded Bonds.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year					
	2010		2009		2008	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 29,993,796,370	59.71%	$ 31,505,108,537	62.57%	$ 29,605,113,157	62.03%
Real, Residential, Multi-Family	970,309,935	1.93%	936,971,891	1.86%	877,235,375	1.84%
Real, Vacant Lots/Tracts	1,027,648,723	2.05%	1,129,803,658	2.24%	1,050,544,148	2.20%
Real, Acreage (Land Only)	2,629,194,720	5.23%	2,754,199,566	5.47%	2,336,536,864	4.90%
Real, Farm and Ranch Improvements	327,283,766	0.65%	337,666,272	0.67%	331,891,468	0.70%
Real, Commercial and Industrial	7,178,698,624	14.29%	7,798,939,221	15.49%	7,531,375,339	15.78%
Real, Oil, Gas & Other Mineral Reserves	319,839,370	0.64%	288,401,750	0.57%	460,175,930	0.96%
Real and Tangible Personal, Utilities	689,401,553	1.37%	710,327,880	1.41%	734,542,285	1.54%
Tangible Personal, Commercial and Industrial	3,544,368,206	7.06%	3,752,239,686	7.45%	3,489,855,167	7.31%
Tangible Personal, Other	66,774,290	0.13%	65,665,620	0.13%	67,397,752	0.14%
Real, Inventory	788,688,120	1.57%	1,001,220,160	1.99%	1,162,041,500	2.43%
Special Inventory	60,319,760	0.12%	61,578,930	0.12%	72,838,120	0.15%
Assessment Error	8,860	0.00%	-	0.00%	-	0.00%
Intangible Property and/or Uncertified Property	2,638,314,075	5.25%	9,736,015	0.02%	7,596,006	0.02%
New Exempt Property	-	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 50,234,646,372	100.00%	$ 50,351,859,186	100.00%	$ 47,727,143,111	100.00%
Less: Total Exemptions/Reductions	10,790,362,401		10,518,449,844		9,560,717,557	
Taxable Assessed Value	$ 39,444,283,971		$ 39,833,409,342		$ 38,166,425,554	

	Tax Year			
	2007		2006	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 26,115,748,720	62.80%	$ 23,347,791,025	64.67%
Real, Residential, Multi-Family	724,293,461	1.74%	624,746,015	1.73%
Real, Vacant Lots/Tracts	910,075,971	2.19%	735,283,478	2.04%
Real, Acreage (Land Only)	1,756,329,283	4.22%	1,512,753,808	4.19%
Real, Farm and Ranch Improvements	298,719,827	0.72%	277,749,409	0.77%
Real, Commercial and Industrial	6,044,780,775	14.53%	4,964,858,185	13.75%
Real, Oil, Gas & Other Mineral Reserves	488,114,480	1.17%	493,944,860	1.37%
Real and Tangible Personal, Utilities	684,656,436	1.65%	679,232,435	1.88%
Tangible Personal, Commercial and Industrial	3,276,307,319	7.88%	2,514,481,864	6.96%
Tangible Personal, Other	75,124,355	0.18%	69,123,485	0.19%
Real, Inventory	1,113,971,927	2.68%	822,890,210	2.28%
Special Inventory	70,754,490	0.17%	59,368,540	0.16%
Intangible Property and/or Uncertified Property	30,009,237	0.07%	-	0.00%
New Exempt Property	-	0.00%	80,080	0.00%
Total Appraised Value Before Exemptions	$ 41,588,886,281	100.00%	$ 36,102,303,394	100.00%
Less: Total Exemptions/Reductions	8,195,183,346		7,168,552,700	
Taxable Assessed Value	$ 33,393,702,935		$ 28,933,750,694	

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Controller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year[3]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	Tax Year
2005	435,160	$ 23,430,077,530	$ 53,842	$ 205,710,000	0.88%	$ 473	2004
2006	435,160	26,049,121,823	59,861	230,080,000	0.88%	529	2005
2007	501,974	28,933,750,694	57,640	375,765,000	1.30%	749	2006
2008	501,974	33,393,702,935	66,525	367,690,000	1.10%	732	2007
2009	528,392	38,166,425,554	72,231	479,050,000	1.26%	907	2008
2010	547,876	39,833,409,342	72,705	467,335,000 [4]	1.17%	853	2009

(1) Source: Fort Bend Economic Development Council.
(2) As reported by the Fort Bend Central Appraisal District.
(3) Includes toll road system debt. The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections[1]	% Total Collections[2]
2005	$ 0.51674	122,232,761	97.90%	99.87%
2006	0.51674	137,944,681	97.87%	99.81%
2007	0.51674	148,695,559	98.29%	99.79%
2008	0.51674	171,639,263	98.47%	99.60%
2009	0.49976	188,668,989	98.59%	99.41%
2010	0.49976	197,276,508	98.32% [3]	98.32% [3]

(1) Collected within the Fiscal Year of Levy
(2) As of September 30, 2009 for each respective year's levy.
(3) Collections as of July 31, 2010.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2009	2008	2007	2006	2005
General Fund	$ 0.38620	$ 0.39595	$ 0.41454	$ 0.41900	$ 0.42425
Road & Bridge Fund	0.03100	0.03920	0.02420	0.03434	0.03759
Debt Service Fund[1]	0.06180	0.04861	0.06000	0.04000	0.03150
Drainage District	0.02076	0.01600	0.01800	0.02340	0.02340
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	$ 0.49976	$ 0.49976	$ 0.51674	$ 0.51674	$ 0.51674

(1) The debt service fund tax included a levy for unlimited tax bonds which are outside the constitutional tax limit.

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2010/2011 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Electric Utility	$ 1,522,395,660	3.82%
Centerpoint Energy Electric	Electric Utility	247,014,730	0.62%
First Colony Mall LLC	Shopping Mall	97,210,240	0.24%
Katy Mills Mall LP[(1)]	Shopping Mall	93,131,240	0.23%
Texas Instruments, Inc.	Electronic Manufacturer	85,287,290	0.21%
Tramontina USA Inc.	Manufacturing	81,762,260	0.21%
STC MFG Group-SPC	Manufacturing	80,466,920	0.20%
ConocoPhillips Company	Petroleum Company	79,504,360	0.20%
Fountains Dunhill LLC	Commercial	77,643,350	0.19%
Lakepointe Assets LLC	Commercial	74,000,000	0.19%
		$ 2,438,416,050	6.12%

(1) The County has agreed to participate in the City of Katy TIRZ that includes the Katy Mills Mall. Under its TIRZ Participation Agreement with the City of Katy, the County has agreed to contribute fifty percent of the tax increment produced in the City of Katy TIRZ to the City of Katy tax increment fund.

GENERAL OBLIGATION DEBT LIMITATION

Limited Tax Bonds Payable From the $0.80 Constitutional Tax Rate . . . Chapter 1301, Texas Government Code, limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	-	2% of Assessed Valuation
Jail Bonds	-	1 1/2% of Assessed Valuation
Courthouse and Jail Bonds	-	3 1/2% of Assessed Valuation
Road and Bridge Bonds	-	1 1/2% of Assessed Valuation

However, the County may issue courthouse, jail and certain other types of bonds under the authority of Texas Government Code Section 1473.101 and Chapter 292, Texas Local Government Code, without the above limitations.

Article VIII, Section 9, of the Texas Constitution, imposes a limit of $0.80 per $100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, certificates, warrants and certificates of obligation issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of $0.40 of the $0.80 constitutional tax rate for Limited Tax Bond debt service.

The Bonds are limited tax obligations payable from within the County's $0.80 constitutional tax rate.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, provides that Unlimited Tax Road Bond Debt may not exceed 25% of the County's assessed valuation of real estate.

TABLE 7 - TAX ADEQUACY

2010 Principal and Interest Requirements	$	32,547,077	(1)
$0.08520 Tax Rate at 96% Collection Produces	$	32,580,542	
Average Principal and Interest Requirements (2010-2021)	$	37,690,005	(1)
$0.09860 Tax Rate at 96% Collection Produces	$	37,704,712	
Average Principal and Interest Requirements (2022-2026)	$	34,796,518	(1)
$0.09100 Tax Rate at 96% Collection Produces	$	34,798,466	
Average Principal and Interest Requirements (2027-2032)	$	25,427,061	(1)
$0.06650 Tax Rate at 96% Collection Produces	$	25,429,649	
Maximum Principal and Interest Requirements (2019)	$	38,759,523	(1)
$0.10140 Tax Rate at 96% Collection Produces	$	38,775,434	

(1) Projected, includes the Bonds, excludes the Refunded Bonds. Interest calculated at estimated rates for the purpose of illustration.

TABLE 8 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total G.O. Debt as of October 01, 2010		Estimated % Applicable	County's Overlapping G.O. Debt as of October 01, 2010	
Fort Bend County	**$ 467,335,000**	(1)	**100.00%**	**$ 467,335,000**	(1)
Cities					
Arcola	1,700,000		100.00%	$ 1,700,000	
Beasley	380,000		100.00%	380,000	
Kendleton	67,000		100.00%	67,000	
Meadows Place	4,115,000		100.00%	4,115,000	
Needville	127,500		100.00%	127,500	
Orchard	49,000		100.00%	49,000	
Richmond	11,575,000		100.00%	11,575,000	
Rosenberg	45,699,000		100.00%	45,699,000	
Sugar Land	163,990,163		100.00%	163,990,163	
County-Line Cities					
Houston	2,978,575,265		0.64%	$ 19,062,882	
Katy	13,070,000		42.04%	5,494,628	
Missouri City	145,789,997		94.94%	138,413,023	
Pearland	296,705,000		1.22%	3,619,801	
Stafford	1,110,000		100.00%	1,110,000	
Total Cities				$ 395,402,997	
School Districts					
Fort Bend ISD	975,666,197		100.00%	$ 975,666,197	
Lamar Consolidated ISD	468,392,030		100.00%	468,392,030	
Needville ISD	73,700,000		100.00%	73,700,000	
County-Line School Districts					
Brazos ISD	17,124,993		75.84%	$ 12,987,595	
Katy ISD	916,160,014		3.33%	30,508,128	
Stafford MSD	14,585,000		99.60%	14,526,660	
Total School Districts				$ 1,575,780,610	
Total Special District Debt		(2)		$ 1,633,570,003	
Other					
Houston Community College District	198,780,000		1.74%	$ 3,458,772	
Total Other				$ 3,458,772	
Summary of Total Estimated Overlapping Debt					
Cities				$ 395,402,997	
School Districts				1,575,780,610	
Special Districts				1,633,570,003	
Other				3,458,772	
Estimated Overlapping Debt				$ 3,608,212,382	
Fort Bend County - Direct Obligations				$ 467,335,000	(1)
Total Direct and Estimated Overlapping Debt				$ 4,075,547,382	

(1) Includes the Bonds, excludes the Refunded Bonds.
(2) Total Special District Debt includes numerous special districts with varying amounts of debt applicable to the County.

DEBT INFORMATION

TABLE 9 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

	County Debt Paid From Ad Valorem Taxes									
			Flood Control Water Supply Corporation	Total Debt Service Paid From		The Bonds*			Toll Road	Grand
Year End	Limited Tax	Unlimited Tax	Limited Tax	Ad Valorem	Less: Refunded				Unlimited Tax	Total
September 30	Bonds	Bonds	Bonds	Taxes	Debt Service*	Principal	Interest[1]	Total	Bonds[2]	Requirements
2010	$ 14,194,388	$ 10,917,641	$ 681,618	$ 25,793,646					$ 6,753,431	$ 32,547,077
2011	16,559,563	10,906,960	674,658	28,141,180		$ 145,000	$ 276,346	$ 421,346	8,125,431	36,687,957
2012	15,911,263	10,802,760	1,410,438	28,124,460	$ 100,488	1,015,000	290,000	1,305,000	8,310,741	37,639,713
2013	15,912,200	10,697,260	1,397,650	28,007,110	98,400	1,025,000	269,600	1,294,600	8,496,050	37,699,360
2014	15,916,938	10,595,435	1,447,344	27,959,716	97,431	1,100,000	245,600	1,345,600	8,844,425	38,052,310
2015	15,915,238	10,498,335	1,390,906	27,804,479	98,494	1,070,000	218,475	1,288,475	9,190,300	38,184,760
2016	15,918,338	10,402,173	1,310,141	27,630,651	101,741	1,015,000	189,875	1,204,875	9,739,138	38,472,923
2017	15,509,113	10,292,685	1,255,047	27,056,844	97,247	990,000	159,800	1,149,800	10,249,488	38,358,885
2018	15,513,038	10,193,635	1,201,875	26,908,548	101,463	970,000	127,975	1,097,975	10,824,250	38,729,310
2019	15,512,088	10,090,085	1,150,625	26,752,798	99,425	955,000	91,900	1,046,900	11,059,250	38,759,523
2020	15,513,488	9,986,860	1,075,000	26,575,348	101,963	915,000	54,500	969,500	11,220,500	38,663,385
2021	15,512,944	9,890,391	1,025,000	26,428,335	99,075	905,000	18,100	923,100	11,232,500	38,484,860
2022	15,512,750	8,048,351		23,561,101				-	11,238,250	34,799,351
2023	15,512,125	8,042,799		23,554,924				-	11,222,625	34,777,549
2024	15,515,500	8,046,681		23,562,181				-	11,254,125	34,816,306
2025	15,511,344	8,041,744		23,553,088				-	11,232,000	34,785,088
2026	15,512,875	8,045,672		23,558,547				-	11,245,750	34,804,297
2027	15,508,556	5,681,988		21,190,544				-	11,248,750	32,439,294
2028	15,512,588	3,771,500		19,284,088				-	11,240,500	30,524,588
2029	15,513,969	3,772,000		19,285,969				-	11,230,250	30,516,219
2030	15,511,213			15,511,213				-	11,256,000	26,767,213
2031	9,884,306			9,884,306				-	11,217,250	21,101,556
2032								-	11,213,500	11,213,500
	$ 337,383,819	$ 178,724,953	$ 14,020,300	$ 530,129,072	$ 995,725	$ 10,105,000	$ 1,942,171	$ 12,047,171	$ 237,644,503	$ 778,825,021

*Preliminary, subject to change

(1) Interest calculated at estimated rates for the purposes of illustration.

(2) The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principle and interest on the Toll road Bonds

TABLE 10 INTEREST AND SINKING FUND BUDGET

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2010	--	$ 32,547,077
Interest and Sinking Fund, September 30, 2009	$ 6,057,482	
Estimated Interest and Sinking Fund Tax Levy @ 97% Collections	23,878,536	
Transfer from Toll Road Authority	6,753,431	
Projected Other Income	255,000	36,944,449
Estimated Balance, September 30, 2010		$ 4,397,372

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The Corporation can only issue bonds by an order approved by the Commissioners Court of the County. After issuance of the Bonds, the Corporation will have no bonds authorized but unissued.

The County does not anticipate the issuance of additional general obligation debt within the next twelve months. However, various entities related to and supported in varying levels by the County, including the Fort Bend County Toll Road Authority may issue additional bonds in the next several months. See below for a discussion regarding the Fort Bend County Toll Road Authority.

FORT BEND COUNTY TOLL ROAD AUTHORITY

In 2003 and 2004, respectively, the County has issued two series of Unlimited Tax and Subordinate Lien Toll Revenue Bonds (collectively the "Toll Road Bonds" and respectively the "Series 2003 Toll Road Bonds" and the "Series 2004 Toll Road Bonds"). The Series 2003 Toll Road Bonds were issued to finance the construction of the Fort Bend Parkway Toll Road. The Series 2004 Toll Road Bonds were issued to finance the construction of the Fort Bend Westpark Toll Road. The Fort Bend Parkway Toll Road and the Fort Bend Westpark Toll Road are collectively referred to herein as the "Toll Roads." The County has engaged the Fort Bend Toll Road Authority, a non-profit local government corporation created by the County (the "Toll Road Authority"), to manage the construction and operation of the Toll Roads.

The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds. The County has reserved the right to issue senior lien toll road bonds that would be secured by a senior lien on net revenues from the operation of the Toll Roads, or additional parity bonds.

The Fort Bend Parkway Toll Road opened to traffic in August 2004 and the Fort Bend Westpark Toll Road opened to traffic in August 2005. Based on revenues from the Toll Roads at current traffic levels together with other available funds, the County and the Toll Road Authority believe a tax will not be necessary for the payments of debt service on the Toll Road Bonds during 2011. In the event it becomes necessary for the County to levy a tax to pay a portion of the toll road bonds debt service, each $0.01 of tax rate (for illustration purposes only) would produce $3,983,341, based on the County's 2009 net assessed valuation. If the toll road system produced no net revenue, a tax rate of approximately $0.03 would generate sufficient funds to pay the maximum annual debt service of $11,256,000 on the Toll Road Bonds.

See "FORWARD LOOKING STATEMENTS DISCLAIMER".

TABLE 11 - OTHER OBLIGATIONS

Purpose	Date Authorized	Amount Authorized	Issued To Date	Unissued Balance
County Roads	5/12/2007	$ 156,000,000	$ 50,000,000	$ 106,000,000
		$ 156,000,000	$ 50,000,000	$ 106,000,000

TABLE 12 - OTHER OBLIGATIONS

The County currently has no other outstanding obligations.

PENSION FUND

The County provides pension, disability and death benefits for all of its full-time employees through a non-traditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS, the contribution rate of the County is a fixed percent equal to the contribution rate payable by the employee member, which is 7% as adopted by the governing body of the County. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the same amount as the employee. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE COUNTY'S ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2009" - Note # 8.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas County and District Retirement System, the County has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase health insurance from the County's healthcare provider at the County's cost to cover current employees
- Eligible retirees may purchase health insurance for the County's healthcare provider at the County's cost to cover current employees for dependents if the dependents were covered at the point of retirement

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The County contributed approximately $2 million for the fiscal year ending September 30, 2009. At September 30, 2009, there were 292 retirees receiving benefits and approximately 1,600 active members not yet eligible to receive such benefits. Commencing in fiscal 2008, the County implemented GASB Statement No. 45 "Accounting and Financial reporting by Employers for Post-employment Benefits Other Than Pensions." The County valuation of its post-retirement benefit liability. The financial statement disclosures for 2009 is as follows:

The following table shows the calculation of the Annual Required Contribution and the Net OPEB Obligation.

	Fiscal Year Ending 9/30/2009
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	$ 15,005,349
Amortization of Unfunded Actuarial Accrued Liability	11,979,958
Annual Required Contribution	26,985,307
Determination of Net OPEB Obligation	
Annual Required Contribution	26,985,307
Interest on prior year Net OPEB Obligation	966,552
Adjustment to ARC	(1,343,648)
Annual OPEB Cost	26,608,211
Less Assumed Contributions Made	(1,952,079)
Estimate Increase in Net OPEB Obligation	24,656,132
Net OPEB Obligation – Beginning of Year	24,163,790
Net OPEB Obligation – End of Year	$48,819,922
Percentage of OPEB Cost Contributed	7.3%

The following table shows the annual OPEB cost and net OPEB obligation for the prior years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	N/A	N/A	N/A	N/A
2008	4%	$26,985,307	10.46%	$24,163,790
2009	4.0%	$26,608,211	7.34%	$48,819,922

FINANCIAL INFORMATION

TABLE 13 - CHANGE IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2009	2008	2007	2006	2005
Program Revenues:					
Charges for Services	$ 35,903,511	$ 33,424,910	$ 30,555,885	$ 27,221,567	$ 36,559,925
Operating Grants and Contributions	33,958,718	24,399,799	19,049,110	8,615,726	14,341,902
Capital Grants and Contributions	63,974,765	33,540,586	103,693,431 (1)	73,252,137 (1)	21,348,940
General Revenues:					
Property Taxes	191,467,403	171,832,680	151,404,502	137,839,711	127,696,573
Earnings on Investments	3,506,600	8,072,311	12,009,284	5,999,017	3,109,378
Unrestricted	-	-	-	4,515,643	-
Other	2,808,586	2,170,172	1,693,188	228,309	329,311
Total Revenues	$ 331,619,583	$ 273,440,458	$ 318,405,400	$257,672,110	$203,386,029
Expenditures:					
General Administration	$ 39,660,135	$ 41,632,474	$ 12,414,272	$ 23,638,550	$ 42,976,074
Financial Administration	8,374,213	7,588,070	5,666,739	5,127,456	4,176,563
Administration of Justice	74,473,608	45,849,068	33,554,996	31,024,483	26,601,486
Construction & Maintenance	45,418,331	40,018,361	-	-	-
Road & Bridge	-	-	44,381,066	22,545,473	23,700,731
Health & Welfare	26,289,781	21,690,506	19,866,544	16,903,729	15,261,857
Cooperative Service	1,230,320	1,132,987	934,276	941,743	837,121
Public Safety	64,332,030	68,877,031	52,325,953	44,544,768	36,863,732
Parks & Recreation	1,501,633	2,114,983	1,822,404	623,401	1,712,461
Flood Control Projects	-	-	6,434,608	10,175,820	7,723,490
Libraries & Education	12,980,667	12,280,421	10,694,749	10,484,078	9,059,591
Interest on Long-Term Debt	11,870,105	10,621,067	6,051,065	4,165,438	3,349,584
Total Expenditures	$ 286,130,823	$ 251,804,968	$ 194,146,672	$170,174,939	$172,262,690
Change in Net Assets	$ 45,488,760	$ 21,635,490	$ 124,258,728	$ 87,497,171	$ 31,123,339
Net Assets, Beginning	663,834,575 (2)	642,199,088	517,940,360 (2)	414,165,867	383,042,528
Ending Fund Balance	$ 709,323,335	$ 663,834,578	$ 642,199,088	$501,663,038	$414,165,867

Source: County's audited financial statements.

(1) Represents Texas Department of Transportation projects with the County as a partner that have been completed.

(2) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2009	2008	2007	2006	2005
Taxes	$ 150,881,918	$139,477,502	$122,607,412	$112,711,211	$100,918,691
Fees and Fines	22,691,631	20,061,234	18,593,505	14,234,628	14,031,600
Intergovernmental	24,989,268	14,556,972	6,519,034	6,175,631	8,222,108
Earnings on Investments	1,247,763	2,866,409	4,469,895	3,072,671	1,661,815
Contributions and Donations	-	-	-	-	-
Miscellaneous	2,540,424	1,657,663	2,342,280	3,865,252	2,604,657
Total Revenues	$ 202,351,004	$178,619,780	$154,532,126	$140,059,393	$127,438,871
Expenditures:					
Current Operating:					
General Administration	36,997,902	35,207,103 (2)	26,030,749	24,503,686	22,871,489
Financial Administration	7,130,068	6,328,276	5,631,690	5,089,685	4,768,430
Administration of Justice	50,165,055	22,752,204	18,784,040	17,656,232	16,055,237
Road & Bridge	-	-	2,693,264	2,419,329	-
Construction and Maintenance	3,057,376	2,637,980	-	-	2,333,290
Health & Welfare	19,440,480	17,179,487	14,957,641	14,416,893	13,551,235
Cooperative Service	1,049,985	975,720	934,276	890,696	884,948
Public Safety	43,501,625	61,678,076 (2)	50,294,207	44,440,563	40,096,760
Parks & Recreation	1,815,986	1,739,346	1,822,404	1,667,241	1,618,790
Libraries & Education	11,274,245	10,342,295	10,605,484	10,059,445	8,927,383
Capital Outlay	22,149,422	8,590,318	15,321,628	4,582,355	5,190,938
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	$ 196,582,144	$167,430,805	$147,075,383	$125,726,125	$116,298,500
Revenues Over (Under) Expenditures	$ 5,768,860	$ 11,188,975	$ 7,456,743	$ 14,333,268	$ 11,140,371
Transfer In (Out)	(9,950,498)	(8,145,190)	(8,594,882)	(6,881,360)	(11,347,488)
Beginning Fund Balance, January 1	38,745,345 (1)	35,701,557	36,839,696	29,387,788	29,594,905
Ending Fund Balance	$ 34,563,707	$ 38,745,342	$ 35,701,557	$ 36,839,696	$ 29,387,788

Source: County's audited financial statements.

(1) Restated.

(2) Construction in Progress expenditures were previously categorized as Capital Outlay. These expenditures are now categorized based on the governmental function it benefits.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the County conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds) and Agency Funds are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Property taxes, which are levied in the last quarter of the year and collected before year-end, are considered deferred revenues because such revenues are not legally available to pay liabilities in the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on the general long-term debt are recognized as expenditures when due.

General Fund Balance . . . The General Fund is used to account for all revenues and expenditures not accounted for in other funds, relating to general operations.

Debt Service Fund Balance . . . Used to account for payment of principal and interest on general long-term debt.

Budgetary Procedures . . . The County Budget Officer prepares the proposed budget using revenue estimates furnished by the County Auditor. A public hearing is held on the budget before finalizing it. The Commissioners Court may increase or decrease the amounts requested by the departments. In the final budget, which is usually adopted in the last quarter of the year, appropriations of the budgeted funds cannot exceed the available fund balances in such funds on January 1, plus the estimated revenues for the ensuing year. During the year, the Commissioners Court may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balances in excess of budget estimates, provided it rules that a state of emergency exists. The level of budgetary control is at the major operating group level. There are four major operating groups:

Salary and Personnel Costs	Information Technology Costs
Operating and Training Costs	Capital Acquisition Costs.

The underlying budget is maintained at the line item level, but departments are able to transfer amounts within each major group without court approval. Transfers between major groups require court approval. Transfers among individual expenditure line items within major categories may be made during the year, but no such transfer may increase the overall total of the budget without the declaration of an emergency. It is the amended budget that is presented in the financial statements on the budgetary basis. Except for transfers among budgeted line items and the amendment to the indigent health care budget, there were no other significant increases in the adopted budget.

INVESTMENTS

The County invests its investable funds and those of the Corporation in investments authorized by Texas law in accordance with investment policies approved by the Commissioners Court of the County. Both state law and the County's investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the Corporation and the County are authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for the Corporation and County deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Corporation or County, held in the Corporation or County's name and deposited at the time the investment is made with the Corporation or County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Corporation and County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The Corporation and County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Effective September 1, 2003, governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES

Under Texas law, the Corporation and County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Corporation or County funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Corporation or County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the Corporation or County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the County shall submit an investment report detailing: (1) the investment position of the Corporation and County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Corporation or County funds without express written authority from the Commissioners Court.

ADDITIONAL PROVISIONS

Under Texas law the Corporation and County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the Corporation or County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the Corporation and the County's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 - CURRENT INVESTMENTS

As of July 31, 2010, the County's investable funds were invested in the following categories:

Description	Percent of Total	Book Value	Market Value
Money Market	99.154%	$ 257,955,642	$ 257,955,642
MBIA Pool	0.841%	2,187,963	2,187,963
Texas Term Investment Pool	0.002%	5,350	5,350
LOGIC State Pool	0.003%	8,046	8,046
	100.00%	$ 260,157,001	$ 260,157,001

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 or, except as described below, 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 County 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 Rsesolution 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 Corporation, the Corporation's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the County, the Corporation's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. The Corporation will further rely on the report of Grant Thornton, LLP, verification agent, regarding the mathematical accuracy of certain computations. If the Corporation should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the County 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 County 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 2010 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 2010.

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.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of mathematical computations with respect to (i) the adequacy of the maturing principal of and interest earned on the escrow securities together with other available funds held in the escrow account, to provide for the payment of the Refunded Bonds; and (ii) the "yield" on the Bonds, prepared by the Underwriter; 416 will be verified by Grant Thornton LLP, certified public accountants. These computations will be based upon information and assumptions supplied by the Underwriter on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or the assumptions or information used in the computations.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the County is rated "Aa1" by Moody's and "AA+" by S&P. The Bonds have been rated "Aa1" by Moody's. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the County Attorney and County Staff that there is no pending litigation against the County that would have a material adverse financial impact upon the County or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for 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 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Corporation will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "TAX MATTERS" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement (other than "THE BONDS - BOOK-ENTRY-ONLY SYSTEM") to verify that such description conforms to the provisions of the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from County records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

UNDERWRITING

The Underwriters of the Bonds, agree, subject to certain conditions, to purchase the Bonds from the Corporation, at a price of $_____ plus accrued interest pursuant to a Bond Purchase Agreement. The Underwriters' obligation is subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time-to-time, by the Underwriters.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation and the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS

The Corporation will provide certain financial information and operating data which is customarily prepared by the Corporation and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the Corporation includes all quantitative financial information and operating data of the general type included in this Official Statement under the Tables numbered one through seven and nine through fourteen and in Appendix B. The Corporation will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2010. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the Corporation may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided.

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

MATERIAL EVENT NOTICES

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice of any of the following events with respect to the Bonds, if such 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 of the Bonds. In addition, the Corporation 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."

AVAILABILITY OF INFORMATION FROM

The Corporation has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

AMENDMENTS

The Corporation has agreed to update information and to provide notices of material events only as described above. The Corporation 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 Corporation 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 Corporation disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreement.

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

MISCELLANEOUS

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter(s).

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Corporation will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Corporation contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Corporation and its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Corporation, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Corporation believes to be reliable and the Corporation has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Corporation since the date of the last audited financial statements of the Corporation.

/s/_____
President
Fort Bend Flood Control Water Supply Corporation

ATTEST:
/s/_____
Secretary
Fort Bend Flood Control Water Supply Corporation

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Revenue Bonds, Series 2001*

Maturity March 1	Interest Rate		Par Amount	Call Date	Call Price	
2012	4.500	%	$ 920,000	3/1/2011	100.00	%
2013	4.650		950,000	3/1/2011	100.00	
2014	5.375		1,050,000	3/1/2011	100.00	
2015	5.375		1,050,000	3/1/2011	100.00	
2016	5.375		1,025,000	3/1/2011	100.00	
2017	5.375		1,025,000	3/1/2011	100.00	
2018	5.000		1,025,000	3/1/2011	100.00	
2019	5.000		1,025,000	3/1/2011	100.00	
2020	5.000		1,000,000	3/1/2011	100.00	
2021	5.000		1,000,000	3/1/2011	100.00	
			$ 10,070,000			

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

THE COUNTY

The following information has been derived from various sources, including the Texas Almanac, Texas Municipal Reports, U.S. Census Bureau, Greater Fort Bend Economic Development Council, Fort Bend Chamber of Commerce, National Decision Systems, Texas Employment Commission, Sales and Marketing Management, Urban Decision Systems, Woods & Poole Economics, and County officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

GENERAL

Fort Bend County, a component of the Houston Statistical Area, has an economy based on mineral production, construction, manufacturing and agriculture. According to the Fort Bend County Economic Development Council, the County has been one of the nation's twenty fastest growing counties for over fifteen years. The County was created from Austin County in 1837 and organized in 1838 and encompasses 876 square miles. The County is located in the coastal plains of southeast Texas, bordering Harris County to the northeast. The County is bisected from east to west by U.S. Highway 59 and north to south by State Highway 36.

Cities within the County are Richmond, Rosenberg, Sugar Land, Needville, Beasley, Kendleton, Orchard, Fulshear, Pleak, Arcola, Simonton, Thompsons and portions of Katy, Missouri City, Stafford and a very small portion of Houston.

Schools within the County are Fort Bend ISD, Kendleton ISD, Lamar Consolidated ISD, Needville ISD, Katy ISD, Stafford Municipal ISD and Wallis-Orchard ISD. The school district with the largest assessed value is Fort Bend ISD, comprising approximately 174 square miles located in the northeastern section of the County and adjacent to portions of Harris County and Brazoria County. The boundaries of Fort Bend ISD include the Cities of Sugar Land and Missouri City. The school district encompassing the largest area in the County is Lamar Consolidated ISD, comprising approximately 328.68 square miles located in the central and west portion of the County. The boundaries of Lamar Consolidated ISD include the cities of Richmond and Rosenberg.

Two Junior College systems have satellite campuses in Fort Bend County: Wharton County Junior College has campuses located in Richmond and Sugar Land, and Houston Community College has a campus located in Stafford. The West Houston Institute of the University of Houston occupies a facility in the Cinco Ranch project in the North Central portion of the County. Additionally, the University of Houston at Sugar Land brings the resources of the four UH System universities into Fort Bend County. Through the collaborative efforts of the University of Houston and Wharton County Junior College, all the course work for accredited bachelor's and master's degree programs can be done in Sugar Land. More than 1,400 students now attend classes at the Sugar Land campus and can choose from more than 32 degree programs through the masters level at this multi-institutional teaching center. The community college offers freshman and sophomore courses, while the University of Houston Sugar Land offers junior, senior and master's courses.

MAJOR EMPLOYERS

Employer	Line of Business	Number of Employees
Fort Bend ISD	Public Education	9,500
Fluor Daniel	Engineering, Construction, Maintenance & Technical Services	4,000
Lamar CISD	Public Education	3,016
Schlumberger Technology Corp.	Energy Exploration Technology/Research	2,100
Fort Bend County	County Government	2,000
Texas Instruments	Electronics & Semiconductor Manufacturer	1,400
Richmond State School	Special Education	1,396
SouthWest Water	Manages, Operates & Maintains Waste Water Systems	1,332
United Parcel Service	Package Distribution	1,100
Houston Community College	Public Education	815
Methodist Sugar Land Hospital	Healthcare	760
Wharton County Junior College	Public Education	623
Oak Bend Medical Center	Healthcare	615
Frito-Lay, Inc.	Snack Food Manufacturer	511
Tramontina	Manufacturer & Marketer of Cutlery & Cookware	501
Baker Petrolite, Inc.	Checmical Manufacturer	491
Nalco Company	Chemical Production	475
Personix	Plastic Card Embossing	460
Tyco Valves & Controls	Valve Manufacturer	450
Memorial Hermann - Fort Bend	Hospital	450
National Oilwell Varco, Inc.	Manufacturing & Service for Drilling & Oilfield Equipment	420
Puffer-Sweiven	Supplier of Products & Services for Process Control	415
Hudson Products	Industrial Equipment Manufacturer	400
Flextronics	Electronics, Design, Fabrication, Assembly & Test Company	336
Suntron Corporation	Manufacturer	330
Yokogawa Corp. of America	Manufacturer & Supplier of Instrumentation, Process Control	317
Texas Dept. of Criminal Justice	State Prison	300
Noble Drilling Services	Drilling Services	300
Hines Nurseries	Agriculture Nursery	300
Allied Concrete	Produces Concrete	288
ION Geophysical Corporation	Manufacturer of Seismic Data Equipment	284
Fairfield Industries	Seismic Company	256
Champion Technologies, Inc.	Specialty Chemical Company	246
AT&T	Telephone Utility	238
General Technologies, Inc.	Specialty Reinforcement Systems	175
Sunoco Logistics Partners	Pipeline	165
Kelsey-Seybold Clinic	Healthcare	160
Crown & Cork Seal	Supplier of Packaging Products to Consumer Marketing	160
Imperial Sugar	Cane Sugar Refining and Production	150
Benedittini Cabinetry	Cabinetry Manufacturer	135
Biotics Research Corporation	Manufacturer of Specially Designed Nutritional Products	130
Cardinal Health	Global Healthcare Service Hostipals, Pharmacies & Suppliers	120
Tadiran Microwave Networks	Manufacturer/Supplier of Microwave Radio Equipment	103
CenterPoint Energy	Electric Utility	100

Source: Greater Fort Bend County Economic Development Council, 2009

POPULATION[1]

1960	1970	1980	1990	2000
40,527	52,314	130,846	225,421	354,452

(1) Source: U.S. Census Bureau.

LABOR STATISTICS

Calendar Year	Labor Force	Total Employment	Unemployment	Rate
2002	206,947	196,216	10,731	5.2%
2003	217,182	203,879	13,303	6.1%
2004	225,687	213,190	12,497	5.5%
2005	235,559	223,284	12,275	5.2%
2006	244,314	232,714	11,600	4.7%
2007	252,717	242,412	10,305	4.1%
2008	264,678	252,748	11,930	4.5%
2009	272,021	252,315	19,706	7.2%
2010 (1)	276,002	253,033	22,968	8.3%

Source: Texas Employment Commission.
(1) Average through June 2010.

TRANSPORTATION

HIGHWAY INFRASTRUCTURE . . . The County can be easily accessed by road systems from every direction. The Southwest Freeway (US 59), Katy Freeway (I-10), US 90A, the Fort Bend Westpark Toll Road and the Fort Bend Parkway Toll Road generally provide access to the County from east to west. State Highway 6, the Sam Houston Tollway (Beltway 8), State Highway 36, FM 723, and the Grand Parkway all provide excellent north-south access from US 59 to I-10. The Texas Department of Transportation provides responsive programs in an effort to meet all requirements of a growing County.

BY LAND . . . Trucking is now deregulated with more than 600 truck lines operating within the Houston region. Rates are negotiable. No additional transportation costs are required for companies delivering finished products to or from Fort Bend County.

BY SEA . . . Fort Bend's proximity to one of the world's busiest ports adds an international dimension to its market access. The Port of Houston ships cargo to 200 ports around the world. County companies have easy access to the Port via U.S. Highway 59, the most utilized highway serving Mexico from the Port of Houston.

BY RAIL . . . The Burlington North & Santa Fe and Union Pacific provide the necessary rail service for the greater Houston metropolitan area. These railroads give manufacturers effective access to raw materials and low cost transportation for their finished goods to all national markets.

BY COMMERCIAL AIR . . . **George Bush Intercontinental/Houston** and **William P. Hobby Airports** provide extensive, cost-effective air transportation to 150 destinations worldwide. Travelers can reach anywhere in the United States or Mexico in five hours or less by air. These modern, highly advanced airports can meet the needs of the smallest to the largest companies in the marketplace.

BY CORPORATE AIR . . . **Sugar Land Municipal Airport** is a general aviation facility with the capability to service all types of aircraft. The airport is an all-weather facility with a new tower allowing for improved commercial and corporate air service. **Houston Southwest Airport** is a convenient alternative in southeast Fort Bend County with easy access to the Texas Medical Center, Reliant Park and the emerging Highway 288 commercial corridor.

BY OVERNIGHT EXPRESS . . . UPS, Federal Express, and DHL are among the many carriers that serve Fort Bend County's domestic and international delivery needs. UPS, the largest package distribution company in the world, has a distribution hub located in Stafford.

WATER TRANSPORTATION . . . The Port of Houston adds an international dimension to the exceptional market access enjoyed by Fort Bend companies. Whether a company needs to import raw materials or export finished products, the Port has the facilities and equipment to accommodate shipper's needs in a cost-effective manner.

UTILITIES

ELECTRICITY . . . Reliant Energy is engaged in the generation, transmission, distribution and sale of electric energy, serving an estimated area of 5,000 square miles. With over 13 million kilowatts in net generating capability, Reliant Energy is fully equipped to handle the electric needs of any industrial or commercial consumer, now and in the foreseeable future.

NATURAL GAS . . . Natural gas is abundant with Center Point Energy offering a reliable long-term supply to companies in the region.

APPENDIX B

EXCERPTS FROM THE

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

The information contained in this Appendix consists of excerpts from the Fort Bend Flood Control Water Supply Corporation Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the Corporation's financial condition. Reference is made to the complete Report for further information.

FORT BEND FLOOD CONTROL
WATER SUPPLY CORPORATION

FORT BEND COUNTY, TEXAS
Financial Report

September 30, 2009

Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3411 Richmond Avenue, Suite 500
Houston, Texas 77046
(713) 621-1515

FORT BEND FLOOD CONTROL
WATER SUPPLY CORPORATION
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FINANCIAL SECTION

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Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Fort Bend Flood Control Water Supply Corporation
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend Flood Control Water Supply Corporation, (the "Corporation"), as of and for the year ended September 30, 2009, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend Flood Control Water Supply Corporation as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Null-Lairson, P.C.

Houston, Texas
January 27, 2010

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As management of the Fort Bend Flood Control Water Supply Corporation (the Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended September 30, 2009.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the Corporation that is principally supported by general revenues received from Fort Bend County. The Corporation was created under Chapter 67, Texas Water Code (formerly Article 1434a, Texas Revised Civil Statutes) for the purpose of providing flood control and drainage systems for towns, cities, other political subdivisions, private corporations, individuals and other persons of Fort Bend County.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Corporation maintains a debt service fund and a capital projects fund on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

The debt service fund and capital projects fund are governmental funds used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the debt service and capital projects funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the debt service and capital projects funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the governmental fund financial statements in this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, liabilities exceeded assets by $5.8 million as of September 30, 2009. Below is a condensed schedule of net assets for the Corporation as of September 30, 2009 and 2008 (in $000's).

	2009	2008
Current assets	$ 4,604	$ 4,602
Total Assets	4,604	4,602
Liabilities		
Current liabilities	64	55
Long-term liabilities	10,390	10,550
Total Liabilities	10,454	10,605
Net Assets (Deficit)	$ (5,850)	$ (6,003)

This deficit balance is directly attributable to the approximately $10.4 million of bonds payable that the Corporation has outstanding at September 30, 2009. The Corporation issues debt to finance the construction of flood control and drainage improvement projects. The Corporation constructs flood control and drainage improvement projects pursuant to contracts with Fort Bend County. Under each contract, the Corporation agrees to issue bonds to finance the construction of drainage improvements, to construct drainage improvements to the respective creek, and to convey the completed improvements to Fort Bend County.

Under each contract, Fort Bend County agrees to levy and assess an ad valorem tax against all taxable property in the County in an amount sufficient to pay the debt service on the Corporation's bonds. The Corporation has entered into a contract for the construction of drainage improvements on Oyster Creek and another contract for the construction of improvements on Big Creek. Under the Oyster Creek project, Fort Bend County agreed to impose an impact fee on development within the Oyster Creek watershed to provide an additional source of revenue.

Once a project is completed, the project is turned over to Fort Bend County and the Corporation does not record these projects as capital assets in its financial statements. Most flood control projects only involve increasing the width or depth of an existing creek channel. In general, the Corporation purchases fee title to the drainage right-of-way, and convey the drainage channel to Fort Bend County. Once projects are completed, any purchased property is conveyed to Fort Bend County (the County), and is recorded as a capital asset in the County's financial statements. In summary, the Corporation issues debt to finance flood control projects, but does not record the "completed project" as a capital asset in its financial statements. Therefore, in general, the liabilities of the Corporation will always exceed its assets.

The following table is a condensed schedule of changes in net assets for the years ended September 30, 2009 and 2008 (in $000's):

	2009	2008
General revenues		
Property taxes from County	$ 570	$ 3,120
Impact fees	119	275
Earnings on investments	71	165
Total General Revenues	760	3,560
Program Expenses		
Flood control projects	77	607
Interest and fiscal charges on long-term debt	530	591
Total Program Expenses	607	1,198
Change in Net Assets	153	2,363
Beginning Net Assets (Deficit)	(6,003)	(8,365)
Ending Net Assets(Deficit)	$ (5,850)	$ (6,003)

For the year ended September 30, 2009, the Corporation's general revenues consisted primarily of property taxes, impact fees collected by the Fort Bend County Drainage District, and investment income. Because impact fees and investment income were not sufficient to satisfy the required debts service payments on the Corporation's bonds, Fort Bend County provided property tax revenues of approximately $570,000. Property tax revenues allocated to the Corporation's debt service decreased from the previous year due to the maturity of the 1995 series bonds and 1999 series refunding bonds. Impact fees continue to decrease due to the areas in which the Corporation earns such revenues becoming fully developed. Planned decreases in expenses for the Big Creek flood control project accounted for the decrease in program expenses by approximately $530,000 continue to account for a decrease in program expenses, in addition to lower interest expense of $62,000 from prior year as a result of a decrease in bond payable balance..

Fund Financial Analysis

As of September 30, 2009, the Corporation's governmental funds, which consist of a debt service fund and a capital projects fund, reported an ending fund balance of $4.6 million. The Corporation's main source of revenue is property taxes and impact fees, which totaled $570,000 and $119,000 respectively, for the year ended September 30, 2009. The Corporation's ending fund balance primarily represents the proceeds from the Corporation's 2001 series revenue bonds that were issued to fund the Big Creek project.

Debt Administration

As of September 30, 2009, the Corporation has $10.4 million of bonds payable which mature in 2021. Below is a description of the bonds outstanding at September 30, 2009 and 2008 (in $000's):

	2009	2008
FBFCWSC Series 2001 Bonds	$ 10,390	$ 10,550

Contacting the Corporation's Management and Obtaining Financial Information

Any questions or concerns regarding the Corporation should be directed to management of the Corporation: Fort Bend Flood Control Water Supply Corporation, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway Suite 2600, Houston, Texas 77027. This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fort Bend County Auditor's Office: Ed Sturdivant, County Auditor, Fort Bend County, Texas, 301 Jackson Suite 533, Richmond, Texas 77469.

Basic Financial Statements

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

STATEMENT OF NET ASSETS

September 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,603,900
Total Assets	4,603,900
Liabilities	
Due to other funds	20,275
Accrued interest payable	43,468
Long-term liabilties due within one year	160,000
Long-term liabilties due in more than one year	10,230,000
Total Liabilities	10,453,743
Net Assets (Deficit)	
Unrestricted	(5,849,843)
Total Net Assets (Deficit)	$ (5,849,843)

See Notes to Financial Statements.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

	Governmental Activities
Program Expenses	
Flood control projects	$ 77,058
Interest and fiscal charges on long-term debt	529,871
Total Program Expenses	606,929
General Revenues	
Property taxes	570,276
Impact fees	118,964
Earnings on investments	70,452
Miscellaneous	
Total General Revenues	759,692
Increase in Net Assets	152,763
Net (Deficit), Beginning	(6,002,606)
Net (Deficit), Ending	$ (5,849,843)

See Notes to Financial Statements.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2009

	Debt Service	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	$	$ 4,603,900	$ 4,603,900
Total Assets	$	$ 4,603,900	$ 4,603,900
Liabilities and Fund Balances			
Liabilities			
Due to other funds		20,275	20,275
Total Liabilities		20,275	20,275
Fund Balances			
Unreserved:			
Designated for capital projects		4,583,625	4,583,625
Total Fund Balances		4,583,625	4,583,625
Total Liabilities and Fund Balances	$	$ 4,603,900	$ 4,603,900

Adjustments for the Statement of Net Assets:	
Fund Balances - Governmental funds	$ 4,583,625
Long-term liabilities, including accrued interest & bonds payable, are not due & payable in the current period and therefore, are not reported as liabilities in the government funds, resulting in decreases to Net Assets.	
Accrued interest	(43,468)
Bonds payable	(10,390,000)
Net (Deficit) of Governmental Activities	$ (5,849,843)

See Notes to Financial Statements.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	Debt Service	Capital Projects	Total Governmental Funds
Revenues			
Property taxes	$ 570,276	$	$ 570,276
Impact fees	118,964		118,964
Earnings on investments		70,452	70,452
Total Revenues	689,240	70,452	759,692
Expenditures			
Current operating:			
Flood control projects		77,058	77,058
Debt Service			
Principal retirement	160,000		160,000
Interest and fiscal charges	529,240		529,240
Total Expenditures	689,240	77,058	766,298
Net Change in Fund Balance		(6,606)	(6,606)
Fund balances - Beginning		4,590,232	4,590,232
Fund Balances - Ending	$	$ 4,583,625	$ 4,583,625
Net changes in fund balances - governmental funds			$ (6,606)
Adjustments for the Statement of Activities:			
Payments of principal on bonds payable are reported as expenditures in the governmental funds, but these payments reduce long-term liabilities in the Statement of Net Assets.			160,000
An accrual for interest expense is not recognized in the governmental fund basis but is in the statement of activities. Interest accrual includes interest on long term debt. The interest accrual was less this year than last year thereby increasing net assets.			(631)
Change in Net Assets of Governmental Activities			$ 152,763

See Notes to Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements include all of the funds and activities of the Fort Bend Flood Control Water Supply Corporation (the "Corporation").

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the Corporation's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Corporation is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining whether the Corporation's financial reporting entity status is that of a primary government are whether it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Based on criteria prescribed by generally accepted accounting principles, the Corporation is considered a component unit of Fort Bend County, Texas (the "County"). The primary criteria for the inclusion of the Corporation in the County's reporting entity, is that of financial accountability. The Commissioners Court, as the elected governing body of the County, appoints the members of the Board of the Corporation (a legally separate entity). As such, the Commissioners Court, has the ability to significantly influence the operations of the Corporation by approving all budgets, borrowings, disbursements, and other transactions. The Corporation was organized for the benefit of the County to provide for funding and construction of flood control and drainage projects for the County. When flood control projects and improvements are completed, they are conveyed to the County and are maintained by the Fort Bend County Drainage District (the "District").

Additionally, as required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Corporation's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the Corporation's financial reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information about the Corporation as a whole and include all activities of the Corporation. The effect of interfund activity has been eliminated from the government-wide statements. All of the Corporation's activities are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statements of net assets.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The following is a description of the various funds:

Debt Service Fund
The Debt Service Fund is used to account for payment of principal and interest on long-term debt.

Capital Projects Fund
The Capital Projects Fund is used to account for the resources that are restricted to the construction and acquisition of major flood control projects and improvements.

D. Flood Control Projects and Improvements

The Corporation was formed for the purpose of financing and constructing flood control projects and improvements. Once a flood control project is completed, any land or easements purchased by the Corporation during the project is conveyed to Fort Bend County and is then maintained by the Fort Bend County Drainage District. Fort Bend County then records the land and easements as infrastructure in its annual financial statements. Therefore, the Corporation does not record any capital assets.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, these estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

The Corporation's cash consists of demand deposits and investment pools.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The Commissioners Court adopts an annual appropriations budget for the County-wide Debt Service Fund. No individual appropriations style budget is adopted for the Corporation's individual Debt Service Fund.

No annual budget is adopted for the Capital Projects Fund. Effective budgetary control in the Capital Projects Fund is achieved through individual project budgeting.

B. Deficit Net Assets

The Corporation's deficit net assets balance as of September 30, 2009 is a reflection of the Corporation's organization and purpose. As previously discussed, the Corporation was formed to provide financing for flood control projects. Once the projects are complete, any infrastructure that has been purchased, such as land or easements, is conveyed to the County and reported as a capital asset in the County's financial statements. Therefore, the debt issued by the Corporation to finance these flood control projects is not offset by capital assets acquired from these projects, resulting in a deficit net assets balance.

NOTE 3 - CASH AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Corporation.

In accordance with applicable statutes, the Corporation has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the Corporation incurs for banking services received. The Corporation may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as *to* investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. Corporation policy requires the collateralization level to be at least 100% of market value of principal.

The Board of Directors has adopted a written investment policy regarding the investment of Corporation funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). Investments made by the Corporation are in compliance with the Corporation's investment policy. The Corporation's investment policy is more restrictive than the PFIA requires. It is the Corporation's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and local government investment pools.

NOTE 3 - CASH AND INVESTMENTS (Continued)

At September 30, 2009, the Corporation reported deposits in the amount of $4,588,878 and the bank balance was $4,598,257. The Corporation's collateral requirement, in accordance with its investment policy is 100%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the County's name, which totaled $383,427,906 as of September 30, 2009.

B. Concentration of Credit Risk

It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets of a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

At year end, all of the Corporation's investments (0.3% of total portfolio) were in a Texas public funds investment pool, LOGIC.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The Corporation monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the Corporation reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years. At year-end, the Corporation's cash and investments balances and the weighted average maturity of these investments were as follows:

	Fair Value	Weighted Average Maturity
Demand deposits	$ 4,588,878	1
LOGIC - Local Government Investment Cooperative	15,022	53
Total Cash and Cash Equivalents	$ 4,603,900	

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Credit Risk

The Corporation's investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2009, the Corporation's investment (Logic Investment Pool) was rated "AAAm" by Standard and Poor's.

NOTE 4 - PROPERTY TAXES

In the event that impact fees collected are insufficient to meet the required debt service payments each year, the County provides property tax revenues to fund the deficiency. No separate tax rate is set by the County for the Corporation's debt, therefore, no taxes receivable balances are maintained in the Corporation's Debt Service Fund.

NOTE 5 - LONG-TERM DEBT

The Corporation issues contract revenue bonds for the purpose of financing flood control projects. The revenue bonds are paid through the Corporation's Debt Service Fund from impact fees collected by the Fort Bend County Drainage District (for Oyster Creek Project only) and property taxes levied by the County. The following schedule is a summary of changes in the Corporation's total long-term liabilities for the year ended September 30, 2009.

	Balance Sept. 30, 2008	Additions	Reductions	Balance Sept. 30, 2009	Amounts Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 10,550,000	$	$ (160,000)	$ 10,390,000	$ 160,000
	$ 10,550,000	$	$ (160,000)	$ 10,390,000	$ 160,000

Long-term liabilities of the Corporation are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

A summary of the outstanding revenue bonds as of September 30, 2009, follows:

Series	Original Issue Amount	Matures	Rate (%)	Principle Outstanding
Revenue Bonds				
FBFCWSC Series 2001 Bonds	$ 11,650,000	2021	2.85-5.38	$ 10,390,000
				$ 10,390,000

NOTE 5 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are summarized as follows:

Fiscal Year	Principal	Interest	Totals
2010	$ 160,000	$ 521,618	$ 681,618
2011	160,000	514,658	674,658
2012	920,000	490,438	1,410,438
2013	950,000	447,650	1,397,650
2014	1,050,000	397,344	1,447,344
2015	1,050,000	340,906	1,390,906
2016	1,025,000	285,141	1,310,141
2017	1,025,000	230,047	1,255,047
2018	1,025,000	176,875	1,201,875
2019	1,025,000	125,625	1,150,625
2020	1,000,000	75,000	1,075,000
2021	1,000,000	25,000	1,025,000
Totals	$ 10,390,000	$ 3,630,302	$ 14,020,302

NOTE 6 - CONTINGENT LIABILITIES

The Corporation is contingently liable for lawsuits and other claims arising in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the Corporation at September 30, 2009.

NOTE 7 - RISK MANAGEMENT

The County is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. The participation of the County in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

NOTE 8 - BIG CREEK PROJECT

In fiscal year 2001, the Corporation issued $11,650,000 in revenue bonds to finance the Big Creek project, which has a budget of approximately $15.7 million. The purpose of the Big Creek project is to improve and enlarge approximately twenty linear miles of channel currently being maintained by the District. More specifically, approximately $4 million was used to design and construct a structure at the outfall of the Big Creek Bypass Channel and an erosion control structure constructed at the confluence of Big Creek and the Bypass Channel. The remaining funds are being used to design and construct channel improvements along Big Creek from FM 762 upstream to Big Creek's confluence with Cottonwood Creek and Coon Creek.

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Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting

To the Board of Directors
Fort Bend Flood Control Water Supply Corporation
Fort Bend County, Texas

We have audited the financial statements of Fort Bend Flood Control Water Supply Corporation (the "Corporation"), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Null-Lairson, P.C.

Houston, Texas
January 27, 2010

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APPENDIX C

EXCERPTS FROM THE

COUNTY OF FORT BEND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

The information contained in this Appendix consists of excerpts from the County of Fort Bend, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Robert E. Hebert, County Judge
and Members of the Commissioners Court
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Bend County, Texas (the "County"), as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Robert E. Hebert, County Judge
and Members of the Commissioners Court
Fort Bend County, Texas

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Bend County, Texas' basic financial statements. The management's discussion and analysis, budgetary comparison information, and pension system information on pages 3 through 11 and 59 through 62, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section, combining and individual fund financial statements and schedules, as well as statistical tables, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mullin Hasson, P.C.

March 23, 2010
Houston, Texas

As management of Fort Bend County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $709.3 million (net assets). Of this amount, $23.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by $45.5 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $218.2 million, an increase of $47.7 million over the prior year.
- At the end of the current fiscal year approximately $34.5 million is available for spending at the government's discretion (unreserved, undesignated general fund balance). This fund balance amounts to 18% percent of total general fund expenditures.
- The County's total long-term liabilities increased by $138 million during the current fiscal year. The increase was primarily as a result of bonds issued during 2009 of $128 million including premiums, reduced by debt retirements of $11.2 million and amortization of bond premiums of $3.8 million. The increase in long-term liabilities is also due to an increase in the other post-employment benefit obligations (OPEB) of $24.7 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the County that are principally supported by taxes (governmental activities). The governmental activities of the County include general administration, financial administration, administration of justice, construction and maintenance, health and welfare, cooperative service, public safety, parks and recreation, libraries and education, and interest on long-term debt.

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The County's three discretely presented component units consist of the following:

- Fort Bend County Toll Road Authority
- Fort Bend Surface Water Supply Corporation
- Fort Bend Housing Finance Corporation

The government-wide financial statements can be found on pages 13 through 15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 71 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Mobility 2009 Projects Fund, 2007 Facilities Bond Fund, and the Justice Center Project Fund, all of which are considered to be major funds. Data from the other 66 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic governmental fund financial statements can be found on pages 16 through 22 of this report.

Proprietary funds

The County uses internal service funds to report activities that provide services for the County's other programs and activities. The Employee Benefits Fund and Other Self-Funded Insurance Fund are the County's internal service funds. Their purpose is to provide for the accumulation of money for insurance and employee benefits used in County operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 23 through 25 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 26 of this report.

Combining component unit financial statements

The County's three discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the major discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

The combining component unit financial statement can be found on pages 27 through 29 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 57 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. The County adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 59 through 62 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $709.3 million at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (96.0 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, road equipment, office furniture and equipment, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED SCHEDULE OF NET ASSETS
September 30, 2009 and 2008

	Primary Government Governmental Activities	
	2009	**2008**
Current and other assets	278,493,662	$ 227,762,347
Capital assets, net	877,364,817	746,378,348
Total Assets	1,155,858,479	974,140,695
Long-term liabilities	408,205,327	267,048,926
Other liabilities	38,320,535	43,257,194
Total Liabilities	446,525,862	310,306,120
Net Assets:		
Invested in capital assets, net of debt	680,884,356	617,510,080
Restricted	5,363,740	4,034,606
Unrestricted	23,084,521	42,289,889
Total Net Assets	$ 709,332,617	$ 663,834,575

A portion of the County's net assets, $5.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $23.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The County's assets exceeded liabilities by $709 million, resulting in an increase of $45.5 million from the prior year. This increase primarily relates to the addition of capital assets net of depreciation of $131 million as a result of the County's building of infrastructure, roads and bridges, and facilities. The increase is also due to unexpended bond proceeds which rose by $49.1 million as a result of the following

fund balance changes: Mobility 2009 Bonds Fund, $35.5 million; Justice Center Bonds Fund, $60 million; offset by a decrease in the 2007 Facilities Bonds Fund of $46.4 million. These increases were offset by a net increase of $137.7 million in long-term liabilities primarily due to the sale of the Mobility 2009 Bonds and the Justice Center Bonds of $127.7 million (including bond premiums).

SCHEDULE OF CHANGES IN NET ASSETS

For the years ended September 30, 2009 and 2008

	Primary Government Governmental Activities	
	2009	**2008**
Revenues		
Program revenues:		
Charges for services	$ 35,102,888	$ 32,371,981
Operating grants and contributions	33,935,787	24,183,910
Capital grants and contributions	63,974,765	33,540,586
General revenues:		
Property taxes	191,467,403	171,832,680
Earnings on investments	3,664,184	8,082,178
Other	3,901,588	3,486,452
Total Revenues	332,046,615	273,497,787
Expenses		
General administration	40,876,045	33,235,842
Financial administration	8,841,189	7,581,878
Administration of justice	75,836,037	65,681,467
Construction and maintenance	45,882,038	47,535,293
Health and welfare	25,623,533	21,592,759
Cooperative services	1,188,580	1,143,390
Public safety	61,126,911	50,016,288
Parks and recreation	1,879,525	2,128,502
Libraries and education	12,956,363	12,325,097
Interest on long-term debt	12,338,352	10,621,067
Total Expenses	286,548,573	251,861,583
Change in Net Assets	45,498,042	21,636,204
Net Assets, Beginning	663,834,575	642,198,371
Net Assets, Ending	$ 709,332,617	$ 663,834,575

At the end of the current fiscal year, the County was able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

Governmental activities increased the County's net assets by $45.5 million. This was up by $23.9 over last year's increase of $21.6 million. The key elements of this increase are as follows:

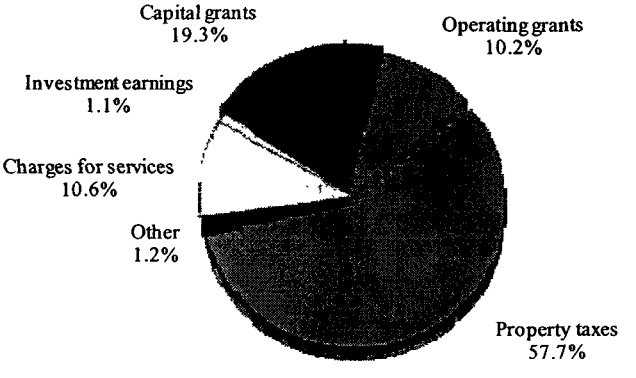
- Property tax revenues of $191.5 million, which increased by $19.6 million from the prior year as a result of increased development in the County and higher property values.

- Increases from the prior year for capital grants and contributions of $30.4 million, operating grants and contributions of $9.8 million, and charges for services of $2.7 million. These increases are primarily due to increased activity related to demand for services and infrastructure.

- These increases were offset by increased expenses over the prior year for public safety of $ 11.1 million, general administration of $7.6 million, health and welfare of $4.0 million, and administration of justice of $10.2 million. These increases were primarily due to higher salaries and wages including benefits, higher fuel prices, and higher overall costs due to inflation. There was also a decrease in earnings on investments from the prior year of $4.4 million caused by reduced interest rates that further offsets the revenue increases.

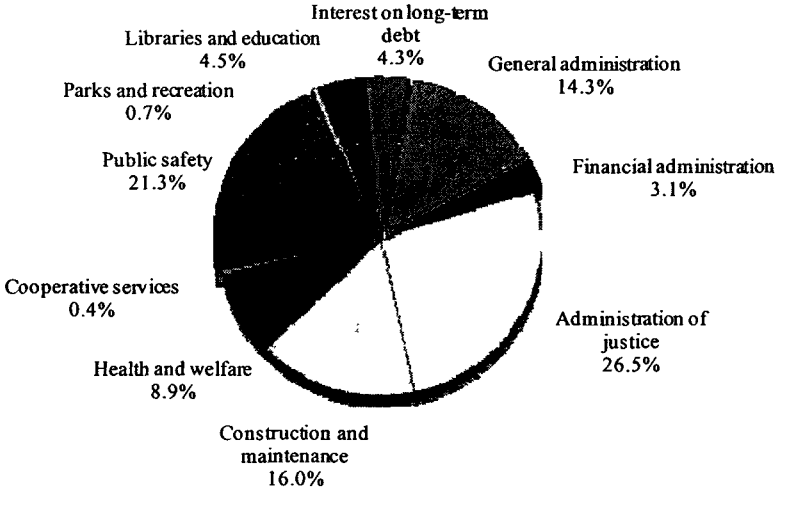
Governmental revenues for fiscal year 2009 are graphically displayed as follows:

GOVERNMENTAL REVENUES



Governmental functional expenses were as follows:

GOVERNMENTAL FUNCTIONAL EXPENSES



Financial Analysis of the County's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The County's governmental funds reflect a combined fund balance of $218.2 million. Of this, $57.6 million is unreserved and available for day-to-day operations of the County. In addition, $6.1 million is reserved for debt service and the remaining reserved amount is for capital projects and prepaid items of $154.5 million and $111.5 thousand, respectively.

There was an increase in the combined fund balance of $47.7 million from the prior year. The increase in fund balance includes a $60 million increase in the Justice Center Project Fund as a result of bond proceeds from the sale of bonds during 2009. The increase is also due to a increase of $35.5 million in the Mobility 2009 Project Fund as a result of bond proceeds from the sale of bonds during 2009 in order to fund road projects. These increases are offset by a $46.4 million decrease in the 2007 Facilities Bond Fund as a result of capital outlay expenditures for mobility and facility projects. The decrease in the General Fund of approximately $4.2 million is due to operating expenditures exceeding operating revenues and net other financing uses during the course of operations.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Employee Benefits Fund had a net assets balance at fiscal year-end of $9.2 million, which is $6.2 million over the target. In addition, the Other Self-Funded Insurance Fund has deficit net assets of $2.1 million at fiscal year-end. The Employee Benefits net assets surplus has been budgeted to be reduced by $6.2 million in fiscal year 2010 by reducing the healthcare allocations from each departmental budget. The allocation for Other Self-Funded Insurance will be increased over the next four fiscal years (beginning with 2011) to eliminate the deficit net assets balance.

General Fund Budgetary Highlights

During the year there was a net $0.5 million decrease in appropriations between the original and final amended budget. The main components of this were a decrease due to $5.4 million being transferred to multi-year capital projects with budgets that extend beyond the County's fiscal year and an offset of $4.9 million added by budget amendment for 23 supplemental law enforcement contracts that are 100% reimbursable by other contracting entities. The General Fund also allocated $3.5 million to the Debt Service Fund through the General Fund's transfers out account due to a correction in estimating beginning fund balance between the two funds during the 2009 budget process.

Fees and Fines resulted in excess revenues over budget due to: increased auto registration fees of $851 thousand; increased collections for EMS services of $751 thousand due to greater effort on delinquencies; and increased collection by fee officers through court activity of $2 million. Property Taxes resulted in a $582 thousand shortfall due to overestimation of the collection rate. Earnings on investments resulted in a $1.8 million shortfall due to the continued decline of interest rates.

General Administration expenditures had a budget surplus of $3 million due mainly to reduced fees, utilities, and fuel costs.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2009, the County's governmental activities had invested $877.4 million in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately $131 million over the previous fiscal year.

FORT BEND COUNTY'S CAPITAL ASSETS

	Governmental Activities	
	2009	**2008**
Non-Depreciable Assets		
Land and intangibles	$ 302,118,216	$ 270,596,282
Construction in progress	121,423,463	133,300,768
Other Capital Assets, Net		
Vehicles	7,820,804	6,940,630
Office furniture and equipment	7,104,929	5,988,975
Machinery and equipment	10,379,003	9,813,297
Buildings, facilities and improvements	146,704,669	62,135,291
Infrastructure	281,813,734	257,603,104
Totals	$ 877,364,818	$ 746,378,347

Construction in progress at year-end represents numerous ongoing projects, the largest of which are: Gus George Law Enforcement Training Academy for $6.4 million; Sienna Library for $8.4 million; Fort Bend Justice Center for $14.4 million; JST Software Project for $3.5 million; and Flood Control/Drainage Projects (Big Creek and Oyster Creek) for $16.9 million.

Long-Term Debt - At the end of the current fiscal year, the County had total bonds outstanding of $343.3 million. This is an increase of $111.2 million from the prior year due to the issuance of bonds for the 2009 Mobility Project for $48.9 million and the Justice Center for $71 million. In addition, refunding bonds were sold totaling $2.5 million during the fiscal year. These increases were offset by principal payment of $11.2 million. The total amount relates to general obligation bonds.

	Governmental Activities	
	2009	**2008**
General Obligation Bonds	$ 343,330,000	$ 232,130,000
Total	$ 343,330,000	$ 232,130,000

The County received an insured rating of Aaa from Moody's and Standard and Poors on issuances prior to 2009. The three issuances in 2009 were not insured and therefore retained the uninsured ratings. The uninsured ratings were as follows:

Moody Investor Service Aa2
Standard and Poor's AA+

The Fort Bend Housing Finance Corporation (the "Corporation"), a component unit of the County, has issued conduit debt in the amount of $98.3 million. The tax-exempt bonds issued by the Corporation do not constitute a debt or pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2009, approximately $39.3 million of total bonds were outstanding.

Additional information on capital assets and long-term debt is available in Notes 6 and 7 respectively, to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County continues to enjoy growth in various demographic areas during this ongoing economic slowdown.

The population of the County is estimated at 578,730 in 2010 and is expected to grow by 4.26% annually through 2015. Total employment is estimated at 228,850 in 2010 is expected to grow by 3.29% annually over the same period.

The number of households has increased to 188,120 in 2010 and is expected to grow to 229,680 by 2015. Mean household income for 2010 is $138,034 and is estimated to rise to $159,930 by 2015. Income per capita is currently at $45,286 and is expected to grow to $53,261 by 2015. Retail sales increased by 3.1% to $5.46 billion in 2010 and should grow to $6.86 billion by 2015.

The Commissioners Court approved a $237.4 million total budget for the 2010 fiscal year. This is a 10.7% increase over the adopted 2009 fiscal year budget. The growth in the budget is driven by increased costs of doing business as well as funding for drainage, mobility, and increased services to the citizens of the County. The overall tax rate remained constant from 2009 to 2010 at $0.49976 per $100 of assessed valuation.

Requests for Information

This financial report is designed to provide a general overview of Fort Bend County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to Ed Sturdivant, County Auditor, 301 Jackson, Suite 533, Richmond, TX 77469, telephone (281) 341-3760.

BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and equivalents	$ 244,544,638	$ 28,009,035
Receivables:		
Taxes, net	8,475,390	
Grants	13,728,154	
Fees and fines	4,319,143	5,069
Other	1,453,170	1,288,065
Prepaid items	112,349	
Deferred issuance costs	3,280,054	809,322
Receivable from fiduciary fund	2,276,724	
Due from component units	304,040	
Capital assets, not being depreciated:	423,541,679	
Capital assets, net of accumulated depreciation:	453,823,138	152,943,067
Total Assets	1,155,858,479	183,054,558
Liabilities		
Accounts payable and accrued expenses	27,031,052	3,900
Retainage payable	4,579,716	
Accrued interest payable	1,347,198	562,786
Unearned revenues	4,073,173	
Due to primary government		304,040
Due to other governments	1,289,396	
Long-term liabilities due within one-year	11,439,631	
Long-term liabilities due in more than one-year	396,765,696	139,177,969
Total Liabilities	446,525,862	140,048,695
Net Assets		
Invested in capital assets, net of related debt	680,884,356	13,765,098
Restricted for:		
Debt Service	5,363,740	
Unrestricted	23,084,521	29,240,765
Total net assets	$ 709,332,617	$ 43,005,863

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended

September 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General administration	$ 40,876,045	$ 6,991,778	$ 6,257,935	$
Financial administration	8,841,189	2,451,191		
Administration of justice	75,836,037	6,828,228	7,242,476	
Construction and maintenance	45,882,038	8,442,746	1,509,761	62,012,765
Health and welfare	25,623,533	5,057,246	4,982,855	45,000
Cooperative services	1,188,580			
Public safety	61,126,911	4,887,245	13,784,334	
Park and recreation	1,879,525	187,724	61,023	
Libraries and education	12,956,363	256,730	97,403	1,917,000
Interest on long-term debt	12,338,352			
Total Primary Government	$ 286,548,573	$ 35,102,888	$ 33,935,787	$ 63,974,765
Component Units				
FB Surface Water Supply Corp.	$	$	$	$
FB Toll Road Authority	14,397,389	17,027,189		3,792
FB Housing Finance Corp.	64,690	153,282		
Total Component Units	$ 14,462,079	$ 17,180,471	$	$ 3,792

General revenues:

Property taxes, penalties, and interest

Unrestricted earnings on investments

Grants and Contributions not restricted to specific programs

Gain/(loss) on sale of assets

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets, Beginning

Net Assets, Ending

The notes to the financial statements are an integral part of this statement.

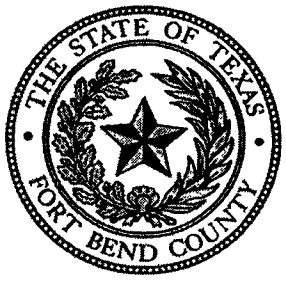
Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Units
Governmental Activities	
$ (27,626,332)	
(6,389,998)	
(61,765,333)	
26,083,234	
(15,538,432)	
(1,188,580)	
(42,455,332)	
(1,630,778)	
(10,685,230)	
(12,338,352)	
(153,535,133)	
	$
	2,633,592
	88,592
	2,722,184
191,467,403	
3,664,184	330,615
3,901,588	
199,033,175	330,615
45,498,042	3,052,799
663,834,575	39,953,064
$ 709,332,617	$ 43,005,863

FORT BEND COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009

	General Fund	Debt Service Fund	Mobility 2009 Projects Fund	2007 Facilities Bonds Fund
Assets				
Cash and equivalents	$ 32,462,349	$ 6,039,121	$ 36,571,989	$ 36,405,912
Taxes receivable, net	6,624,914	653,454		
Grants receivable	11,602,867			
Fines and fees receivable	4,319,143			
Other receivables	571,372			
Due from other funds	12,233,338	18,363		
Due from component units	304,040			
Prepaid items	100,233			4,668
Total Assets	$ 68,218,256	$ 6,710,938	$ 36,571,989	$ 36,410,580
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 17,157,390	$	$	$
Accrued expenditures	202,712			
Accrued payroll	3,964,323			
Retainage payable	106,705		288,194	3,601,467
Due to other funds			756,519	247,760
Due to other governments	1,129,687			
Deferred revenue	11,093,732	653,456		
Total Liabilities	33,654,549	653,456	1,044,713	3,849,227
Fund Balances:				
Reserved for:				
Debt Service		6,057,482		
Prepaid Items	100,233			4,668
Capital Projects			35,527,276	32,556,685
Unreserved, Reported in:				
General Fund	34,463,474			
Special Revenue Funds				
Total Fund Balances	34,563,707	6,057,482	35,527,276	32,561,353
Total Liabilities and Fund Balances	$ 68,218,256	$ 6,710,938	$ 36,571,989	$ 36,410,580

The accompanying notes are an integral part of these financial statements.

Justice Center Project	Other Governmental Funds	Total Governmental Funds
$ 66,869,945	$ 53,899,080	$ 232,248,396
	1,197,022	8,475,390
	2,125,288	13,728,155
		4,319,143
	330,064	901,436
	4,597,530	16,849,231
		304,040
	7,448	112,349
$ 66,869,945	$ 62,156,432	$ 276,938,140
$	$	$ 17,157,390
		202,712
		3,964,323
583,350		4,579,716
6,269,653	7,241,671	14,515,603
	159,709	1,289,396
	5,253,294	17,000,482
6,853,003	12,654,674	58,709,622
		6,057,482
	6,556	111,457
60,016,942	26,374,746	154,475,649
		34,463,474
	23,120,456	23,120,456
60,016,942	49,501,758	218,228,518
$ 66,869,945	$ 62,156,432	$ 276,938,140


THE STATE OF TEXAS
FORT BEND COUNTY

FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2009

Total fund balance, governmental funds	$ 218,228,518
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	877,364,817
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred in the funds.	12,927,309
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	7,084,445
Some liabilities (such as Long-term Claims and Judgments Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	
Bonds payable	(343,330,000)
Deferred issuance costs	3,280,054
Compensated absences	(5,158,523)
Other post-employment benefit (OPEB) obligation	(48,819,923)
Premiums on issuance of debt	(10,896,882)
Accrued interest is not due and payable in the current period and therefore not reported in the funds.	(1,347,198)
Net Assets of Governmental Activities	$ 709,332,617

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	General Fund	Debt Service Fund	Mobility 2009 Projects Fund	2007 Facilities Bonds Fund
Revenues				
Taxes	$ 150,881,918	$ 18,720,719	$	$
Fees and fines	22,691,631	118,964		
Intergovernmental	24,989,268		162,500	
Earnings on investments	1,247,763	108,771	120,994	786,524
Miscellaneous	2,540,424			16,487
Total Revenues	202,351,004	18,948,454	283,494	803,011
EXPENDITURES				
Current:				
General administration	36,997,902			
Financial administration	7,130,068			
Administration of justice	50,165,055			
Construction and maintenance	3,057,376			
Health and welfare	19,440,480			
Cooperative services	1,049,985			
Public safety	43,501,625			
Parks and recreation	1,815,986			
Flood control projects				
Libraries and education	11,274,245			
Capital Outlay	22,149,422		12,359,705	47,155,054
Debt Service:				
Principal		11,170,000		
Interest and fiscal charges		12,149,302		
Debt issuance costs		24,845	468,247	
Total Expenditures	196,582,144	23,344,147	12,827,952	47,155,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,768,860	(4,395,693)	(12,544,458)	(46,352,043)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,680,859	3,500,000		2,214
Transfers out	(12,631,357)		(2,396,513)	(24,710)
Bonds issued		2,460,000	48,940,000	
Premium on bonds issued		122,676	1,528,247	
Total other financing sources (uses)	(9,950,498)	6,082,676	48,071,734	(22,496)
Net change in fund balances	(4,181,638)	1,686,983	35,527,276	(46,374,539)
Fund balances-beginning	38,745,345	4,370,499		78,935,892
Fund balances-ending	$ 34,563,707	$ 6,057,482	$ 35,527,276	$ 32,561,353

The notes to the financial statements are an integral part of this statement.

Justice Center Project	Other Governmental Funds	Total Governmental Funds
$	$ 20,956,267	$ 190,558,904
	11,780,729	34,591,324
	10,758,668	35,910,436
412,618	832,376	3,509,046
	5,839,291	8,396,202
412,618	50,167,331	272,965,912
	1,261,960	38,259,862
	32,746	7,162,814
	17,985,441	68,150,496
	27,839,024	30,896,400
	3,099,465	22,539,945
		1,049,985
	1,077,097	44,578,722
		1,815,986
	124,316	11,398,561
11,757,438	9,205,917	102,627,536
		11,170,000
		12,149,302
683,227		1,176,319
12,440,665	60,625,966	352,975,928
(12,028,047)	(10,458,635)	(80,010,016)
	17,395,317	23,578,390
(2,638,238)	(5,887,572)	(23,578,390)
70,970,000		122,370,000
3,713,227		5,364,150
72,044,989	11,507,745	127,734,150
60,016,942	1,049,110	47,724,134
	48,452,648	170,504,384
$ 60,016,942	$ 49,501,758	$ 218,228,518

FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds:	$ 47,724,134
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($90.3 million) exceeded depreciation expense ($17.4 million) in the current period.	72,962,006
Capital contributions of infrastructure are reported in the governmental-wide financial statements but not in the fund financial statements.	58,890,033
Governmental funds report the entire net sales prices (proceeds) from the sales of assets as revenue because they provide current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the costs of assets sold.	(865,575)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(126,557,831)
The long-term portion of accrued compensated absences is not due and payable in the current period and is therefore not reported in governmental funds.	(305,544)
Changes in the other post-employment benefit (OPEB) obligation are not due and payable in the current period and therefore, not reported in governmental funds.	(24,668,829)
Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in receivables on the accrual basis of accounting.	908,479
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting.	(435,962)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	246,912
Principal payments on bonds are reported as expenditures in governmental funds but not as expenses in the government-wide statements.	11,170,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenues (expenses) are reported with governmental activities.	6,430,219
Change in net assets of governmental activities	$ 45,498,042

The notes to the financial statements are an integral part of the statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 12,296,242
Due from other funds	34,337
Other receivables	551,734
Total assets	12,882,313
LIABILITIES	
Current liabilities:	
Benefits Payable - current portion	5,706,627
Due to other funds	91,241
Total current liabilities	5,797,868
Total liabilities	5,797,868
NET ASSETS	
Unrestricted	$ 7,084,445

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Governmental Activities Internal Service Funds
Operating Revenues	
Charges for Services	$ 31,850,042
Total Operating Revenues	31,850,042
Operating Expenses	
Current operations - general administration	365,862
Benefits provided	25,209,099
Total Operating Expenses	25,574,961
Operating Income (Loss)	6,275,081
Non-Operating Revenues	
Earnings on investments	155,138
Total Non-Operating Revenues	155,138
Change in Net Assets	6,430,219
Net Assets (Deficit), Beginning	654,226
Net Assets (Deficit), Ending	$ 7,084,445

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges for services	$ 31,992,594
Payment of benefits	(25,589,247)
Payment of general administration expenses	(365,862)
Net Cash Provided by Operating Activities	6,037,485
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	155,138
Net Cash Provided by Investing Activities	155,138
Net Increase in Cash and Cash Equivalents	6,192,623
Cash and Cash Equivalents, Beginning of Year	6,103,619
Cash and Cash Equivalents, End of Year	$ 12,296,242
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating Income (Loss)	$ 6,275,081
Change in assets and liabilities:	
(Increase) Decrease in other receivables	(158,305)
Increase (Decrease) in due from other funds	300,857
Increase (Decrease) in benefits payable	(380,148)
Total adjustments	(237,596)
Net Cash Provided by Operating Activities	$ 6,037,485

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS

September 30, 2009

	AGENCY FUND
ASSETS	
Cash and cash equivalents	$ 27,214,277
Miscellaneous receivables	385,617
Total Assets	$ 27,599,894
LIABILITIES	
Due to other governments	$ 25,323,170
Due to other funds	2,276,724
Total Liabilities	$ 27,599,894

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2009

	FBC Surface Water Supply Corporation	Fort Bend Toll Road Authority	Fort Bend Housing Finance Corporation	Totals
ASSETS				
Cash and cash equivalents	$ 7,464	$ 27,392,475	$ 609,096	$ 28,009,035
Accounts receivable			5,069	5,069
Accrued interest receivable			4,283	4,283
Miscellaneous receivables		1,283,782		1,283,782
Deferred bond issuance costs		809,322		809,322
Capital assets, net		152,943,067		152,943,067
Total Assets	7,464	182,428,646	618,448	183,054,558
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable			3,900	3,900
Due to primary government		304,040		304,040
Accrued interest payable		562,786		562,786
Long term liabilities				
Due in more than one year		139,177,969		139,177,969
Total Liabilities		140,044,795	3,900	140,048,695
NET ASSETS				
Invested in capital assets, net of related debt		13,765,098		13,765,098
Unrestricted	7,464	28,618,753	614,548	29,240,765
Total Net Assets	$ 7,464	$ 42,383,851	$ 614,548	$ 43,005,863

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Fort Bend Toll Road Authority			
Toll road operations	$ 8,306,578	$ 17,027,189	$ 3,792
Interest on Long-term Debt	6,090,811		
Total Fort Bend Toll Road Authority	14,397,389	17,027,189	3,792
Fort Bend Housing Finance Corporation			
General administration	64,690	153,282	
Total Fort Bend Housing Finance Corporation	64,690	153,282	
Total Component Units	$ 14,462,079	$ 17,180,471	$ 3,792
General revenues:			
Unrestricted earnings on investments			
Miscellaneous			
Total General Revenues			
Changes in Net Assets			
Net Assets, Beginning			
Net Assets, Ending			

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
FBC Surface Water Supply Corporation	Fort Bend Toll Road Authority	Fort Bend Housing Finance Corporation	Totals
$	$ 8,724,403	$	$ 8,724,403
	(6,090,811)		(6,090,811)
	2,633,592		2,633,592
		88,592	88,592
		88,592	88,592
	2,633,592	88,592	2,722,184
87	319,012	11,516	330,615
87	319,012	11,516	330,615
87	2,952,604	100,108	3,052,799
7,377	39,431,247	514,440	39,953,064
$ 7,464	$ 42,383,851	$ 614,548	$ 43,005,863

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Fort Bend County, Texas ("County") is a public corporation and a political subdivision of the State of Texas. The Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials, govern the County.

The County is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the County's financial reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units
Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data of these units are combined with data of the County. Each of the County's blended component units has a September 30 year-end. The following component units have been identified and are presented in a blended format in the government-wide financial statements:

Fort Bend County Drainage District ("District")
Established under Section 59 of Article XVI of the Constitution of Texas, the District includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands. Commissioners Court acts as the governing body of the District. Complete financial statements for the District can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Flood Control Water Supply Corporation ("FBFCWSC")
The FBFCWSC is a non-profit corporation organized for the benefit of the County to provide for the acquisition, construction and financing of flood control and drainage projects for the County. Upon completion, these projects are maintained by the County. Commissioners Court appoints the Board of Directors and approves all budgets and expenditures. Complete financial statements for the Corporation can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Parkway Road District ("FBPRD")
The FBPRD, a limited purpose political subdivision, was created as a vehicle to provide cost participation for the development and construction of the Fort Bend Parkway in eastern Fort Bend County. The governing body is Commissioners Court. The District does not issue separate financial statements.

Discretely Presented Component Units
Discretely presented component units are presented in a separate column in the government-wide statements to emphasize that they are legally separate from the County. Each of the County's discretely presented component units has a September 30 year-end. The following component units have been identified and are presented in a discrete format in the County's financial statements:

Fort Bend Toll Road Authority
The Fort Bend Toll Road Authority is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend Toll Road system that will extend from Sam Houston Parkway in Harris County to State Highway 6 and State Highway 99 in Fort Bend County. Commissioners Court appoints the Authority's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office.

Fort Bend Surface Water Supply Corporation
The Fort Bend County Surface Water Supply Corporation was established for the purpose of conducting a feasibility study of a surface water facility in the area. Currently, revenue sources are primarily from special districts, private corporations, and other entities interested in the study. Commissioners Court appoints the Corporation's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office.

Fort Bend County Housing Finance Corporation
The Fort Bend County Housing Finance Corporation was established under the Texas Housing Finance Corporation Act. The Corporation provides down payment assistance programs for individuals meeting certain income guidelines and serves as a conduit for activity related to bond issues for affordable housing in Fort Bend County. The tax-exempt bonds issued by the Corporation do not constitute a debt or a pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreements underlying each issue. Commissioners Court appoints the Corporation's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Complete financial statements for The Fort Bend Housing Finance Corporation are prepared and can be obtained at the East Fort Bend County Annex Building located at 3030 Texas Parkway, Suite 213, Missouri City, Texas.

B. Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the GASB 34 reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements). Typically, both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. All primary activities of the County are considered to be governmental type activities; therefore no business type activities are presented within the basic financial statements. In the government-wide Statement of Net Assets, governmental activities are presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general administration, financial administration, public safety, etc.), which are otherwise being supported by general government revenues (property taxes, earnings on investments, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function (general administration, financial administration, public safety, etc.).

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Since the County only reports agency funds, a statement of changes in fiduciary net assets is not presented. All assets reported in agency funds should be offset by a corresponding liability, resulting in zero net assets.

In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

The County reports the following major governmental funds:

General Fund
The General Fund is the County's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is local property taxes. Expenditures include all costs associated with the daily operations of the County.

Debt Service Fund
This fund is used to account for the debt service transactions relating to the following bond issues: Permanent Improvements Refunding Bonds Series 2003, Unlimited Tax Road Bonds Series 2001, Unlimited Tax Road Bonds Series 2006, Unlimited Tax Road Bonds Series 2007, Fort Bend Flood Control Water Supply Corporation (FBFCWSC) Revenue Bonds Series 1995 (final payment in FY2008), FBFCWSC Refunding Bonds Series 1999 (final payment in FY2008), Fort Bend Flood Control Water Supply Corporation (FBFCWSC) Revenue Bonds Series 2001, Limited Tax Facilities Bonds Series 2007, Unlimited Tax Road Bonds Series 2009, and Justice Center Limited Tax Bonds Series 2009. This fund is also used to account for the debt service transactions associated with the Parkway Road District's Series 1990 Bonds. Revenues in this fund are comprised of property taxes levied against property located in the District.

Mobility 2009 Projects Fund
The Mobility 2009 Projects Fund is a Capital Projects Fund used to account for the proceeds of the Unlimited Tax Road Bonds Series 2009 which are being used to finance the construction and/or expansion of numerous roads in the County.

2007 Facilities Bonds Fund
The 2007 Facilities Bonds Fund is a Capital Projects Fund used to account for the proceeds of the Fort Bend County Limited Tax (General Obligation) Bonds Series 2007 which are being used to finance the construction and/or expansion of numerous County facilities.

Justice Center Project Fund
The Justice Center Project Fund is a Capital Projects Fund used to account for the proceeds of the Fort Bend County Limited Tax Bonds Series 2009 which are being used to finance the construction of the County's Justice Center.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund-types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds) and certain Component Units are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Expenditures are generally recognized under the modified

accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as expenditures when due.
As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is that interfund services provided and used within the County are not eliminated in the process of consolidation. Elimination of these services would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Revenues that are generated internally are reported as general revenues, including property taxes.

Proprietary funds present both operating revenues and expenses as well as nonoperating revenues and expenses. Operating revenues and expenses are generally derived from providing services and producing goods as part of ongoing operations. The principal operating revenues of the County's internal service funds are charges to users for services. The operating expenses for the County's internal service funds include administrative expenses and all costs associated with providing services. All other revenue and expenses are reported as nonoperating revenue.

The accrual basis of accounting is used for the proprietary fund types and certain component units. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net assets, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary control. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities of the current year and are reappropriated in the budget of the subsequent year. Unencumbered appropriations lapse at the end of the year.

E. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

F. Temporary Investments

The County's temporary investments are comprised of U.S. Government Securities and deposits in pooled investment accounts. Obligations with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost, which approximates fair value. All other investments are reported at fair value. The investments in U.S. Government Securities are generally held to maturity.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Due to and Due From Other Funds

During the course of operations, transactions occur between individual funds for specified purposes, such as lending/borrowing arrangements or amounts. In addition, the County maintains numerous bank accounts among all the funds and occasionally monies are deposited into the incorrect account. Therefore, a receivable and payable are recorded in the proper funds. These receivables and payables are classified as "due from other funds" or "due to other funds" or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit.

I. Interfund Transfers

The County maintains numerous special revenue and capital project funds to account separately for monies that have been set aside for particular purposes. Often, these monies are initially budgeted in the General Fund during the annual budget process and are then transferred to various funds during the course of the fiscal year. In addition, when these projects are complete, these same funds often transfer residual monies back to the General Fund or some other fund, as determined where the monies should be returned. These interfund transfers are classified as "transfers in" and "transfers out" within the primary government.

J. Interest Receivable

Interest on investments is recorded as revenue in the year the interest is earned and available to pay liabilities of the current period.

K. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met, currently $5,000. Depreciation is recorded on capital assets on a government-wide basis. Major outlays for capital assets and improvements are capitalized as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

The County applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has

been provided for plant and equipment using the straight-line method over the estimated useful life for the type of assets as follows:

Asset Description	Estimated Useful Life
Vehicles	5 to 7 years
Office furniture and fixtures	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings, facilities, and land improvements	10 to 39 years
Infrastructure	20 to 40 years

L. Accrued Compensated Absences

All full-time employees accumulate vacation benefits in varying annual number of days up to a maximum of twenty days a year. Accumulated vacation exceeding twenty days lapses on December 31 of each year.

Compensatory time exceeding 80 hours is paid to nonexempt employees except for the nonexempt law enforcement officers who are paid when hours exceed 480. In the event of termination, an employee is paid for all maximum allowable accumulation of vacation and compensatory time.

Sick leave benefits are earned by all full-time employees at a rate of eight days per year and may be accumulated without limit. In the event of termination, an employee is not paid for any unused sick leave.

A liability for accrued compensated absences is recorded in the government-wide financial statements.

M. Restricted/Unrestricted Net Assets

It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepaid Items

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

O. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the

reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the County.

In accordance with applicable statutes, the County has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the County incurs for banking services received. The County may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. County policy requires the collateralization level to be at least 100% of market value of principal and accrued interest.

Commissioners Court has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the County are in compliance with this policy. State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt obligations of the United States, and certain repurchase agreements. Investments in security repurchase agreements are authorized when the investment has a defined termination date, is secured by obligations described in the Public Funds Investment Act, is pledged to the County, is deposited with a third party selected and approved by the entity, and is placed through a primary government securities dealer or national banks domiciled in the State of Texas. The County did not invest in repurchase agreements for the year ended September 30, 2009.

B. Deposit and Investment Amounts

The County's cash and investments are classified as: cash and cash equivalents, and investments. Cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account. The investments, which have maturities at purchase of greater than three months, consist mainly of U.S. agency securities.

At September 30, 2009, the County's cash deposits are either insured by FDIC or covered by collateral held by the County's agent in the County's name.

The following schedule shows the County's recorded cash and cash equivalents and investment pools at year-end, excluding Agency Fund:

	Total Fair Value
Cash deposits	$ 271,773,679
Certificates of Deposit	385,236
Investment Pools	
Texas Term	124,627
Logic	270,131
Total Cash and investment pools	$ 272,553,673

Interest Rate Risk
At year-end, the County had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	Fair Value	Weighted Average Maturity (days)	Percentage of Total Portfolio
Certificate of deposit	$ 385,236	271	49.4%
Investment Pool:			
Texas Term	124,627	57	16.0%
LOGIC	270,131	67	34.6%
Total Fair Value	$ 779,994		
Portfolio weighted average maturity		166	

It is the County's policy to select any individual investment with a maximum stated of thirty-six (36) months. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest rate of return of interest. When the County has funds not required to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for the group of funds.

The County's investment in the state investment pool via Texas Term and LOGIC were rated Aaa by Moody Investments and AAAf and AAAm respectively by Standard and Poor's.

Concentration of Credit Risk
It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

It's the County's policy to select investments in order to provide stability of income and reasonable liquidity.

NOTE 3 – RECEIVABLES

Receivables, including applicable allowances for uncollectible accounts, as of September 30, 2009, are as follows:

	General	Debt Service	Other Governmental Funds	Total
Receivables:				
Taxes	$ 7,361,016	$ 726,060	$ 1,330,024	$ 9,417,100
Grants	11,602,867		2,125,288	13,728,155
Fees & fines	4,319,143			4,319,143
Other	571,372		330,064	901,436
Gross receivables	23,854,398	726,060	3,785,376	28,365,834
Less: allowance for uncollectibles	(736,102)	(72,606)	(133,002)	(941,710)
Total	$ 23,118,296	$ 653,454	$ 3,652,374	$ 27,424,124

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2009, the various components of deferred revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
Delinquent property taxes (general fund)	$ 6,624,914	$
Delinquent property taxes (road and bridge fund)	811,442	
Delinquent property taxes (drainage district fund)	385,580	
Delinquent property taxes (debt service fund)	653,454	
Fees and fines (general fund)	4,319,143	
Grant funds received prior to meeting all eligibility requirements		4,073,173
Total deferred revenue for governmental funds	$ 12,794,533	$ 4,073,173

NOTE 4 – PROPERTY TAXES

The County's tax year covers the period October 1 through September 30. The County's property taxes are levied annually in October on the basis of the Fort Bend Central Appraisal District's (CAD) assessed values as of January 1 of that calendar year. Such taxes become delinquent on February 1 of the subsequent calendar year. The CAD establishes appraised values at 100% of market value less exemptions. The County's property taxes are billed and collected by the County's Tax Assessor/Collector.

A. 2008 Tax Year

Property taxes are prorated between the General, certain Special Revenue, and Debt Service Funds based on rates adopted for the year of the levy. For the 2009 fiscal year (2008 tax year), the County levied property taxes of $0.49976 per $100 of assessed valuation. The 2008 rates resulted in total tax levies of approximately $190 million based on a total adjusted valuation of approximately $38.1 billion. The total tax rate in the 2008 tax year was prorated as follows:

	2008 Rate	2008 Limit
Fort Bend County, Texas		
General, certain special revenue, and debt service	$ 0.44456	$ 0.80000
Special road & bridge funds	0.03920	0.15000
Fort Bend County Drainage District	0.01600	0.25000
Total Tax Rate	$ 0.49976	$ 1.20000

The tax rate for the Fort Bend Parkway Road District for the 2008 tax year was $0.054425 per $100 of assessed valuation.

B. Fort Bend Central Appraisal District

The Fort Bend Central Appraisal District (CAD), a separate governmental entity, is responsible for the recording and appraisal of property for all taxing units in the County.

The CAD is required by state law to assess property at 100% of its appraised value. Further, real property must be appraised at least every four years. Under certain circumstances, the taxpayers and taxing units, including the County, may challenge orders of the CAD's Appraisal Review Board through various appeals and, if necessary, legal action may be taken.

The Commissioners Court will continue to set the tax rates on the property. State law also provides that, if approved by the qualified voters in the County, collection functions may be assigned to the CAD.

NOTE 5 – INTERFUND ACTIVITY

During the year, cash advances are occasionally made between funds for various projects and situations, which create receivables and payables between these funds. All of these interfund balances are expected to be paid within one year. At September 30, 2009, the interfund receivables and payables were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 12,233,338	$
Major Capital Project - Mobility 2009		756,519
Debt Service	18,363	
Major Capital Project - 2007 Facilities Bond Fund		247,760
Justice Center Project		6,269,653
Non-major Governmental Funds	4,597,530	7,241,671
	16,849,231	14,515,603
Fiduciary Funds		2,276,724
Internal Service Funds	34,337	91,241
Total Governmental Activity	$ 16,883,568	$ 16,883,568

Interfund transfers

Transfers totaling approximately $23.6 million were made during the year primarily for the purpose of moving unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with the budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	Transfers In	Transfers Out
General Fund	$ 2,680,859	$ 12,631,357
Debt Service	3,500,000	
2007 Facilities	2,214	24,710
Justice Center		2,638,238
Major Capital Project - Mobility 2009 Projects Fund		2,396,513
Non-major Governmental Funds	17,395,317	5,887,572
	$ 23,578,390	$ 23,578,390

NOTE 6 - CAPITAL ASSETS

A summary of changes in the primary government's capital assets for the year ended September 30, 2009 follows:

	Primary Government			
	Balance 10/01/08	**Increases**	**Decreases**	**Balance 09/30/09**
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 270,596,282	$ 32,212,748	$ (690,815)	$ 302,118,215
CIP	133,300,768	82,257,253	(94,134,557)	121,423,464
Total cap. assets not depreciated	403,897,050	114,470,001	(94,825,372)	423,541,679
Other capital assets:				
Vehicles	19,705,098	3,454,021	(1,541,024)	21,618,095
Office furniture and equipment	15,912,279	3,233,027	(1,037,485)	18,107,821
Machinery and equipment	20,568,426	2,411,848	(1,341,932)	21,638,342
Buildings, facilities and improvements	109,659,473	86,799,722	(382,767)	196,076,428
Infrastructure	347,194,542	34,072,236	(44,814)	381,221,964
Total other capital assets	513,039,818	129,970,854	(4,348,022)	638,662,650
Accumulated depreciation for:				
Vehicles	(12,764,468)	(2,297,241)	1,264,418	(13,797,291)
Office furniture and equipment	(9,923,304)	(1,871,670)	792,082	(11,002,892)
Machinery and equipment	(10,755,128)	(1,365,152)	860,941	(11,259,339)
Buildings, facilities and improvements	(47,524,181)	(2,005,156)	157,578	(49,371,759)
Infrastructure	(89,591,440)	(9,816,791)		(99,408,231)
Total accumulated depreciation	(170,558,521)	(17,356,010)	3,075,019	(184,839,512)
Other capital assets, net	342,481,297	112,614,844	(1,273,003)	453,823,138
Total Net Assets	$ 746,378,347	$ 227,084,845	$ (96,098,375)	$ 877,364,817

Depreciation expenses were charged to the following functions in the statement of activities:

Fiscal Year 2009 Depreciation Expense	
General Administration	$ 4,746,611
Financial Administration	37,320
Administration of Justice	247,326
Construction & Maintenance	10,917,000
Health & Welfare	183,051
Cooperative Services	20,314
Public Safety	847,148
Parks & Recreation	107,637
Library	249,604
Total Depreciation Expense	$ 17,356,010

Construction in progress and remaining commitments under related construction contracts for general government construction projects at September 30, 2009, follows:

2009 CONSTRUCTION COSTS

Project	Balance at 9/30/2008	Increases Retainage included	Decreases Capitalizations	Decreases Adjustments	Balance at 9/30/2009
Arcola Projects	$ 206,748	$	$	$ (206,748)	$
Dew House (Bond)	211,435	44,910			256,345
Dew House		59,343			59,343
40 Acre Site Development (Bond)	35,037	833,887	(868,924)		
40 Acre Expansion	24,710			(24,710)	
Fire Marshal/EMS (Bond)	95,344	25,446			120,790
GML Library Renovations (Bond)	520,941	75,634			596,575
Gus George Academy (Bond)	1,718,323	5,248,702	(603,849)		6,363,176
Jail Expansion (Bond)	46,725,739	25,868,088	(72,593,827)		
Jail Study	160,490		(160,490)		
Jane Long Renovations (Bond)		69,310			69,310
Jane Long Renovations	338,140	732			338,872
Needville Service Center (Bond)	1,617,544	1,806,714	(3,424,258)		
Pct 1 Facility (Bond)	2,282,930	718,092	(3,001,022)		
Pct. 2 Service Center (Bond)	628,974	1,208,454			1,837,428
Precinct 2 Annex		1,460,957			1,460,957
Pct. 3 Service Center (Bond)	19,126	153,825			172,951
Sienna Library Project (Bond)	397,046	7,977,919			8,374,965
Sienna Library Project	481,680	14,300			495,980
Sugar Land Library (Bond)	182,943	45,788			228,731
S. Post Oak (Bond)	386,752	235,274			622,026
Tax Office (Bond)	1,221,139	1,962,332	(3,183,471)		
Fort Bend Justice Center (Bond)	2,686,298	11,709,378			14,395,676
Court Complex Study	301,095	12,668			313,763
CSCD Expansion	178,540		(178,540)		
Rosenberg JJAEP Remodel	63,343				63,343
Bridge Construction	2,246	21,821			24,067
Fairgrounds Blvd.	117,758				117,758
Traffic Signal Project	222,115	35,258			257,373
Needville Service Center	106,518	110,361	(216,879)		
Fuel Pump Upgrades		251,551			251,551
Fry Road Expansion		93,327	(93,327)		
Oilfield Road Improvements		356,750			356,750
Library Building-GML	37,258		(37,258)		
Fresh Water Supply District #1	2,889,815			(2,889,815)	
SH 36 Park & Ride	117,871				117,871
IT Enhancements	434,221			(434,221)	
JST Software Project	2,882,168	585,619			3,467,787
Rosenberg Annex Security Improvements		29,000	(29,000)		
HHS Coordinator Center	2,195			(2,195)	
Hillcroft Reconstruction Project	431,748				431,748
Parks Upgrades	998,738	11,235			1,009,973
UH Library	25,855				25,855
Vehicle Maintenance Expansion	377,111	458,301	(835,412)		
Pct 3 Relocations	1,460,862		(1,460,862)		
434th District Court Buildout	131,783		(131,783)		
5th Street Expansion	389,371	28,224	(417,595)		
Fairgrounds Pavillions	132,156	117,844	(250,000)		
Fairgrounds Renovation Project (2008)	175,375	840			176,215
Kitty Park Playground	37,899		(37,899)		
LID #6	2,900,000			(2,900,000)	
Model Airplane Park		40,553	(40,553)		
Parks Security Lighting	64,705	30,158			94,863
Facilities Buildout Pct 1 Facility		89,563			89,563
Morton St Buildout-Facilities		12,758			12,758
Morton St. Buildout-MHDefender		18,634			18,634
FB Parkway Project	3,705				3,705
Mobility Projects	42,638,254	19,643,130			62,281,384
Big Creek-FBFCWSC	11,209,753	32,976			11,242,729
Big Creek	1,852,936	272,057			2,124,993
Upper Oyster Creek	3,174,035	373,619			3,547,654
Totals	$ 133,300,768	$ 82,145,333	$ (87,564,950)	$ (6,457,689)	$ 121,423,463

A summary of changes in the discretely presented component unit (Fort Bend Toll Road Authority) capital assets for the year ended September 30, 2009, follows

	Discretely Presented Component Units			
	Balance 10/01/08	**Increases**	**Decreases**	**Balance 09/30/09**
Governmental Activities:				
Other capital assets				
Toll Roads	$ 166,777,872	$	$	$ 166,777,872
Total capital assets	166,777,872			166,777,872
Accumulated depreciation for:				
Toll Roads	(9,644,584)	(4,190,221)		(13,834,805)
Total Net Assets	$ 157,133,288	$ (4,190,221)	$	$ 152,943,067

Depreciation expense for the Fort Bend Toll Road Authority totaled $4.2 million.

NOTE 7 - LONG-TERM DEBT

A. General Obligation Bonds and Certificates of Obligation

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Long-term bonded debt at September 30, 2009, is as follows:

Primary Government					
Original Issue		Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds					
$	25,285,000	Permanent Improvement Refunding Bonds, Series 2003	1.50 - 5.00	2011	$ 7,595,000
	29,000,000	Unlimited Tax Road Bonds, Series 2001	4.00 - 5.00	2021	24,600,000
	30,245,000	Unlimited Tax Road Bonds, Series 2006	4.00 - 5.00	2026	27,290,000
	11,650,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2001	2.85 - 5.38	2021	10,390,000
	26,000,000	Unlimited Tax Road Bonds, Series 2007	4.00 - 4.25	2027	24,240,000
	126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	126,675,000
	48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	48,940,000
	73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	73,430,000
		Total Direct General Obligation Bonds			$ 343,160,000
	1,520,000	Fort Bend Parkway Road District Unlimited Tax Bonds, Series 1990	8.20 - 8.63	2010	170,000
		Total General Obligation Bonds			$ 343,330,000

A summary of long-term liability transactions of the County for the year ended September 30, 2009,follows:

	October 1, 2008 Balance	Additions	Retirements	September 30, 2009 Balance	Amounts Due Within One Year
General Obligation Bonds	$ 232,130,000	$ 122,370,000	$ 11,170,000	$ 343,330,000	$ 10,150,000
Premiums on bonds	5,914,854	5,364,150	3,821,231	7,457,773	
Totals	238,044,854	127,734,150	14,991,231	350,787,773	10,150,000
Accrued Compensated Absences	4,852,979	346,206	40,663	5,158,522	1,289,631
Other Post-Employment Benefit (OPEB) Obligation	24,151,093	24,668,830		48,819,923	
Totals	29,004,072	25,015,036	40,663	53,978,445	1,289,631
Total Long-Term Liabilities	$ 267,048,926	$ 152,749,186	$ 15,031,894	$ 404,766,218	$ 11,439,631

In prior years, the general fund's resources have been used to liquidate other long-term liabilities, including accrued compensated absences.

Annual debt service requirements (excluding accrued compensated absences) to maturity are summarized as follows:

	Principal	Interest	Totals
2010	$ 10,150,000	$ 16,166,372	$ 26,316,372
2011	12,710,000	15,687,681	28,397,681
2012	13,345,000	15,038,636	28,383,636
2013	13,820,000	14,447,560	28,267,560
2014	14,425,000	13,795,167	28,220,167
2015	14,910,000	13,151,079	28,061,079
2016	15,395,000	12,493,526	27,888,526
2017	15,545,000	11,772,845	27,317,845
2018	16,145,000	11,019,923	27,164,923
2019	16,785,000	10,228,048	27,013,048
2020	17,440,000	9,393,848	26,833,848
2021	18,165,000	8,519,585	26,684,585
2022	15,885,000	7,676,101	23,561,101
2023	16,680,000	6,874,924	23,554,924
2024	17,530,000	6,032,181	23,562,181
2025	18,395,000	5,158,088	23,553,088
2026	19,320,000	4,238,547	23,558,547
2027	17,865,000	3,325,544	21,190,544
2028	16,810,000	2,474,088	19,284,088
2029	17,665,000	1,368,969	19,033,969
2030	14,690,000	821,213	15,511,213
2031	9,655,000	229,306	9,884,306
Totals	$ 343,330,000	$ 189,913,231	$ 533,243,231

Discretely presented component unit long-term bonded debt as of September 30, 2009, is listed below:

Discretely Presented Component Units				
Original Issue	**Description**	**Interest Rate %**	**Matures**	**Debt Outstanding**
General Obligation Bonds				
$ 63,695,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003	4.00 - 5.00	2032	$ 63,695,000
72,195,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004	3.63 - 5.00	2032	72,195,000
	Total General Obligation Bonds			$ 135,890,000

A summary of long-term liability transactions of the discretely component units for the year ended September 30, 2009, follows:

	October 1, 2008 Balance	Additions	Retirements	September 30, 2009 Balance	Amounts Due Within One Year
General Obligation Bonds	$ 135,890,000	$	$	$ 135,890,000	$
Premiums on bonds	3,430,925		142,955	3,287,970	
Totals	$ 139,320,925	$	$ 142,955	$ 139,177,970	$

Annual debt service requirements to maturity are summarized as follows:

	Principal	Interest	Totals
2010	$	$ 6,753,432	$ 6,753,432
2011	1,400,000	6,725,432	8,125,432
2012	1,645,000	6,665,741	8,310,741
2013	1,900,000	6,596,050	8,496,050
2014	2,345,000	6,499,425	8,844,425
2015	2,820,000	6,370,300	9,190,300
2016	3,530,000	6,209,138	9,739,138
2017	4,240,000	6,009,488	10,249,488
2018	5,050,000	5,774,250	10,824,250
2019	5,550,000	5,509,250	11,059,250
2020	6,000,000	5,220,500	11,220,500
2021	6,320,000	4,912,500	11,232,500
2022	6,650,000	4,588,250	11,238,250
2023	6,975,000	4,247,625	11,222,625
2024	7,365,000	3,889,125	11,254,125
2025	7,720,000	3,512,000	11,232,000
2026	8,130,000	3,115,750	11,245,750
2027	8,550,000	2,698,750	11,248,750
2028	8,980,000	2,260,500	11,240,500
2029	9,430,000	1,800,250	11,230,250
2030	9,940,000	1,316,000	11,256,000
2031	10,410,000	807,250	11,217,250
2032	10,940,000	273,500	11,213,500
Totals	$ 135,890,000	$ 101,754,506	$ 237,644,506

B. Conduit Debt

The Fort Bend County Housing Finance Corporation is authorized to finance residential housing by issuing tax-exempt revenue bonds to acquire mortgage loans as security for the payment of the principal and interest of such revenue bonds. The tax-exempt bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. During 1998, the corporation's first Single Family Mortgage Revenue Bonds (GNMA and FNMA Mortgage-Backed Securities Program) Series 1998 were issued in the amount of $18,750,000. Since then, an additional $79,568,000 of bonds have been issued. As of September 30, 2009, $39,303,947 of total bonds are outstanding.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 493 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

B. Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.22% for calendar year 2009. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2009 was $101 million and the County's contributions were based on a payroll of $99.9 million. Contributions made by employees totaled $7 million, and the County made contributions of $10.2 million during the fiscal year ended September 30, 2009.

Three year trend information for the Pension Plan is presented below:

	2009	2008	2007
Annual Pension Cost (APC)	$ 10,187,718	$ 9,110,858	$ 8,097,682
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period			

For the year ended September 30, 2009, the pension cost for the TCDRS plan and the actual contributions made were $10,187,718. Because all contributions are made as required, no pension obligation existed at September 30, 2009.

Actuarial Information	12/31/2008
Actuarial cost method	entry age
Amortization method	level percentage of payroll, closed
Amortization period in years	20 years
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund value
Assumptions:	
Investment return	8.00%
Projected salary increases	5.30%
Inflation	3.50%
Cost of living adjustments	0.00%

Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Schedule of Funding Information

Actuarial valuation date	12/31/2008
Actuarial value of assets	$ 209,747,313
Actuarial accrued liability (AAL)	$ 254,807,906
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	$ 45,060,593
Funded ratio	82.32%
Annual covered payroll (actuarial)	$ 92,096,921
UAAL or OAAL as % of covered payroll	48.93%

NOTE 9 - DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. Nationwide Retirement Solutions, Security Benefit Life, and Edward Jones have been appointed as plan administrators. The plan permits employees to defer a portion

of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or emergency. Amounts of compensation deferred by employees under the plan provisions are disbursed to the plan administrators after each pay period. The plan administrators hold all funds invested in the plan and disburse funds to employees in accordance with plan provisions. The County does not maintain significant oversight of the plan administrators' activities.

NOTE 10-OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits through the Texas County and District Retirement System, the County sponsors and administers a single-employer defined benefit health care plan titled, "Fort Bend County Employee Benefit Plan"(Plan). The Plan was established and approved by Fort Bend County Commissioners Court and Chapter 175 of the Local Government Code which provides eligible employees, retirees, and their eligible dependents with the following post-employment benefits:

- Eligible retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

- Eligible dependents of retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

The Plan does not issue a separate, publicly available report.

Funding Policy and Contribution Rates

The contribution requirements of the County and plan members are established and may be amended by Commissioners Court. These contributions are neither guaranteed nor mandatory. The County has retained the right to unilaterally modify its payments toward retiree health care benefits. The Plan provides for the payment of a portion of the health and dental insurance premiums for eligible retired employees and their dependents. The County's contribution rate in effect for the year ending September 30, 2009 was 1.95% of covered payroll. Plan members receiving benefits contribute a percentage of the monthly insurance premium. Currently, the Plan pays a portion of the retirees' premium, as well as their dependent coverage. The retiree contributes the premium cost each month, less the Plan subsidy.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County, therefore, charges both groups an equal, blended rate premium. Although both groups are charged the same rate, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the County has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The County contributed approximately $2 million for the fiscal year ending September 30, 2009. At September 30, 2009, there were 292 retirees receiving benefits and approximately 1,600 active members not yet eligible to receive such benefits. Commencing in fiscal 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The County has performed an actuarial

valuation of its post-retirement benefit liability. The financial statement disclosures for 2009 is as follows:

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008, actuarial valuation, the liabilities were computer using the unit credit actuarial cost method and level dollar amortization. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities and a 12% administrative load on gross per capita claims costs. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement is 25%. The valuation assumes a healthcare cost trend increase for fiscal year 2009 ranging from 5.5% to 10.0% depending on the type of plan, reduced by decrements to a rates ranging from 4% to 6.5% after 9 years. The actuarial value of plan assets will be determined using market value. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. The actuarial valuation includes no explicit inflation assumption or projected salary increase assumption as the postretirement benefits under GASB 45 provided by the City are not salary related and the amortization method is not based on payroll.

Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2009, the County's annual OPEB cost for the Plan was $26,608,211. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2009, were as follows:

	Fiscal Year Ending 9/30/09
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	$ 15,005,349
Amortization of Unfunded Actuarial Accrued Liability	11,979,958
Annual Required Contribution	26,985,307
Determination of Net OPEB Obligation	
Annual Required Contribution	26,985,307
Interest on prior year Net OPEB Obligation	966,552
Adjustment to ARC	(1,343,648)
Annual OPEB Cost	26,608,211
Less Assumed Contributions Made	(1,952,079)
Estimate Increase in Net OPEB Obligation	24,656,132
Net OPEB Obligation – Beginning of Year	24,163,790
Net OPEB Obligation – End of Year	$ 48,819,922
Percentage of OPEB Cost Contributed	7.3%

Trend Information

Three-year trend information will be presented next year, as fiscal year ended September 30, 2009 was the year of implementation of GASBS No. 45 and the County has elected to implement prospectively. As such, comparative data for prior years before fiscal year 2008 is not available. The following table shows the annual OPEB cost and net OPEB obligation for the prior years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed*	Net OPEB Obligation
2007	N/A	N/A	N/A	N/A
2008	4%	$ 26,985,307	10.46%	$ 24,163,790
2009	4%	$ 26,608,211	7.34%	$ 48,819,922

Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Actuarial valuation date		January 1, 2008
Actuarial value of plan assets (a)		$0
Actuarial accrued liability (AAL) (b)	$	207,157,665
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	$	207,157,665
Funded Ratio (a/b)		0.0%
Annual Covered Payroll (c)	$	92,096,921
UAAL or OAAL as % of covered payroll ((b-a)/c)		224.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the liabilities were computer using the unit credit actuarial cost method and level dollar amortization. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities and an 8% administrative load on gross per capita claims costs. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement for themselves and their spouses is 100% and 40% respectively. The valuation assumes a 5.5% to 10% healthcare cost trend increase for fiscal year 2009 based on the premiums of the respective plan types, reduced by decrements to a rates of 4% to 6.5% after 9 years. The actuarial value of plan assets will be determined using market value. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. The actuarial valuation includes no explicit inflation assumption or projected salary increase assumption as the postretirement benefits under GASB 45 provided by the County are not salary related and the amortization method is not based on payroll.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

A. Construction Contract Commitments

The County had several capital improvement commitments at September 30, 2009. A contract between two parties does not result immediately in the recognition of a liability. Instead, a liability is incurred when performance has occurred under the contract. Until such time as performance takes place, these contracts represent a commitment rather than a liability. These commitments and their related construction in progress are summarized in Note 6.

B. Litigation and Other Contingencies

The County is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the County as of September 30, 2009.

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss through self-insurance and obtaining property, casualty, and liability coverage through commercial insurance carriers. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

Liabilities have been recorded for workers' compensation, auto liability, general liability, and employee benefits. These liabilities are recorded when it is probable that a loss has occurred and the amount can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses regardless of whether allocated to specific claims. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments. However, estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended 9/30/2009	Year ended 9/30/2008
Unpaid claims, beginning of year	$ 6,086,775	$ 3,948,174
Incurred claims (including IBNRs)	21,418,341	21,293,794
Claim payments	(21,798,489)	(19,155,193)
Unpaid claims, end of year	$ 5,706,627	$ 6,086,775

NOTE 13 –SUBSEQUENT EVENT

On November 3, 2009, the County issued unlimited tax road refunding bonds totaling $20,780,000. Proceeds from the sale for the bonds are to be used to advance refund and defease the unlimited tax road bonds, Series 2001.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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_____, 2010

WE HAVE ACTED AS BOND COUNSEL for Fort Bend Flood Control Water Supply Corporation (the "Corporation"), which we also represent on other matters, in connection with an issue of bonds (the "Bonds") described as follows:

> FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, dated October 1, 2010, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds, aggregating $_____.
>
> The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Resolution adopted by the Corporation authorizing the Bonds (the "Resolution"). Portions of the Bonds are subject to redemption prior to maturity as set out in the Bonds and in the Resolution.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the Corporation. We have assumed no responsibility with respect to the financial condition of the Corporation or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Corporation's Official Statement prepared for use in connection with the sale of the Bonds (the "Official Statement") has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Corporation and of The Bank of New York Mellon Trust Company, N.A., a national banking association (the "Escrow Agent"); the report of Grant Thornton L.L.P., certified public accountants (the "Report"), verifying the sufficiency of the deposits made with the Escrow Agent for

defeasance of the bonds being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents, and representatives of the Escrow Agent, the Corporation, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the bonds being refunded. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Bonds are valid and legally binding obligations of the Corporation payable solely from the payments made by Fort Bend County, Texas (the "County") to the Corporation from tax revenues of the County pursuant to the terms of an agreement dated as of July 3, 2001, as amended (the "Agreement");

(2) Taxable property in the County is subject to the levy of ad valorem taxes, within the limits prescribed by law to pay the Bonds and the interest thereon. The County is required by law to assess and collect annually a tax sufficient to pay the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources; and

(3) The transcript of certified proceedings evidences that firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an escrow agreement entered into between the Corporation and the Escrow Agent on or effective as of the date of delivery of the Bonds, and that therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such escrow agreement.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.

(2) Interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Corporation, the Corporation's Financial Advisor and the Underwriter (as defined in the Resolution) with respect to matters solely within the knowledge of the Corporation, the Corporation's Financial Advisor and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in 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. If such representations are determined to be inaccurate or incomplete or the Corporation fails to comply with the foregoing covenants of the Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

In the Resolution the Corporation has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the Bonds as "qualified tax-exempt obligations". Based on such representations and covenants, it is our opinion that the Bonds are "qualified tax-exempt obligations" under existing law.

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

Owners 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).

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may

thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 County as the taxpayer. We observe that the County has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

I, the undersigned officer of the Board of Directors of Fort Bend Flood Control Water Supply Corporation, hereby certify as follows:

1. The Board of Directors of Fort Bend Flood Control Water Supply Corporation convened in regular session on the 14th day of September, 2010, at the regular meeting place, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Don L. Russell	President
James D. Condrey	Vice President
A. J. Colbert	Assistant Vice President
Mike Stone	Secretary/Treasurer
Leonard E. Gurecky	Assistant Secretary/Treasurer

and all of said persons were present, ~~except Director~~(s), thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE OF $9,675,000
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
REVENUE REFUNDING BONDS, SERIES 2010

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

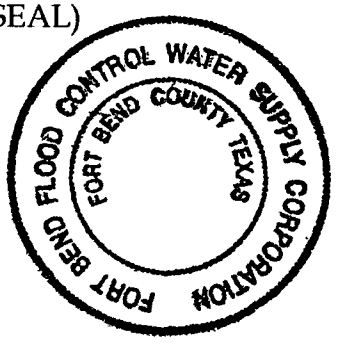
2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by

law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 14th day of September, 2010.

Secretary

(SEAL)



RESOLUTION AUTHORIZING THE ISSUANCE OF $9,675,000
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
REVENUE REFUNDING BONDS, SERIES 2010

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

WHEREAS, there is a public necessity for flood control and drainage improvements to certain portions of the Big Creek watershed (the "Project"), which are located in Fort Bend County, Texas; and

WHEREAS, in connection with the Project, the Fort Bend Flood Control Water Supply Corporation (the "Corporation"), a Texas non-profit corporation, has undertaken to complete the Project on behalf of Fort Bend County (the "County") and has previously issued its $11,650,000 Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), for the purpose of obtaining funds necessary to construct the Project; and

WHEREAS, pursuant to and in accordance with Article Chapter 67, Texas Water Code, as amended, and Texas Local Government Code Section 552.014, as amended (collectively, the "Act"), the Corporation is authorized to engage in activities which are public in nature and to issue bonds for the purpose of refunding the Series 2001 Bonds in advance of their maturities, and to accomplish such refunding by depositing directly with a paying agent for the Series 2001 Bonds the proceeds of such refunding bonds, together with other available funds, in an amount adequate to provide for the payment or redemption of the Series 2001 Bonds, and that such deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Series 2001 Bonds; and

WHEREAS, as authorized under the Act, the Corporation has entered into that certain Agreement between Fort Bend Flood Control Water Supply Corporation, Fort Bend County, Texas, and Fort Bend County Drainage District, as amended (the "Agreement"), under which the Corporation has acquired and constructed the Project to serve the County and the County has agreed to levy, assess and collect ad valorem taxes and impact fees sufficient to make timely payment of all charges under the Agreement, as more fully described therein;

WHEREAS, the Corporation intends to issue its $9,675,000 Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010 (the "Bonds"), to refund, with the proceeds thereof, portions of the outstanding Series 2001 Bonds to achieve net savings on the payment thereof; and

WHEREAS, the Corporation now desires to (i) authorize the issuance of the Bonds pursuant to the terms and provisions of this Resolution, (ii) provide for the defeasance and discharge of a portion of the outstanding Series 2001 Bonds, (iii) provide, pursuant to the Act, for the payment of the principal of and premium, if any, and interest on such Bonds with revenues derived from the Agreement and the providing of services to the District pursuant to the terms and provisions of the Agreement between the Corporation, the County and the District, and (iv) take and authorize certain other actions in connection with the foregoing; and

WHEREAS, upon the issuance of the refunding bonds herein authorized the Series 2001 Bonds shall no longer be regarded as being outstanding and the pledges, liens, trusts and all other covenants, provisions, terms and conditions of the trust indenture authorizing the issuance of the Series 2001 Bonds shall be, with respect to the Series 2001 Bonds, discharged, terminated and defeased; and

WHEREAS, the Board of Directors of the Corporation (the "Board") has been presented with and has examined proposed forms of this Resolution, and the Board finds the form and substance of such documents are satisfactory and the recitals and findings contained therein are true, correct and complete and hereby adopts and incorporates by reference such recitals and findings as if set forth in full in this Resolution; and

WHEREAS, the Board finds that it is in the best interest of the public and the Corporation to enter into such agreements and that the public purpose of the Corporation and of the Act is furthered by the actions of the Board in authorizing the sale and issuance of the Bonds and the execution and delivery of such documents; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION THAT:

ARTICLE I
DEFINITIONS AND INTERPRETATIONS

Section 1.1. Definitions. Throughout this Resolution the following terms and expressions as used herein shall have the meanings set forth below, unless the context clearly indicates otherwise:

"Accounting Principles" means for the County, the accounting principles described in the notes to its audited financial statements as such principles may be changed from time to time to comply with State laws or regulations.

"Act" means Chapter 67, Texas Water Code, and Texas Local Government Code Section 552.014.

"Agreement" means the Agreement between Fort Bend Flood Control Water Supply Corporation and Fort Bend County, Texas and Fort Bend County Drainage District relating to Fort Bend Flood Control Water Supply Corporation $11,650,000 Revenue Bonds, Series 2001, dated July 3, 2001, as amended, and any future amendments thereof and supplements thereto.

"Annual Financial Information and Operating Data" means the financial information and operating data of the general type included in the final Official Statement authorized by this Resolution under Tables 1 through 7, and 9 through 14, and in the County's audited financial statements.

"Blanket Issuer Letter of Representations" means the Blanket Issuer Letter of Representations between the Corporation, the Registrar, and DTC.

"Board" means the Board of Directors of the Corporation.

"Bond" or "Bonds" or "Series 2010 Bonds" means one or more bonds of the issue of Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010, authorized in this Resolution.

"Business Day" means any day which is not a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed.

"Capital Costs" shall include all costs attributable to the acquisition or construction of the Project; the costs of constructing, acquiring, leasing, equipping, modernizing, improving, upgrading such Project, together with the cost of the acquisition of interests in real property, easements and permits; the cost of preparing plans, specifications, and inspecting construction; the cost of acquiring necessary permits; the fiscal, legal, advertising, engineering and material testing costs; interest on sums advanced to or on behalf of the Corporation by others, or the Participants; or other persons to finance the foregoing; and all other costs and expenses relating to the foregoing.

"Construction Fund" means the fund so designated which is confirmed in Section 5.2 of this Resolution.

"Code" means the Internal Revenue Code of 1986, as amended, and all applicable Internal Revenue Service Regulations.

"Corporation" means Fort Bend Flood Control Water Supply Corporation.

"County" means Fort Bend County, Texas, and any other governmental entity succeeding to the powers, rights, privileges and functions of the County and, when appropriate, the Commissioners Court of Fort Bend County, Texas.

"Debt Service Fund" means the Debt Service Fund confirmed in Section 5.2 of this Resolution.

"District" means Fort Bend County Drainage District.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EMMA" means the Electronic Municipal Market Access System established by the MSRB.

"Initial Bond" means the Initial Bond authorized by Section 2.6

"Interest Payment Date", with respect to any Bond, means March 1, 2011, and each September 1 and March 1 thereafter until maturity or prior redemption of such Bond.

"MSRB" means the Municipal Securities Rulemaking Board.

"Outstanding," when used with reference to Bonds, shall mean, as of a particular date, all Bonds theretofore and thereupon delivered except; (a) any Bond cancelled by or on behalf of the Corporation at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of this Resolution or otherwise defeased as permitted by applicable law and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to this Resolution.

"Owner" or "Registered Owner" means any person who shall be the registered owner of any outstanding Bond.

"Participant" or "Participants" means individually or together, the following: the County and the District and any additional persons or entities contracting with the Corporation.

"Paying Agent/Registrar" means The Bank of New York Mellon Trust Company, N.A., and its successors in that capacity.

"Pledged Revenues" means payments made by the District pursuant to the Agreement, all moneys deposited or required to be deposited in the Debt Service Fund pursuant to the provisions of the Resolution and all interest earnings and investment income therefrom; and any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered or deposited in the Debt Service Fund as security under the Resolution, all of which property the Corporation authorized to receive, hold and apply according to the terms of the Resolution.

"Record Date" means, for any Interest Payment Date, the fifteenth calendar day of the month next preceding each Interest Payment Date.

"Register" means the books of registration kept by the Paying Agent/Registrar, in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

"Resolution" as used herein and in the Bonds means this Resolution authorizing the Bonds.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Series 2001 Bonds" means the Corporation's $11,650,000 Fort Bend Flood Control Water Supply Corporation Revenue Bonds, Series 2001.

"Series 2001 Resolution" means the resolution of the Board of Directors of the Corporation adopted on July 31, 2001, authorizing the issuance of the Series 2001 Bonds.

"Underwriter" means Jeffries & Company.

Section 1.2. Interpretations. All terms defined herein and all pronouns used in this Resolution shall be deemed to apply equally to singular and plural and to all genders. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Bonds.

ARTICLE II
TERMS OF THE BONDS

Section 2.1. Authorization; Purpose. The Bonds shall be issued in fully registered form, without coupons, in the total aggregate amount of Nine Million Six Hundred Seventy Five Thousand Dollars ($9,675,000) to (i) defease and discharge portions of the Series 2001 Bonds; and (ii) pay certain costs of issuance on the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, and the Act.

It is hereby found and determined that the issuance of the Bonds will benefit the Corporation by providing a net present value savings of $1,078,681.23 in the debt service payable by the Corporation, and that such benefit is sufficient consideration for the refunding of the Series 2001 Bonds.

Section 2.2. Designation, Date, and Interest Payment Dates. The Bonds shall be designated as "FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010", and shall be dated October 1, 2010. The Bonds shall bear interest at the rates set forth below from the later of October 1, 2010, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, interest payable on March 1, 2011, and semiannually thereafter on each September 1 and March 1 until maturity or prior redemption.

Section 2.3. Initial Bonds; Interest Rates; Maturities; Principal Amounts and Denominations. The Bonds shall be issued bearing the numbers, in the principal amounts, and bearing interest at the rates set forth in the following schedule, and may be transferred and exchanged as set out in this Resolution. The Bonds shall mature in accordance with this Resolution on March 1 in each of the years and in the amounts set out in such schedule. The Initial Bond shall be numbered IB-1 and all other Bonds shall be numbered in sequence beginning with RB-1. Bonds delivered in transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in the denomination of $5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

Principal Amount	Year	Interest Rate
$ 70,000	2011	2.500%
940,000	2012	3.000
955,000	2013	3.250
1,045,000	2014	4.000
1,025,000	2015	4.000
985,000	2016	4.000
970,000	2017	4.000
955,000	2018	4.000
945,000	2019	4.000
905,000	2020	4.000
880,000	2021	3.000

Section 2.4. Optional Redemption. The Bonds are subject to optional redemption at the dates and for the redemption prices set forth in the form of Bond in this Resolution.

Principal amounts may be redeemed only in integral multiples of $5,000. 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. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond by $5,000. The Registrar shall select the particular Bonds to be redeemed within any given maturity by lot or other random selection method. 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 30 days prior to the date fixed for redemption by sending written notice by first class mail postage prepaid to the 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 Bonds are to be surrendered for payment and, if fewer than all Bonds outstanding are to be redeemed within any one maturity, the numbers of the Bonds or portions thereof to be redeemed. Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the portions of the Bonds to be redeemed, as of 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 same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the 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.

Section 2.5. Execution of Bonds; Seal. The Bonds shall be signed by the President of the Board and countersigned by the Secretary of the Board, by their manual, lithographed, or facsimile signatures, and the official seal of the Corporation shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Corporation had been manually impressed upon each of the Bonds. If any officer of the Corporation whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 2.6. Approval by Attorney General; Registration by Comptroller. The Bonds to be initially issued shall be delivered to the Attorney General of Texas for approval and shall be registered by the Comptroller of Public Accounts of the State of Texas. The manually executed registration certificate of the Comptroller of Public Accounts substantially in the form provided in this Resolution shall be attached or affixed to the Bonds to be initially issued.

On the date of delivery of the Bonds, the Initial Bond, being a single bond representing the entire principal amount of the Bonds, payable in stated installments to the Underwriter or its designee, executed by manual or facsimile signature of the President and Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, shall be delivered to the Underwriter or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver the Bonds to DTC in accordance with Section 2.15.

Section 2.7. Authentication. Except for the Bonds to be initially issued, which need not be authenticated by the Paying Agent/Registrar, only such Bonds which bear thereon a certificate of authentication, substantially in the form provided in this Resolution, manually executed by an authorized representative of the Paying Agent/Registrar, shall be entitled to the benefits of this Resolution or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bonds so authenticated were delivered by the Paying Agent/Registrar hereunder.

Section 2.8. Payment of Principal and Interest. The Paying Agent/Registrar is hereby appointed as the paying agent for the Bonds. The principal of and interest on the Bonds is payable, without exchange or collection charges, in any coin or currency of

the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal is payable upon presentation and surrender of the Bonds as they respectively become due and payable, whether at maturity or by prior redemption, at the principal payment office of the Paying Agent/Registrar. Interest is payable by check or draft dated as of the Interest Payment Date, mailed by the Paying Agent/Registrar to the Owner of record as of the Record Date, first class, postage prepaid, to the address of such Owner as shown in the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Owner, at the risk and expense of the Owner. Any accrued interest payable at maturity on a Bond shall be paid upon presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar.

If the date for payment of the principal of or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day with the same force and effect as if made on the date such payment was originally due.

Section 2.9. Successor Paying Agent/Registrars. The Corporation covenants that at all times while any Bonds are outstanding it will provide a national or state banking institution, which shall be organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and which shall be subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds. The Corporation reserves the right to change the Paying Agent/Registrar for the Bonds on not less than 30 days written notice to the Paying Agent/Registrar, so long as any such notice is effective not less than 30 days prior to the next succeeding principal or Interest Payment Date on the Bonds. Promptly upon the appointment of any successor Paying Agent/Registrar, the previous Paying Agent/Registrar shall deliver the Paying Agent/Register or copies thereof to the new Paying Agent/Registrar, and the new Paying Agent/Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Paying Agent/Registrar. Each Paying Agent/Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

Every successor Paying Agent/Registrar appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $75,000,000.

Notwithstanding any other provision of this Resolution, no removal, resignation or termination of the Paying Agent/Registrar shall take effect until a successor shall be appointed.

Section 2.10. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the Corporation. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five days prior to the Special Record Date, to each affected Owner of record as of the close of business on the day prior to the mailing of such notice.

Section 2.11. Owners; Unclaimed Principal and Interest. The Corporation, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Owner of such Bond for the purpose of making and receiving payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the Corporation nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the Corporation and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Amounts held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 2.12. Registration, Transfer, and Exchange. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within three 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 bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of like maturity and interest rate and in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the 30 day period prior to the date fixed for redemption of such Bond; provided, however, that this limitation shall not apply to the exchange by the Owner of the unredeemed portion of a Bond called for redemption in part.

The Corporation or the Paying Agent/Registrar may require the 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. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the Corporation.

Section 2.13. Mutilated, Lost, or Stolen Bonds. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding.

If any Bond is lost, apparently destroyed, or wrongfully taken, the Corporation, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

The Corporation or the Paying Agent/Registrar may require the Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar. The Corporation or the Paying Agent/Registrar may require the Owner of a lost, apparently destroyed or wrongfully taken Bond, before any replacement Bond is issued, to:

(1) furnish to the Corporation and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;

(2) furnish such security or indemnity as may be required by the Paying Agent/Registrar and the Corporation to hold them harmless;

(3) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed; and

(4) meet any other reasonable requirements of the Corporation and the Paying Agent/Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Corporation and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Corporation or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 2.14. Cancellation of Bonds. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment. The Paying Agent/Registrar shall furnish the Corporation with appropriate certificates of destruction of such Bonds.

Section 2.15. Book-Entry Only System. (a) The Initial Bond shall be registered in the name of the Underwriter, or its designee. Except as provided in Section 2.6 hereof, all other Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the Corporation and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Corporation and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Corporation's obligations with respect to payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the Corporation to make payments of amounts due pursuant to this Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest checks being mailed to the Owner of record as of the Record Date, the phrase "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(c) The execution and delivery of the Blanket Issuer Letter of Representations is hereby approved with such changes as may be approved by the President of the Board, and the President of the Board is hereby authorized and directed to execute such Blanket Issuer Letter of Representations.

Section 2.16. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the Corporation in its sole discretion, determines that the beneficial owners of the Bonds be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the Corporation shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC

Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall not longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

Section 2.17. Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations.

ARTICLE III
FORM OF BONDS AND CERTIFICATES

Section 3.1. Forms. The form of the Bonds, including the form of the Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas, which shall be attached or affixed to the Bonds initially issued, shall be, respectively, substantially as follows, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Resolution:

a) Form of Bond

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF FORT BEND

REGISTERED
NUMBER
R-_____

REGISTERED

$_____

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
REVENUE REFUNDING BOND, SERIES 2010

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:	CUSIP NO.:
		October 1, 2010	

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION (the "Corporation") a Texas nonprofit corporation created pursuant to Article 1434a, Vernon's Texas Civil Statutes, (now codified as Chapter 67, Texas Water Code), for value received, promises to pay, but solely from the sources and in the manner described below, to the Registered Owner named above, or registered assigns or legal representative, on the Maturity Date set forth above, upon the presentation and surrender hereof, at the principal payment office of the paying agent/registrar initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the "Paying Agent/Registrar"), the principal amount set forth above. Interest shall accrue on this Bond from October 1, 2010, and shall be paid to the Registered Owner hereof by check or draft mailed to the Registered Owner at its address as it appears in the Bond Register as of the Record Date (as hereinafter defined), at the Interest Rate (which is a per annum rate calculated on the basis of a 360-day year of 12 months of 30 calendar days each) set forth above, on each September 1 and March 1 (the "Interest Payment Dates") until payment of the principal or redemption price has been made or provided for, commencing March 1, 2011. Principal of, and any applicable redemption premium, and interest on this Bond are payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof, without deduction for paying agent services. As used herein, "Record Date" means the February 15 preceding any Interest Payment Date occurring on a March 1, or the August 15 preceding any Interest Payment Date occurring on a September 1.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS, aggregating $9,675,000 (the "Bonds"), issued pursuant to a resolution adopted by the Board of Directors of the Corporation (the "Resolution") to refund a portion of the Corporation's outstanding $11,650,000 Revenue Bonds, Series 2001, and to pay certain expenses incurred in connection with the issuance of the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, and the Act (as defined in the Resolution and pursuant to the Resolution).

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are special obligations of the Corporation that are equally and ratably payable from the "Pledged Revenues", which include all moneys deposited or required to be deposited in the Debt Service Fund pursuant to the provisions of the Resolution and all interest earnings and investment income therefrom; and any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered or deposited in the Debt Service Fund as security under the Resolution, all of which property the Corporation authorized to receive, hold and apply according to the terms of the Resolution. This Bond and the series of which it is a part, together with the interest thereon are special obligations payable by the Corporation solely from the Pledged Revenues and do not constitute indebtedness or general obligation of the Corporation.

REFERENCE IS HEREBY MADE to the Resolution, the Agreement for a complete description of the Pledged Revenues and terms, covenants and provisions pursuant to which the Bonds are secured and made payable, the nature and extent of such security, a statement of the rights, duties and obligations of the parties thereto, and a statement of the rights and remedies of the owners of the Bonds. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the aforesaid documents.

THE CORPORATION RESERVES THE RIGHT, at its option, to redeem the Bonds maturing on or after March 1, 2020, prior to their scheduled maturities, in whole or in part from time to time, in integral multiples of $5,000, on March 1, 2019, or on any date thereafter, at a price of par plus accrued interest to the date of redemption on the principal amounts called for redemption. Reference is made to the Resolution for complete details concerning the manner of redeeming the Bonds.

NOTICE OF ANY REDEMPTION shall be given at least 30 days prior to the date fixed for redemption by first class mail, addressed to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the books of registration

kept by the Registrar. When Bonds or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

PRINCIPAL MAY BE REDEEMED IN PART only in integral multiples of $5,000. 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. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond by $5,000. The Registrar shall select the particular Bonds to be redeemed within a given maturity by lot or other random selection method. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions of the Resolution, 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.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative, subject to the terms and conditions of the Resolution.

THIS BOND IS EXCHANGEABLE at the principal payment office of the Paying Agent/Registrar for Bonds in the principal amount of $5,000 or any integral multiple thereof, subject to the terms and conditions of the Resolution.

NEITHER THE Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond during the period beginning on a Record Date and ending on the next succeeding interest payment date or to transfer or exchange any Bond called for redemption during the 30 day period prior to the date fixed for redemption of such Bond.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution unless this Bond is either (i) registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

THE CORPORATION HAS COVENANTED in the Resolution that it will at all times provide a legally qualified registrar for the Bonds and will cause notice of any change of registrar to be mailed first class, postage prepaid, to each Registered Owner.

THE CORPORATION HAS RESERVED THE RIGHT to issue additional bonds which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Pledged Revenues, in the same manner and to the same extent as the Bonds, to issue inferior lien bonds or obligations and to issue Special Project Bonds, all as provided in the Resolution.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be performed, to exist and to be done precedent to or in the issuance and delivery of this Bond have been performed, exist and have been done in accordance with law; and that provision has been made for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, and on all of the Bonds by the creation of the aforesaid lien on and pledge of the Pledged Revenues.

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the President of the Board of Directors and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors, and the official seal of the Corporation has been duly impressed, or placed in facsimile, on this Bond.

(REGISTRATION OR AUTHENTICATION CERTIFICATE)

(SEAL)

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

_____

President, Board of Directors

_____

Secretary, Board of Directors

b) Form of Registration Certificate of Comptroller of Public Accounts

THE STATE OF TEXAS
OFFICE OF THE COMPTROLLER

REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL this _____ day of _____, ____.

xxxxxxxxxx
Comptroller of Public Accounts
of the State of Texas

(SEAL)

c) Form of Paying Agent/Registrar's Authentication Certificate

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been delivered pursuant to the Resolution described in the text of this Bond.

The Bank of New York Mellon Trust Company, N.A.

By:_____
Authorized Signature
Date of Authentication:_____

d) Form of Assignment

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____

(Please print or type name, address, and zip code of Transferee)

_____

(Please insert Social Security or Taxpayer Identification Number of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____

attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____ _____

Signature Guaranteed:

_____ _____

Registered Owner

_____

NOTICE: Signature must be guaranteed by a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this Bond in every particular, without any alteration, enlargement or change whatsoever.

e) The Initial Bond shall be in the form set forth in paragraphs (a), (b), (d), and (e) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted;

(ii) in the first paragraph of the Bond, the words "on the maturity date set forth above," "the principle amount set forth above," and "set forth above" shall be deleted and the following shall be inserted at the end of the first sentence "..., with such principal to be paid in installments on March 1 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:"

[Information to be inserted from schedule in Section 4]

(iii) the Initial Bond shall be numbered IB-1.

Section 3.2. Legal Opinion; CUSIP. The approving opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, and CUSIP numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds.

ARTICLE IV
SECURITY AND SOURCE OF PAYMENT

Section 4.1. Source of Payment. The Corporation hereby covenants and agrees that it shall cause the Pledged Revenues to be deposited into the Debt Service Fund to provide for the payment of principal of, and interest on the Bonds. The Bonds and the interest thereon shall constitute special obligations of the Corporation that shall be payable solely from and shall be equally and ratably secured by a pledge of the Pledged Revenues and the proceeds of the Bonds, as more fully provided in this Resolution, and the Agreement.

Section 4.2. Pledge of Revenues. The Bonds are payable from the Pledged Revenues. The Pledged Revenues are hereby pledged to the payment of the principal, interest, redemption price and bank charges on the Bonds, the Series 2001 Bonds, and the Additional Bonds, if any. The Pledged Revenues hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties of any kind having a claim of any kind in tort, contract or otherwise against the Corporation, irrespective of whether such parties have notice thereof.

ARTICLE V
SALE, FUNDS, AND APPLICATION OF PROCEEDS OF BONDS

Section 5.1. Sale of the Bonds. The sale and delivery of the Bonds to Jeffries & Company (the "Underwriter") at a price of $10,398,331.63, plus accrued interest thereon to the date of delivery in accordance with the terms of a bond purchase agreement presented to and hereby approved by the Board, is hereby authorized, approved, ratified and confirmed, subject to the approving opinion as to the legality of the Bonds of the Attorney General of Texas, and of Allen Boone Humphries Robinson LLP, Houston, Texas, bond counsel. The President of the Board and other appropriate officials and agents of the Corporation are hereby authorized as directed to execute such bond purchase agreement on behalf of the Corporation, and the President of the Board and other appropriate officials and agents of the Corporation are hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Bonds.

Section 5.2. Confirmation of Funds. The following funds (collectively the "Bond Funds") are hereby confirmed:

(a) The Debt Service Fund;

(b) The Construction Fund;

(c) The Redemption Fund; and

(d) The Revenue Fund.

Each fund shall be kept separate and apart from all other funds of the Corporation. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the bearers of the Bonds, the Outstanding Bonds and the Additional Bonds, if any. All other funds shall be trust funds which shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest. The Corporation has appointed the County as its agent to invest and disburse funds from the Construction Fund and to direct the investment of monies in the Bond Funds.

Section 5.3. Application of Proceeds of Bonds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the Corporation be applied as follows:

(a) Accrued interest shall be deposited into the Debt Service Fund.

(b) The balance of the proceeds from the sale of the Bonds, together with other available funds, shall be applied (i) to establish an escrow fund to refund the Series 2001 Bonds, as more fully provided below, and (ii) to the extent not otherwise provided for, to pay all expenses arising in connection with the issuance of the Bonds, the establishment of such escrow fund and the refunding of the Series 2001 Bonds. Any proceeds of the Bonds remaining after making all such deposits and payments shall be deposited into the Debt Service Fund.

Section 5.4. Redemption of Series 2001 Bonds. The Corporation hereby conditionally calls the Series 2001 Bonds for redemption prior to their scheduled maturities for a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, as follows:

Scheduled Maturity (March 1)	Series	Defeased Bonds To Be Redeemed	Redemption Date
2012-2021	2001	$10,070,000	March 1, 2011

The Corporation authorizes all notices required to be given pursuant to the Series 2001 Resolution as provided therein.

Section 5.5. Revenue Fund. The Corporation shall deposit into the Revenue Fund all the Pledged Revenues received from the Corporation pursuant to the Agreement, as amended. The Corporation shall make the following transfers from the Revenue Fund in the following order:

(i) On the first Business Day prior to any March 1, the Corporation shall transfer to the Debt Service Fund the Pledged Revenues, if any, in the Revenue Fund sufficient to pay the interest accruing on the Bonds on such date, and an amount sufficient to pay principal due on any Bonds if such March 1 is the Stated Maturity date of such Bonds;

(ii) On the first Business Day prior to any September 1, the Corporation shall transfer to the Debt Service Fund the Pledged Revenues, if any, in an amount sufficient to pay the interest accruing on the Bonds on such September 1;

Section 5.6. Disposition of Bond Fund Balances. After provision shall be made for the payment of all Outstanding Bonds issued under this Resolution, including the interest thereon, and for the payment of all other obligations, expenses and charges required to be paid under or in connection with this Resolution and the Agreement, including any applicable arbitrage rebate, and assuming the existence of no other indentures or other agreements imposing a continuing lien on the balances hereinafter mentioned, the Corporation shall pay, all amounts of any Bond Fund then held by it under this Resolution to the County.

Section 5.7. Investments. Moneys deposited into the Debt Service or Construction Funds and any other funds or funds that the Corporation may lawfully create may be invested or reinvested in authorized investments. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

Section 5.8. Money Held in Trust: Unclaimed Monies. All money in the Bond Funds shall be held in trust for the Owners of the Bonds. Any money that is set aside or deposited in any Bond Fund and that remains unclaimed by the Owners of any Bonds shall be disposed of pursuant to Title 6, Texas Property Code, as amended.

ARTICLE VI
ADDITIONAL BONDS; SPECIAL PROJECT BONDS

Section 6.1. Additional Bonds. In addition to the right to issue inferior lien bonds or obligations, the Corporation reserves the right to issue, for any lawful purpose, including the refunding of the Series 2001 Bonds, the Bonds or Additional Bonds, one or more series of Additional Bonds payable from and secured by a first lien on and pledge of Pledged Revenues, on a parity with the Bonds and any other Additional Bonds then Outstanding.

Section 6.2. Special Project Bonds. The Corporation reserves the right to issue Special Project Bonds in one or more series for the purpose of constructing, acquiring, adding to, expanding or extending facilities to enable the Corporation to serve the Participants in accordance with the Agreement, as amended and supplemented. Special Project Bonds may be issued to provide facilities for one or more existing customers of the Corporation, or one or more new customers, or a combination of existing and new customers.

Special Project Bonds may be secured by and payable from all or any part of the revenues derived by the Corporation from or in connection with the facilities constructed or otherwise acquired with the proceeds of Special Project Bonds, but shall not be payable from the Pledged Revenues, even though such facilities may be physically connected to or situated on property constituting a part of the Project.

ARTICLE VII
PARTICULAR COVENANTS RELATING TO BONDS

Section 7.1. Accounts, Records, and Audits. So long as any Bonds remain Outstanding, the Corporation covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the Project in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Project.

Section 7.2. Pledge and Encumbrance of the Purchase Price and the Pledged Revenues. The Corporation covenants and represents that it has the lawful power to pledge the Pledged Revenues to the payment of the Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas and the Act. The Corporation further covenants and represents that, other than to the payment of the Series 2001 Bonds, the Bonds, and any Additional Bonds, the Pledged Revenues are not and will not be pledged to the payment of any debt or obligation of the Corporation, or otherwise encumbered, except as permitted by this Resolution.

Section 7.3. Registered Owners' Remedies. Subject to all of the limitations, rights and remedies provided by laws of the State of Texas, the Corporation covenants and agrees that in the event of default in payment of principal or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Debt Service Fund or any other fund or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the following remedies shall be available:

(a) The Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Corporation and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; and

(b) any delay or omission to exercise any right or power accruing upon any default shall not impair any such right or power nor be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 7.4. Resolution Is Contract. In consideration of the purchase and acceptance of the Bonds authorized to be issued hereunder by the Owners, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Owners; and the covenants and agreements herein set forth to be performed on behalf of the Corporation shall be for the equal benefit, protection and security of the Owners, and the Bonds, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided herein.

Section 7.5. Defeasance. The Corporation reserves the right to defease the Bonds in any manner provided by law.

Section 7.6. Paying Agent/Registrar. The form of agreement setting forth the duties of the Paying Agent/Registrar is hereby approved, and the appropriate officials of the Corporation are hereby authorized to execute such agreement for and on behalf of the Corporation.

Section 7.7. Paying Agent/Registrar May Own Bonds. The Paying Agent/Registrar, in its individual or any other capacity, may become an Owner or pledgee of the Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

Section 7.8. Parties In Interest. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Corporation, the Paying Agent/Registrar, and the Owners of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the Paying Agent/Registrar, and the Owners of the Bonds.

ARTICLE VIII
AMENDMENT OF RESOLUTION AND CONTRACTS

Section 8.1. Amendment of Resolution Requiring Consent. The Corporation reserves the right to amend this Resolution at any time, with the written consent of the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds

then Outstanding, and any Additional Bonds that may be issued from time to time for the purpose of modifying, altering, adding to or rescinding any of the provisions hereof, and any such amendment shall be binding upon the Owners of all Bonds without endorsement thereon or any reference to any such amendment.

Bonds owned by or for the account of or for the benefit of the Corporation shall not be considered Outstanding for purpose of amending this Resolution.

Section 8.2. Notice and Adoption of Amendment. Notice of any proposed amendment requiring consent of Owners, briefly setting out the nature of the amendment, shall be sent to each Owner of record by the Paying Agent/Registrar. If within sixty (60) days thereafter, or such longer period, not to exceed one hundred twenty (120) days, prescribed by the Corporation, the Owners of not less than two-thirds (2/3) in aggregate principal amount of Bonds Outstanding shall have consented in writing to such amendment, the rights and duties under this Resolution of the Corporation and the Owners of all Bonds shall thereafter be determined, exercised, and enforced hereunder subject to such amendment.

Section 8.3. Amendment Without Consent. The Corporation may amend this Resolution at any time without the consent of any Owner to:

(a) clarify ambiguity or correct any oversight or omission, so long as, in the Corporation's discretion, such amendment does not adversely affect the rights of any Owner;

(b) To grant to or confer upon the Owners of any series of bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to this Resolution as theretofore in effect;

(c) To add to the covenants and agreements of the Corporation in this Resolution, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(d) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(e) To confirm, as further assurance, any pledge under, and the subjection to the lien or pledge created or to be created by, this Resolution, of the Debt Service Fund and Reserve Fund and Pledged Revenues, or to subject to the lien or pledge of this Resolution additional revenues, properties or collateral;

(f) To authorize the issuance of the inferior lien bonds and prescribe the terms, forms and details thereof not inconsistent with this Resolution and, in connection therewith, to create such additional funds and accounts, and to effect such amendments of this Resolution as may be necessary for such issuance; or

(g) To permit the assumption of the Corporation's obligations hereunder by the County, the Corporation, or other entity that may become the legal successor to the Corporation.

Section 8.4. Amendment of Contract. The Corporation may amend or supplement the Agreement so long as the amendment or supplement does not result in the reduction of the aggregate contractual obligations of the Participants under the Agreements to pay the debt service on the Bonds and any Additional Bonds.

ARTICLE IX
TAX EXEMPTION

Section 9.1. Qualified Tax-Exempt Obligations. The Corporation hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b) of the Code. In connection therewith, the Corporation represents (a) that the aggregate amount of tax-exempt obligations issued by the Corporation during calendar year 2010, including the Bonds, which have been designated as "qualified tax-exempt obligations" under section 265(b)(3) of the Code does not exceed $30,000,000, and (b) that the reasonably anticipated amount of tax-exempt obligations which will be issued by the Corporation during calendar year 2010, including the Bonds, will not exceed $30,000,000. For purposes of this Section, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of section 145 of the Code. In addition, for purposes of this Section the Corporation includes all governmental units which are aggregated with the Corporation under section 265(b) of the Code.

Section 9.2. Use of Proceeds. The Corporation covenants and agrees that its use of the Net Proceeds of the Bonds will at all times satisfy the following requirements:

(i) the Corporation will limit the amount of original or investment proceeds of the Bonds to be used (other than use as a member of the general public) in the trade or business of any person other than a governmental unit to an amount aggregating no more than ten percent of the Net Proceeds of the Bonds ("private-use proceeds"). For purposes of this Section, the term "person" includes any individual, corporation, partnership, unincorporated association, or any other entity capable of carrying on a trade or business; and the term "trade or business" means,

with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, any activity other than an activity carried on by a governmental unit. Any use of proceeds of the Bonds in any manner contrary to the guidelines set forth in Revenue Procedures 93-19, including any revisions or amendments thereto, shall constitute the use of such proceeds in the trade or business of one who is not a governmental unit;

(ii) the Corporation will not permit more than five percent of the Net Proceeds of the Bonds to be used in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds. Further, the amount of private-use proceeds of the Bonds in excess of five percent of the Net Proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(iii) the Corporation will not permit an amount of proceeds of the Bonds exceeding the lesser of (a) $5,000,000 or (b) five percent of the Net Proceeds of the Bonds to be used, directly or indirectly, to finance loans to persons other than governmental units.

When used in this Article IX, the term Net Proceeds of the Bonds shall mean the proceeds from the sale of the Bonds, including investment earnings on such proceeds, less accrued interest.

Section 9.3. Federal Income Tax Exclusion.

(a) General. The Corporation intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The Corporation covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Corporation covenants and agrees to comply with each requirement of this Section 9.3; provided, however, that the Corporation shall not be required to comply with any particular requirement of this Section 9.3 if the Corporation has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Corporation has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 9.3 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's

Opinion shall constitute compliance with the corresponding requirement specified in this Section 9.3.

(b) No Private Payment and No Private Loan Financing. The Corporation covenants and agrees that all payments of the debt service on the Bonds will be paid from and secured by a generally applicable tax. For this purpose, a generally applicable tax is a tax (A) that is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power that is imposed and collected for the purpose of raising revenue to be used for governmental purposes and (B) that has a uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction using a generally applicable manner of determination and collection. No portion of the payment of the debt service on the Bonds will be directly or indirectly derived from payments (whether or not to the Corporation or any related party) in respect of property, or borrowed money, used or to be used for a private business use. Furthermore, no portion of the payment of the debt service on the Bonds will be directly or indirectly secured by any interest in property used or to be used for a private business use or payments in respect of property used or to be used for a private business use. No portion of the proceeds of the Bonds will be directly or indirectly used to make or finance a loan to any person other than a state or local governmental unit. Moreover, the Corporation will take all actions as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder and shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that there will be no private payments or security with respect to the Bonds that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

(c) No Federal Guarantee. The Corporation covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

(d) No Hedge Bonds. The Corporation covenants and agrees that it has not and will not to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

(e) No Arbitrage. The Corporation covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds"

within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Corporation shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Corporation will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

(f) Arbitrage Rebate. If the Corporation does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the Corporation will take all necessary steps to comply with the requirement that certain amounts earned by the Corporation on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Corporation will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Corporation allocable to other bond issue of the Corporation or moneys which do not represent gross proceeds of any bonds of the Corporation, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the Corporation will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The Corporation covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(h) Continuing Obligation. Notwithstanding any other provision of this Bond Resolution, the Corporation's obligations under the covenants and provisions of this Section 9.3 shall survive the defeasance and discharge of the Bonds.

ARTICLE X
CONTINUING DISCLOSURE OF INFORMATION

Section 10.1. Continuing Disclosure Undertaking.

(a) Annual Reports. The Corporation shall provide annually to the MSRB, within six months after the end of each fiscal year of the Corporation ending in or after 2010, Annual Financial Information and Operating Data with respect to the County. Any financial statements so provided shall be (1) prepared in accordance with the Accounting Principles described in this Resolution and (2) audited, if the County commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Corporation shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements, when the audit report on such statements becomes available.

If the Corporation changes its fiscal year, the Corporation will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Corporation otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

(b) Material Event Notices. The Corporation shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

A. Principal and interest payment delinquencies;
B. Non-payment related defaults;
C. Unscheduled draws on debt service reserves reflecting financial difficulties;
D. Unscheduled draws on credit enhancements reflecting financial difficulties;
E. Substitution of credit or liquidity providers, or their failure to perform;
F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
G. Modifications to rights of holders of the Bonds;
H. Bond calls;
I. Defeasances;

J. Release, substitution, or sale of property securing repayment of the Bonds; and

K. Rating changes.

The Corporation shall notify the MSRB, in a timely manner, of any failure by the Corporation to provide financial information or operating data in accordance with paragraph (a) of this Section by the time required by such Section.

(c) Limitations, Disclaimers, and Amendments. The Corporation shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Corporation remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Corporation in any event will give the notice required by paragraph (b) of this Section of any Bond calls and defeasance that cause the Corporation to be no longer such an "obligated person."

The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the County's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CORPORATION BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CORPORATION, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Corporation in observing or performing its obligations under this Section shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Corporation under federal and state securities laws.

The provisions of this Section may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the original primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or a Person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. If the Corporation so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Corporation may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that its right to do so would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

ARTICLE XII
MISCELLANEOUS

Section 12.1. Related Matters. To satisfy in a timely manner all of the Corporation's obligations under this Resolution, the President and Secretary of the Board of Directors of the Corporation and all other appropriate officers and agents of the Corporation are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms and purposes of this Resolution.

Section 12.2. Maintenance of Corporation; Successors and Assigns. For so long as the Bonds remain outstanding, the Corporation shall maintain its corporate existence as a Texas nonprofit corporation. No income of the Corporation shall inure to the benefit of any private person. Whenever in this Resolution the Corporation is named and referred to it shall be deemed to include its successors and assigns, and all covenants and agreements in this Resolution by or on behalf of the Corporation, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

Section 12.3. Further Proceedings. The President and Secretary of the Board of Directors and other appropriate officials and agents of the Corporation are hereby

authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution.

Section 12.4. Severability. If any Section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 12.5. Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the Board of Directors of the Corporation at which this Resolution was adopted was posted for the time required by law preceding this meeting, as required by Chapter 551, Government Code and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter thereof has been discussed, considered and formally acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 12.6. No Recourse Against the Corporation Officials. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or on this Resolution against any official or employee of the Corporation or any person executing the Bonds.

Section 12.7. Repealer. All orders and resolutions or parts thereof inconsistent herewith are hereby repealed to the extent of such inconsistency.

[Execution Page Follows]

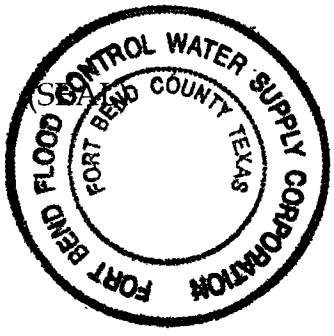
PASSED AND APPROVED on this 14th day of September, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)



THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

The Commissioners Court of Fort Bend County, Texas, ("Commissioners Court") convened in REGULAR SESSION AT A REGULAR TERM OF SAID COURT, open to the public, on the 14 day of September, 2010, at the County Courthouse, with a quorum of said Court present:

Whereupon, among other business the following was transacted at said meeting: a written resolution entitled:

RESOLUTION APPROVING ISSUANCE OF FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, LEVYING AND PLEDGING A TAX FOR THE PAYMENT THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

(the "Resolution") was duly introduced for the consideration of the Commissioners Court and reviewed in full. It was then duly moved by Comm. Meyers and seconded by Comm. Prestage that the Resolution be passed; and, after due discussion, the motion, carrying with it the passage of the Resolution, prevailed and carried by the following vote:

AYES: 5
NOES: 0

The County Judge thereupon announced that the Resolution has been duly and lawfully adopted. The Resolution thus adopted follows:

FORT BEND COUNTY, TEXAS

RESOLUTION APPROVING ISSUANCE OF FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, LEVYING AND PLEDGING A TAX FOR THE PAYMENT THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Commissioners Court of Fort Bend County, Texas (the "Commissioners Court"), as the governing body of Fort Bend County, Texas, duly created, by resolution adopted on February 23, 1987, the Fort Bend Flood Control Water Supply Corporation (the "Corporation") to provide financing of flood control and drainage improvements in Fort Bend County, Texas, pursuant to Chapter 67, Texas Water Code, as amended (the "Act"); and

WHEREAS, the Corporation intends to issue revenue refunding bonds to (i) to refund its Series 2001 Bonds that were issued to acquire, construct and maintain certain flood control facilities and drainage improvements in and along the Big Creek Watershed in Fort Bend County, Texas (the "Project"), for the benefit of the County and the Fort Bend County Drainage District (the "District") and (ii) provide for payment of the principal of and premium, if any, and interest on such bonds with revenues to be derived from the sale of the Project to the County, and the provision of certain services to the Fort Bend County Drainage District, all in accordance with the provisions of the Act and Texas Local Government Code, Section 552.014 (as renumbered from Texas Local Government Code Section 402.014); and

WHEREAS, the County, the District and the Corporation have entered into that certain Agreement dated July 3, 2001, as amended on September 14 ,2010 (the "Agreement") to provide for the payment of debt service on the Corporation's bonds to be issued to finance the Project and any bonds issued to refund the Series 2001 Bonds; and

WHEREAS, the Commissioners Court has been presented with and examined the proposed form of a resolution of the Corporation authorizing the issuance of the Corporation's bonds, and the Commissioners Court finds the form and substance of such document is satisfactory and the recitals and findings contained therein are true, correct and complete; NOW, THEREFORE,

BE IT RESOLVED BY THE COMMISSIONERS COURT OF FORT BEND COUNTY, TEXAS, THAT:

Section 1. APPROVAL OF CORPORATION. The Commissioners Court hereby ratifies and approves all actions taken in connection with the creation and organization of the Corporation, including the adoption of a "Resolution Authorizing the Creation of Fort

Bend Flood Control Water Supply Corporation; Approving the Articles of Incorporation Thereof; and Containing Other Provisions Relating Thereto," on February 23, 1987.

Section 2. APPROVAL OF CORPORATION RESOLUTION. The Commissioners Court hereby approves the Corporation's Resolution Authorizing Issuance of Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010, adopted by the Corporation on September 14, 2010, a copy of which is attached hereto as Exhibit "A" and made a part hereof for all purposes.

Section 3. APPROVAL OF ISSUANCE OF BONDS. The Commissioners Court hereby approves the issuance of the Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010 (the "Bonds").

Section 4. AUTHORIZATION OF FIRST AMENDMENT TO THE AGREEMENT.

The Commissioners Court hereby approves the First Amendment to the Agreement substantially in the form dated as of September 14, 2010 (the "First Amendment"), attached hereto as Exhibit "B." The Commissioners Court hereby approves the form, terms and provisions of said First Amendment between the Corporation, the County and the District and authorizes the County Judge to execute and deliver the Agreement and the County Clerk to attest thereto with such changes and modifications as may be approved by the County Judge, such approval to be evidenced by his execution thereof.

Section 5. TAX LEVY AND PLEDGE. The Bonds are being issued by the Corporation on behalf of the County to finance the Project. The County has covenanted in the Agreement to make periodic payments of the purchase price for the Project in the amounts equal to the principal and interest as it accrues on the Corporation's bonds (the "Contractual Obligation"). In order to provide for the payment of the County's Contractual Obligation, the Commissioners Court hereby confirms a special fund, designated as the "Fort Bend Flood Control Water Supply Corporation Bond Fund (Big Creek)," (the "Big Creek Bond Fund") and the proceeds from all taxes levied, assessed, and collected for and on account of the Contractual Obligation of the County contained in and authorized by this Resolution shall be credited to such Fund. While such Contractual Obligation remains unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, at the same time as other County taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, within the limits prescribed by law upon all taxable property in the County sufficient to pay such Contractual Obligation of the County as the same becomes due and to provide and maintain a sinking fund of not less than two percent of the principal amount of the Contractual Obligation or the amount required to pay such installment of the Contractual Obligation as the same becomes due, whichever is greater, full allowance being made for delinquencies and costs of collection. Said taxes are hereby irrevocably

pledged to the payment of the interest on and principal of the Contractual Obligation and to no other purpose.

To the extent that funds are not otherwise available to pay the interest maturing on the Bonds on March 1, 2011, there is hereby appropriated from current funds which are lawfully available for such purpose, an amount sufficient to pay such interest and such amount shall be used for no other purpose.

Section 6. FURTHER ACTIONS. The County Judge, County Auditor, Commissioners Court, County Clerk, and the other officials of the Commissioners Court are hereby authorized, jointly and severally, to execute and deliver such contracts, endorsements, instruments, certificates, documents or papers necessary and advisable and to take such actions as are necessary to carry out the intent and purposes of this Resolution.

Section 7. OPEN MEETING. Sufficient written notice of the date, hour, place and subject of the meeting of the Corporation at which this Resolution was adopted was posted for the time required by law preceding this meeting and such meeting was open to the public as required by law and at all times during which Resolution and the subject matter thereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

Section 8. EFFECTIVE DATE. This Resolution shall take effect and be in full force and effect upon and after its passage.

ADOPTED this 14 day of September, 2010.

Robert E. Hebert, County Judge

ATTEST:

Dianne Wilson, County Clerk and Ex-Officio
Clerk of the Commissioners Court of
Fort Bend County, Texas

(SEAL)

300603

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

We, the undersigned officers of the Commissioners Court (the "Court") of Fort Bend County, Texas (the "County'), do hereby certify as follows:

1. That we are the duly chosen, qualified and acting officers of the Court for the offices shown below our signatures and that as such we are familiar with the facts herein certified.

2. That there is attached to and follows this certificate an excerpt of proceedings from the minutes of a meeting of the Court which is a true, full and complete excerpt of all proceedings from the minutes of the Court pertaining to the adoption of the Resolution described therein; and that the persons named in such excerpt as the officers and members of the Court or as officers of the County are the duly chosen, qualified and acting officers and members as indicated therein.

3. That a true and complete copy of the Resolution (the "Resolution'), as adopted at the meeting described in such excerpt from the minutes, is attached to and follows such excerpt.

4. That the Resolution has been duly and lawfully adopted by the Court and that the County Judge of the County has approved, and hereby approves, the Resolution; that the County Judge and the County Clerk of the County have duly signed and attested the Resolution and each, respectively, hereby declares that the signing of this certificate shall also constitute the signing of the Resolution for all purposes; and that the Resolution, as signed, has been duly recorded in the minutes of the Court for such meeting.

5. That each of the officers and members of the Court was duly and sufficiently notified officially and personally, in advance, of the date, hour, place and subject of such meeting of the Court, and that the Resolution would be introduced and considered for passage at such meeting, and each of such officers and members consented, in advance, to the holding of such meeting to consider and act upon such subject.

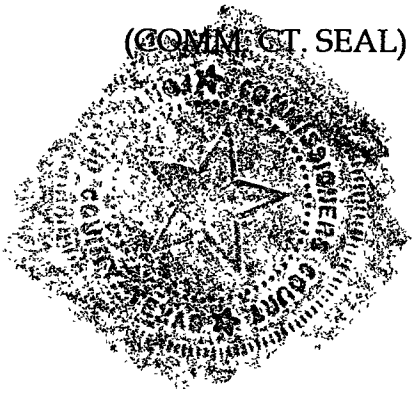
6. That written notice of the date, hour, place and subject of the meeting of the Court described in the excerpt from the minutes was posted on a bulletin board located at a place convenient to the public in the County Courthouse of the County; and that such meeting was open to the public as required by law at all times during which the Resolution and the subject matter thereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Governmental Code, as amended.

SIGNED AND SEALED the 14 day of September, 2010.

Dianne Wilson
County Clerk

Robert Hebert
County Judge

(COMM. CT. SEAL)



300603

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

I, the undersigned, the duly elected, qualified and acting County Clerk and Ex-Officio Clerk of the Commissioners Court of Fort Bend County, Texas (the "Commissioners Court"), acting for and on behalf of the Commissioners Court do hereby certify that the attached and foregoing is a true and correct copy of a resolution entitled:

RESOLUTION APPROVING ISSUANCE OF FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, LEVYING AND PLEDGING A TAX FOR THE PAYMENT THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

adopted by said Commissioners Court at a meeting, open to the public, held on the 14 day of Sept., 2010, together with an excerpt from the minutes of said meeting showing the adoption thereof, as same appears of record in the official minutes of said Commissioners Court on file in my office.

I further certify that the written notice of the date, hour, place and subject of the meeting of the Commissioners Court, at which the foregoing resolution was adopted, was posted on a bulletin board located at a place convenient to the public in the County Courthouse and readily accessible to the general public at the earliest possible time, pursuant to Chapter 551, Texas Government Code, as amended.

WITNESS MY HAND AND THE OFFICIAL SEAL OF SAID COURT, this 14 day of Sept., 2010.

DIANNE WILSON
County Clerk and Ex-Officio Clerk of the Commissioners Court of Fort Bend County, Texas

By: _____

300603

OFFICIAL STATEMENT
DATED SEPTEMBER 14, 2010

Ratings:
Moody's: "Aa1"
See ("OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is not includable in the alternative minimum tax on individuals or corporations, except for certain alternative minimum tax consequences for corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE BONDS **HAVE BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$9,675,000
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
(Fort Bend County, Texas)
REVENUE REFUNDING BONDS, SERIES 2010

Dated Date: October 1, 2010 **Due: March 1, as shown on the inside cover**

The $9,675,000 Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010 (the "Bonds") are special obligations of Fort Bend Flood Control Water Supply Corporation (the "Corporation") payable pursuant to a contract (the "Contract") between the Corporation, Fort Bend County, Texas (the "County"), and the Fort Bend County Drainage District (the "District"). Under the terms of the Contract, the County is required to levy and collect a continuing direct, annual ad valorem tax on all taxable property within the County, within the limits prescribed by law, in an amount sufficient, together with all other available funds of the Corporation, to pay principal and interest on the Bonds as they mature. The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 67, Texas Water Code, as amended and pursuant to a resolution (the "Resolution") authorizing the Bonds adopted by the Board of Directors of the Corporation and confirmed and ratified by the County.

Interest on the Bonds will accrue from October 1, 2010, (the "Dated Date") and will be payable March 1 and September 1 of each year commencing March 1, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or any integral multiple thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Co., N.A. (see "THE BONDS - PAYING AGENT/REGISTRAR").

PURPOSE... Proceeds from the sale of the Bonds will be used (i) to refund certain obligations of the Corporation described in Schedule I (the "Refunded Bonds"), and (ii) and to pay the costs of issuance associated with the Bonds.

See Maturity Schedule on the Inside Cover

OPTIONAL REDEMPTION ... The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

LEGALITY ... The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas (see "APPENDIX C - FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by Bates & Coleman, P.C., Houston, Texas.

DELIVERY ... It is expected that the Bonds will be available for delivery through the facilities of DTC on October 12, 2010.

JEFFERIES & COMPANY

BOOK-ENTRY-ONLY-SYSTEM .....The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD ..... Neither the County nor the Corporation has ever defaulted in payment of their bonds.

SELECTED FINANCIAL INFORMATION OF THE COUNTY

Fiscal Year Ending	Estimated County Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation ("G.O.") Tax Debt	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent Of Total Tax Collections	Tax Year
2005	435,160	$ 23,430,077,530	$ 53,842	$205,710,000	$ 473	0.88%	99.87%	2004
2006	435,160	26,049,121,823	59,861	230,080,000	529	0.88%	99.81%	2005
2007	501,974	28,933,750,694	57,640	375,765,000	749	1.30%	99.79%	2006
2008	501,974	33,393,702,935	66,525	367,690,000	732	1.10%	99.60%	2007
2009	528,392	38,166,425,554	72,231	479,050,000	907	1.26%	99.41%	2008
2010	547,876	39,444,283,971	71,995	466,905,000 [3]	852 [3]	1.18% [3]	98.32% [4]	2009

(1) Source: Fort Bend Economic Development Council.
(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.
(3) Includes the Bonds, excludes the Refunded Bonds.
(4) Partial collections through July 31, 2010.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY OF THE COUNTY

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Beginning Balance	$ 38,745,345 [1]	$ 35,701,557	$ 36,839,696	$ 29,387,788	$ 29,594,905
Total Revenue	202,351,004	178,619,780	154,532,126	140,059,393	127,438,871
Total Expenditures	196,582,144	167,430,805	147,075,383	125,726,125	116,298,500
Transfer In (Out)	(9,950,498)	(8,145,190)	(8,594,882)	(6,881,360)	(11,347,488)
Ending Balance	$ 34,563,707	$ 38,745,342	$ 35,701,557	$ 36,839,696	$ 29,387,788

(1) Restated.

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners Court	Position	Length of Service	Term Expires December 31
Robert Hebert	County Judge	7 Years	2010
Richard Morrison	Commissioner - Precinct 1	1 Year	2012
Grady Prestage	Commissioner - Precinct 2	19 Years	2010
Andy Meyers	Commissioner - Precinct 3	13 Years	2012
James Patterson	Commissioner - Precinct 4	11 Years	2010

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Service to County
Ed Sturdivant	County Auditor	6 Years
Jeff Council	County Treasurer	2 Years
Patsy Schultz	Tax Assessor/Collector	2 Years
Roy Cordes, Jr.	County Attorney	2 Years

CORPORATION OFFICIALS

Board of Directors	Position
Don Russell	President
Jim Condrey	Vice President
A.J. Colbert	Asst. Vice President
Mike Stone	Secretary/Treasurer
Leonard Gurecky	Asst. Secretary/Treasurer

CONSULTANTS AND ADVISORS

Auditors ..... Null-Lairson, P.C.
Houston, Texas

Bond Counsel ..... Allen Boone Humphries Robinson LLP
Houston, Texas

Financial Advisor ..... First Southwest Company
Houston, Texas

OFFICIAL STATEMENT

RELATING TO

$9,675,000
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
(FORT BEND COUNTY, TEXAS)
REVENUE REFUNDING BONDS, SERIES 2010

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $9,675,000 Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010 ("the Bonds"). Capitalized terms not otherwise defined herein shall have the same meanings assigned to such terms in the resolution to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Resolution"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, First Southwest Company, Houston, Texas.

DESCRIPTION OF THE CORPORATION

The Corporation was created and organized by Fort Bend County, Texas in March 1987 under the provisions of Article 1434a, Vernon's Texas Civil Statutes, as amended, and operates pursuant to Chapter 67, Texas Water Code. The Corporation has been utilized by the County to construct major flood improvement projects in the eastern portion of the County generally known as the "Oyster Creek Project," and in the western portion of the County, generally known as the "Big Creek Project." The Corporation is a duly constituted authority of the County, not a political subdivision, authorized by Chapter 67, Texas Water Code to finance drainage improvements by issuing tax-exempt revenue bonds on behalf of the County. The Corporation is governed by a Board of Directors consisting of five members, all of whom are appointed by the County. All major decisions and actions approved by the Board of Directors for the Corporation must be approved and ratified by the Commissioners Court of the County, including the issuance of the Bonds and any other bonds issued by the Corporation. The County maintains the records of the Corporation including financial records.

DESCRIPTION OF THE COUNTY

The County was organized in 1838 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other County elected officers include the County Clerk, County Attorney, County Tax Assessor/Collector and County Treasurer. The County Auditor is appointed for a term of two years by and serves at the will of the State District Judges whose courts are located in Fort Bend County, Texas. The 2000 Census population for the County was 354,452, an increase of 57% over the 1990 population of 225,421. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated October 1, 2010, and mature on March 1 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing March 1, 2011. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 67, Texas Water Code and the Resolution, as confirmed and ratified by the County.

SECURITY AND SOURCE OF PAYMENT

The Bonds are payable pursuant to a contract between the Corporation, the County and the District, as amended (the "Contract"). Pursuant to the Contract, the Corporation will be obligated to design, acquire, manage, administer, and complete the remainder of the Big Creek Project on behalf of the County and the District. Pursuant to the Contract, the County is obligated to purchase the Big Creek Project from the Corporation and to make periodic payments of the purchase price equal to the debt service on the Bonds (the "Purchase Price"). By resolution of the governing body of the County, to be adopted on September 14, 2010, the County has levied and pledged a direct and continuing ad valorem tax for the payment of debt service on the Bonds as it becomes due and payable.

ESCROW AGREEMENT

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or semi-annual interest payment date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Resolution provides that the Corporation and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of September 14, 2010. The Bond Resolution further provides that from the proceeds of the sale of the Bonds, along with other monies lawfully available to the Corporation, the Corporation will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase obligations permitted under Section 1207.062, Texas Government Code (the "Escrowed Securities"). Grant Thornton L.L.P. will verify at the time of delivery of the Bonds to the Underwriter certain mathematical calculations to the effect that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment of the amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

OPTIONAL REDEMPTION

The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Corporation may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The Resolution provides that the Corporation may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the Corporation 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 Corporation 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 Corporation adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the 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 Corporation 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 Corporation: (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.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the Corporation has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the Corporation: (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.

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 accredited by 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 Corporation believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Corporation 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). One fully registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 and 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 Bonds ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the 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 Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar on payable dates 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 in 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 or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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 Resolution will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the County, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES

The Resolution does not specify events of default with respect to the Bonds. If the Corporation 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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Resolution, the registered owners may seek a writ of mandamus to compel Corporation or County officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the covenants included in the Resolution and the Corporation's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. 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. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the Corporation to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

SOURCES AND USES OF BOND PROCEEDS

The Bonds are being issued to (i) advance refund certain obligations of the corporation described in Schedule I (the "Refunded Bonds"), and (ii) to pay the costs of issuance associated with the Bonds.

Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources of Funds:	
Par Amount of Bonds	$ 9,675,000.00
Reoffering Net Premium	784,853.30
Debt Service Fund Transfer	111,473.96
Accrued Interest	11,017.95
	$ 10,582,345.21
Uses of Funds:	
Deposit to Escrow Fund	$ 10,319,641.43
Underwriter's Discount	61,521.67
Costs of Issuance	190,164.16
Deposit to Debt Service Fund	11,017.95
	$ 10,582,345.21

TAX INFORMATION REGARDING THE COUNTY

AD VALOREM TAX LAW

The appraisal of property within the County is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

Reference is made to the Texas, Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this second provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Effective January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The County also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By each September 1 or as soon thereafter as practicable, the Commissioners Court adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Commissioners Court may not adopt a tax rate that exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6 %	1 %	7 %
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE

The County grants an exemption to the market value of the residence homestead of persons over 65 years of age or disabled of $100,000.

The County has granted an additional exemption of 20% of the market value of residence homesteads.

See TABLE 1 for a listing of the amounts of the exemptions described above.

The County has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the County against the exempt value of residence homesteads for the payment of debt.

The County does not tax nonbusiness personal property; and the County collects its own taxes.

The County does not permit split payments, and discounts are not allowed.

The County does tax freeport property.

The County does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

TAX ABATEMENT POLICY

The County has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT REINVESTMENT ZONE

A municipality in the County may establish a tax increment reinvestment zone ("TIRZ") within a defined area of such municipality. In 2005, the Texas Legislature authorized Texas counties to create a TIRZ within a defined area of the county. The cost of certain public improvements in a TIRZ may be financed or repaid by contribution of future tax revenues from incremental increases in property values in the TIRZ. The County may contribute all or a portion of its tax revenue on such increase in value to a special tax increment fund created by the municipality. The County has agreed to participate in TIRZs in the past and may continue to do so in the future. To date, three TIRZ's have been created in which the County participates. One TIRZ was created by the City of Katy to support the Katy Mills Mall development. Another TIRZ was create by the City of Sugar Land to support the Sugar Land Town Square development and the other TIRZ was created by the City of Missouri City to redevelop an area of the City of Missouri City. See footnote (1) to Table 6 for a discussion of the County's participation in the City of Katy TIRZ.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2010 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		$ 50,234,646,372
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	$ 5,343,522,800	
Over 65 Exemptions	1,738,676,580	
Disabled & Deceased Veteran's Exemptions	288,442,582	
Lease Vehicle Exemption	158,197,236	
Abatements	307,506,280	
Productivity Loss	2,376,871,548	
Pollution	389,612,950	
House Bill 366	209,090	
Community Housing Development	16,082,030	
Historical	13,608,635	
Prorated Exempt Property	3,793,657	
10% Homestead Cap Adjustment	153,839,013	10,790,362,401
2010 Taxable Assessed Valuation		$ 39,444,283,971
County Funded Debt Payable from Ad Valorem Taxes (as of October 1, 2010)		
Limited Tax Bonds	$ 203,545,000	
Unlimited Tax Road Bonds	117,635,000	
Unlimited Tax Toll Road Bonds[1]	135,890,000	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds[2]	160,000	
The Bonds	9,675,000	
County Funded Debt Payable from Ad Valorem Taxes		$ 466,905,000
Ratio Tax Supported Gross Debt to Taxable Assessed Valuation		1.18%

2010 Population Estimate - 547,876 [3]
Per Capita Taxable Assessed Valuation - $71,995
Per Capita Tax Debt - $852

(1) The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds.
(2) Does not include the Refunded Bonds.
(3) Source: Fort Bend Economic Development Council for 2009.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year					
	2010		2009		2008	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 29,993,796,370	59.71%	$ 31,505,108,537	62.57%	$ 29,605,113,157	62.03%
Real, Residential, Multi-Family	970,309,935	1.93%	936,971,891	1.86%	877,235,375	1.84%
Real, Vacant Lots/Tracts	1,027,648,723	2.05%	1,129,803,658	2.24%	1,050,544,148	2.20%
Real, Acreage (Land Only)	2,629,194,720	5.23%	2,754,199,566	5.47%	2,336,536,864	4.90%
Real, Farm and Ranch Improvements	327,283,766	0.65%	337,666,272	0.67%	331,891,468	0.70%
Real, Commercial and Industrial	7,178,698,624	14.29%	7,798,939,221	15.49%	7,531,375,339	15.78%
Real, Oil, Gas & Other Mineral Reserves	319,839,370	0.64%	288,401,750	0.57%	460,175,930	0.96%
Real and Tangible Personal, Utilities	689,401,553	1.37%	710,327,880	1.41%	734,542,285	1.54%
Tangible Personal, Commercial and Industrial	3,544,368,206	7.06%	3,752,239,686	7.45%	3,489,855,167	7.31%
Tangible Personal, Other	66,774,290	0.13%	65,665,620	0.13%	67,397,752	0.14%
Real, Inventory	788,688,120	1.57%	1,001,220,160	1.99%	1,162,041,500	2.43%
Special Inventory	60,319,760	0.12%	61,578,930	0.12%	72,838,120	0.15%
Assessment Error	8,860	0.00%	-	0.00%	-	0.00%
Intangible Property and/or Uncertified Property	2,638,314,075	5.25%	9,736,015	0.02%	7,596,006	0.02%
New Exempt Property	-	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 50,234,646,372	100.00%	$ 50,351,859,186	100.00%	$ 47,727,143,111	100.00%
Less: Total Exemptions/Reductions	10,790,362,401		10,518,449,844		9,560,717,557	
Taxable Assessed Value	$ 39,444,283,971		$ 39,833,409,342		$ 38,166,425,554	

	Tax Year			
	2007		2006	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 26,115,748,720	62.80%	$ 23,347,791,025	64.67%
Real, Residential, Multi-Family	724,293,461	1.74%	624,746,015	1.73%
Real, Vacant Lots/Tracts	910,075,971	2.19%	735,283,478	2.04%
Real, Acreage (Land Only)	1,756,329,283	4.22%	1,512,753,808	4.19%
Real, Farm and Ranch Improvements	298,719,827	0.72%	277,749,409	0.77%
Real, Commercial and Industrial	6,044,780,775	14.53%	4,964,858,185	13.75%
Real, Oil, Gas & Other Mineral Reserves	488,114,480	1.17%	493,944,860	1.37%
Real and Tangible Personal, Utilities	684,656,436	1.65%	679,232,435	1.88%
Tangible Personal, Commercial and Industrial	3,276,307,319	7.88%	2,514,481,864	6.96%
Tangible Personal, Other	75,124,355	0.18%	69,123,485	0.19%
Real, Inventory	1,113,971,927	2.68%	822,890,210	2.28%
Special Inventory	70,754,490	0.17%	59,368,540	0.16%
Intangible Property and/or Uncertified Property	30,009,237	0.07%	-	0.00%
New Exempt Property	-	0.00%	80,080	0.00%
Total Appraised Value Before Exemptions	$ 41,588,886,281	100.00%	$ 36,102,303,394	100.00%
Less: Total Exemptions/Reductions	8,195,183,346		7,168,552,700	
Taxable Assessed Value	$ 33,393,702,935		$ 28,933,750,694	

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Controller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year[3]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	Tax Year
2005	435,160	$ 23,430,077,530	$ 53,842	$ 205,710,000	0.88%	$ 473	2004
2006	435,160	26,049,121,823	59,861	230,080,000	0.88%	529	2005
2007	501,974	28,933,750,694	57,640	375,765,000	1.30%	749	2006
2008	501,974	33,393,702,935	66,525	367,690,000	1.10%	732	2007
2009	528,392	38,166,425,554	72,231	479,050,000	1.26%	907	2008
2010	547,876	39,833,409,342	72,705	466,905,000 [4]	1.17%	852	2009

(1) Source: Fort Bend Economic Development Council.
(2) As reported by the Fort Bend Central Appraisal District.
(3) Includes toll road system debt. The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds.
(4) Includes the Bonds, excludes the Refunded Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections[1]	% Total Collections[2]
2005	$ 0.51674	122,232,761	97.90%	99.87%
2006	0.51674	137,944,681	97.87%	99.81%
2007	0.51674	148,695,559	98.29%	99.79%
2008	0.51674	171,639,263	98.47%	99.60%
2009	0.49976	188,668,989	98.59%	99.41%
2010	0.49976	197,276,508	98.32% [3]	98.32% [3]

(1) Collected within the Fiscal Year of Levy
(2) As of September 30, 2009 for each respective year's levy.
(3) Collections as of July 31, 2010.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2009	2008	2007	2006	2005
General Fund	$ 0.38620	$ 0.39595	$ 0.41454	$ 0.41900	$ 0.42425
Road & Bridge Fund	0.03100	0.03920	0.02420	0.03434	0.03759
Debt Service Fund[1]	0.06180	0.04861	0.06000	0.04000	0.03150
Drainage District	0.02076	0.01600	0.01800	0.02340	0.02340
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	$ 0.49976	$ 0.49976	$ 0.51674	$ 0.51674	$ 0.51674

(1) The debt service fund tax included a levy for unlimited tax bonds which are outside the constitutional tax limit.

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2010/2011 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Electric Utility	$ 1,522,395,660	3.82%
Centerpoint Energy Electric	Electric Utility	247,014,730	0.62%
First Colony Mall LLC	Shopping Mall	97,210,240	0.24%
Katy Mills Mall LP[(1)]	Shopping Mall	93,131,240	0.23%
Texas Instruments, Inc.	Electronic Manufacturer	85,287,290	0.21%
Tramontina USA Inc.	Manufacturing	81,762,260	0.21%
STC MFG Group-SPC	Manufacturing	80,466,920	0.20%
ConocoPhillips Company	Petroleum Company	79,504,360	0.20%
Fountains Dunhill LLC	Commercial	77,643,350	0.19%
Lakepointe Assets LLC	Commercial	74,000,000	0.19%
		$ 2,438,416,050	6.12%

(1) The County has agreed to participate in the City of Katy TIRZ that includes the Katy Mills Mall. Under its TIRZ Participation Agreement with the City of Katy, the County has agreed to contribute fifty percent of the tax increment produced in the City of Katy TIRZ to the City of Katy tax increment fund.

GENERAL OBLIGATION DEBT LIMITATION

Limited Tax Bonds Payable From the $0.80 Constitutional Tax Rate . . . Chapter 1301, Texas Government Code, limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	-	2% of Assessed Valuation
Jail Bonds	-	1 1/2% of Assessed Valuation
Courthouse and Jail Bonds	-	3 1/2% of Assessed Valuation
Road and Bridge Bonds	-	1 1/2% of Assessed Valuation

However, the County may issue courthouse, jail and certain other types of bonds under the authority of Texas Government Code Section 1473.101 and Chapter 292, Texas Local Government Code, without the above limitations.

Article VIII, Section 9, of the Texas Constitution, imposes a limit of $0.80 per $100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, certificates, warrants and certificates of obligation issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of $0.40 of the $0.80 constitutional tax rate for Limited Tax Bond debt service.

The Bonds are limited tax obligations payable from within the County's $0.80 constitutional tax rate.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, provides that Unlimited Tax Road Bond Debt may not exceed 25% of the County's assessed valuation of real estate.

TABLE 7 - TAX ADEQUACY

2010 Principal and Interest Requirements	$	32,547,077	(1)
$0.08520 Tax Rate at 96% Collection Produces	$	32,580,542	
Average Principal and Interest Requirements (2010-2021)	$	36,653,981	(1)
$0.09590 Tax Rate at 96% Collection Produces	$	36,672,230	
Average Principal and Interest Requirements (2022-2026)	$	34,796,518	(1)
$0.09100 Tax Rate at 96% Collection Produces	$	34,798,466	
Average Principal and Interest Requirements (2027-2032)	$	25,427,061	(1)
$0.06650 Tax Rate at 96% Collection Produces	$	25,429,649	
Maximum Principal and Interest Requirements (2019)	$	37,687,923	(1)
$0.09860 Tax Rate at 96% Collection Produces	$	37,704,712	

(1) Includes the Bonds, excludes the Refunded Bonds.

TABLE 8 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total G.O. Debt as of October 01, 2010	Estimated % Applicable	County's Overlapping G.O. Debt as of October 01, 2010
Fort Bend County	**$ 466,905,000** (1)	**100.00%**	**$ 466,905,000** (1)
Cities			
Arcola	1,700,000	100.00%	$ 1,700,000
Beasley	380,000	100.00%	380,000
Kendleton	67,000	100.00%	67,000
Meadows Place	4,115,000	100.00%	4,115,000
Needville	127,500	100.00%	127,500
Orchard	49,000	100.00%	49,000
Richmond	11,575,000	100.00%	11,575,000
Rosenberg	45,699,000	100.00%	45,699,000
Sugar Land	163,990,163	100.00%	163,990,163
County-Line Cities			
Houston	2,978,575,265	0.64%	$ 19,062,882
Katy	13,070,000	42.04%	5,494,628
Missouri City	145,789,997	94.94%	138,413,023
Pearland	296,705,000	1.22%	3,619,801
Stafford	1,110,000	100.00%	1,110,000
Total Cities			$ 395,402,997
School Districts			
Fort Bend ISD	975,666,197	100.00%	$ 975,666,197
Lamar Consolidated ISD	468,392,030	100.00%	468,392,030
Needville ISD	73,700,000	100.00%	73,700,000
County-Line School Districts			
Brazos ISD	17,124,993	75.84%	$ 12,987,595
Katy ISD	916,160,014	3.33%	30,508,128
Stafford MSD	14,585,000	99.60%	14,526,660
Total School Districts			$ 1,575,780,610
Total Special District Debt (2)			$ 1,633,570,003
Other			
Houston Community College District	198,780,000	1.74%	$ 3,458,772
Total Other			$ 3,458,772
Summary of Total Estimated Overlapping Debt			
Cities			$ 395,402,997
School Districts			1,575,780,610
Special Districts			1,633,570,003
Other			3,458,772
Estimated Overlapping Debt			$ 3,608,212,382
Fort Bend County - Direct Obligations			$ 466,905,000 (1)
Total Direct and Estimated Overlapping Debt			$ 4,075,117,382

(1) Includes the Bonds, excludes the Refunded Bonds.
(2) Total Special District Debt includes numerous special districts with varying amounts of debt applicable to the County.

DEBT INFORMATION

TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

	County Debt Paid From Ad Valorem Taxes									
Year End September 30	Limited Tax Bonds	Unlimited Tax Bonds	Flood Control Water Supply Corporation Limited Tax Bonds	Total Debt Service Paid From Ad Valorem Taxes	Less: Refunded Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Toll Road Unlimited Tax Bonds[1]	Grand Total Requirements
2010	$ 14,194,388	$ 10,917,641	$ 681,618	$ 25,793,646					$ 6,753,431	$ 32,547,077
2011	16,559,563	10,906,960	674,658	28,141,180	$ 511,138	$ 70,000	$ 329,664	$ 399,664	8,125,431	36,155,137
2012	15,911,263	10,802,760	1,410,438	28,124,460	1,410,438	940,000	344,738	1,284,738	8,310,741	36,309,501
2013	15,912,200	10,697,260	1,397,650	28,007,110	1,397,650	955,000	315,119	1,270,119	8,496,050	36,375,629
2014	15,916,938	10,595,435	1,447,344	27,959,716	1,447,344	1,045,000	278,700	1,323,700	8,844,425	36,680,498
2015	15,915,238	10,498,335	1,390,906	27,804,479	1,390,906	1,025,000	237,300	1,262,300	9,190,300	36,866,173
2016	15,918,338	10,402,173	1,310,141	27,630,651	1,310,141	985,000	197,100	1,182,100	9,739,138	37,241,748
2017	15,509,113	10,292,685	1,255,047	27,056,844	1,255,047	970,000	158,000	1,128,000	10,249,488	37,179,285
2018	15,513,038	10,193,635	1,201,875	26,908,548	1,201,875	955,000	119,500	1,074,500	10,824,250	37,605,423
2019	15,512,088	10,090,085	1,150,625	26,752,798	1,150,625	945,000	81,500	1,026,500	11,059,250	37,687,923
2020	15,513,488	9,986,860	1,075,000	26,575,348	1,075,000	905,000	44,500	949,500	11,220,500	37,670,348
2021	15,512,944	9,890,391	1,025,000	26,428,335	1,025,000	880,000	13,200	893,200	11,232,500	37,529,035
2022	15,512,750	8,048,351		23,561,101				-	11,238,250	34,799,351
2023	15,512,125	8,042,799		23,554,924				-	11,222,625	34,777,549
2024	15,515,500	8,046,681		23,562,181				-	11,254,125	34,816,306
2025	15,511,344	8,041,744		23,553,088				-	11,232,000	34,785,088
2026	15,512,875	8,045,672		23,558,547				-	11,245,750	34,804,297
2027	15,508,556	5,681,988		21,190,544				-	11,248,750	32,439,294
2028	15,512,588	3,771,500		19,284,088				-	11,240,500	30,524,588
2029	15,513,969	3,772,000		19,285,969				-	11,230,250	30,516,219
2030	15,511,213			15,511,213				-	11,256,000	26,767,213
2031	9,884,306			9,884,306				-	11,217,250	21,101,556
2032								-	11,213,500	11,213,500
	$ 337,383,819	$ 178,724,953	$ 14,020,300	$ 530,129,072	$ 13,175,163	$ 9,675,000	$ 2,119,320	$ 11,794,320	$ 237,644,503	$ 766,392,733

(1) The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principle and interest on the Toll road Bonds.

TABLE 10 INTEREST AND SINKING FUND BUDGET

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2010		$ 32,547,077
Interest and Sinking Fund, September 30, 2009	$ 6,057,482	
Estimated Interest and Sinking Fund Tax Levy @ 97% Collections	23,878,536	
Transfer from Toll Road Authority	6,753,431	
Projected Other Income	255,000	36,944,449
Estimated Balance, September 30, 2010		$ 4,397,372

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The Corporation can only issue bonds by an order approved by the Commissioners Court of the County. After issuance of the Bonds, the Corporation will have no bonds authorized but unissued.

The County does not anticipate the issuance of additional general obligation debt within the next twelve months. However, various entities related to and supported in varying levels by the County, including the Fort Bend County Toll Road Authority may issue additional bonds in the next several months. See below for a discussion regarding the Fort Bend County Toll Road Authority.

FORT BEND COUNTY TOLL ROAD AUTHORITY

In 2003 and 2004, respectively, the County has issued two series of Unlimited Tax and Subordinate Lien Toll Revenue Bonds (collectively the "Toll Road Bonds" and respectively the "Series 2003 Toll Road Bonds" and the "Series 2004 Toll Road Bonds"). The Series 2003 Toll Road Bonds were issued to finance the construction of the Fort Bend Parkway Toll Road. The Series 2004 Toll Road Bonds were issued to finance the construction of the Fort Bend Westpark Toll Road. The Fort Bend Parkway Toll Road and the Fort Bend Westpark Toll Road are collectively referred to herein as the "Toll Roads." The County has engaged the Fort Bend Toll Road Authority, a non-profit local government corporation created by the County (the "Toll Road Authority"), to manage the construction and operation of the Toll Roads.

The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds. The County has reserved the right to issue senior lien toll road bonds that would be secured by a senior lien on net revenues from the operation of the Toll Roads, or additional parity bonds.

The Fort Bend Parkway Toll Road opened to traffic in August 2004 and the Fort Bend Westpark Toll Road opened to traffic in August 2005. Based on revenues from the Toll Roads at current traffic levels together with other available funds, the County and the Toll Road Authority believe a tax will not be necessary for the payments of debt service on the Toll Road Bonds during 2011. In the event it becomes necessary for the County to levy a tax to pay a portion of the toll road bonds debt service, each $0.01 of tax rate (for illustration purposes only) would produce $3,983,341, based on the County's 2009 net assessed valuation. If the toll road system produced no net revenue, a tax rate of approximately $0.03 would generate sufficient funds to pay the maximum annual debt service of $11,256,000 on the Toll Road Bonds.

See "FORWARD LOOKING STATEMENTS DISCLAIMER".

TABLE 11 - OTHER OBLIGATIONS

Purpose	Date Authorized	Amount Authorized	Issued To Date	Unissued Balance
County Roads	5/12/2007	$ 156,000,000	$ 50,000,000	$ 106,000,000
		$ 156,000,000	$ 50,000,000	$ 106,000,000

TABLE 12 - OTHER OBLIGATIONS

The County currently has no other outstanding obligations.

PENSION FUND

The County provides pension, disability and death benefits for all of its full-time employees through a non-traditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS, the contribution rate of the County is a fixed percent equal to the contribution rate payable by the employee member, which is 7% as adopted by the governing body of the County. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the same amount as the employee. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE COUNTY'S ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2009" - Note # 8.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas County and District Retirement System, the County has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase health insurance from the County's healthcare provider at the County's cost to cover current employees
- Eligible retirees may purchase health insurance for the County's healthcare provider at the County's cost to cover current employees for dependents if the dependents were covered at the point of retirement

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The County contributed approximately $2 million for the fiscal year ending September 30, 2009. At September 30, 2009, there were 292 retirees receiving benefits and approximately 1,600 active members not yet eligible to receive such benefits. Commencing in fiscal 2008, the County implemented GASB Statement No. 45 "Accounting and Financial reporting by Employers for Post-employment Benefits Other Than Pensions." The County valuation of its post-retirement benefit liability. The financial statement disclosures for 2009 is as follows:

The following table shows the calculation of the Annual Required Contribution and the Net OPEB Obligation.

	Fiscal Year Ending 9/30/2009
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	$ 15,005,349
Amortization of Unfunded Actuarial Accrued Liability	11,979,958
Annual Required Contribution	26,985,307
Determination of Net OPEB Obligation	
Annual Required Contribution	26,985,307
Interest on prior year Net OPEB Obligation	966,552
Adjustment to ARC	(1,343,648)
Annual OPEB Cost	26,608,211
Less Assumed Contributions Made	(1,952,079)
Estimate Increase in Net OPEB Obligation	24,656,132
Net OPEB Obligation – Beginning of Year	24,163,790
Net OPEB Obligation – End of Year	$48,819,922
Percentage of OPEB Cost Contributed	7.3%

The following table shows the annual OPEB cost and net OPEB obligation for the prior years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	N/A	N/A	N/A	N/A
2008	4%	$26,985,307	10.46%	$24,163,790
2009	4.0%	$26,608,211	7.34%	$48,819,922

FINANCIAL INFORMATION

TABLE 13 - CHANGE IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2009	2008	2007	2006	2005
Program Revenues:					
Charges for Services	$ 35,903,511	$ 33,424,910	$ 30,555,885	$ 27,221,567	$ 36,559,925
Operating Grants and Contributions	33,958,718	24,399,799	19,049,110	8,615,726	14,341,902
Capital Grants and Contributions	63,974,765	33,540,586	103,693,431 (1)	73,252,137 (1)	21,348,940
General Revenues:					
Property Taxes	191,467,403	171,832,680	151,404,502	137,839,711	127,696,573
Earnings on Investments	3,506,600	8,072,311	12,009,284	5,999,017	3,109,378
Unrestricted	-	-	-	4,515,643	-
Other	2,808,586	2,170,172	1,693,188	228,309	329,311
Total Revenues	$ 331,619,583	$ 273,440,458	$ 318,405,400	$ 257,672,110	$ 203,386,029
Expenditures:					
General Administration	$ 39,660,135	$ 41,632,474	$ 12,414,272	$ 23,638,550	$ 42,976,074
Financial Administration	8,374,213	7,588,070	5,666,739	5,127,456	4,176,563
Administration of Justice	74,473,608	45,849,068	33,554,996	31,024,483	26,601,486
Construction & Maintenance	45,418,331	40,018,361	-	-	-
Road & Bridge	-	-	44,381,066	22,545,473	23,700,731
Health & Welfare	26,289,781	21,690,506	19,866,544	16,903,729	15,261,857
Cooperative Service	1,230,320	1,132,987	934,276	941,743	837,121
Public Safety	64,332,030	68,877,031	52,325,953	44,544,768	36,863,732
Parks & Recreation	1,501,633	2,114,983	1,822,404	623,401	1,712,461
Flood Control Projects	-	-	6,434,608	10,175,820	7,723,490
Libraries & Education	12,980,667	12,280,421	10,694,749	10,484,078	9,059,591
Interest on Long-Term Debt	11,870,105	10,621,067	6,051,065	4,165,438	3,349,584
Total Expenditures	$ 286,130,823	$ 251,804,968	$ 194,146,672	$ 170,174,939	$ 172,262,690
Change in Net Assets	$ 45,488,760	$ 21,635,490	$ 124,258,728	$ 87,497,171	$ 31,123,339
Net Assets, Beginning	663,834,575 (2)	642,199,088	517,940,360 (2)	414,165,867	383,042,528
Ending Fund Balance	$ 709,323,335	$ 663,834,578	$ 642,199,088	$ 501,663,038	$ 414,165,867

Source: County's audited financial statements.

(1) Represents Texas Department of Transportation projects with the County as a partner that have been completed.

(2) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2009	2008	2007	2006	2005
Taxes	$ 150,881,918	$139,477,502	$122,607,412	$112,711,211	$100,918,691
Fees and Fines	22,691,631	20,061,234	18,593,505	14,234,628	14,031,600
Intergovernmental	24,989,268	14,556,972	6,519,034	6,175,631	8,222,108
Earnings on Investments	1,247,763	2,866,409	4,469,895	3,072,671	1,661,815
Contributions and Donations	-	-	-	-	-
Miscellaneous	2,540,424	1,657,663	2,342,280	3,865,252	2,604,657
Total Revenues	$ 202,351,004	$178,619,780	$154,532,126	$140,059,393	$127,438,871
Expenditures:					
Current Operating:					
General Administration	36,997,902	35,207,103 (2)	26,030,749	24,503,686	22,871,489
Financial Administration	7,130,068	6,328,276	5,631,690	5,089,685	4,768,430
Administration of Justice	50,165,055	22,752,204	18,784,040	17,656,232	16,055,237
Road & Bridge	-	-	2,693,264	2,419,329	-
Construction and Maintenance	3,057,376	2,637,980	-	-	2,333,290
Health & Welfare	19,440,480	17,179,487	14,957,641	14,416,893	13,551,235
Cooperative Service	1,049,985	975,720	934,276	890,696	884,948
Public Safety	43,501,625	61,678,076 (2)	50,294,207	44,440,563	40,096,760
Parks & Recreation	1,815,986	1,739,346	1,822,404	1,667,241	1,618,790
Libraries & Education	11,274,245	10,342,295	10,605,484	10,059,445	8,927,383
Capital Outlay	22,149,422	8,590,318	15,321,628	4,582,355	5,190,938
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	$ 196,582,144	$167,430,805	$147,075,383	$125,726,125	$116,298,500
Revenues Over (Under) Expenditures	$ 5,768,860	$ 11,188,975	$ 7,456,743	$ 14,333,268	$ 11,140,371
Transfer In (Out)	(9,950,498)	(8,145,190)	(8,594,882)	(6,881,360)	(11,347,488)
Beginning Fund Balance, January 1	38,745,345 (1)	35,701,557	36,839,696	29,387,788	29,594,905
Ending Fund Balance	$ 34,563,707	$ 38,745,342	$ 35,701,557	$ 36,839,696	$ 29,387,788

Source: County's audited financial statements.

(1) Restated.

(2) Construction in Progress expenditures were previously categorized as Capital Outlay. These expenditures are now categorized based on the governmental function it benefits.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the County conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds) and Agency Funds are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Property taxes, which are levied in the last quarter of the year and collected before year-end, are considered deferred revenues because such revenues are not legally available to pay liabilities in the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on the general long-term debt are recognized as expenditures when due.

General Fund Balance . . . The General Fund is used to account for all revenues and expenditures not accounted for in other funds, relating to general operations.

Debt Service Fund Balance . . . Used to account for payment of principal and interest on general long-term debt.

Budgetary Procedures . . . The County Budget Officer prepares the proposed budget using revenue estimates furnished by the County Auditor. A public hearing is held on the budget before finalizing it. The Commissioners Court may increase or decrease the amounts requested by the departments. In the final budget, which is usually adopted in the last quarter of the year, appropriations of the budgeted funds cannot exceed the available fund balances in such funds on January 1, plus the estimated revenues for the ensuing year. During the year, the Commissioners Court may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balances in excess of budget estimates, provided it rules that a state of emergency exists. The level of budgetary control is at the major operating group level. There are four major operating groups:

Salary and Personnel Costs	Information Technology Costs
Operating and Training Costs	Capital Acquisition Costs.

The underlying budget is maintained at the line item level, but departments are able to transfer amounts within each major group without court approval. Transfers between major groups require court approval. Transfers among individual expenditure line items within major categories may be made during the year, but no such transfer may increase the overall total of the budget without the declaration of an emergency. It is the amended budget that is presented in the financial statements on the budgetary basis. Except for transfers among budgeted line items and the amendment to the indigent health care budget, there were no other significant increases in the adopted budget.

INVESTMENTS

The County invests its investable funds and those of the Corporation in investments authorized by Texas law in accordance with investment policies approved by the Commissioners Court of the County. Both state law and the County's investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the Corporation and the County are authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for the Corporation and County deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Corporation or County, held in the Corporation or County's name and deposited at the time the investment is made with the Corporation or County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Corporation and County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The Corporation and County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Effective September 1, 2003, governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES

Under Texas law, the Corporation and County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Corporation or County funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Corporation or County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the Corporation or County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the County shall submit an investment report detailing: (1) the investment position of the Corporation and County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Corporation or County funds without express written authority from the Commissioners Court.

ADDITIONAL PROVISIONS

Under Texas law the Corporation and County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the Corporation or County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the Corporation and the County's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 - CURRENT INVESTMENTS

As of July 31, 2010, the County's investable funds were invested in the following categories:

Description	Percent of Total	Book Value	Market Value
Money Market	99.154%	$ 257,955,642	$ 257,955,642
MBIA Pool	0.841%	2,187,963	2,187,963
Texas Term Investment Pool	0.002%	5,350	5,350
LOGIC State Pool	0.003%	8,046	8,046
	100.00%	$ 260,157,001	$ 260,157,001

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 or, except as described below, 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 County 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 Corporation, the Corporation's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the County, the Corporation's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. The Corporation will further rely on the report of Grant Thornton, LLP, verification agent, regarding the mathematical accuracy of certain computations. If the Corporation should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on 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 County 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 2010 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 2010.

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.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of mathematical computations with respect to (i) the adequacy of the maturing principal of and interest earned on the escrow securities together with other available funds held in the escrow account, to provide for the payment of the Refunded Bonds; and (ii) the "yield" on the Bonds, prepared by the Underwriter; 416 will be verified by Grant Thornton LLP, certified public accountants. These computations will be based upon information and assumptions supplied by the Underwriter on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Underwriter and has not evaluated or the assumptions or information used in the computations.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the County is rated "Aa1" by Moody's and "AA+" by S&P, without regard to credit enhancement. The Bonds have been rated "Aa1" by Moody's. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the County Attorney and County Staff that there is no pending litigation against the County that would have a material adverse financial impact upon the County or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for 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 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Corporation will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "TAX MATTERS" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement (other than "THE BONDS - BOOK-ENTRY-ONLY SYSTEM") to verify that such description conforms to the provisions of the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from County records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

UNDERWRITING

The Underwriters of the Bonds, agree, subject to certain conditions, to purchase the Bonds from the Corporation, at a price of $10,398,331.63, plus accrued interest pursuant to a Bond Purchase Agreement. The Underwriters' obligation is subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time-to-time, by the Underwriters.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation and the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS

The Corporation will provide certain financial information and operating data which is customarily prepared by the Corporation and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the Corporation includes all quantitative financial information and operating data of the general type included in this Official Statement under the Tables numbered one through seven and nine through fourteen and in Appendix B. The Corporation will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2010. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the Corporation may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided.

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

MATERIAL EVENT NOTICES

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice of any of the following events with respect to the Bonds, if such 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 of the Bonds. In addition, the Corporation 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."

AVAILABILITY OF INFORMATION FROM

The Corporation has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

AMENDMENTS

The Corporation has agreed to update information and to provide notices of material events only as described above. The Corporation 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 Corporation 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 Corporation disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreement.

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

MISCELLANEOUS

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter(s).

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Corporation will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Corporation contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Corporation and its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Corporation, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Corporation believes to be reliable and the Corporation has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Corporation since the date of the last audited financial statements of the Corporation.

/s/ Don Russell
President
Fort Bend Flood Control Water Supply Corporation

ATTEST:
/s/ Mike Stone
Secretary
Fort Bend Flood Control Water Supply Corporation

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Revenue Bonds, Series 2001

Maturity March 1	Interest Rate		Par Amount	Call Date	Call Price	
2012	4.500	%	$ 920,000	3/1/2011	100.00	%
2013	4.650		950,000	3/1/2011	100.00	
2014	5.375		1,050,000	3/1/2011	100.00	
2015	5.375		1,050,000	3/1/2011	100.00	
2016	5.375		1,025,000	3/1/2011	100.00	
2017	5.375		1,025,000	3/1/2011	100.00	
2018	5.000		1,025,000	3/1/2011	100.00	
2019	5.000		1,025,000	3/1/2011	100.00	
2020	5.000		1,000,000	3/1/2011	100.00	
2021	5.000		1,000,000	3/1/2011	100.00	
			$ 10,070,000			

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APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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THE COUNTY

The following information has been derived from various sources, including the Texas Almanac, Texas Municipal Reports, U.S. Census Bureau, Greater Fort Bend Economic Development Council, Fort Bend Chamber of Commerce, National Decision Systems, Texas Employment Commission, Sales and Marketing Management, Urban Decision Systems, Woods & Poole Economics, and County officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

GENERAL

Fort Bend County, a component of the Houston Statistical Area, has an economy based on mineral production, construction, manufacturing and agriculture. According to the Fort Bend County Economic Development Council, the County has been one of the nation's twenty fastest growing counties for over fifteen years. The County was created from Austin County in 1837 and organized in 1838 and encompasses 886 square miles. The County is located in the coastal plains of southeast Texas, bordering Harris County to the northeast. The County is bisected from east to west by U.S. Highway 59 and north to south by State Highway 36.

Cities within the County are Richmond, Rosenberg, Sugar Land, Needville, Beasley, Kendleton, Orchard, Fulshear, Pleak, Arcola, Simonton, Thompsons and portions of Katy, Missouri City, Stafford and a very small portion of Houston.

Schools within the County are Fort Bend ISD, Kendleton ISD, Lamar Consolidated ISD, Needville ISD, Katy ISD, Stafford Municipal ISD and Wallis-Orchard ISD. The school district with the largest assessed value is Fort Bend ISD, comprising approximately 174 square miles located in the northeastern section of the County and adjacent to portions of Harris County and Brazoria County. The boundaries of Fort Bend ISD include the Cities of Sugar Land and Missouri City. The school district encompassing the largest area in the County is Lamar Consolidated ISD, comprising approximately 328.68 square miles located in the central and west portion of the County. The boundaries of Lamar Consolidated ISD include the cities of Richmond and Rosenberg.

Two Junior College systems have satellite campuses in Fort Bend County: Wharton County Junior College has campuses located in Richmond and Sugar Land, and Houston Community College has a campus located in Stafford. The West Houston Institute of the University of Houston occupies a facility in the Cinco Ranch project in the North Central portion of the County. Additionally, the University of Houston at Sugar Land brings the resources of the four UH System universities into Fort Bend County. Through the collaborative efforts of the University of Houston and Wharton County Junior College, all the course work for accredited bachelor's and master's degree programs can be done in Sugar Land. More than 1,400 students now attend classes at the Sugar Land campus and can choose from more than 32 degree programs through the masters level at this multi-institutional teaching center. The community college offers freshman and sophomore courses, while the University of Houston Sugar Land offers junior, senior and master's courses.

MAJOR EMPLOYERS

Employer	Line of Business	Number of Employees
Fort Bend ISD	Public Education	9,500
Fluor Daniel	Engineering, Construction, Maintenance & Technical Services	4,000
Lamar CISD	Public Education	3,016
Schlumberger Technology Corp.	Energy Exploration Technology/Research	2,100
Fort Bend County	County Government	2,000
Texas Instruments	Electronics & Semiconductor Manufacturer	1,400
Richmond State School	Special Education	1,396
SouthWest Water	Manages, Operates & Maintains Waste Water Systems	1,332
United Parcel Service	Package Distribution	1,100
Houston Community College	Public Education	815
Methodist Sugar Land Hospital	Healthcare	760
Wharton County Junior College	Public Education	623
Oak Bend Medical Center	Healthcare	615
Frito-Lay, Inc.	Snack Food Manufacturer	511
Tramontina	Manufacturer & Marketer of Cutlery & Cookware	501
Baker Petrolite, Inc.	Checmical Manufacturer	491
Nalco Company	Chemical Production	475
Personix	Plastic Card Embossing	460
Tyco Valves & Controls	Valve Manufacturer	450
Memorial Hermann - Fort Bend	Hospital	450
National Oilwell Varco, Inc.	Manufacturing & Service for Drilling & Oilfield Equipment	420
Puffer-Sweiven	Supplier of Products & Services for Process Control	415
Hudson Products	Industrial Equipment Manufacturer	400
Flextronics	Electronics, Design, Fabrication, Assembly & Test Company	336
Suntron Corporation	Manufacturer	330
Yokogawa Corp. of America	Manufacturer & Supplier of Instrumentation, Process Control	317
Texas Dept. of Criminal Justice	State Prison	300
Noble Drilling Services	Drilling Services	300
Hines Nurseries	Agriculture Nursery	300
Allied Concrete	Produces Concrete	288
ION Geophysical Corporation	Manufacturer of Seismic Data Equipment	284
Fairfield Industries	Seismic Company	256
Champion Technologies, Inc.	Specialty Chemical Company	246
AT&T	Telephone Utility	238
General Technologies, Inc.	Specialty Reinforcement Systems	175
Sunoco Logistics Partners	Pipeline	165
Kelsey-Seybold Clinic	Healthcare	160
Crown & Cork Seal	Supplier of Packaging Products to Consumer Marketing	160
Imperial Sugar	Cane Sugar Refining and Production	150
Benedittini Cabinetry	Cabinetry Manufacturer	135
Biotics Research Corporation	Manufacturer of Specially Designed Nutritional Products	130
Cardinal Health	Global Healthcare Service Hostipals, Pharmacies & Suppliers	120
Tadiran Microwave Networks	Manufacturer/Supplier of Microwave Radio Equipment	103
CenterPoint Energy	Electric Utility	100

Source: Greater Fort Bend County Economic Development Council, 2009

POPULATION[1]

1960	1970	1980	1990	2000
40,527	52,314	130,846	225,421	354,452

(1) Source: U.S. Census Bureau.

LABOR STATISTICS

Calendar Year	Labor Force	Total Employment	Unemployment	Rate
2002	206,947	196,216	10,731	5.2%
2003	217,182	203,879	13,303	6.1%
2004	225,687	213,190	12,497	5.5%
2005	235,559	223,284	12,275	5.2%
2006	244,314	232,714	11,600	4.7%
2007	252,717	242,412	10,305	4.1%
2008	264,678	252,748	11,930	4.5%
2009	272,021	252,315	19,706	7.2%
2010 (1)	276,002	253,033	22,968	8.3%

Source: Texas Employment Commission.
(1) Average through June 2010.

TRANSPORTATION

HIGHWAY INFRASTRUCTURE . . . The County can be easily accessed by road systems from every direction. The Southwest Freeway (US 59), Katy Freeway (I-10), US 90A, the Fort Bend Westpark Toll Road and the Fort Bend Parkway Toll Road generally provide access to the County from east to west. State Highway 6, the Sam Houston Tollway (Beltway 8), State Highway 36, FM 723, and the Grand Parkway all provide excellent north-south access from US 59 to I-10. The Texas Department of Transportation provides responsive programs in an effort to meet all requirements of a growing County.

BY LAND . . . Trucking is now deregulated with more than 600 truck lines operating within the Houston region. Rates are negotiable. No additional transportation costs are required for companies delivering finished products to or from Fort Bend County.

BY SEA . . . Fort Bend's proximity to one of the world's busiest ports adds an international dimension to its market access. The Port of Houston ships cargo to 200 ports around the world. County companies have easy access to the Port via U.S. Highway 59, the most utilized highway serving Mexico from the Port of Houston.

BY RAIL . . . The Burlington North & Santa Fe and Union Pacific provide the necessary rail service for the greater Houston metropolitan area. These railroads give manufacturers effective access to raw materials and low cost transportation for their finished goods to all national markets.

BY COMMERCIAL AIR . . . **George Bush Intercontinental/Houston** and **William P. Hobby Airports** provide extensive, cost-effective air transportation to 150 destinations worldwide. Travelers can reach anywhere in the United States or Mexico in five hours or less by air. These modern, highly advanced airports can meet the needs of the smallest to the largest companies in the marketplace.

BY CORPORATE AIR . . . **Sugar Land Municipal Airport** is a general aviation facility with the capability to service all types of aircraft. The airport is an all-weather facility with a new tower allowing for improved commercial and corporate air service. **Houston Southwest Airport** is a convenient alternative in southeast Fort Bend County with easy access to the Texas Medical Center, Reliant Park and the emerging Highway 288 commercial corridor.

BY OVERNIGHT EXPRESS . . . UPS, Federal Express, and DHL are among the many carriers that serve Fort Bend County's domestic and international delivery needs. UPS, the largest package distribution company in the world, has a distribution hub located in Stafford.

WATER TRANSPORTATION . . . The Port of Houston adds an international dimension to the exceptional market access enjoyed by Fort Bend companies. Whether a company needs to import raw materials or export finished products, the Port has the facilities and equipment to accommodate shipper's needs in a cost-effective manner.

UTILITIES

ELECTRICITY . . . Reliant Energy is engaged in the generation, transmission, distribution and sale of electric energy, serving an estimated area of 5,000 square miles. With over 13 million kilowatts in net generating capability, Reliant Energy is fully equipped to handle the electric needs of any industrial or commercial consumer, now and in the foreseeable future.

NATURAL GAS . . . Natural gas is abundant with Center Point Energy offering a reliable long-term supply to companies in the region.

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APPENDIX B

EXCERPTS FROM THE

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

The information contained in this Appendix consists of excerpts from the Fort Bend Flood Control Water Supply Corporation Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the Corporation's financial condition. Reference is made to the complete Report for further information.

FORT BEND FLOOD CONTROL
WATER SUPPLY CORPORATION
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FINANCIAL SECTION

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Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Fort Bend Flood Control Water Supply Corporation
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend Flood Control Water Supply Corporation, (the "Corporation"), as of and for the year ended September 30, 2009, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend Flood Control Water Supply Corporation as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Null-Lairson, P.C.

Houston, Texas
January 27, 2010

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As management of the Fort Bend Flood Control Water Supply Corporation (the Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended September 30, 2009.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the Corporation that is principally supported by general revenues received from Fort Bend County. The Corporation was created under Chapter 67, Texas Water Code (formerly Article 1434a, Texas Revised Civil Statutes) for the purpose of providing flood control and drainage systems for towns, cities, other political subdivisions, private corporations, individuals and other persons of Fort Bend County.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Corporation maintains a debt service fund and a capital projects fund on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

The debt service fund and capital projects fund are governmental funds used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the debt service and capital projects funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the debt service and capital projects funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the governmental fund financial statements in this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, liabilities exceeded assets by $5.8 million as of September 30, 2009. Below is a condensed schedule of net assets for the Corporation as of September 30, 2009 and 2008 (in $000's).

	2009	2008
Current assets	$ 4,604	$ 4,602
Total Assets	4,604	4,602
Liabilities		
Current liabilities	64	55
Long-term liabilities	10,390	10,550
Total Liabilities	10,454	10,605
Net Assets (Deficit)	$ (5,850)	$ (6,003)

This deficit balance is directly attributable to the approximately $10.4 million of bonds payable that the Corporation has outstanding at September 30, 2009. The Corporation issues debt to finance the construction of flood control and drainage improvement projects. The Corporation constructs flood control and drainage improvement projects pursuant to contracts with Fort Bend County. Under each contract, the Corporation agrees to issue bonds to finance the construction of drainage improvements, to construct drainage improvements to the respective creek, and to convey the completed improvements to Fort Bend County.

Under each contract, Fort Bend County agrees to levy and assess an ad valorem tax against all taxable property in the County in an amount sufficient to pay the debt service on the Corporation's bonds. The Corporation has entered into a contract for the construction of drainage improvements on Oyster Creek and another contract for the construction of improvements on Big Creek. Under the Oyster Creek project, Fort Bend County agreed to impose an impact fee on development within the Oyster Creek watershed to provide an additional source of revenue.

Once a project is completed, the project is turned over to Fort Bend County and the Corporation does not record these projects as capital assets in its financial statements. Most flood control projects only involve increasing the width or depth of an existing creek channel. In general, the Corporation purchases fee title to the drainage right-of-way, and convey the drainage channel to Fort Bend County. Once projects are completed, any purchased property is conveyed to Fort Bend County (the County), and is recorded as a capital asset in the County's financial statements. In summary, the Corporation issues debt to finance flood control projects, but does not record the "completed project" as a capital asset in its financial statements. Therefore, in general, the liabilities of the Corporation will always exceed its assets.

The following table is a condensed schedule of changes in net assets for the years ended September 30, 2009 and 2008 (in $000's):

	2009	2008
General revenues		
Property taxes from County	$ 570	$ 3,120
Impact fees	119	275
Earnings on investments	71	165
Total General Revenues	760	3,560
Program Expenses		
Flood control projects	77	607
Interest and fiscal charges on long-term debt	530	591
Total Program Expenses	607	1,198
Change in Net Assets	153	2,363
Beginning Net Assets (Deficit)	(6,003)	(8,365)
Ending Net Assets(Deficit)	$ (5,850)	$ (6,003)

For the year ended September 30, 2009, the Corporation's general revenues consisted primarily of property taxes, impact fees collected by the Fort Bend County Drainage District, and investment income. Because impact fees and investment income were not sufficient to satisfy the required debts service payments on the Corporation's bonds, Fort Bend County provided property tax revenues of approximately $570,000. Property tax revenues allocated to the Corporation's debt service decreased from the previous year due to the maturity of the 1995 series bonds and 1999 series refunding bonds. Impact fees continue to decrease due to the areas in which the Corporation earns such revenues becoming fully developed. Planned decreases in expenses for the Big Creek flood control project accounted for the decrease in program expenses by approximately $530,000 continue to account for a decrease in program expenses, in addition to lower interest expense of $62,000 from prior year as a result of a decrease in bond payable balance..

Fund Financial Analysis

As of September 30, 2009, the Corporation's governmental funds, which consist of a debt service fund and a capital projects fund, reported an ending fund balance of $4.6 million. The Corporation's main source of revenue is property taxes and impact fees, which totaled $570,000 and $119,000 respectively, for the year ended September 30, 2009. The Corporation's ending fund balance primarily represents the proceeds from the Corporation's 2001 series revenue bonds that were issued to fund the Big Creek project.

Debt Administration

As of September 30, 2009, the Corporation has $10.4 million of bonds payable which mature in 2021. Below is a description of the bonds outstanding at September 30, 2009 and 2008 (in $000's):

	2009	2008
FBFCWSC Series 2001 Bonds	$ 10,390	$ 10,550

Contacting the Corporation's Management and Obtaining Financial Information

Any questions or concerns regarding the Corporation should be directed to management of the Corporation: Fort Bend Flood Control Water Supply Corporation, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway Suite 2600, Houston, Texas 77027. This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fort Bend County Auditor's Office: Ed Sturdivant, County Auditor, Fort Bend County, Texas, 301 Jackson Suite 533, Richmond, Texas 77469.

Basic Financial Statements

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
STATEMENT OF NET ASSETS
September 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,603,900
Total Assets	4,603,900
Liabilities	
Due to other funds	20,275
Accrued interest payable	43,468
Long-term liabilties due within one year	160,000
Long-term liabilties due in more than one year	10,230,000
Total Liabilities	10,453,743
Net Assets (Deficit)	
Unrestricted	(5,849,843)
Total Net Assets (Deficit)	$ (5,849,843)

See Notes to Financial Statements.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

	Governmental Activities
Program Expenses	
Flood control projects	$ 77,058
Interest and fiscal charges on long-term debt	529,871
Total Program Expenses	606,929
General Revenues	
Property taxes	570,276
Impact fees	118,964
Earnings on investments	70,452
Miscellaneous	
Total General Revenues	759,692
Increase in Net Assets	152,763
Net (Deficit), Beginning	(6,002,606)
Net (Deficit), Ending	$ (5,849,843)

See Notes to Financial Statements.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2009

	Debt Service	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	$	$ 4,603,900	$ 4,603,900
Total Assets	$	$ 4,603,900	$ 4,603,900
Liabilities and Fund Balances			
Liabilities			
Due to other funds		20,275	20,275
Total Liabilities		20,275	20,275
Fund Balances			
Unreserved:			
Designated for capital projects		4,583,625	4,583,625
Total Fund Balances		4,583,625	4,583,625
Total Liabilities and Fund Balances	$	$ 4,603,900	$ 4,603,900

Adjustments for the Statement of Net Assets:	
Fund Balances - Governmental funds	$ 4,583,625
Long-term liabilities, including accrued interest & bonds payable, are not due & payable in the current period and therefore, are not reported as liabilities in the government funds, resulting in decreases to Net Assets.	
Accrued interest	(43,468)
Bonds payable	(10,390,000)
Net (Deficit) of Governmental Activities	$ (5,849,843)

See Notes to Financial Statements.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	Debt Service	Capital Projects	Total Governmental Funds
Revenues			
Property taxes	$ 570,276	$	$ 570,276
Impact fees	118,964		118,964
Earnings on investments		70,452	70,452
Total Revenues	689,240	70,452	759,692
Expenditures			
Current operating:			
Flood control projects		77,058	77,058
Debt Service			
Principal retirement	160,000		160,000
Interest and fiscal charges	529,240		529,240
Total Expenditures	689,240	77,058	766,298
Net Change in Fund Balance		(6,606)	(6,606)
Fund balances - Beginning		4,590,232	4,590,232
Fund Balances - Ending	$	$ 4,583,625	$ 4,583,625
Net changes in fund balances - governmental funds			$ (6,606)
Adjustments for the Statement of Activities:			
Payments of principal on bonds payable are reported as expenditures in the governmental funds, but these payments reduce long-term liabilities in the Statement of Net Assets.			160,000
An accrual for interest expense is not recognized in the governmental fund basis but is in the statement of activities. Interest accrual includes interest on long term debt. The interest accrual was less this year than last year thereby increasing net assets.			(631)
Change in Net Assets of Governmental Activities			$ 152,763

See Notes to Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements include all of the funds and activities of the Fort Bend Flood Control Water Supply Corporation (the "Corporation").

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the Corporation's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Corporation is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining whether the Corporation's financial reporting entity status is that of a primary government are whether it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Based on criteria prescribed by generally accepted accounting principles, the Corporation is considered a component unit of Fort Bend County, Texas (the "County"). The primary criteria for the inclusion of the Corporation in the County's reporting entity, is that of financial accountability. The Commissioners Court, as the elected governing body of the County, appoints the members of the Board of the Corporation (a legally separate entity). As such, the Commissioners Court, has the ability to significantly influence the operations of the Corporation by approving all budgets, borrowings, disbursements, and other transactions. The Corporation was organized for the benefit of the County to provide for funding and construction of flood control and drainage projects for the County. When flood control projects and improvements are completed, they are conveyed to the County and are maintained by the Fort Bend County Drainage District (the "District").

Additionally, as required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Corporation's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the Corporation's financial reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information about the Corporation as a whole and include all activities of the Corporation. The effect of interfund activity has been eliminated from the government-wide statements. All of the Corporation's activities are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statements of net assets.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The following is a description of the various funds:

Debt Service Fund
The Debt Service Fund is used to account for payment of principal and interest on long-term debt.

Capital Projects Fund
The Capital Projects Fund is used to account for the resources that are restricted to the construction and acquisition of major flood control projects and improvements.

D. Flood Control Projects and Improvements

The Corporation was formed for the purpose of financing and constructing flood control projects and improvements. Once a flood control project is completed, any land or easements purchased by the Corporation during the project is conveyed to Fort Bend County and is then maintained by the Fort Bend County Drainage District. Fort Bend County then records the land and easements as infrastructure in its annual financial statements. Therefore, the Corporation does not record any capital assets.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, these estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

The Corporation's cash consists of demand deposits and investment pools.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The Commissioners Court adopts an annual appropriations budget for the County-wide Debt Service Fund. No individual appropriations style budget is adopted for the Corporation's individual Debt Service Fund.

No annual budget is adopted for the Capital Projects Fund. Effective budgetary control in the Capital Projects Fund is achieved through individual project budgeting.

B. Deficit Net Assets

The Corporation's deficit net assets balance as of September 30, 2009 is a reflection of the Corporation's organization and purpose. As previously discussed, the Corporation was formed to provide financing for flood control projects. Once the projects are complete, any infrastructure that has been purchased, such as land or easements, is conveyed to the County and reported as a capital asset in the County's financial statements. Therefore, the debt issued by the Corporation to finance these flood control projects is not offset by capital assets acquired from these projects, resulting in a deficit net assets balance.

NOTE 3 - CASH AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Corporation.

In accordance with applicable statutes, the Corporation has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the Corporation incurs for banking services received. The Corporation may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as *to* investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. Corporation policy requires the collateralization level to be at least 100% of market value of principal.

The Board of Directors has adopted a written investment policy regarding the investment of Corporation funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). Investments made by the Corporation are in compliance with the Corporation's investment policy. The Corporation's investment policy is more restrictive than the PFIA requires. It is the Corporation's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and local government investment pools.

NOTE 3 - CASH AND INVESTMENTS (Continued)

At September 30, 2009, the Corporation reported deposits in the amount of $4,588,878 and the bank balance was $4,598,257. The Corporation's collateral requirement, in accordance with its investment policy is 100%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the County's name, which totaled $383,427,906 as of September 30, 2009.

B. Concentration of Credit Risk

It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets of a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

At year end, all of the Corporation's investments (0.3% of total portfolio) were in a Texas public funds investment pool, LOGIC.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The Corporation monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the Corporation reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years. At year-end, the Corporation's cash and investments balances and the weighted average maturity of these investments were as follows:

	Fair Value	Weighted Average Maturity
Demand deposits	$ 4,588,878	1
LOGIC - Local Government Investment Cooperative	15,022	53
Total Cash and Cash Equivalents	$ 4,603,900	

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Credit Risk

The Corporation's investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2009, the Corporation's investment (Logic Investment Pool) was rated "AAAm" by Standard and Poor's.

NOTE 4 - PROPERTY TAXES

In the event that impact fees collected are insufficient to meet the required debt service payments each year, the County provides property tax revenues to fund the deficiency. No separate tax rate is set by the County for the Corporation's debt, therefore, no taxes receivable balances are maintained in the Corporation's Debt Service Fund.

NOTE 5 - LONG-TERM DEBT

The Corporation issues contract revenue bonds for the purpose of financing flood control projects. The revenue bonds are paid through the Corporation's Debt Service Fund from impact fees collected by the Fort Bend County Drainage District (for Oyster Creek Project only) and property taxes levied by the County. The following schedule is a summary of changes in the Corporation's total long-term liabilities for the year ended September 30, 2009.

	Balance Sept. 30, 2008	Additions	Reductions	Balance Sept. 30, 2009	Amounts Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 10,550,000	$	$ (160,000)	$ 10,390,000	$ 160,000
	$ 10,550,000	$	$ (160,000)	$ 10,390,000	$ 160,000

Long-term liabilities of the Corporation are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

A summary of the outstanding revenue bonds as of September 30, 2009, follows:

Series	Original Issue Amount	Matures	Rate (%)	Principle Outstanding
Revenue Bonds				
FBFCWSC Series 2001 Bonds	$ 11,650,000	2021	2.85-5.38	$ 10,390,000
				$ 10,390,000

NOTE 5 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are summarized as follows:

Fiscal Year	Principal	Interest	Totals
2010	$ 160,000	$ 521,618	$ 681,618
2011	160,000	514,658	674,658
2012	920,000	490,438	1,410,438
2013	950,000	447,650	1,397,650
2014	1,050,000	397,344	1,447,344
2015	1,050,000	340,906	1,390,906
2016	1,025,000	285,141	1,310,141
2017	1,025,000	230,047	1,255,047
2018	1,025,000	176,875	1,201,875
2019	1,025,000	125,625	1,150,625
2020	1,000,000	75,000	1,075,000
2021	1,000,000	25,000	1,025,000
Totals	$ 10,390,000	$ 3,630,302	$ 14,020,302

NOTE 6 - CONTINGENT LIABILITIES

The Corporation is contingently liable for lawsuits and other claims arising in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the Corporation at September 30, 2009.

NOTE 7 - RISK MANAGEMENT

The County is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. The participation of the County in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

NOTE 8 - BIG CREEK PROJECT

In fiscal year 2001, the Corporation issued $11,650,000 in revenue bonds to finance the Big Creek project, which has a budget of approximately $15.7 million. The purpose of the Big Creek project is to improve and enlarge approximately twenty linear miles of channel currently being maintained by the District. More specifically, approximately $4 million was used to design and construct a structure at the outfall of the Big Creek Bypass Channel and an erosion control structure constructed at the confluence of Big Creek and the Bypass Channel. The remaining funds are being used to design and construct channel improvements along Big Creek from FM 762 upstream to Big Creek's confluence with Cottonwood Creek and Coon Creek.

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Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting

To the Board of Directors
Fort Bend Flood Control Water Supply Corporation
Fort Bend County, Texas

We have audited the financial statements of Fort Bend Flood Control Water Supply Corporation (the "Corporation"), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Null-Lairson, P.C.

Houston, Texas
January 27, 2010

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APPENDIX C

EXCERPTS FROM THE

COUNTY OF FORT BEND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

The information contained in this Appendix consists of excerpts from the County of Fort Bend, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Robert E. Hebert, County Judge
and Members of the Commissioners Court
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Bend County, Texas (the "County"), as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Robert E. Hebert, County Judge
and Members of the Commissioners Court
Fort Bend County, Texas

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Bend County, Texas' basic financial statements. The management's discussion and analysis, budgetary comparison information, and pension system information on pages 3 through 11 and 59 through 62, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section, combining and individual fund financial statements and schedules, as well as statistical tables, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Null Lairson, P.C.

March 23, 2010
Houston, Texas

As management of Fort Bend County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $709.3 million (net assets). Of this amount, $23.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by $45.5 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $218.2 million, an increase of $47.7 million over the prior year.
- At the end of the current fiscal year approximately $34.5 million is available for spending at the government's discretion (unreserved, undesignated general fund balance). This fund balance amounts to 18% percent of total general fund expenditures.
- The County's total long-term liabilities increased by $138 million during the current fiscal year. The increase was primarily as a result of bonds issued during 2009 of $128 million including premiums, reduced by debt retirements of $11.2 million and amortization of bond premiums of $3.8 million. The increase in long-term liabilities is also due to an increase in the other post-employment benefit obligations (OPEB) of $24.7 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the County that are principally supported by taxes (governmental activities). The governmental activities of the County include general administration, financial administration, administration of justice, construction and maintenance, health and welfare, cooperative service, public safety, parks and recreation, libraries and education, and interest on long-term debt.

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The County's three discretely presented component units consist of the following:

- Fort Bend County Toll Road Authority
- Fort Bend Surface Water Supply Corporation
- Fort Bend Housing Finance Corporation

The government-wide financial statements can be found on pages 13 through 15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 71 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Mobility 2009 Projects Fund, 2007 Facilities Bond Fund, and the Justice Center Project Fund, all of which are considered to be major funds. Data from the other 66 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic governmental fund financial statements can be found on pages 16 through 22 of this report.

Proprietary funds

The County uses internal service funds to report activities that provide services for the County's other programs and activities. The Employee Benefits Fund and Other Self-Funded Insurance Fund are the County's internal service funds. Their purpose is to provide for the accumulation of money for insurance and employee benefits used in County operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 23 through 25 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 26 of this report.

Combining component unit financial statements

The County's three discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the major discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

The combining component unit financial statement can be found on pages 27 through 29 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 57 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. The County adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 59 through 62 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $709.3 million at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (96.0 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, road equipment, office furniture and equipment, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED SCHEDULE OF NET ASSETS
September 30, 2009 and 2008

	Primary Government Governmental Activities	
	2009	**2008**
Current and other assets	278,493,662	$ 227,762,347
Capital assets, net	877,364,817	746,378,348
Total Assets	1,155,858,479	974,140,695
Long-term liabilities	408,205,327	267,048,926
Other liabilities	38,320,535	43,257,194
Total Liabilities	446,525,862	310,306,120
Net Assets:		
Invested in capital assets, net of debt	680,884,356	617,510,080
Restricted	5,363,740	4,034,606
Unrestricted	23,084,521	42,289,889
Total Net Assets	$ 709,332,617	$ 663,834,575

A portion of the County's net assets, $5.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $23.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The County's assets exceeded liabilities by $709 million, resulting in an increase of $45.5 million from the prior year. This increase primarily relates to the addition of capital assets net of depreciation of $131 million as a result of the County's building of infrastructure, roads and bridges, and facilities. The increase is also due to unexpended bond proceeds which rose by $49.1 million as a result of the following

fund balance changes: Mobility 2009 Bonds Fund, $35.5 million; Justice Center Bonds Fund, $60 million; offset by a decrease in the 2007 Facilities Bonds Fund of $46.4 million. These increases were offset by a net increase of $137.7 million in long-term liabilities primarily due to the sale of the Mobility 2009 Bonds and the Justice Center Bonds of $127.7 million (including bond premiums).

SCHEDULE OF CHANGES IN NET ASSETS

For the years ended September 30, 2009 and 2008

	Primary Government Governmental Activities	
	2009	**2008**
Revenues		
Program revenues:		
Charges for services	$ 35,102,888	$ 32,371,981
Operating grants and contributions	33,935,787	24,183,910
Capital grants and contributions	63,974,765	33,540,586
General revenues:		
Property taxes	191,467,403	171,832,680
Earnings on investments	3,664,184	8,082,178
Other	3,901,588	3,486,452
Total Revenues	332,046,615	273,497,787
Expenses		
General administration	40,876,045	33,235,842
Financial administration	8,841,189	7,581,878
Administration of justice	75,836,037	65,681,467
Construction and maintenance	45,882,038	47,535,293
Health and welfare	25,623,533	21,592,759
Cooperative services	1,188,580	1,143,390
Public safety	61,126,911	50,016,288
Parks and recreation	1,879,525	2,128,502
Libraries and education	12,956,363	12,325,097
Interest on long-term debt	12,338,352	10,621,067
Total Expenses	286,548,573	251,861,583
Change in Net Assets	45,498,042	21,636,204
Net Assets, Beginning	663,834,575	642,198,371
Net Assets, Ending	$ 709,332,617	$ 663,834,575

At the end of the current fiscal year, the County was able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

Governmental activities increased the County's net assets by $45.5 million. This was up by $23.9 over last year's increase of $21.6 million. The key elements of this increase are as follows:

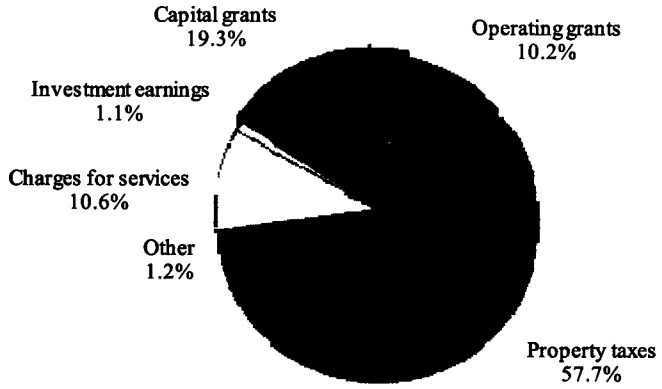
- Property tax revenues of $191.5 million, which increased by $19.6 million from the prior year as a result of increased development in the County and higher property values.

- Increases from the prior year for capital grants and contributions of $30.4 million, operating grants and contributions of $9.8 million, and charges for services of $2.7 million. These increases are primarily due to increased activity related to demand for services and infrastructure.

- These increases were offset by increased expenses over the prior year for public safety of $ 11.1 million, general administration of $7.6 million, health and welfare of $4.0 million, and administration of justice of $10.2 million. These increases were primarily due to higher salaries and wages including benefits, higher fuel prices, and higher overall costs due to inflation. There was also a decrease in earnings on investments from the prior year of $4.4 million caused by reduced interest rates that further offsets the revenue increases.

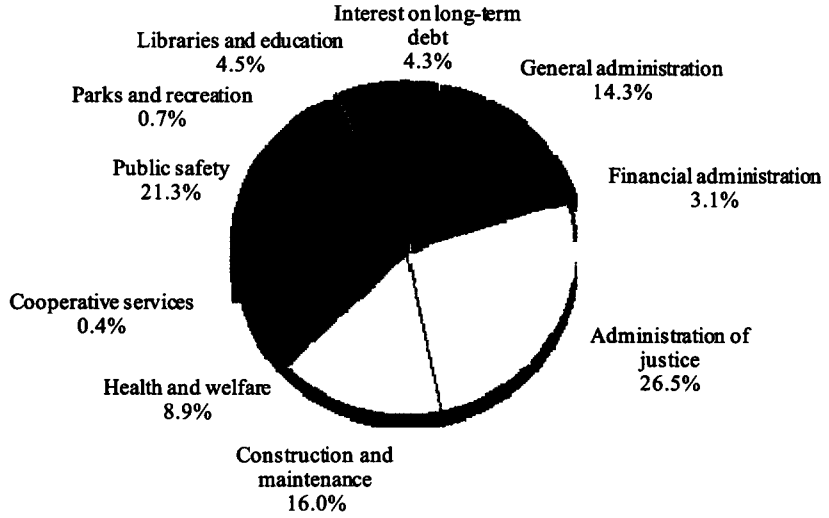
Governmental revenues for fiscal year 2009 are graphically displayed as follows:

GOVERNMENTAL REVENUES



Governmental functional expenses were as follows:

GOVERNMENTAL FUNCTIONAL EXPENSES



Financial Analysis of the County's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The County's governmental funds reflect a combined fund balance of $218.2 million. Of this, $57.6 million is unreserved and available for day-to-day operations of the County. In addition, $6.1 million is reserved for debt service and the remaining reserved amount is for capital projects and prepaid items of $154.5 million and $111.5 thousand, respectively.

There was an increase in the combined fund balance of $47.7 million from the prior year. The increase in fund balance includes a $60 million increase in the Justice Center Project Fund as a result of bond proceeds from the sale of bonds during 2009. The increase is also due to a increase of $35.5 million in the Mobility 2009 Project Fund as a result of bond proceeds from the sale of bonds during 2009 in order to fund road projects. These increases are offset by a $46.4 million decrease in the 2007 Facilities Bond Fund as a result of capital outlay expenditures for mobility and facility projects. The decrease in the General Fund of approximately $4.2 million is due to operating expenditures exceeding operating revenues and net other financing uses during the course of operations.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Employee Benefits Fund had a net assets balance at fiscal year-end of $9.2 million, which is $6.2 million over the target. In addition, the Other Self-Funded Insurance Fund has deficit net assets of $2.1 million at fiscal year-end. The Employee Benefits net assets surplus has been budgeted to be reduced by $6.2 million in fiscal year 2010 by reducing the healthcare allocations from each departmental budget. The allocation for Other Self-Funded Insurance will be increased over the next four fiscal years (beginning with 2011) to eliminate the deficit net assets balance.

General Fund Budgetary Highlights

During the year there was a net $0.5 million decrease in appropriations between the original and final amended budget. The main components of this were a decrease due to $5.4 million being transferred to multi-year capital projects with budgets that extend beyond the County's fiscal year and an offset of $4.9 million added by budget amendment for 23 supplemental law enforcement contracts that are 100% reimbursable by other contracting entities. The General Fund also allocated $3.5 million to the Debt Service Fund through the General Fund's transfers out account due to a correction in estimating beginning fund balance between the two funds during the 2009 budget process.

Fees and Fines resulted in excess revenues over budget due to: increased auto registration fees of $851 thousand; increased collections for EMS services of $751 thousand due to greater effort on delinquencies; and increased collection by fee officers through court activity of $2 million. Property Taxes resulted in a $582 thousand shortfall due to overestimation of the collection rate. Earnings on investments resulted in a $1.8 million shortfall due to the continued decline of interest rates.

General Administration expenditures had a budget surplus of $3 million due mainly to reduced fees, utilities, and fuel costs.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2009, the County's governmental activities had invested $877.4 million in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately $131 million over the previous fiscal year.

FORT BEND COUNTY'S CAPITAL ASSETS

	Governmental Activities	
	2009	**2008**
Non-Depreciable Assets		
Land and intangibles	$ 302,118,216	$ 270,596,282
Construction in progress	121,423,463	133,300,768
Other Capital Assets, Net		
Vehicles	7,820,804	6,940,630
Office furniture and equipment	7,104,929	5,988,975
Machinery and equipment	10,379,003	9,813,297
Buildings, facilities and improvements	146,704,669	62,135,291
Infrastructure	281,813,734	257,603,104
Totals	$ 877,364,818	$ 746,378,347

Construction in progress at year-end represents numerous ongoing projects, the largest of which are: Gus George Law Enforcement Training Academy for $6.4 million; Sienna Library for $8.4 million; Fort Bend Justice Center for $14.4 million; JST Software Project for $3.5 million; and Flood Control/Drainage Projects (Big Creek and Oyster Creek) for $16.9 million.

Long-Term Debt - At the end of the current fiscal year, the County had total bonds outstanding of $343.3 million. This is an increase of $111.2 million from the prior year due to the issuance of bonds for the 2009 Mobility Project for $48.9 million and the Justice Center for $71 million. In addition, refunding bonds were sold totaling $2.5 million during the fiscal year. These increases were offset by principal payment of $11.2 million. The total amount relates to general obligation bonds.

	Governmental Activities	
	2009	**2008**
General Obligation Bonds	$ 343,330,000	$ 232,130,000
Total	$ 343,330,000	$ 232,130,000

The County received an insured rating of Aaa from Moody's and Standard and Poors on issuances prior to 2009. The three issuances in 2009 were not insured and therefore retained the uninsured ratings. The uninsured ratings were as follows:

Moody Investor Service Aa2
Standard and Poor's AA+

The Fort Bend Housing Finance Corporation (the "Corporation"), a component unit of the County, has issued conduit debt in the amount of $98.3 million. The tax-exempt bonds issued by the Corporation do not constitute a debt or pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2009, approximately $39.3 million of total bonds were outstanding.

Additional information on capital assets and long-term debt is available in Notes 6 and 7 respectively, to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County continues to enjoy growth in various demographic areas during this ongoing economic slowdown.

The population of the County is estimated at 578,730 in 2010 and is expected to grow by 4.26% annually through 2015. Total employment is estimated at 228,850 in 2010 is expected to grow by 3.29% annually over the same period.

The number of households has increased to 188,120 in 2010 and is expected to grow to 229,680 by 2015. Mean household income for 2010 is $138,034 and is estimated to rise to $159,930 by 2015. Income per capita is currently at $45,286 and is expected to grow to $53,261 by 2015. Retail sales increased by 3.1% to $5.46 billion in 2010 and should grow to $6.86 billion by 2015.

The Commissioners Court approved a $237.4 million total budget for the 2010 fiscal year. This is a 10.7% increase over the adopted 2009 fiscal year budget. The growth in the budget is driven by increased costs of doing business as well as funding for drainage, mobility, and increased services to the citizens of the County. The overall tax rate remained constant from 2009 to 2010 at $0.49976 per $100 of assessed valuation.

Requests for Information

This financial report is designed to provide a general overview of Fort Bend County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to Ed Sturdivant, County Auditor, 301 Jackson, Suite 533, Richmond, TX 77469, telephone (281) 341-3760.

BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government	
	Governmental Activities	**Component Units**
Assets		
Cash and equivalents	$ 244,544,638	$ 28,009,035
Receivables:		
Taxes, net	8,475,390	
Grants	13,728,154	
Fees and fines	4,319,143	5,069
Other	1,453,170	1,288,065
Prepaid items	112,349	
Deferred issuance costs	3,280,054	809,322
Receivable from fiduciary fund	2,276,724	
Due from component units	304,040	
Capital assets, not being depreciated:	423,541,679	
Capital assets, net of accumulated depreciation:	453,823,138	152,943,067
Total Assets	1,155,858,479	183,054,558
Liabilities		
Accounts payable and accrued expenses	27,031,052	3,900
Retainage payable	4,579,716	
Accrued interest payable	1,347,198	562,786
Unearned revenues	4,073,173	
Due to primary government		304,040
Due to other governments	1,289,396	
Long-term liabilities due within one-year	11,439,631	
Long-term liabilities due in more than one-year	396,765,696	139,177,969
Total Liabilities	446,525,862	140,048,695
Net Assets		
Invested in capital assets, net of related debt	680,884,356	13,765,098
Restricted for:		
Debt Service	5,363,740	
Unrestricted	23,084,521	29,240,765
Total net assets	$ 709,332,617	$ 43,005,863

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended
September 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General administration	$ 40,876,045	$ 6,991,778	$ 6,257,935	$
Financial administration	8,841,189	2,451,191		
Administration of justice	75,836,037	6,828,228	7,242,476	
Construction and maintenance	45,882,038	8,442,746	1,509,761	62,012,765
Health and welfare	25,623,533	5,057,246	4,982,855	45,000
Cooperative services	1,188,580			
Public safety	61,126,911	4,887,245	13,784,334	
Park and recreation	1,879,525	187,724	61,023	
Libraries and education	12,956,363	256,730	97,403	1,917,000
Interest on long-term debt	12,338,352			
Total Primary Government	$ 286,548,573	$ 35,102,888	$ 33,935,787	$ 63,974,765
Component Units				
FB Surface Water Supply Corp.	$	$	$	$
FB Toll Road Authority	14,397,389	17,027,189		3,792
FB Housing Finance Corp.	64,690	153,282		
Total Component Units	$ 14,462,079	$ 17,180,471	$	$ 3,792

General revenues:
Property taxes, penalties, and interest
Unrestricted earnings on investments
Grants and Contributions not restricted to specific programs
Gain/(loss) on sale of assets
Miscellaneous
Total General Revenues
Changes in Net Assets
Net Assets, Beginning
Net Assets, Ending

The notes to the financial statements are an integral part of this statement.

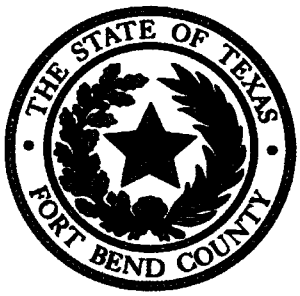
Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Units
Governmental Activities	
$ (27,626,332)	
(6,389,998)	
(61,765,333)	
26,083,234	
(15,538,432)	
(1,188,580)	
(42,455,332)	
(1,630,778)	
(10,685,230)	
(12,338,352)	
(153,535,133)	
	$
	2,633,592
	88,592
	2,722,184
191,467,403	
3,664,184	330,615
3,901,588	
199,033,175	330,615
45,498,042	3,052,799
663,834,575	39,953,064
$ 709,332,617	$ 43,005,863

FORT BEND COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009

	General Fund	Debt Service Fund	Mobility 2009 Projects Fund	2007 Facilities Bonds Fund
Assets				
Cash and equivalents	$ 32,462,349	$ 6,039,121	$ 36,571,989	$ 36,405,912
Taxes receivable, net	6,624,914	653,454		
Grants receivable	11,602,867			
Fines and fees receivable	4,319,143			
Other receivables	571,372			
Due from other funds	12,233,338	18,363		
Due from component units	304,040			
Prepaid items	100,233			4,668
Total Assets	$ 68,218,256	$ 6,710,938	$ 36,571,989	$ 36,410,580
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 17,157,390	$	$	$
Accrued expenditures	202,712			
Accrued payroll	3,964,323			
Retainage payable	106,705		288,194	3,601,467
Due to other funds			756,519	247,760
Due to other governments	1,129,687			
Deferred revenue	11,093,732	653,456		
Total Liabilities	33,654,549	653,456	1,044,713	3,849,227
Fund Balances:				
Reserved for:				
Debt Service		6,057,482		
Prepaid Items	100,233			4,668
Capital Projects			35,527,276	32,556,685
Unreserved, Reported in:				
General Fund	34,463,474			
Special Revenue Funds				
Total Fund Balances	34,563,707	6,057,482	35,527,276	32,561,353
Total Liabilities and Fund Balances	$ 68,218,256	$ 6,710,938	$ 36,571,989	$ 36,410,580

The accompanying notes are an integral part of these financial statements.

Justice Center Project	Other Governmental Funds	Total Governmental Funds
$ 66,869,945	$ 53,899,080	$ 232,248,396
	1,197,022	8,475,390
	2,125,288	13,728,155
		4,319,143
	330,064	901,436
	4,597,530	16,849,231
		304,040
	7,448	112,349
$ 66,869,945	$ 62,156,432	$ 276,938,140
$	$	$ 17,157,390
		202,712
		3,964,323
583,350		4,579,716
6,269,653	7,241,671	14,515,603
	159,709	1,289,396
	5,253,294	17,000,482
6,853,003	12,654,674	58,709,622
		6,057,482
	6,556	111,457
60,016,942	26,374,746	154,475,649
		34,463,474
	23,120,456	23,120,456
60,016,942	49,501,758	218,228,518
$ 66,869,945	$ 62,156,432	$ 276,938,140


THE STATE OF TEXAS
FORT BEND COUNTY

FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2009

Total fund balance, governmental funds	$ 218,228,518
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	877,364,817
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred in the funds.	12,927,309
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	7,084,445
Some liabilities (such as Long-term Claims and Judgments Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	
Bonds payable	(343,330,000)
Deferred issuance costs	3,280,054
Compensated absences	(5,158,523)
Other post-employment benefit (OPEB) obligation	(48,819,923)
Premiums on issuance of debt	(10,896,882)
Accrued interest is not due and payable in the current period and therefore not reported in the funds.	(1,347,198)
Net Assets of Governmental Activities	$ 709,332,617

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	General Fund	Debt Service Fund	Mobility 2009 Projects Fund	2007 Facilities Bonds Fund
Revenues				
Taxes	$ 150,881,918	$ 18,720,719	$	$
Fees and fines	22,691,631	118,964		
Intergovernmental	24,989,268		162,500	
Earnings on investments	1,247,763	108,771	120,994	786,524
Miscellaneous	2,540,424			16,487
Total Revenues	202,351,004	18,948,454	283,494	803,011
EXPENDITURES				
Current:				
General administration	36,997,902			
Financial administration	7,130,068			
Administration of justice	50,165,055			
Construction and maintenance	3,057,376			
Health and welfare	19,440,480			
Cooperative services	1,049,985			
Public safety	43,501,625			
Parks and recreation	1,815,986			
Flood control projects				
Libraries and education	11,274,245			
Capital Outlay	22,149,422		12,359,705	47,155,054
Debt Service:				
Principal		11,170,000		
Interest and fiscal charges		12,149,302		
Debt issuance costs		24,845	468,247	
Total Expenditures	196,582,144	23,344,147	12,827,952	47,155,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,768,860	(4,395,693)	(12,544,458)	(46,352,043)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,680,859	3,500,000		2,214
Transfers out	(12,631,357)		(2,396,513)	(24,710)
Bonds issued		2,460,000	48,940,000	
Premium on bonds issued		122,676	1,528,247	
Total other financing sources (uses)	(9,950,498)	6,082,676	48,071,734	(22,496)
Net change in fund balances	(4,181,638)	1,686,983	35,527,276	(46,374,539)
Fund balances-beginning	38,745,345	4,370,499		78,935,892
Fund balances-ending	$ 34,563,707	$ 6,057,482	$ 35,527,276	$ 32,561,353

The notes to the financial statements are an integral part of this statement.

Justice Center Project	Other Governmental Funds	Total Governmental Funds
$	$ 20,956,267	$ 190,558,904
	11,780,729	34,591,324
	10,758,668	35,910,436
412,618	832,376	3,509,046
	5,839,291	8,396,202
412,618	50,167,331	272,965,912
	1,261,960	38,259,862
	32,746	7,162,814
	17,985,441	68,150,496
	27,839,024	30,896,400
	3,099,465	22,539,945
		1,049,985
	1,077,097	44,578,722
		1,815,986
	124,316	11,398,561
11,757,438	9,205,917	102,627,536
		11,170,000
		12,149,302
683,227		1,176,319
12,440,665	60,625,966	352,975,928
(12,028,047)	(10,458,635)	(80,010,016)
	17,395,317	23,578,390
(2,638,238)	(5,887,572)	(23,578,390)
70,970,000		122,370,000
3,713,227		5,364,150
72,044,989	11,507,745	127,734,150
60,016,942	1,049,110	47,724,134
	48,452,648	170,504,384
$ 60,016,942	$ 49,501,758	$ 218,228,518

FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds:	$ 47,724,134
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($90.3 million) exceeded depreciation expense ($17.4 million) in the current period.	72,962,006
Capital contributions of infrastructure are reported in the governmental-wide financial statements but not in the fund financial statements.	58,890,033
Governmental funds report the entire net sales prices (proceeds) from the sales of assets as revenue because they provide current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the costs of assets sold.	(865,575)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(126,557,831)
The long-term portion of accrued compensated absences is not due and payable in the current period and is therefore not reported in governmental funds.	(305,544)
Changes in the other post-employment benefit (OPEB) obligation are not due and payable in the current period and therefore, not reported in governmental funds.	(24,668,829)
Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in receivables on the accrual basis of accounting.	908,479
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting.	(435,962)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	246,912
Principal payments on bonds are reported as expenditures in governmental funds but not as expenses in the government-wide statements.	11,170,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenues (expenses) are reported with governmental activities.	6,430,219
Change in net assets of governmental activities	$ 45,498,042

The notes to the financial statements are an integral part of the statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 12,296,242
Due from other funds	34,337
Other receivables	551,734
Total assets	12,882,313
LIABILITIES	
Current liabilities:	
Benefits Payable - current portion	5,706,627
Due to other funds	91,241
Total current liabilities	5,797,868
Total liabilities	5,797,868
NET ASSETS	
Unrestricted	$ 7,084,445

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Governmental Activities Internal Service Funds
Operating Revenues	
Charges for Services	$ 31,850,042
Total Operating Revenues	31,850,042
Operating Expenses	
Current operations - general administration	365,862
Benefits provided	25,209,099
Total Operating Expenses	25,574,961
Operating Income (Loss)	6,275,081
Non-Operating Revenues	
Earnings on investments	155,138
Total Non-Operating Revenues	155,138
Change in Net Assets	6,430,219
Net Assets (Deficit), Beginning	654,226
Net Assets (Deficit), Ending	$ 7,084,445

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges for services	$ 31,992,594
Payment of benefits	(25,589,247)
Payment of general administration expenses	(365,862)
Net Cash Provided by Operating Activities	6,037,485
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	155,138
Net Cash Provided by Investing Activities	155,138
Net Increase in Cash and Cash Equivalents	6,192,623
Cash and Cash Equivalents, Beginning of Year	6,103,619
Cash and Cash Equivalents, End of Year	$ 12,296,242
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating Income (Loss)	$ 6,275,081
Change in assets and liabilities:	
(Increase) Decrease in other receivables	(158,305)
Increase (Decrease) in due from other funds	300,857
Increase (Decrease) in benefits payable	(380,148)
Total adjustments	(237,596)
Net Cash Provided by Operating Activities	$ 6,037,485

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2009

	AGENCY FUND
ASSETS	
Cash and cash equivalents	$ 27,214,277
Miscellaneous receivables	385,617
Total Assets	$ 27,599,894
LIABILITIES	
Due to other governments	$ 25,323,170
Due to other funds	2,276,724
Total Liabilities	$ 27,599,894

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2009

	FBC Surface Water Supply Corporation	Fort Bend Toll Road Authority	Fort Bend Housing Finance Corporation	Totals
ASSETS				
Cash and cash equivalents	$ 7,464	$ 27,392,475	$ 609,096	$ 28,009,035
Accounts receivable			5,069	5,069
Accrued interest receivable			4,283	4,283
Miscellaneous receivables		1,283,782		1,283,782
Deferred bond issuance costs		809,322		809,322
Capital assets, net		152,943,067		152,943,067
Total Assets	7,464	182,428,646	618,448	183,054,558
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable			3,900	3,900
Due to primary government		304,040		304,040
Accrued interest payable		562,786		562,786
Long term liabilities				
Due in more than one year		139,177,969		139,177,969
Total Liabilities		140,044,795	3,900	140,048,695
NET ASSETS				
Invested in capital assets, net of related debt		13,765,098		13,765,098
Unrestricted	7,464	28,618,753	614,548	29,240,765
Total Net Assets	$ 7,464	$ 42,383,851	$ 614,548	$ 43,005,863

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Fort Bend Toll Road Authority			
Toll road operations	$ 8,306,578	$ 17,027,189	$ 3,792
Interest on Long-term Debt	6,090,811		
Total Fort Bend Toll Road Authority	14,397,389	17,027,189	3,792
Fort Bend Housing Finance Corporation			
General administration	64,690	153,282	
Total Fort Bend Housing Finance Corporation	64,690	153,282	
Total Component Units	$ 14,462,079	$ 17,180,471	$ 3,792
General revenues:			
Unrestricted earnings on investments			
Miscellaneous			
Total General Revenues			
Changes in Net Assets			
Net Assets, Beginning			
Net Assets, Ending			

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
FBC Surface Water Supply Corporation	Fort Bend Toll Road Authority	Fort Bend Housing Finance Corporation	Totals
$	$ 8,724,403	$	$ 8,724,403
	(6,090,811)		(6,090,811)
	2,633,592		2,633,592
		88,592	88,592
		88,592	88,592
	2,633,592	88,592	2,722,184
87	319,012	11,516	330,615
87	319,012	11,516	330,615
87	2,952,604	100,108	3,052,799
7,377	39,431,247	514,440	39,953,064
$ 7,464	$ 42,383,851	$ 614,548	$ 43,005,863

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Fort Bend County, Texas ("County") is a public corporation and a political subdivision of the State of Texas. The Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials, govern the County.

The County is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the County's financial reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units
Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data of these units are combined with data of the County. Each of the County's blended component units has a September 30 year-end. The following component units have been identified and are presented in a blended format in the government-wide financial statements:

Fort Bend County Drainage District ("District")
Established under Section 59 of Article XVI of the Constitution of Texas, the District includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands. Commissioners Court acts as the governing body of the District. Complete financial statements for the District can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Flood Control Water Supply Corporation ("FBFCWSC")
The FBFCWSC is a non-profit corporation organized for the benefit of the County to provide for the acquisition, construction and financing of flood control and drainage projects for the County. Upon completion, these projects are maintained by the County. Commissioners Court appoints the Board of Directors and approves all budgets and expenditures. Complete financial statements for the Corporation can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Parkway Road District ("FBPRD")
The FBPRD, a limited purpose political subdivision, was created as a vehicle to provide cost participation for the development and construction of the Fort Bend Parkway in eastern Fort Bend County. The governing body is Commissioners Court. The District does not issue separate financial statements.

Discretely Presented Component Units
Discretely presented component units are presented in a separate column in the government-wide statements to emphasize that they are legally separate from the County. Each of the County's discretely presented component units has a September 30 year-end. The following component units have been identified and are presented in a discrete format in the County's financial statements:

Fort Bend Toll Road Authority
The Fort Bend Toll Road Authority is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend Toll Road system that will extend from Sam Houston Parkway in Harris County to State Highway 6 and State Highway 99 in Fort Bend County. Commissioners Court appoints the Authority's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office.

Fort Bend Surface Water Supply Corporation
The Fort Bend County Surface Water Supply Corporation was established for the purpose of conducting a feasibility study of a surface water facility in the area. Currently, revenue sources are primarily from special districts, private corporations, and other entities interested in the study. Commissioners Court appoints the Corporation's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office.

Fort Bend County Housing Finance Corporation
The Fort Bend County Housing Finance Corporation was established under the Texas Housing Finance Corporation Act. The Corporation provides down payment assistance programs for individuals meeting certain income guidelines and serves as a conduit for activity related to bond issues for affordable housing in Fort Bend County. The tax-exempt bonds issued by the Corporation do not constitute a debt or a pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreements underlying each issue. Commissioners Court appoints the Corporation's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Complete financial statements for The Fort Bend Housing Finance Corporation are prepared and can be obtained at the East Fort Bend County Annex Building located at 3030 Texas Parkway, Suite 213, Missouri City, Texas.

B. Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the GASB 34 reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements). Typically, both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. All primary activities of the County are considered to be governmental type activities; therefore no business type activities are presented within the basic financial statements. In the government-wide Statement of Net Assets, governmental activities are presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general administration, financial administration, public safety, etc.), which are otherwise being supported by general government revenues (property taxes, earnings on investments, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function (general administration, financial administration, public safety, etc.).

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Since the County only reports agency funds, a statement of changes in fiduciary net assets is not presented. All assets reported in agency funds should be offset by a corresponding liability, resulting in zero net assets.

In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

The County reports the following major governmental funds:

General Fund
The General Fund is the County's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is local property taxes. Expenditures include all costs associated with the daily operations of the County.

Debt Service Fund
This fund is used to account for the debt service transactions relating to the following bond issues: Permanent Improvements Refunding Bonds Series 2003, Unlimited Tax Road Bonds Series 2001, Unlimited Tax Road Bonds Series 2006, Unlimited Tax Road Bonds Series 2007, Fort Bend Flood Control Water Supply Corporation (FBFCWSC) Revenue Bonds Series 1995 (final payment in FY2008), FBFCWSC Refunding Bonds Series 1999 (final payment in FY2008), Fort Bend Flood Control Water Supply Corporation (FBFCWSC) Revenue Bonds Series 2001, Limited Tax Facilities Bonds Series 2007, Unlimited Tax Road Bonds Series 2009, and Justice Center Limited Tax Bonds Series 2009. This fund is also used to account for the debt service transactions associated with the Parkway Road District's Series 1990 Bonds. Revenues in this fund are comprised of property taxes levied against property located in the District.

Mobility 2009 Projects Fund
The Mobility 2009 Projects Fund is a Capital Projects Fund used to account for the proceeds of the Unlimited Tax Road Bonds Series 2009 which are being used to finance the construction and/or expansion of numerous roads in the County.

2007 Facilities Bonds Fund
The 2007 Facilities Bonds Fund is a Capital Projects Fund used to account for the proceeds of the Fort Bend County Limited Tax (General Obligation) Bonds Series 2007 which are being used to finance the construction and/or expansion of numerous County facilities.

Justice Center Project Fund
The Justice Center Project Fund is a Capital Projects Fund used to account for the proceeds of the Fort Bend County Limited Tax Bonds Series 2009 which are being used to finance the construction of the County's Justice Center.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund-types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds) and certain Component Units are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Expenditures are generally recognized under the modified

accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as expenditures when due.
As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is that interfund services provided and used within the County are not eliminated in the process of consolidation. Elimination of these services would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Revenues that are generated internally are reported as general revenues, including property taxes.

Proprietary funds present both operating revenues and expenses as well as nonoperating revenues and expenses. Operating revenues and expenses are generally derived from providing services and producing goods as part of ongoing operations. The principal operating revenues of the County's internal service funds are charges to users for services. The operating expenses for the County's internal service funds include administrative expenses and all costs associated with providing services. All other revenue and expenses are reported as nonoperating revenue.

The accrual basis of accounting is used for the proprietary fund types and certain component units. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net assets, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary control. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities of the current year and are reappropriated in the budget of the subsequent year. Unencumbered appropriations lapse at the end of the year.

E. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

F. Temporary Investments

The County's temporary investments are comprised of U.S. Government Securities and deposits in pooled investment accounts. Obligations with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost, which approximates fair value. All other investments are reported at fair value. The investments in U.S. Government Securities are generally held to maturity.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Due to and Due From Other Funds

During the course of operations, transactions occur between individual funds for specified purposes, such as lending/borrowing arrangements or amounts. In addition, the County maintains numerous bank accounts among all the funds and occasionally monies are deposited into the incorrect account. Therefore, a receivable and payable are recorded in the proper funds. These receivables and payables are classified as "due from other funds" or "due to other funds" or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit.

I. Interfund Transfers

The County maintains numerous special revenue and capital project funds to account separately for monies that have been set aside for particular purposes. Often, these monies are initially budgeted in the General Fund during the annual budget process and are then transferred to various funds during the course of the fiscal year. In addition, when these projects are complete, these same funds often transfer residual monies back to the General Fund or some other fund, as determined where the monies should be returned. These interfund transfers are classified as "transfers in" and "transfers out" within the primary government.

J. Interest Receivable

Interest on investments is recorded as revenue in the year the interest is earned and available to pay liabilities of the current period.

K. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met, currently $5,000. Depreciation is recorded on capital assets on a government-wide basis. Major outlays for capital assets and improvements are capitalized as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

The County applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has

been provided for plant and equipment using the straight-line method over the estimated useful life for the type of assets as follows:

Asset Description	Estimated Useful Life
Vehicles	5 to 7 years
Office furniture and fixtures	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings, facilities, and land improvements	10 to 39 years
Infrastructure	20 to 40 years

L. Accrued Compensated Absences

All full-time employees accumulate vacation benefits in varying annual number of days up to a maximum of twenty days a year. Accumulated vacation exceeding twenty days lapses on December 31 of each year.

Compensatory time exceeding 80 hours is paid to nonexempt employees except for the nonexempt law enforcement officers who are paid when hours exceed 480. In the event of termination, an employee is paid for all maximum allowable accumulation of vacation and compensatory time.

Sick leave benefits are earned by all full-time employees at a rate of eight days per year and may be accumulated without limit. In the event of termination, an employee is not paid for any unused sick leave.

A liability for accrued compensated absences is recorded in the government-wide financial statements.

M. Restricted/Unrestricted Net Assets

It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepaid Items

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

O. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the

reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the County.

In accordance with applicable statutes, the County has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the County incurs for banking services received. The County may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. County policy requires the collateralization level to be at least 100% of market value of principal and accrued interest.

Commissioners Court has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the County are in compliance with this policy. State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt obligations of the United States, and certain repurchase agreements. Investments in security repurchase agreements are authorized when the investment has a defined termination date, is secured by obligations described in the Public Funds Investment Act, is pledged to the County, is deposited with a third party selected and approved by the entity, and is placed through a primary government securities dealer or national banks domiciled in the State of Texas. The County did not invest in repurchase agreements for the year ended September 30, 2009.

B. Deposit and Investment Amounts

The County's cash and investments are classified as: cash and cash equivalents, and investments. Cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account. The investments, which have maturities at purchase of greater than three months, consist mainly of U.S. agency securities.

At September 30, 2009, the County's cash deposits are either insured by FDIC or covered by collateral held by the County's agent in the County's name.

The following schedule shows the County's recorded cash and cash equivalents and investment pools at year-end, excluding Agency Fund:

	Total Fair Value
Cash deposits	$ 271,773,679
Certificates of Deposit	385,236
Investment Pools	
Texas Term	124,627
Logic	270,131
Total Cash and investment pools	$ 272,553,673

Interest Rate Risk
At year-end, the County had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	Fair Value	Weighted Average Maturity (days)	Percentage of Total Portfolio
Certificate of deposit	$ 385,236	271	49.4%
Investment Pool:			
Texas Term	124,627	57	16.0%
LOGIC	270,131	67	34.6%
Total Fair Value	$ 779,994		
Portfolio weighted average maturity		166	

It is the County's policy to select any individual investment with a maximum stated of thirty-six (36) months. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest rate of return of interest. When the County has funds not required to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for the group of funds.

The County's investment in the state investment pool via Texas Term and LOGIC were rated Aaa by Moody Investments and AAAf and AAAm respectively by Standard and Poor's.

Concentration of Credit Risk
It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

It's the County's policy to select investments in order to provide stability of income and reasonable liquidity.

NOTE 3 – RECEIVABLES

Receivables, including applicable allowances for uncollectible accounts, as of September 30, 2009, are as follows:

	General	Debt Service	Other Governmental Funds	Total
Receivables:				
Taxes	$ 7,361,016	$ 726,060	$ 1,330,024	$ 9,417,100
Grants	11,602,867		2,125,288	13,728,155
Fees & fines	4,319,143			4,319,143
Other	571,372		330,064	901,436
Gross receivables	23,854,398	726,060	3,785,376	28,365,834
Less: allowance for uncollectibles	(736,102)	(72,606)	(133,002)	(941,710)
Total	$ 23,118,296	$ 653,454	$ 3,652,374	$ 27,424,124

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2009, the various components of deferred revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
Delinquent property taxes (general fund)	$ 6,624,914	$
Delinquent property taxes (road and bridge fund)	811,442	
Delinquent property taxes (drainage district fund)	385,580	
Delinquent property taxes (debt service fund)	653,454	
Fees and fines (general fund)	4,319,143	
Grant funds received prior to meeting all eligibility requirements		4,073,173
Total deferred revenue for governmental funds	$ 12,794,533	$ 4,073,173

NOTE 4 – PROPERTY TAXES

The County's tax year covers the period October 1 through September 30. The County's property taxes are levied annually in October on the basis of the Fort Bend Central Appraisal District's (CAD) assessed values as of January 1 of that calendar year. Such taxes become delinquent on February 1 of the subsequent calendar year. The CAD establishes appraised values at 100% of market value less exemptions. The County's property taxes are billed and collected by the County's Tax Assessor/Collector.

A. 2008 Tax Year

Property taxes are prorated between the General, certain Special Revenue, and Debt Service Funds based on rates adopted for the year of the levy. For the 2009 fiscal year (2008 tax year), the County levied property taxes of $0.49976 per $100 of assessed valuation. The 2008 rates resulted in total tax levies of approximately $190 million based on a total adjusted valuation of approximately $38.1 billion. The total tax rate in the 2008 tax year was prorated as follows:

	2008 Rate	2008 Limit
Fort Bend County, Texas		
General, certain special revenue, and debt service	$ 0.44456	$ 0.80000
Special road & bridge funds	0.03920	0.15000
Fort Bend County Drainage District	0.01600	0.25000
Total Tax Rate	$ 0.49976	$ 1.20000

The tax rate for the Fort Bend Parkway Road District for the 2008 tax year was $0.054425 per $100 of assessed valuation.

B. Fort Bend Central Appraisal District

The Fort Bend Central Appraisal District (CAD), a separate governmental entity, is responsible for the recording and appraisal of property for all taxing units in the County.

The CAD is required by state law to assess property at 100% of its appraised value. Further, real property must be appraised at least every four years. Under certain circumstances, the taxpayers and taxing units, including the County, may challenge orders of the CAD's Appraisal Review Board through various appeals and, if necessary, legal action may be taken.

The Commissioners Court will continue to set the tax rates on the property. State law also provides that, if approved by the qualified voters in the County, collection functions may be assigned to the CAD.

NOTE 5 – INTERFUND ACTIVITY

During the year, cash advances are occasionally made between funds for various projects and situations, which create receivables and payables between these funds. All of these interfund balances are expected to be paid within one year. At September 30, 2009, the interfund receivables and payables were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 12,233,338	$
Major Capital Project - Mobility 2009		756,519
Debt Service	18,363	
Major Capital Project - 2007 Facilities Bond Fund		247,760
Justice Center Project		6,269,653
Non-major Governmental Funds	4,597,530	7,241,671
	16,849,231	14,515,603
Fiduciary Funds		2,276,724
Internal Service Funds	34,337	91,241
Total Governmental Activity	$ 16,883,568	$ 16,883,568

Interfund transfers

Transfers totaling approximately $23.6 million were made during the year primarily for the purpose of moving unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with the budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	Transfers In	Transfers Out
General Fund	$ 2,680,859	$ 12,631,357
Debt Service	3,500,000	
2007 Facilities	2,214	24,710
Justice Center		2,638,238
Major Capital Project - Mobility 2009 Projects Fund		2,396,513
Non-major Governmental Funds	17,395,317	5,887,572
	$ 23,578,390	$ 23,578,390

NOTE 6 - CAPITAL ASSETS

A summary of changes in the primary government's capital assets for the year ended September 30, 2009 follows:

	Primary Government			
	Balance 10/01/08	**Increases**	**Decreases**	**Balance 09/30/09**
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 270,596,282	$ 32,212,748	$ (690,815)	$ 302,118,215
CIP	133,300,768	82,257,253	(94,134,557)	121,423,464
Total cap. assets not depreciated	403,897,050	114,470,001	(94,825,372)	423,541,679
Other capital assets:				
Vehicles	19,705,098	3,454,021	(1,541,024)	21,618,095
Office furniture and equipment	15,912,279	3,233,027	(1,037,485)	18,107,821
Machinery and equipment	20,568,426	2,411,848	(1,341,932)	21,638,342
Buildings, facilities and improvements	109,659,473	86,799,722	(382,767)	196,076,428
Infrastructure	347,194,542	34,072,236	(44,814)	381,221,964
Total other capital assets	513,039,818	129,970,854	(4,348,022)	638,662,650
Accumulated depreciation for:				
Vehicles	(12,764,468)	(2,297,241)	1,264,418	(13,797,291)
Office furniture and equipment	(9,923,304)	(1,871,670)	792,082	(11,002,892)
Machinery and equipment	(10,755,128)	(1,365,152)	860,941	(11,259,339)
Buildings, facilities and improvements	(47,524,181)	(2,005,156)	157,578	(49,371,759)
Infrastructure	(89,591,440)	(9,816,791)		(99,408,231)
Total accumulated depreciation	(170,558,521)	(17,356,010)	3,075,019	(184,839,512)
Other capital assets, net	342,481,297	112,614,844	(1,273,003)	453,823,138
Total Net Assets	$ 746,378,347	$ 227,084,845	$ (96,098,375)	$ 877,364,817

Depreciation expenses were charged to the following functions in the statement of activities:

Fiscal Year 2009 Depreciation Expense	
General Administration	$ 4,746,611
Financial Administration	37,320
Administration of Justice	247,326
Construction & Maintenance	10,917,000
Health & Welfare	183,051
Cooperative Services	20,314
Public Safety	847,148
Parks & Recreation	107,637
Library	249,604
Total Depreciation Expense	$ 17,356,010

Construction in progress and remaining commitments under related construction contracts for general government construction projects at September 30, 2009, follows:

2009 CONSTRUCTION COSTS

Project	Balance at 9/30/2008	Increases Retainage included	Decreases Capitalizations	Decreases Adjustments	Balance at 9/30/2009
Arcola Projects	$ 206,748	$	$	$ (206,748)	$
Dew House (Bond)	211,435	44,910			256,345
Dew House		59,343			59,343
40 Acre Site Development (Bond)	35,037	833,887	(868,924)		
40 Acre Expansion	24,710			(24,710)	
Fire Marshal/EMS (Bond)	95,344	25,446			120,790
GML Library Renovations (Bond)	520,941	75,634			596,575
Gus George Academy (Bond)	1,718,323	5,248,702	(603,849)		6,363,176
Jail Expansion (Bond)	46,725,739	25,868,088	(72,593,827)		
Jail Study	160,490		(160,490)		
Jane Long Renovations (Bond)		69,310			69,310
Jane Long Renovations	338,140	732			338,872
Needville Service Center (Bond)	1,617,544	1,806,714	(3,424,258)		
Pct. 1 Facility (Bond)	2,282,930	718,092	(3,001,022)		
Pct. 2 Service Center (Bond)	628,974	1,208,454			1,837,428
Precinct 2 Annex		1,460,957			1,460,957
Pct. 3 Service Center (Bond)	19,126	153,825			172,951
Sienna Library Project (Bond)	397,046	7,977,919			8,374,965
Sienna Library Project	481,680	14,300			495,980
Sugar Land Library (Bond)	182,943	45,788			228,731
S. Post Oak (Bond)	386,752	235,274			622,026
Tax Office (Bond)	1,221,139	1,962,332	(3,183,471)		
Fort Bend Justice Center (Bond)	2,686,298	11,709,378			14,395,676
Court Complex Study	301,095	12,668			313,763
CSCD Expansion	178,540		(178,540)		
Rosenberg JJAEP Remodel	63,343				63,343
Bridge Construction	2,246	21,821			24,067
Fairgrounds Blvd.	117,758				117,758
Traffic Signal Project	222,115	35,258			257,373
Needville Service Center	106,518	110,361	(216,879)		
Fuel Pump Upgrades		251,551			251,551
Fry Road Expansion		93,327	(93,327)		
Oilfield Road Improvements		356,750			356,750
Library Building-GML	37,258		(37,258)		
Fresh Water Supply District #1	2,889,815			(2,889,815)	
SH 36 Park & Ride	117,871				117,871
IT Enhancements	434,221			(434,221)	
JST Software Project	2,882,168	585,619			3,467,787
Rosenberg Annex Security Improvements		29,000	(29,000)		
HHS Coordinator Center	2,195			(2,195)	
Hillcroft Reconstruction Project	431,748				431,748
Parks Upgrades	998,738	11,235			1,009,973
UH Library	25,855				25,855
Vehicle Maintenance Expansion	377,111	458,301	(835,412)		
Pct. 3 Relocations	1,460,862		(1,460,862)		
434th District Court Buildout	131,783		(131,783)		
5th Street Expansion	389,371	28,224	(417,595)		
Fairgrounds Pavillions	132,156	117,844	(250,000)		
Fairgrounds Renovation Project (2008)	175,375	840			176,215
Kitty Park Playground	37,899		(37,899)		
LID #6	2,900,000			(2,900,000)	
Model Airplane Park		40,553	(40,553)		
Parks Security Lighting	64,705	30,158			94,863
Facilities Buildout Pct. 1 Facility		89,563			89,563
Morton St. Buildout-Facilities		12,758			12,758
Morton St. Buildout-MHDefender		18,634			18,634
FB Parkway Project	3,705				3,705
Mobility Projects	42,638,254	19,643,130			62,281,384
Big Creek-FBFCWSC	11,209,753	32,976			11,242,729
Big Creek	1,852,936	272,057			2,124,993
Upper Oyster Creek	3,174,035	373,619			3,547,654
Totals	$ 133,300,768	$ 82,145,333	$ (87,564,950)	$ (6,457,689)	$ 121,423,463

A summary of changes in the discretely presented component unit (Fort Bend Toll Road Authority) capital assets for the year ended September 30, 2009, follows

	Discretely Presented Component Units			
	Balance 10/01/08	**Increases**	**Decreases**	**Balance 09/30/09**
Governmental Activities:				
Other capital assets				
Toll Roads	$ 166,777,872	$	$	$ 166,777,872
Total capital assets	166,777,872			166,777,872
Accumulated depreciation for:				
Toll Roads	(9,644,584)	(4,190,221)		(13,834,805)
Total Net Assets	$ 157,133,288	$ (4,190,221)	$	$ 152,943,067

Depreciation expense for the Fort Bend Toll Road Authority totaled $4.2 million.

NOTE 7 - LONG-TERM DEBT

A. General Obligation Bonds and Certificates of Obligation

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Long-term bonded debt at September 30, 2009, is as follows:

Primary Government					
Original Issue		Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds					
$	25,285,000	Permanent Improvement Refunding Bonds, Series 2003	1.50 - 5.00	2011	$ 7,595,000
	29,000,000	Unlimited Tax Road Bonds, Series 2001	4.00 - 5.00	2021	24,600,000
	30,245,000	Unlimited Tax Road Bonds, Series 2006	4.00 - 5.00	2026	27,290,000
	11,650,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2001	2.85 - 5.38	2021	10,390,000
	26,000,000	Unlimited Tax Road Bonds, Series 2007	4.00 - 4.25	2027	24,240,000
	126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	126,675,000
	48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	48,940,000
	73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	73,430,000
		Total Direct General Obligation Bonds			$ 343,160,000
	1,520,000	Fort Bend Parkway Road District Unlimited Tax Bonds, Series 1990	8.20 - 8.63	2010	170,000
		Total General Obligation Bonds			$ 343,330,000

A summary of long-term liability transactions of the County for the year ended September 30, 2009,follows:

	October 1, 2008 Balance	Additions	Retirements	September 30, 2009 Balance	Amounts Due Within One Year
General Obligation Bonds	$ 232,130,000	$ 122,370,000	$ 11,170,000	$ 343,330,000	$ 10,150,000
Premiums on bonds	5,914,854	5,364,150	3,821,231	7,457,773	
Totals	238,044,854	127,734,150	14,991,231	350,787,773	10,150,000
Accrued Compensated Absences	4,852,979	346,206	40,663	5,158,522	1,289,631
Other Post-Employment Benefit (OPEB) Obligation	24,151,093	24,668,830		48,819,923	
Totals	29,004,072	25,015,036	40,663	53,978,445	1,289,631
Total Long-Term Liabilities	$ 267,048,926	$ 152,749,186	$ 15,031,894	$ 404,766,218	$ 11,439,631

In prior years, the general fund's resources have been used to liquidate other long-term liabilities, including accrued compensated absences.

Annual debt service requirements (excluding accrued compensated absences) to maturity are summarized as follows:

	Principal	Interest	Totals
2010	$ 10,150,000	$ 16,166,372	$ 26,316,372
2011	12,710,000	15,687,681	28,397,681
2012	13,345,000	15,038,636	28,383,636
2013	13,820,000	14,447,560	28,267,560
2014	14,425,000	13,795,167	28,220,167
2015	14,910,000	13,151,079	28,061,079
2016	15,395,000	12,493,526	27,888,526
2017	15,545,000	11,772,845	27,317,845
2018	16,145,000	11,019,923	27,164,923
2019	16,785,000	10,228,048	27,013,048
2020	17,440,000	9,393,848	26,833,848
2021	18,165,000	8,519,585	26,684,585
2022	15,885,000	7,676,101	23,561,101
2023	16,680,000	6,874,924	23,554,924
2024	17,530,000	6,032,181	23,562,181
2025	18,395,000	5,158,088	23,553,088
2026	19,320,000	4,238,547	23,558,547
2027	17,865,000	3,325,544	21,190,544
2028	16,810,000	2,474,088	19,284,088
2029	17,665,000	1,368,969	19,033,969
2030	14,690,000	821,213	15,511,213
2031	9,655,000	229,306	9,884,306
Totals	$ 343,330,000	$ 189,913,231	$ 533,243,231

Discretely presented component unit long-term bonded debt as of September 30, 2009, is listed below:

Discretely Presented Component Units				
Original Issue	**Description**	**Interest Rate %**	**Matures**	**Debt Outstanding**
General Obligation Bonds				
$ 63,695,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003	4.00 - 5.00	2032	$ 63,695,000
72,195,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004	3.63 - 5.00	2032	72,195,000
	Total General Obligation Bonds			$ 135,890,000

A summary of long-term liability transactions of the discretely component units for the year ended September 30, 2009, follows:

	October 1, 2008 Balance	Additions	Retirements	September 30, 2009 Balance	Amounts Due Within One Year
General Obligation Bonds	$ 135,890,000	$	$	$ 135,890,000	$
Premiums on bonds	3,430,925		142,955	3,287,970	
Totals	$ 139,320,925	$	$ 142,955	$ 139,177,970	$

Annual debt service requirements to maturity are summarized as follows:

	Principal	Interest	Totals
2010	$	$ 6,753,432	$ 6,753,432
2011	1,400,000	6,725,432	8,125,432
2012	1,645,000	6,665,741	8,310,741
2013	1,900,000	6,596,050	8,496,050
2014	2,345,000	6,499,425	8,844,425
2015	2,820,000	6,370,300	9,190,300
2016	3,530,000	6,209,138	9,739,138
2017	4,240,000	6,009,488	10,249,488
2018	5,050,000	5,774,250	10,824,250
2019	5,550,000	5,509,250	11,059,250
2020	6,000,000	5,220,500	11,220,500
2021	6,320,000	4,912,500	11,232,500
2022	6,650,000	4,588,250	11,238,250
2023	6,975,000	4,247,625	11,222,625
2024	7,365,000	3,889,125	11,254,125
2025	7,720,000	3,512,000	11,232,000
2026	8,130,000	3,115,750	11,245,750
2027	8,550,000	2,698,750	11,248,750
2028	8,980,000	2,260,500	11,240,500
2029	9,430,000	1,800,250	11,230,250
2030	9,940,000	1,316,000	11,256,000
2031	10,410,000	807,250	11,217,250
2032	10,940,000	273,500	11,213,500
Totals	$ 135,890,000	$ 101,754,506	$ 237,644,506

B. Conduit Debt

The Fort Bend County Housing Finance Corporation is authorized to finance residential housing by issuing tax-exempt revenue bonds to acquire mortgage loans as security for the payment of the principal and interest of such revenue bonds. The tax-exempt bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. During 1998, the corporation's first Single Family Mortgage Revenue Bonds (GNMA and FNMA Mortgage-Backed Securities Program) Series 1998 were issued in the amount of $18,750,000. Since then, an additional $79,568,000 of bonds have been issued. As of September 30, 2009, $39,303,947 of total bonds are outstanding.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 493 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

B. Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.22% for calendar year 2009. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2009 was $101 million and the County's contributions were based on a payroll of $99.9 million. Contributions made by employees totaled $7 million, and the County made contributions of $10.2 million during the fiscal year ended September 30, 2009.

Three year trend information for the Pension Plan is presented below:

	2009	2008	2007
Annual Pension Cost (APC)	$ 10,187,718	$ 9,110,858	$ 8,097,682
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period			

For the year ended September 30, 2009, the pension cost for the TCDRS plan and the actual contributions made were $10,187,718. Because all contributions are made as required, no pension obligation existed at September 30, 2009.

Actuarial Information	12/31/2008
Actuarial cost method	entry age
Amortization method	level percentage of payroll, closed
Amortization period in years	20 years
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund value
Assumptions:	
Investment return	8.00%
Projected salary increases	5.30%
Inflation	3.50%
Cost of living adjustments	0.00%

Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Schedule of Funding Information	
Actuarial valuation date	**12/31/2008**
Actuarial value of assets	$ 209,747,313
Actuarial accrued liability (AAL)	$ 254,807,906
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	$ 45,060,593
Funded ratio	82.32%
Annual covered payroll (actuarial)	$ 92,096,921
UAAL or OAAL as % of covered payroll	48.93%

NOTE 9 - DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. Nationwide Retirement Solutions, Security Benefit Life, and Edward Jones have been appointed as plan administrators. The plan permits employees to defer a portion

of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or emergency. Amounts of compensation deferred by employees under the plan provisions are disbursed to the plan administrators after each pay period. The plan administrators hold all funds invested in the plan and disburse funds to employees in accordance with plan provisions. The County does not maintain significant oversight of the plan administrators' activities.

NOTE 10-OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits through the Texas County and District Retirement System, the County sponsors and administers a single-employer defined benefit health care plan titled, "Fort Bend County Employee Benefit Plan"(Plan). The Plan was established and approved by Fort Bend County Commissioners Court and Chapter 175 of the Local Government Code which provides eligible employees, retirees, and their eligible dependents with the following post-employment benefits:

- Eligible retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

- Eligible dependents of retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

The Plan does not issue a separate, publicly available report.

Funding Policy and Contribution Rates

The contribution requirements of the County and plan members are established and may be amended by Commissioners Court. These contributions are neither guaranteed nor mandatory. The County has retained the right to unilaterally modify its payments toward retiree health care benefits. The Plan provides for the payment of a portion of the health and dental insurance premiums for eligible retired employees and their dependents. The County's contribution rate in effect for the year ending September 30, 2009 was 1.95% of covered payroll. Plan members receiving benefits contribute a percentage of the monthly insurance premium. Currently, the Plan pays a portion of the retirees' premium, as well as their dependent coverage. The retiree contributes the premium cost each month, less the Plan subsidy.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County, therefore, charges both groups an equal, blended rate premium. Although both groups are charged the same rate, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the County has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The County contributed approximately $2 million for the fiscal year ending September 30, 2009. At September 30, 2009, there were 292 retirees receiving benefits and approximately 1,600 active members not yet eligible to receive such benefits. Commencing in fiscal 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The County has performed an actuarial

valuation of its post-retirement benefit liability. The financial statement disclosures for 2009 is as follows:

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008, actuarial valuation, the liabilities were computer using the unit credit actuarial cost method and level dollar amortization. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities and a 12% administrative load on gross per capita claims costs. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement is 25%. The valuation assumes a healthcare cost trend increase for fiscal year 2009 ranging from 5.5% to 10.0% depending on the type of plan, reduced by decrements to a rates ranging from 4% to 6.5% after 9 years. The actuarial value of plan assets will be determined using market value. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. The actuarial valuation includes no explicit inflation assumption or projected salary increase assumption as the postretirement benefits under GASB 45 provided by the City are not salary related and the amortization method is not based on payroll.

Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2009, the County's annual OPEB cost for the Plan was $26,608,211. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2009, were as follows:

	Fiscal Year Ending 9/30/09
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	$ 15,005,349
Amortization of Unfunded Actuarial Accrued Liability	11,979,958
Annual Required Contribution	26,985,307
Determination of Net OPEB Obligation	
Annual Required Contribution	26,985,307
Interest on prior year Net OPEB Obligation	966,552
Adjustment to ARC	(1,343,648)
Annual OPEB Cost	26,608,211
Less Assumed Contributions Made	(1,952,079)
Estimate Increase in Net OPEB Obligation	24,656,132
Net OPEB Obligation – Beginning of Year	24,163,790
Net OPEB Obligation – End of Year	$ 48,819,922
Percentage of OPEB Cost Contributed	7.3%

Trend Information

Three-year trend information will be presented next year, as fiscal year ended September 30, 2009 was the year of implementation of GASBS No. 45 and the County has elected to implement prospectively. As such, comparative data for prior years before fiscal year 2008 is not available. The following table shows the annual OPEB cost and net OPEB obligation for the prior years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed*	Net OPEB Obligation
2007	N/A	N/A	N/A	N/A
2008	4%	$ 26,985,307	10.46%	$ 24,163,790
2009	4%	$ 26,608,211	7.34%	$ 48,819,922

Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Actuarial valuation date		January 1, 2008
Actuarial value of plan assets (a)		$0
Actuarial accrued liability (AAL) (b)	$	207,157,665
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	$	207,157,665
Funded Ratio (a/b)		0.0%
Annual Covered Payroll (c)	$	92,096,921
UAAL or OAAL as % of covered payroll ((b-a)/c)		224.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the liabilities were computer using the unit credit actuarial cost method and level dollar amortization. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities and an 8% administrative load on gross per capita claims costs. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement for themselves and their spouses is 100% and 40% respectively. The valuation assumes a 5.5% to 10% healthcare cost trend increase for fiscal year 2009 based on the premiums of the respective plan types, reduced by decrements to a rates of 4% to 6.5% after 9 years. The actuarial value of plan assets will be determined using market value. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. The actuarial valuation includes no explicit inflation assumption or projected salary increase assumption as the postretirement benefits under GASB 45 provided by the County are not salary related and the amortization method is not based on payroll.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

A. Construction Contract Commitments

The County had several capital improvement commitments at September 30, 2009. A contract between two parties does not result immediately in the recognition of a liability. Instead, a liability is incurred when performance has occurred under the contract. Until such time as performance takes place, these contracts represent a commitment rather than a liability. These commitments and their related construction in progress are summarized in Note 6.

B. Litigation and Other Contingencies

The County is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the County as of September 30, 2009.

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss through self-insurance and obtaining property, casualty, and liability coverage through commercial insurance carriers. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

Liabilities have been recorded for workers' compensation, auto liability, general liability, and employee benefits. These liabilities are recorded when it is probable that a loss has occurred and the amount can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses regardless of whether allocated to specific claims. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments. However, estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended 9/30/2009	Year ended 9/30/2008
Unpaid claims, beginning of year	$ 6,086,775	$ 3,948,174
Incurred claims (including IBNRs)	21,418,341	21,293,794
Claim payments	(21,798,489)	(19,155,193)
Unpaid claims, end of year	$ 5,706,627	$ 6,086,775

NOTE 13 –SUBSEQUENT EVENT

On November 3, 2009, the County issued unlimited tax road refunding bonds totaling $20,780,000. Proceeds from the sale for the bonds are to be used to advance refund and defease the unlimited tax road bonds, Series 2001.

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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October 12, 2010

WE HAVE ACTED AS BOND COUNSEL for Fort Bend Flood Control Water Supply Corporation (the "Corporation"), which we also represent on other matters, in connection with an issue of bonds (the "Bonds") described as follows:

> FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, dated October 1, 2010, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds, aggregating $9,675,000.
>
> The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Resolution adopted by the Corporation authorizing the Bonds (the "Resolution"). Portions of the Bonds are subject to redemption prior to maturity as set out in the Bonds and in the Resolution.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the Corporation. We have assumed no responsibility with respect to the financial condition of the Corporation or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Corporation's Official Statement prepared for use in connection with the sale of the Bonds (the "Official Statement") has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Corporation and of The Bank of New York Mellon Trust Company, N.A., a national banking association (the "Escrow Agent"); the report of Grant Thornton L.L.P., certified public accountants (the "Report"), verifying the sufficiency of the deposits made with the Escrow Agent for

defeasance of the bonds being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents, and representatives of the Escrow Agent, the Corporation, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the bonds being refunded. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Bonds are valid and legally binding obligations of the Corporation payable solely from the payments made by Fort Bend County, Texas (the "County") to the Corporation from tax revenues of the County pursuant to the terms of an agreement dated as of July 3, 2001, as amended (the "Agreement");

(2) Taxable property in the County is subject to the levy of ad valorem taxes, within the limits prescribed by law to pay the Bonds and the interest thereon. The County is required by law to assess and collect annually a tax sufficient to pay the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources; and

(3) The transcript of certified proceedings evidences that firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an escrow agreement entered into between the Corporation and the Escrow Agent on or effective as of the date of delivery of the Bonds, and that therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such escrow agreement.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.

(2) Interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Corporation, the Corporation's Financial Advisor and the Underwriter (as defined in the Resolution) with respect to matters solely within the knowledge of the Corporation, the Corporation's Financial Advisor and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in 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. If such representations are determined to be inaccurate or incomplete or the Corporation fails to comply with the foregoing covenants of the Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

In the Resolution the Corporation has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the Bonds as "qualified tax-exempt obligations". Based on such representations and covenants, it is our opinion that the Bonds are "qualified tax-exempt obligations" under existing law.

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

Owners 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).

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may

Financial Advisory Services
Provided By

8

GENERAL CERTIFICATE OF CORPORATION

The undersigned do hereby certify that we are the President and Secretary of the Fort Bend Flood Control Water Supply Corporation (the "Issuer"), respectively, and do hereby execute and deliver this certificate for the benefit of the Attorney General of Texas and all other persons interested in the Issuer's $9,675,000 Revenue Bonds, Series 2010 (the "Bonds"), dated as of the date hereof, and we do further certify that:

1. The Issuer, a nonprofit corporation, was duly created and organized and is validly existing pursuant to the laws of the State of Texas, particularly Chapter 67, Texas Water Code, as a constituted authority and instrumentality of Fort Bend County (the "County") and the Fort Bend County Drainage District (the "District"). There is no pending or threatened action or proceeding looking toward the liquidation or dissolution of the Issuer.

2. As of September 8, 2010, and at all times since such date, (i) the following named persons have duly constituted the Board of Directors of the Issuer (the "Board") and (ii) as indicated below, certain of the Directors have been the duly appointed, qualified and acting officers of the Issuer for the offices set forth opposite their names:

Director	Office
Don L. Russell	President
James D. Condrey	Vice President
A.J. Colbert	Asst. Vice President
Mike Stone	Secretary/Treasurer
Leonard Gurecky	Assistant Secretary/Treasurer

3. Attached hereto as Exhibit A-1 is a copy of the Issuer's Articles of Incorporation, as certified by the Secretary of State of the State of Texas, as in effect on March 2, 1987, and at all times since, and attached hereto as Exhibit A-2 is a Certificate of the Secretary of State of the State of Texas, as in effect on March 2, 1987, and at all times since, certifying as to the continued existence of the Issuer.

4. Attached hereto as Exhibit B is a true and correct copy of the Bylaws of the Issuer as approved by the Commissioners Court of Fort Bend County, Texas, and adopted by the Board and in effect on March 4, 1987, and at all times since.

5. Attached hereto as Exhibit C is a Certificate of the Comptroller of Public Accounts of the State of Texas certifying as to the exemption of the Issuer from payment of Texas franchise taxes.

6. The Bonds are issued in order to provide funds for the Issuer to refund bonds issues for the acquisition, construction and maintenance of certain flood control and drainage improvements and certain work and services in connection therewith to be located in Fort Bend County, Texas (the "Project") for the benefit of the County and the District. Payment of the principal and interest on the Bonds will be made from the sale of the Project by the Corporation to the County pursuant to the terms of an agreement, as amended (the "Agreement"), among the Issuer and the County. The Board has duly authorized all necessary action to be taken by the Issuer for the execution, delivery and due performance of the Bonds, the Agreement and the taking of any and all such action as may be required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated thereby, and, when executed and delivered by the respective parties thereto, the Bonds and the Agreement will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their respective terms.

There is no lien on, encumbrance of, charge on or hypothecation of the income and revenues to be derived by the Issuer from or in connection with the Agreement, which are pledged to the payment of the Bonds except as provided in the Agreement and the proceedings authorizing the Bonds.

7. The Agreement and the Bonds, as executed and delivered by the duly authorized officers of the Issuer acting in their official capacities, are in substantially the same form and text as the copies of such instruments which are authorized and approved by the Resolution adopted by the Board on September 14, 2010 (the "Bond Resolution"), with such changes and revisions therein as have been approved by the Board, and are in full force and effect on the date hereof.

8. None of the proceedings or authorizations heretofore taken or given for issuance of the Bonds or for the payment or security thereof have been repealed, revoked or rescinded. The Issuer has the requisite corporate power and authority to (i) execute and deliver the Agreement, the Bond Resolution and the Bonds, (ii) issue, sell and deliver the Bonds to the Underwriter (as defined in the Bond Resolution), (iii) use the proceeds of the Bonds to defease and discharge the $11,650,000 Reenue Bonds, Series 2001, (the "Series 2001 Bonds") and pay the costs of issuance of the Bonds, and (iv) consummate the transactions contemplated by, and perform its obligations under, the Agreement and the Bond Resolution.

9. The Project is located within the boundaries of the County.

10. To the best of our knowledge, (i) the representations and warranties of the Issuer in the Agreement and the Bond Resolution are true and correct on and as of the date hereof as though made on and as of the date hereof, and (ii) the Issuer has complied

with all terms on its part to be performed or satisfied by it under the Bond Resolution and the Agreement at or prior to the date hereof.

11. There is no action, suit, proceeding, or investigation before or by any court or governmental authority, in which the Issuer has been served or of which it has otherwise received official notice, pending or, to the best of our knowledge after reasonable investigation, threatened against the Issuer wherein an unfavorable decision, ruling or finding would adversely affect:

(i) the transactions contemplated by the Agreement or the Bond Resolution, including the issuance or delivery of the Bonds, the application of the proceeds thereof, or the payment, collection or application of revenues pursuant to the Bond Resolution and the Agreement; or

(ii) the execution and delivery of the Bonds, the Agreement, and the Bond Resolution, the validity or enforceability of the Bonds, the Bond Resolution, and the Agreement, or the application of the proceeds of the Bonds; or

(iii) (a) the exemption of the interest on the Bonds from federal income taxation or the exemption of any other amounts received by the Issuer pursuant to the Bond Resolution and the Agreement from federal income taxation and all taxation of the State, (b) the titles of the current officers of the Issuer to their respective offices or (c) the formation or existence of the Issuer.

12. The adoption of the Bond Resolution by the Issuer and the execution and delivery by the Issuer of the Bonds and the Agreement and the compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any other agreement or instrument to which the Issuer is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Issuer or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer, except for the pledge of the "Pledged Revenues" to the payment of the Bonds and the Series 2001 Bonds, as such term is defined in the Bond Resolution.

13. No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Issuer that has not been obtained is or will be required for the issuance and sale of the Bonds.

14. The Corporation is not in default under the terms of (i) the Resolution Authorizing the Issuance of the Series 2001 Bonds, dated as of July 1, 2001, (ii) the Resolution Authorizing the Issuance of the $9,675,000 Revenue Refunding Bonds, Series

2010, dated as of September 14, 2010, or (iii) the agreement between the Issuer, the County and the District, and the amendments thereto.

15. Pursuant to the Bond Resolution, Don L. Russell is hereby appointed as the Authorized Representative of the Issuer, and his signature appearing on the certificate below is true and genuine.

[EXECUTION PAGE FOLLOWS]

WITNESS OUR HANDS AND THE OFFICIAL SEAL OF THE ISSUER as of the 14th day of September, 2010.

President

Secretary/Treasurer

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
FORT BEND COUNTY TEXAS

EXHIBIT A-1

The State of Texas

SECRETARY OF STATE

IT IS HEREBY CERTIFIED that the attached are true and correct copies of the following described documents on file in this office:

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
FILE NO. 1029809-01

ARTICLES OF INCORPORATION	MARCH 2, 1987
9.01 REPORT	JUNE 17, 1994

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on July 30, 2001.

Henry Cuellar **BAM**
Secretary of State

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FILED
In the Office of the
Secretary of State of Texas

MAR 0 2 1987

Corporations Section

ARTICLES OF INCORPORATION
OF
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

We, the undersigned natural persons and citizens of the State of Texas, of the age of eighteen (18) years or more, acting as incorporators of the Corporation under Article 1434a of the Texas Revised Civil Statutes and under the Texas Non-profit Corporation Act, as amended, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I

The name of the Corporation is FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION (the "Corporation").

ARTICLE II

The Corporation is a non-profit corporation.

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

Section 1. The Corporation is organized and is to be operated for charitable purposes, and in accomplishment of such purposes, the Corporation is to be operated for the benefit of Fort Bend County, Texas ("Fort Bend County"). In operating for the benefit of Fort Bend County, the Corporation shall have the specific and primary purposes of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private

corporations, individuals and other persons of Fort Bend County and for such other purposes as may be authorized under Article 1434a of the Texas Revised Civil Statutes.

Section 2. To further such objects and purposes, the Corporation shall have and may exercise the power to construct, acquire, lease, improve, extend and maintain facilities, plants, equipment, and appliances helpful or necessary to provide flood control and drainage and shall have and may exercise all other powers authorized under Article 1434 of the Texas Revised Civil Statutes.

ARTICLE V

The street address of the initial registered agent is 2800 First City Tower, Houston, Texas, and the name of its initial registered agent at such address is Robert R. Randolph.

ARTICLE VI

Section 1. The initial number of directors constituting the Board of Directors of the Corporation is five (5).

Section 2. The names and addresses of the persons who are to serve initially as directors are as follows:

Name	Address
A. J. Colbert	6923 McCullum Missouri City, TX 77489
Paul J. Council	P. O. Box 218 Richmond, TX 77469

Charles F. Howard	407 Julie Rivers Dr., Suite 102 Sugar Land, TX 77478
C. E. Myska	1620 F.M. 2218, Rt. 1 Richmond, TX 77469
Don L. Russell	P. O. Box 61283 Houston, TX 77208

Section 3. All powers of the Corporation shall be vested in a Board of Directors, each of whom shall be appointed by resolution of the Fort Bend County Commissioners Court (the "Commissioners Court"). Each initial director, and each subsequent director, shall serve for a term of six (6) years unless otherwise provided in the Bylaws or until his or her successor is appointed by the Commissioners Court; provided, however, that any director may be removed from office at any time, with or without cause, by the Commissioners Court. With the consent and approval of the Commissioners Court the Bylaws of the Corporation may increase or decrease the number of Board of Directors to serve as provided in the Bylaws.

ARTICLE VII

The plans and specifications of any projects, any construction contract relating to such project and any financings by the Corporation shall be approved by the Fort Bend County Drainage District Chief Engineer (the "Drainage District Chief Engineer") and the Commissioners Court. All such projects shall be located entirely within the geographical boundaries of Fort Bend County or shall otherwise

benefit the residents of Fort Bend County or have a substantial connection with Fort Bend County.

ARTICLE VIII

The Board of Directors of the Corporation shall designate an advisory committee composed of individuals who are qualified to advise with respect to the activities of the Corporation. The Drainage District Chief Engineer shall serve on such advisory committee, and the Board of Directors of the Corporation with the consent and approval of the Commissioners Court shall appoint such other members as shall be necessary. The advisory committee shall neither have nor exercise the authority of the Board of Directors of the Corporation in the management of the Corporation.

ARTICLE IX

On February 23, 1987, the Commissioners Court duly adopted a resolution approving the form of these Articles of Incorporation and approving the creation of the Corporation.

ARTICLE X

Fort Bend County shall obtain full legal title to any assets of the Corporation upon the retirement of the indebtedness incurred to finance such assets.

ARTICLE XI

Fort Bend County shall obtain full legal title to any assets of the Corporation upon dissolution of the Corporation.

ARTICLE XII

The Corporation shall have no members.

ARTICLE XIII

The income of the Corporation shall not inure to any private person.

ARTICLE XIV

The name and street address of each incorporator is:

Name	Address
Robert R. Randolph	2800 First City Tower Houston, TX 77002-6760
Joe B. Allen	2800 First City Tower Houston, TX 77002-6760
James A. Boone	2800 First City Tower Houston, TX 77002-6760

ARTICLE XV

In accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and regardless of any other provisions of these Articles of Incorporation or the laws of the State of Texas, the Corporation: (1) shall not permit any part of the net earnings of the Corporation to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Corporation in effecting one or more of its purposes); (2) shall not direct any of its activities to attempting to influence legislation by propaganda or otherwise; (3) shall not participate in, or intervene in (including the publication or distribution of

statements), any political campaign on behalf of any candidate for public office; and (4) shall not attempt to influence the outcome of any specific public election or to carry on, directly or indirectly, any voter registration drives.

ARTICLE XVI

If the Corporation is a private foundation within the meaning of Section 509(a) of the Code, the Corporation:

(1) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code;

(2) shall not engage in any act of self-dealing as defined in Section 4941(d) of the Code;

(3) shall not retain any excess business holdings as defined in Section 4943(c) of the Code;

(4) shall not make any investments in such manner as to subject it to tax under Section 4944 of the Code; and

(5) shall not make any taxable expenditures as defined in Section 4945(d) of the Code.

IN WITNESS WHEREOF, we have hereunto set our hands this 23rd day of February, 1987.

Robert R. Randolph

Joe B. Allen

Joe B. Allen

James A. Boone

James A. Boone

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

Before me, a notary public, on this day personally appeared ROBERT R. RANDOLPH, JOE B. ALLEN, and JAMES A. BOONE, known to be the persons to whose names are subscribed to the foregoing document and, being by me first duly sworn, severally declared that the statement therein contained are true and correct.

GIVEN UNDER MY HAND and seal of office this 23rd day of February, 1987.

Karen L. Clowson

Notary Public
State of Texas

Karen L. Clowson

Printed Name of Notary

My Commission Expires: 6/23/88

(NOTARY SEAL)

FBFC(d)
02/19/87

0 0 0 3 5 5 0 1 5 5 2

FILED
In the Office of the
Secretary of State of Texas

JUN 17 1994

Corporations Section

The State of Texas

Secretary of State

RONALD KIRK
SECRETARY OF STATE

CHARTER NO. 01029809-01
ARTICLE 9.01, T.N.P.C.A. REPORT
FILING FEE $5.00

PURSUANT TO THE PROVISIONS OF ARTICLE 9.01 OF THE TEXAS NON-PROFIT CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY FILES ITS REPORT SETTING FORTH:

1. THE NAME OF THE CORPORATION IS:

   FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

2. IT IS INCORPORATED UNDER THE LAWS OF: TEXAS

3. THE STREET ADDRESS OF THE REGISTERED OFFICE OF THE CORPORATION IN THE STATE OF TEXAS IS: ~~2800~~ FIRST CITY TOWER HOUSTON, TX
   (MAKE ANY CHANGES HERE) 2700

4. ITS REGISTERED AGENT AT SUCH ADDRESS IS: ~~ROBERT J. RANDOLPH~~
   (MAKE ANY CHANGES HERE) Joe B. Allen

5. IF A FOREIGN CORPORATION, THE STREET ADDRESS OF ITS PRINCIPAL OFFICE I THE STATE OR COUNTRY UNDER THE LAWS OF WHICH IT IS INCORPORATED IS:

6. THE NAMES AND RESPECTIVE ADDRESSES OF ITS DIRECTORS (OR TRUSTEES, ETC. AND OFFICERS ARE: (NAME AT LEAST 3)

NAME	TITLE	ADDRESS
Don L. Russell	President	2106 Country Club [illegible] Tx
P. Jeff Council	Vice President	P.O. Box 1067 Rosen[illegible] Tx.
A.J. Colbert	Asst. Vice President	6923 McCullough [illegible]
Rick Zapalac	Asst. Sec./Treasurer	401 Ave. H Ros[illegible] Tx.

7. THE FOREGOING INFORMATION IS GIVEN AS OF THE DATE OF THE EXECUTION OF THIS REPORT:

DATED May 25, 19 94

RECEIVED
SECRETARY OF STATE
JUN 17 1994
CORPORATIONS SECTION
MAIL CLERK 8

Fort Bend Flood Control [illegible]
NAME OF CORPORATION

BY [signature]
(SIGNATURE)

ITS PRESIDENT
(TITLE OF OFFICER SIGNING)

NOTE: ALL ITEMS MUST BE COMPLETED. MAKE CHANGES TO ITEMS 3 AND 4 AS NECESSARY. RETURN TO SECRETARY OF STATE, CORPORATIONS SECTION, P.O. BOX 13697, AUSTIN, TEXAS 78711-3697 WITH A $5.00 FEE.

EXHIBIT A-2

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697

Hope Andrade
Secretary of State

Office of the Secretary of State

Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles Of Incorporation for FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION (file number 102980901), a Domestic Nonprofit Corporation, was filed in this office on March 02, 1987.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on September 17, 2010.

Hope Andrade
Secretary of State

EXHIBIT B

BYLAWS

OF

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

Date of Adoption: February __, 1987

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

BYLAWS

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BYLAWS

OF

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

ARTICLE I

GENERAL STATEMENT OF PURPOSES

In amplification of the purposes set forth in the Articles of Incorporation (including any amendments thereto) (the "Articles") of the Fort Bend Flood Control Water Supply Corporation (the "Corporation"), the Corporation is organized and is to be operated for charitable purposes, and in accomplishment of such purposes, the Corporation is to be operated for the benefit of Fort Bend County, Texas, a political subdivision of the State of Texas ("Fort Bend County"). In operating for the benefit of Fort Bend County, the Corporation shall have the specific and primary purpose of providing a flood control and drainage system for towns, cities, ccunties, other political subdivisions, private corporations, individuals and other persons within or for Fort Bend County, Texas and for such other purposes which may be authorized for a water supply corporation under the laws of the State of Texas.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Powers, Number, Vacancies and Term of Office. The property and affairs of the Corporation shall be under the direction of and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles or these Bylaws (the "Bylaws"), the Directors shall exercise all of the powers of the Corporation.

The Board of Directors shall consist initially of five (5) Directors, but the number of Directors may be increased or decreased (providing such decrease does not have the effect of shortening the term of any incumbent Director) from time to time by a duly passed and adopted resolution of the Commissioners Court of Fort Bend County (the "Commissioners Court"); provided, that the number of Directors shall never be less than three (3). Each of the five initial Directors was selected by the Commissioners Court.

All Directors shall hold office until their respective (a) deaths or resignations or (b) removal as provided for herein. Each initial Director, and each subsequent Director, shall serve for a term of office of six (6) years. A Director may be elected to serve for more than one term of office. In any event, a Director shall continue to serve as

such until his successor shall have been elected and qualified.

Any Director may be removed from office, with or without cause, by a duly passed and adopted resolution of the Commissioners Court. Any vacancy occurring in the Board of Directors, whether by increase in the number of Directors or otherwise, shall be filled by a duly passed and adopted resolution of the Commissioners Court.

Section 2. Meetings of Directors. The Directors may hold their meetings and may have an office and keep the books of the Corporation at such place or places as the Board of Directors may from time to time determine; however, in the absence of any such determination, such place shall be the registered office of the Corporation in the State of Texas.

Section 3. Annual Meetings. The annual meeting of the Board of Directors shall be held between January 1 and May 1 of each year, at such time and place as shall be designated by the Board of Directors, for the purpose of (a) electing officers for the ensuing year, and (b) transacting such other business as may be brought before such meeting. Notices of such annual meetings shall be given in the manner required by Article 6252-17, Vernon's Texas Civil Statutes.

Section 4. Regular Meetings; Open Records. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated, from time to time, by the Board of Directors. Notices of such regular meetings shall be given in the manner required by Article 6252-17, Vernon's Texas Civil Statutes. In addition, the Corporation shall comply with the provisions of Article 6252-17a, Vernon's Texas Civil Statutes, relating to open records.

Section 5. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the President, the Secretary-Treasurer or a majority of the Directors who are serving duly-elected terms of office at the time the meeting is called.

The Secretary-Treasurer shall give notice to each Director of each special meeting in person, or by mail, telegraph, or telephone at least twenty-four (24) hours before the meeting, and such notice shall also comply with Article 6252-17, Vernon's Texas Civil Statutes. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Corporation may be considered and acted upon at a special meeting.

Section 6. Quorum. A majority of the Board of Directors shall constitute a quorum for the consideration of matters pertaining to the purposes of the Corporation. The

act of a majority of the Directors shall constitute the act of the Board of Directors, unless the act of a greater number is required by law, the Articles, or these Bylaws.

Section 7. Conduct of Business. At the meetings of the Board of Directors, matters pertaining to the business of the Corporation shall be considered in such order as from time to time the Board of Directors may determine.

At all meetings of the Board of Directors, the President shall preside, and in the absence of the President, the Board of Directors shall choose a chairperson from among the Directors present.

The Secretary-Treasurer of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary-Treasurer, the presiding officer may appoint any person to act as secretary of the meeting.

Section 8. Advisory Committee. The Board of Directors of the Corporation shall designate an advisory committee, which committee may advise the Board of Directors with respect to the activities of the Corporation. The Fort Bend County Drainage District Chief Engineer (the "Drainage District Chief Engineer") shall serve on the advisory committee. The Board of Directors of the Corporation with the consent and approval of the Commissioners Court shall

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Section 8. Advisory Committee. The Board of Directors of the Corporation shall designate an advisory committee, which committee may advise the Board of Directors with respect to the activities of the Corporation. The Fort Bend County Drainage District Chief Engineer (the "Drainage District Chief Engineer") shall serve on the advisory committee. The Board of Directors of the Corporation with the consent and approval of the Commissioners Court shall

appoint such other members as may be necessary. The advisory committee shall neither have nor exercise the authority of the Board of Directors in the management of the Corporation.

Section 9. Committees. In addition to the advisory committee described in Section 8, the Board of Directors of the Corporation may designate and provide for the appointment of other committees having such powers and responsibilities as it specifies in the resolutions appointing such committees. Any committee having the authority of the Board of Directors in the management of the Corporation shall consist of two (2) or more persons, a majority of whom shall be members of the Board of Directors.

ARTICLE III

OFFICERS

Section 1. Titles and Term of Office. The officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary-Treasurer, and any such other officers as the Board of Directors of the Corporation may from time to time elect or appoint. Officers may be required to give bonds for the faithful performance of their duties. One person may hold more than one office, except that the President shall not hold the office of the Secretary-Treasurer.

Section 2. Removal. Any officer shall be subject to removal, with or without cause, at any time by a duly adopted resolution by the Commissioners Court.

Section 3. Vacancies. A vacancy in the office of any officers shall be filled by the Board of Directors of the Corporation.

Section 4. Powers and Duties of the President. The President shall be the chief executive officer of the Corporation and, subject to the Board of Directors, he shall have general executive charge, management and control of the properties and operations of the Corporation in the ordinary course of its business with all such powers with respect to such properties and operations as may be reasonably incident to such responsibilities; he shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and, unless the Board of Directors otherwise determines, he shall preside at all meetings of the Board of Directors; and he shall have such other powers and duties as may be designated in the Bylaws and as may be assigned to him from time to time. In executing the powers granted herein, the President shall comply with the provisions of the Bylaws, including those set forth in Article IV, the Articles and the Act.

Section 5. Vice Presidents. A Vice President shall have such powers and duties as may be assigned to him by the Board of Directors including the performance of the duties of the President upon the death, absence or resignation of the President or upon the President's inability to perform the duties of his office. Any action taken by a Vice President in the performance of the duties of the President shall be conclusive evidence of the President's absence or inability to act at the time such action was taken.

Section 6. Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; he shall attend to the giving and serving of all notices; he may sign with the President, in the name of the Corporation, all bonds, contracts, deeds, conveyances, franchises, assignments, mortgages and notes of the Corporation and affix the seal of the Corporation thereto; he shall have charge of the Corporation's books, records, documents, instruments, accounting records, financial records and securities, and such other books, records and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to the inspection of any Director upon application at the office of the Corporation during business hours; and, he shall, in general, perform all

duties incident to the office of the Secretary-Treasurer, subject to the control of the Board of Directors and the appropriate Fort Bend County officials. In executing the powers granted herein, the Secretary-Treasurer shall comply with the provisions of these Bylaws, including Article IV, the Articles and the Act.

ARTICLE IV

CONSTRUCTION CONTRACTS; FUNDS; FINANCINGS

Section 1. Approval of Construction Contracts. The plans and specifications of any project and any construction contract relating to such project shall be approved by the Drainage District Chief Engineer and the Commissioners Court. Upon receipt of the required approvals of the plans and specifications and proper authorization of the Commissioners Court, the Corporation shall advertise for competitive bids in accordance with the procedures applicable to Fort Bend County, and shall award the contract to the lowest and best bidder, unless otherwise directed by the Commissioners Court. All construction contracts shall be approved by the Commissioners Court.

Section 2. Contract Documents. All construction contract documents shall be approved by the Drainage District Chief Engineer. The Corporation will assure that any contractor obtains insurance, bid bonds, payment and

performance bonds and sufficient retainage, all as required by the Drainage District Chief Engineer and the Commissioners Court.

Section 3. Construction Payments. Any payments for construction costs for a project shall be reviewed and approved by the Drainage District Chief Engineer and the Commissioners Court.

Section 4. Corporation Funds. The funds of the Corporation shall be invested and reinvested in securities that are eligible for investment by Fort Bend County. Investments of the funds of the Corporation shall be reviewed and approved by the Commissioners Court. All funds of the Corporation deposited with any financial institution shall be secured in the manner required for Fort Bend County. The funds of the Corporation shall be audited annually by an independent certified public accountant, and will be subject to audit by the Fort Bend County Auditor.

Section 5. Budget Approval. If required by the Commissioners Court, the Board of Directors of the Corporation shall submit an annual budget to the Commissioners Court for review and approval.

Section 6. Checks and Warrants. All checks and warrants drawn on the funds of the Corporation shall be countersigned by the Fort Bend County Treasurer and any such

officials of the Corporation as the Board of Directors may direct.

Section 7. Financings. Any indebtedness, financings or obligations of the Corporation must be approved by the Commissioners Court.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Corporation shall end on the same date as the fiscal year for Fort Bend County.

Section 2. Seal. The seal of the Corporation shall be such as from time to time may be approved by the Board of Directors.

Section 3. Notice and Waiver of Notice. Whenever any notice whatsoever is required ~~to be~~ given under the provisions of these Bylaws, such notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed, postpaid wrapper addressed to the person entitled thereto at his post office address as it appears on the books of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice, signed by the person or person entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 4. Resignations. Any Director or officer may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the President or Secretary-Treasurer. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Gender. References herein to the masculine gender shall also refer to the feminine in all appropriate cases.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Each Director and each officer and former Director and officer of the Corporation shall be indemnified by the Corporation against liabilities imposed upon him and expenses reasonably incurred by him in connection with any claim against him, or any action, suit or proceeding to which he may be a party by reason of his being, or having been, such Director or officer, and against such sum as independent counsel selected by the Directors shall deem reasonable payment made in settlement of any such claim, action, suit or proceeding primarily with the view of avoiding expenses of litigation; provided, however, no Director or officer shall be indemnified (a) with respect to any

matter as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of duty, (b) with respect to any matters which shall be settled by the payment of sums which independent counsel selected by the Directors shall not deem reasonable payment made primarily with a view to avoiding expense of litigation, or (c) with respect to matters for which such indemnification would be against public policy.

ARTICLE VII

AMENDMENTS

These Bylaws may be altered, amended or repealed by a duly passed and adopted resolution of the Board of Directors at any annual, regular, or special meeting, subject to review and approval by the Commissioners Court.

EXHIBIT C

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

September 17, 2010

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO HEREBY CERTIFY that according to the records of this office

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

is exempt from payment of franchise tax and consequently is in good standing with this office.

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 17th day of
September 2010 A.D.

Susan Combs
Texas Comptroller

Taxpayer number: 30010248000
File number: 0102980901

Form 05-303(Rev. 1-03/6)

GENERAL CERTIFICATE OF FORT BEND COUNTY

I, the undersigned, County Clerk of Fort Bend County, Texas (the "County"), make this certification for the benefit of the Attorney General of Texas and all other persons interested in the issuance by the Fort Bend Flood Control Water Supply Corporation (the "Issuer") of its $9,675,000 Revenue Bonds, Series 2010 (the "Bonds"). I hereby certify that:

1. As of September 8, 2010, the following named persons have constituted the duly elected and qualified officers holding the office indicated:

Name	Office
Robert Hebert	County Judge
Richard Morrison	Comm., Prec. #1
Grady Prestage	Comm., Prec. #2
Andy Meyer	Comm., Prec. #3
James Patterson	Comm., Prec. #4

3. The Issuer was duly created by the Commissioners Court of Fort Bend County (the "Governing Body") of the County and the Fort Bend County Drainage District (the "District"), and authorized to act on behalf of the County and the District and the Articles of Incorporation and the Bylaws of the Issuer in effect on this date have not been amended since they were approved by the Commissioners Court of Fort Bend County on February 23, 1987.

4. As of September 8, 2010, and at all times since such date, (i) the following named persons have been duly appointed by the Governing Body as members of the Board of Directors of the Issuer and (ii) as indicated below, certain of the directors have been the duly appointed, qualified and acting officers of the Issuer for the offices set forth opposite their names:

Directors	Office
Don L. Russell	President
James D. Condrey	Vice President
A. J. Colbert	Asst. Vice President
Mike Stone	Secretary/Treasurer
Leonard Gurecky	Assistant Secretary

5. Attached hereto as Exhibit A is a true and correct copy of the resolution of the Governing Body, dated September 14, 2010, specifically approving the issuance of

the Bonds and the documents relating thereto in the amount and for the purpose set forth therein and such resolution has not been amended, annulled, rescinded or revoked and remains in full force and effect on the date hereof.

6. The resolution of the Governing Body, dated February 23, 1987, authorizing the creation of the Issuer has not been amended, annulled, rescinded or revoked and remains in full force and effect on the date hereof.

7. No litigation is pending or, to the best of my knowledge after reasonable investigation, threatened against the Governing Body or the District:

(i) to restrain or enjoin the issuance or delivery of the Bonds; or

(ii) in any way contesting (a) the right and power of the Governing Body or the District in connection with any action taken by it towards the creation of the Issuer or the issuance of the Bonds or (b) the titles of the current County Commissioners or officers of the Fort Bend County Commissioners Court to their respective offices.

8. The Governing Body of the County certifies that it has approved the issuance and delivery of the Bonds and that the County is not currently in default of in any material respect under the Agreement (as defined in the Resolution), as supplemented.

[Execution Page Follows]

WITNESS MY HAND AND THE OFFICIAL SEAL OF FORT BEND COUNTY, TEXAS this 14 day of September, 2010.

FORT BEND COUNTY

Robert Hebert, County Judge

ATTEST

Dianne Wilson
County Clerk, Fort Bend County

(SEAL)

301742

FORT BEND CENTRAL APPRAISAL DISTRICT
2801 B F TERRY BLVD.
ROSENBERG, TEXAS 77471-5600
PHONE: (281) 344-8623

CERTIFICATE

THE STATE OF TEXAS

COUNTY OF FORT BEND

I, THE UNDERSIGNED, THE DULY SELECTED, CHIEF APPRAISER OF FORT BEND CENTRAL APPRAISAL DISTRICT, DO HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE FOLLOWING IS A **"CERTIFICATE"** STATEMENT OF THE VALUATION FOR TAXABLE PROPERTY FOR THE TAX YEAR **2010** WITHIN THE JURISDICTION OF:

FT BEND CO GEN	**G01**
Current Certificate of Value as of October 1, 2010 After Supplement #3	**$39,270,316,423**
LAND	**$14,321,233,108**
IMPROVEMENTS	**$33,187,081,003**
PERSONAL PROPERTY	**$4,113,593,426**
MINERALS	**$321,730,610**
AUTOMOBILES	**$218,638,128**
LESS HOMESTEAD CAP	**($140,687,798)**
LESS EXEMPT PROPERTY	**($2,747,238,279)**
LESS AG LOSS	**($2,372,433,468)**
LESS EXEMPTIONS	**($8,141,176,093)**
VALUE UNDER ARB REVIEW	**$509,575,786**
TOTAL TAXABLE VALUE	**$39,270,316,423**

WITNESS MY HAND, THIS 6TH DAY OF OCTOBER 2010.

Aleida McDaniel
Deputy Chief Appraiser

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT (this "Agreement") is entered into as of September 14, 2010, by and between Fort Bend Flood Control Water Supply Corporation (the "Issuer"), and The Bank of New York Mellon Trust Company, N.A., with offices in Harris County, Texas (hereinafter designated as the "Bank").

RECITALS OF THE ISSUER

Pursuant to a resolution adopted by the Board of Directors of the Issuer on September 14, 2010 (the "Bond Resolution"), the Issuer has duly authorized and provided for the issuance of its bonds, entitled "Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010" (the "Bonds") in an aggregate principal amount of $9,675,000, to be issued as fully registered bonds without coupons.

All things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be done upon the issuance and delivery thereof.

The Issuer and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal, redemption premium (if any) and interest on the Bonds, in accordance with the terms thereof, and under which the Bank will act as Registrar for the Bonds to assure the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 149(a) of the Internal Revenue Code of 1986, as amended.

The Issuer and the Bank have duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement a valid agreement of the parties, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, to pay to the Registered Owners of the Bonds in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of, redemption premium (if any), and interest, on all or any of the Bonds.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent and Registrar.

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent and Registrar, the Issuer hereby agrees to pay the Bank the fees set forth in the Bank's fee schedule attached as Exhibit "A" hereto. The Bank reserves the right to amend the fee schedule at any time, provided the Bank shall have furnished the Issuer with a written copy of such amended fee schedule at least 75 days prior to the date that the new fees are to become effective.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Bank" means The Bank of New York Mellon Trust Company, N.A. duly organized and existing under the laws of the United States of America.

"Bond Register" means the system of registration kept by the Bank in which are maintained the names and address of, and principal amounts of the Bonds registered to, each Registered Owner.

"Bond Resolution" means the resolution of the Issuer adopted September 14, 2010, pursuant to which the Bonds are issued.

"Bond" or "Bonds" means any one or all of the "$9,675,000 Fort Bend Flood Control Water Supply Corporation Unlimited Tax Bonds, Series 2010."

"DTC" means the Depository Trust Company.

"ET" means Eastern Time Zone.

"Issuer" means the Fort Bend Flood Control Water Supply Corporation.

"Paying Agent" means the Bank when it is performing the function of paying agent associated with such term in this Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

"Registered Owner" means a Person whose name and Bond is registered in the Bond Register.

"Registrar" means the Bank when it is performing the function of registrar associated with such term in this Agreement.

All other capitalized terms shall have the meanings assigned in the Bond Resolution.

ARTICLE THREE

DUTIES OF THE BANK

Section 3.01. Initial Delivery of Bonds.

The Bonds will be initially registered and delivered to the purchaser designated by the Issuer as set forth in the Bond Resolution. If such purchaser delivers a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, exchange the Bonds initially delivered for Bonds of authorized denominations, registered in accordance with the instructions in such request and the Bond Resolution.

Section 3.02. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of, redemption premium, if any, and interest, on each Bond in accordance with the provisions of the Bond Resolution.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may

act on a facsimile transmission of the closing memorandum to be followed by any original of the closing memorandum signed by the financial advisor or the Issuer.

Section 3.03. Duties of Registrar.

As Registrar, the Bank shall provide for the proper registration of the Bonds and, in the event the Book-Entry-Only System is discontinued, the exchange, replacement and registration of transfer of the Bonds, in accordance with the provisions of the Bond Resolution and shall establish and maintain the Bond Register at the Bank's principal payment office in Dallas, Texas.

Section 3.04. Unauthenticated Bonds.

In the event the Book-Entry-Only System is discontinued, the Issuer shall provide an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Bonds in safekeeping and will use reasonable care in maintaining such Bonds in safekeeping, which shall be not less than the care it maintains for debt securities of other government entities or corporations for which it serves as registrar, or which it provides for its own bonds.

Section 3.05. Reports.

The Bank will provide the Issuer reports upon request, which reports will describe in reasonable detail all transactions pertaining to the Bonds and the Bond Register. The Issuer may also inspect and make copies of the information in the books of registration at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up to date listing or to convert the information into written form.

The Bank will not release or disclose the content of the Bond Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena or court order or as otherwise required by law. Upon receipt of any such subpoena, court order or lawful request for disclosure, the Bank will notify the Issuer immediately so that the Issuer will have the opportunity to, but shall not be required to, contest the subpoena, court order or request.

Section 3.06. Cancelled Bonds.

In the event the Book-Entry-Only System is discontinued, all Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Bank. All cancelled Bonds held by the Bank shall be destroyed upon the making of proper records and evidence of such destruction furnished to the Issuer upon request; provided, however, that if laws or regulations prohibit the Bank from destroying the cancelled Bonds, the Bank shall return the cancelled Bonds to the Issuer.

Section 3.07. Standards. The Bank undertakes to perform the duties set forth herein and in the Bond Resolution and agrees to use reasonable care in the performance thereof. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Bonds as the same shall become due.

Section 3.08. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank by the Issuer.

(b) The Bank shall not be liable to the Issuer for actions taken under this Agreement so long as it acts in good faith and exercises due diligence, reasonableness and care, as prescribed by law, with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

(d) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

Section 3.09. Money Held by Bank.

(a) Money held by the Bank hereunder shall be held in trust for the benefit of the Registered Owners of the Bonds.

(b) The Bank shall be under no obligation to pay interest on any money received by it hereunder.

(c) All money deposited with the Bank hereunder shall be secured in the manner and to the fullest extent required by law for the security of funds of the Issuer.

(d) Except to the extent provided otherwise in the Bond Resolution, any money deposited with the Bank for the payment of the principal, redemption premium, if any, or interest on any Bond and remaining unclaimed for three years after the date such amounts have become due and payable shall be reported and disposed of by the Bank in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent that such provisions are applicable to such amounts.

Section 3.10 DTC Compliance.

In order for the Bonds to become and remain DTC eligible, the Bank shall, subject to Issuer's obligation below, abide by the requirements stated in the DTC *Operational Arrangements* memorandum dated January 2002, as such requirements may be amended from time to time. Among other matters, the *Operational Arrangements* require the Bank to provide on the payment date (i) any principal and income payments to DTC in same-day funds by 2:30 p.m. ET, along with supporting CUSIP detail in automated form, (ii) payment detail for income payments by noon, ET and (iii) redemption details and corporate action payments by 2:30 p.m. ET. In order for the Bank to meet such requirements, the Issuer shall remit by 1:00 p.m. ET on payable date funds for all principal and income payments due to the Bank, or at such earlier time as required by the Bank to ensure that DTC will receive payment in same-day funds by 2:30 p.m. ET on the payable date.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

Section 4.01. Recitals of Issuer. The recitals contained in the Bond Resolution and the Bonds shall be taken as the statements of Issuer, and the Bank assumes no responsibility for their correctness.

Section 4.02. May Own Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent and Registrar for the Bonds.

Section 4.03. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 4.04. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 4.05. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown herein, or such other address as may have been given by one party to the other by 15 days written notice.

Section 4.06. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 4.07. Successors and Assigns.

All covenants and agreements herein by the Issuer and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 4.08. Severability.

If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 4.09. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 4.10. Bond Resolution Governs Conflicts.

This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent and Registrar and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

Section 4.11. Term and Termination.

This Agreement shall be effective from and after its date for so long as any of the Bonds remain outstanding, but may be terminated for any reason by the Issuer or the Bank at any time upon 30 days written notice; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder. In the event of early termination regardless of circumstances, the Bank shall deliver to the Issuer or its designee all funds, Bonds and all books and records pertaining to the Bank's role as Paying Agent and Registrar with respect to the Bonds, including, but not limited to, the Bond Register.

Section 4.12. Indemnification.

To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability or expense incurred by the Bank without negligence or bad faith on the Bank's part, arising out of or in connection with its acceptance or administration of the Bank's duties hereunder, including the cost and expense (including the Bank's counsel fees) of defending against any claim or liability in connection with the exercise or performance of any of the Bank's powers or duties under this Agreement.

Section 4.13. Consequential Damages.

To the extent permitted by law, and except for any negligence or willful misconduct on the part of the Bank, anything in this Agreement to the contrary notwithstanding, in no event shall the Paying Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Paying Agent has been advised of such loss or damage and regardless of the form of action.

Section 4.14. Governing Law.

This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of Bank.

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum acknowledged by the financial advisor or the Issuer as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in several copies, each of equal dignity, as of the day and year first above written.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

By: _____
President, Board of Directors

ATTEST:

ADDRESS: 3200 Southwest Freeway,
Suite 2600
Houston, TX 77027

_____
Secretary, Board of Directors

(SEAL)

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: _____
Name: Michelle L. Baldwin
Title: Senior Associate

ATTEST:

By: _____
Name: Elizabeth H. Power
Title: Vice President

ADDRESS: 2001 Bryan Street, 10th Floor
Dallas, Texas 75201
Attn: Issuer Administrative Services

BNY MELLON
CORPORATE TRUST

Fee Schedule

$10,105,000 Fort Bend Flood Control Water Supply Corporation (Fort Bend County, Texas) Revenue Refunding Bonds, Series 2010

Acceptance Fee **None**

A one-time charge covering the Bank Officer's review of governing documents, communication with members of the closing party, including representatives of the issuer, investment banker(s) and attorney(s), establishment of procedures and controls, set-up of trust accounts and tickler suspense items and the receipt and disbursement/investment of bond proceeds. This fee is payable on the closing date.

Annual Paying Agent Administration Fee **$500**

An annual charge covering the normal paying agent duties related to account administration and bondholder services. Our pricing is based on the assumption that the bonds are DTC-eligible/book-entry only. If the bonds are certificated or physical, then we will have to charge an additional $1000 per year as a paying agent. This fee is payable annually, in advance.

Escrow Agent Fee: **$750**

The Escrow Agent Fee covers the consideration of documents and the normal administrative duties of the escrow agent according to the governing documents. For a full year or partial year escrow the fee is $750 per year. Should the escrow account or depository account be open for less than two months, then we will reduce our fee to $375. Should we not open an escrow, depository or similar account, we will not charge for such services. This fee is payable on the closing date.

Pricing for Call or Redemptions of Bonds ***Per Call*** **$300**

Call Pricing includes distribution of the call notice to holders of record, redemption processing, and notification to EMMA. Any publication expenses (i.e. Bond Buyer, regional periodical, financial periodicals, etc.) for the call notice will be billed to the Issuer at cost.

Extraordinary Services/Misc Fees: **At Appraisal**

The charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and may be charged in BNY Mellon's sole discretion. If it is contemplated that the Trustee hold and/or value collateral or enter into any investment contract, forward purchase or similar or other agreement, additional acceptance, administration and counsel review fees will be applicable to the agreement governing such services. If the bonds are converted to certificated form, additional annual fees will be charged for any applicable tender agent and/or registrar/paying agent services. Additional information will be provided at such time. Should this transaction terminate prior to closing, all out-of-pocket expenses incurred, including legal fees, will be billed at cost. If all outstanding bonds of a series are defeased or called in full prior to their maturity, a termination fee may be assessed at that time.

These extraordinary services may include, but are not limited to, supplemental agreements, consent operations, unusual releases, tender processing, sinking fund redemptions, failed remarketing processing, the preparation of special or interim reports, custody of collateral, a one-time fee to be charged upon termination of an engagement. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed, UCC filing fees, money market sweep fees, auditor confirmation fees, wire transfer fees, transaction fees to settle third-party trades and reconcilement fees to balance trust account balances to third-party investment provider statements

Annual fees include one standard audit confirmation per year without charge. Standard audit confirmations include the final maturity date, principal paid, principal outstanding, interest cycle, interest paid, cash and asset information, interest rate, and asset statement information. Non-standard audit confirmation requests may be assessed an additional fee. Periodic tenders, sinking fund, optional or extraordinary call redemptions will be assessed at $300 per event. FDIC or other governmental charges will be passed along to you as incurred.

Terms and Disclosures

Terms of Proposal

Final acceptance of the appointment under the Indenture is subject to approval of authorized officers of BNYM and full review and execution of all documentation related hereto. Please note that if this transaction does not close, you will be responsible for paying any expenses incurred, including Counsel Fees. We reserve the right to terminate this offer if we do not enter into final written documents within three months from the date this document is first transmitted to you. Fees may be subject to adjustment during the life of the engagement.

Customer Notice Required by the USA Patriot Act

To help the US government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

What this means to you: When you establish a relationship with BNYM, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us to identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

We thank you for your assistance.

AUTHENTICATION AND SIGNATURE IDENTIFICATION
CERTIFICATE OF PAYING AGENT/REGISTRAR AND ESCROW AGENT

I, the undersigned officer of The Bank of New York Mellon Trust Company, National Association (the "Bank"), which is the Escrow Agent and Paying Agent appointed by Fort Bend Flood Control Water Supply Corporation, Texas (issuer), organized and existing under the Constitution and laws of the State of Texas, (the "Issuer"), in connection with the issuance, sale, execution and delivery of its Revenue Refunding Bonds, Series 2010 (the "Bonds"), and the execution and delivery of an Escrow Agreement (the "Escrow Agreement") and Paying Agent / Registrar Agreement (the "Paying Agent Agreement") dated as of September 14, 2010 and between the Issuer and the Bank hereby certify as follows:

1. The Escrow Agent Agreement Agent/Registrar Agreement have been duly executed and attested on behalf of the Bank by one or more of the persons named below whose offices appear set opposite their names; said persons were at the time of executing the Escrow Agreement and the Paying Agent/Registrar Agreement, and are now, duly elected, qualified and acting incumbents of their respective offices; and the signatures appearing after each of said persons' names is the true and correct specimen of such person's genuine signature:

Name	Office	Signature
Michelle L. Baldwin	**Senior Associate**	
Elizabeth Power	**Vice President**	

2. The foregoing officers of the Bank, by virtue of the authority delegated to them as set forth in Exhibit A, are authorized to execute and deliver on behalf of the Escrow Agreement and the Paying Agent/Registrar Agreement, and such other and further documents as may be necessary or incidental to the acceptance and performance of the duties set forth within.

IN WITNESS WHEREOF, the undersigned Bank has caused this certificate to be executed and its seal affixed on this August 25, 2010.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
Dallas, Texas as Escrow Agent and as
Paying Agent

By: _____

Title: Senior Associate

[BANK SEAL]
Exhibit A – Evidence of Delegation of Authority

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

I, the undersigned, Barbara J. Parrish, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, with a trust office located at 2001 Bryan Street, Dallas, Texas, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association:

Officer	Title	Signing Authority
Deborah A. Bennett	Vice President	A, C2, J, P1
Susan Brookshire	Vice President	P6
Michael K. Herberger	Vice President	A, C2, J, N, P1
Charles Hicks	Vice President & Assistant Secretary	A, C2, J, N, P1
Robert L. Patterson	Vice President	A, C2, J, N, P1
Elizabeth Power	Vice President	A, C5, J, N, P2
Cathleen M. Sokolowski	Vice President	A, C2, J, N, P1
Rick Adler	Senior Associate	A, C5, J, N, P2
Michelle L. Baldwin	Senior Associate	A, C5, J, N, P2
Rosalyn Y. Davis	Senior Associate	A, C5, J, N, P2
Gulnaar Murthy	Senior Associate	A, C5, J, N, P2
Jason Stephens	Senior Associate	A, C2, J, N, P1
Shannon Straty	Senior Associate	A, C5, J, N, P2
Deirdre A. Wilson	Senior Associate	A, C5, J, P2
Jennifer E. LeBlanc	Associate	A, C4, J, N
Caresse L. Tankersley	Associate	A, C4, J, N

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-Laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-Laws of the Association and the signing authority resolution, which have not been amended or revised since October 15, 2009 and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 25th day August of 2010.

Barbara J. Parrish

Barbara J. Parrish, Assistant Secretary

Extracts from By-Laws

of

The Bank of New York Mellon Trust Company, N.A.

As Amended through October 15, 2009

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-Laws
Adopted October 15, 2009

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $500,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $500,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $500,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount $in excess of $100,000,000 but not to exceed $500,000,000*.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt;

certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C10) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C11) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

(P1) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in excess of $10,000,000.

(P2) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $10,000,000.

(P3) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $5,000,000.

(P4) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $1,000,000.

(P5) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $250,000.

(P6) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $100,000.

(P7) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $50,000.

(P8) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $25,000.

(P9) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $10,000.

(P10) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $5,000.

(P11) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $3,000.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated for convenience September 14, 2010, but effective on the Escrow Funding Date defined herein, is made and entered into by and between Fort Bend Flood Control Water Supply Corporation, a Texas non-profit corporation (together with any successor to its duties and functions, the "Corporation"), and The Bank of New York Mellon Trust Company, National Association, as escrow agent (together with any successor or assign in such capacity, the "Escrow Agent").

WHEREAS, the Corporation has heretofore issued, and there remain outstanding, the Corporation's $11,650,000 Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), (the "Outstanding Bonds"); and

WHEREAS, the Corporation desires to advance refund certain portions of the Series 2001 Bonds in the total aggregate principal amount of $10,070,000 (the "Refunded Bonds"); and

WHEREAS, Chapter 1207 of the Texas Government Code, authorizes and empowers the Corporation to issue, sell and deliver refunding bonds payable from ad valorem taxes and to deposit the proceeds of such bonds, together with other available funds or resources, with any paying agent for the Refunded Bonds, in an amount which is sufficient to provide for the payment or redemption of the principal of and interest on the Refunded Bonds; and

WHEREAS, the governing body of the Corporation has adopted a resolution (the "Refunding Bond Resolution") authorizing the issuance, sale and delivery of the Corporation's Unlimited Tax Refunding Bonds, Series 2010 (the "Refunding Bonds"), for the purpose of providing a portion of the funds necessary to refund, in advance of their maturities, the Refunded Bonds; and

WHEREAS, the governing body of the Corporation has determined to carry out the advance refunding of the Refunded Bonds pursuant to this Escrow Agreement, under which provision is made for the safekeeping, investment, reinvestment, administration and disposition of the proceeds of the Refunding Bonds, so as to provide firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Bonds;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the full and timely payment of the principal of and the interest on the Refunded Bonds, the Corporation and the Escrow Agent contract and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below for all purposes of this Escrow Agreement:

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

"Escrow Fund" means the fund created in Section 3.01 of this Escrow Agreement to be administered by the Escrow Agent pursuant to the provisions of this Escrow Agreement.

"Escrow Funding Date" means the date on which there is deposited with the Escrow Agent the cash and Escrowed Securities described in Section 2.01.

"Escrowed Securities" means direct, noncallable, nonprepayable United States Treasury Obligations or State and Local Government Series, originally purchased with proceeds of the Refunding Bonds or with funds other than proceeds of the Refunding Bonds, as more fully described in the Report, together with all reinvestments of the proceeds thereof as contemplated and required by the provisions of this Escrow Agreement and the Report.

"Paying Agent for the Refunded Bonds" mean the paying agent identified in the resolutions authorizing the issuance of the Series 2001 Bonds, and any successors in such capacity.

"Refunded Bond Resolution" means the Corporation's resolution adopted July 31, 2001, authorizing the issuance, sale and delivery of the Refunded Bonds.

"Refunded Bonds" means those portions of the Corporation's $11,650,000 Revenue Bonds, Series 2001, maturing on March 1 in each of the years 2012 through 2021, inclusive, in the aggregate principal amount of $10,070,000.

"Report" means the verification report prepared by Grant Thornton L.L.P., certified public accountants, relating to the advance refunding of the Refunded Bonds, a copy of which is attached hereto as Exhibit "A."

Section 1.02. Interpretations. The titles and headings of the articles and sections of this Escrow Agreement have been inserted for convenience of reference only and are

not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Escrow Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits with Escrow Agent; Acquisition of Escrowed Securities. On the Escrow Funding Date the Corporation will deposit, or cause to be deposited, with the Escrow Agent the Escrowed Securities, a sum from its debt service fund, along with a beginning cash balance identified in the Report.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. On the Escrow Funding Date the Escrow Agent will create on its books a special fund and irrevocable escrow to be known as "Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010, Escrow Fund," into which will be deposited the cash and Escrowed Securities described in Section 2.01. The Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund shall be the property of the Escrow Fund and shall be applied only in strict conformity with the terms and conditions hereof. The Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers to the Paying Agent for the Refunded Bonds of such amounts at such times as are provided in Section 3.02 hereof. When the final transfers have been made to the Paying Agent for the Refunded Bonds for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the Corporation, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Refunded Bonds. (a) The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent for the Refunded Bonds from the cash balance from time to time on deposit in the Escrow Fund the amounts required to pay the principal of and interest on the Refunded Bonds as the same become due and payable or are redeemed prior to maturity, all as provided herein, in the Refunding Bond Resolution and in the Report.

(b) Money transferred to and held by the Paying Agent for the Refunded Bonds in accordance with the provisions hereof shall be held by the Paying Agent for the Refunded Bonds as a separate trust fund for the account of the respective holders of the Refunded Bonds in connection with which such money is held; provided, however, that amounts so held by the Paying Agent for the Refunded Bonds remaining unclaimed by the owners of such Refunded Bonds after the expiration of three years after the dates such amounts have become due and payable shall be reported and disposed of by such Paying Agent in accordance with the provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 3.03. Sufficiency of Escrow Fund. The Corporation represents (based upon the Report) that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent for the Refunded Bonds at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and to pay the principal or redemption price of the Refunded Bonds as the Refunded Bonds mature or are redeemed, all as more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required to make the payments set forth in Section 3.02 hereof, the Corporation shall timely deposit into the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not be responsible for any insufficiency of funds in the Escrow Fund or the Corporation's failure to make additional deposits thereto.

Section 3.04. Escrow Fund. The Escrow Agent at all times shall hold the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund always shall be maintained by the Escrow Agent for the benefit of the holders of the Refunded Bonds, and a special account thereof evidencing such fact shall be maintained at all times on the books of the Escrow Agent. The holders of the Refunded Bonds shall be entitled to a preferred claim and first lien on the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund. The amounts received by the Escrow Agent under this Escrow Agreement shall not be considered as a banking deposit by the Corporation, and the Escrow Agent shall have no right or title with respect thereto except as escrow agent under the terms hereof. The amounts received by the Escrow Agent hereunder shall not be subject to warrants, drafts or checks drawn by the Corporation.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

Section 3.06. Escheatment. Subject to the unclaimed property law of the State of Texas, except to the extent provided otherwise in the Bond Resolution, any money deposited with the Escrow Agent for the payment of the principal, redemption premium, if any, or interest on any Bond and remaining unclaimed for three years after the final maturity of the Bond has become due and payable shall be reported and disposed of by the Escrow Agent in accordance provision of Title 6 of the Texas Property Code, as amended, to the extent that such provisions are applicable to such amounts, and all liability of the Escrow Agent with respect to such funds shall thereupon cease.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. General. Except as herein otherwise expressly provided, the Escrow Agent shall not have any power or duty to invest any money held hereunder; or to make substitutions of the Escrowed Securities; or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 4.02. Reinvestment of Escrowed Securities. The Escrow Agent shall reinvest proceeds received from the Escrowed Securities in United States Treasury Obligations or State and Local Government Series at the times, in the amounts, bearing interest at the rates, and for the periods set out in the Report.

Section 4.03. Substitution of Securities. (a) Concurrently with the sale and delivery of the Refunding Bonds, the Corporation, at its option, may substitute cash or non-interest bearing obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) for non-interest bearing Escrowed Securities, if any, listed in the Report attached hereto, but only if such cash and/or substituted non-interest bearing direct obligations of the United States Treasury:

(i) are in an amount, and/or mature in an amount, which, together with any cash substituted for such obligations, is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such obligation is substituted; and

(ii) mature on or before the maturity date of the obligation listed in the Report for which such obligation is substituted.

The Corporation may at any time substitute any Escrowed Securities which, as permitted by the preceding sentence, were not deposited to the credit of the Escrow Fund, for the cash and/or obligations that were substituted concurrently with the sale and delivery of the Refunding Bonds for such Escrowed Securities.

(b) At the written request of the Corporation, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or direct, nonprepayable obligations of, or nonprepayable obligations, the principal of and interest on which are unconditionally guaranteed by, the United States of America and which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (1) the Escrow Agent shall have received a written opinion from a recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount which will be sufficient, without further investment or reinvestment of either principal amount thereof or interest earnings thereon, when added to the interest to accrue thereon, to provide for the payment of principal of and interest on the remaining Refunded Bonds as they become due, and (2) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel acceptable to the Corporation and the Escrow Agent to the effect that (i) such transaction will not cause any of the Refunding Bonds to be an "arbitrage bond" within the meaning of the Code, and (ii) that such transaction complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the affected series of Refunded Bonds and the Refunding Bonds.

ARTICLE V

RECORDS AND REPORTS

Section 5.01. Records. The Escrow Agent shall keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Corporation and the holders of the Refunded Bonds.

Section 5.02. Reports. For the period beginning on the date hereof and ending on September 30, 2009, and for each 12 month period thereafter while this Escrow Agreement remains in effect, the Escrow Agent shall prepare and send to the

Corporation, at the Corporation's request, within 30 days following the end of such period, a written report summarizing all transactions relating to the Escrow Fund during such period, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund to the Paying Agent for the Refunded Bonds, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Section 5.03. Notification. The Escrow Agent shall notify the Corporation immediately if at any time during the term of this Escrow Agreement it determines that the cash and Escrowed Securities in the Escrow Fund is not sufficient to provide for the transfer to the Paying Agent for the Refunded Bonds for timely payment of all interest on and principal of the Refunded Bonds.

ARTICLE VI

CONCERNING THE ESCROW AGENT

Section 6.01. Representations of Escrow Agent. The Bank of New York Mellon Trust Company, N.A. hereby represents that it has all necessary power and authority to enter into this Escrow Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 6.02. Limitation on Liability. The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in the exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Escrow Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

The liability of the Escrow Agent to transfer funds to the Paying Agent for the Refunded Bonds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Paying Agent for the Refunded Bonds shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligor of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Corporation promptly of any such occurrence.

The recitals, both herein and in the proceedings authorizing the Refunding Bonds, shall be taken as the statements of the Corporation and shall not be considered

as made by, or imposing any obligation or liability upon, the Escrow Agent. In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Escrow Agreement.

The Escrow Agent makes no representation as to the accuracy of the Report, the value, condition or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Corporation thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility with respect to any of such matters.

In the absence of bad faith, the Escrow Agent may rely conclusively upon the truth, completeness and accuracy of the statements, certificates, opinions, resolutions and other documents conforming to the requirements of this Escrow Agreement, and shall not be obligated to make any independent investigation with respect thereto.

It is the intention of the Corporation and the Escrow Agent that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

Unless it is specifically provided otherwise herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Corporation with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Escrow Agreement. If, however, the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Corporation or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of and consult with the Corporation, among others, at any time.

The Escrow Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Escrow Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

To the full extent permitted by law, the Corporation agrees to indemnify, defend and hold the Escrow Agent harmless from and against any and all loss, damage, tax, liability and expense that may be incurred by the Escrow Agent arising out of or in connection with its acceptance or appointment as Escrow Agent hereunder, including attorneys fees and expenses of defending itself against any claim or liability in connection with its performance hereunder, except that the Escrow Agent shall not be indemnified for any loss, damage, tax liability, or expense resulting from its own negligence.

Section 6.03. Compensation. On the Escrow Funding Date the Corporation will pay to the Escrow Agent the sum of $750.00, for performing the services hereunder (excluding out of pocket expenses, costs of publication, and printing costs incurred or to be incurred by the Escrow Agent in the administration of the Escrow Agreement). Said fee does not include the paying agent fees for the Refunding Bonds. The Bank of New York Mellon Trust Company, N.A. (as successor paying agent to The Chase Manhattan Bank) will continue to act as Paying Agent for the Refunded Bonds for the life of said Refunded Bonds, and will bill fees for that service according to existing fee schedules, with the sole remedy for nonpayment being an action for amounts owing under the Paying Agent/Registrar Agreement for the Series 2001 Bonds. If the Escrow Agent is requested to perform any extraordinary services hereunder, the Corporation hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services. It is expressly provided that the Escrow Agent shall look only to the Corporation for the payment of such additional fees and reimbursement of such additional expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular, additional or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

Section 6.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should be unable, by operation of law or otherwise, to act as escrow agent hereunder, a vacancy shall forthwith exist hereunder in the office of the escrow agent, and the Corporation shall appoint an escrow agent to fill such vacancy. Any successor escrow agent appointed by the Corporation shall be qualified to act under Chapter 1207 of the Texas Government Code, and shall succeed, without further act, to all the rights, immunities, powers and trusts of the predecessor escrow agent hereunder. Upon the request of any such successor escrow agent, the Corporation shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor escrow agent all such immunities, rights, powers and duties. The Escrow Agent shall pay over to its successor a proportional part of the Escrow Agent's fee hereunder equal to the portion of such fee attributable to duties to be performed after the date of succession. Upon any resignation of the Escrow Agent,

the Escrow Agent reserves the right to petition a court of competent jurisdiction to appoint a successor escrow agent.

Section 6.05. Consequential Damages. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable to the Corporation for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of such loss or damage and regardless of the form of action.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Notices. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent:
The Bank of New York Mellon Trust Company, N.A.
2001 Bryan Street, 10th Floor
Dallas, Texas 75201

To the Corporation:
Fort Bend Flood Control Water Supply Corporation
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway
Suite 2600
Houston, Texas 77027
Attention: Greer Pagan

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten days prior notice thereof.

Section 7.02. Termination of Escrow Agent's Obligations. Upon the taking by the Escrow Agent of all the actions as described herein, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Corporation, the holders of the Refunded Bonds or to any other person or persons in connection with this Escrow Agreement.

Section 7.03. Binding Agreement. This Escrow Agreement shall be binding upon the parties hereto and their respective successors and legal representatives, and shall inure solely to the benefit of the holders of the Refunded Bonds, the parties hereto, and the Paying Agent for the Refunded Bonds and their respective successors and legal representatives.

Section 7.04. Severability. In case any one or more of the provisions contained in this Escrow Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Escrow Agreement, but this Escrow Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.05. Governing Law. This Escrow Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 7.06. Time of Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Escrow Agreement.

[Execution Page Follows]

Executed as of September 14, 2010, but effective as set forth herein.

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
as Escrow Agent

By:_____
Name: Michelle L. Baldwin
Title: Senior Associate

ATTEST:

By:_____
Name: Elizabeth H. Power
Title: Vice President

(SEAL)

EXHIBIT A

Cash Flow and Yield Verification Report

Fort Bend Flood Control Water Supply Corporation, Texas

October 12, 2010

Contents

Letter	
Exhibit A	Schedule of Sources and Uses of Funds
Exhibit B	Escrow Account Cash Flow
Exhibit B-1	Cash Receipt From and Yield on the SLGS Purchased with Bond Proceeds
Exhibit B-2	Cash Receipt From the SLGS Purchased with Debt Service Funds
Exhibit B-3	Debt Service Payment on the Refunded Bonds and Debt Service Payments to Maturity on the Refunded Bonds
Exhibit C	Debt Service Payments and Yield on the Bonds
Exhibit C-1	Net Original Issue Premium on the Bonds
Appendix I	Applicable schedules provided by FirstSouthwest

Grant Thornton

Audit • Tax • Advisory

Grant Thornton LLP
200 S 6th Street, Suite 500
Minneapolis, MN 55402-1459

T 612.332.0001
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Report of Independent Certified Public Accountants
On Applying Agreed-Upon Procedures

Fort Bend Flood Control Water Supply Corporation
301 Jackson Street
Richmond, Texas

Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas

Jefferies & Company, Inc.
13355 Noel Road, Suite 1400
Dallas, Texas

The Bank of New York Mellon
Trust Company, N.A.
2001 Bryan Street, 11th Floor
Dallas, Texas

FirstSouthwest
1021 Main Street, Suite 2200
Houston, Texas

Texas Attorney General's Office
300 West 15th Street, Seventh Floor
Austin, Texas

$9,675,000
Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)
Revenue Refunding Bonds, Series 2010
Dated October 1, 2010

We have performed the procedures described in this report, which were agreed to by Fort Bend Flood Control Water Supply Corporation, Texas (the "Corporation") and FirstSouthwest (the "Financial Advisor"), to verify the mathematical accuracy of certain computations contained in the schedules attached in Appendix I provided by the Financial Advisor. The Financial Advisor is responsible for these schedules. These procedures were performed solely to assist you in the issuance of the above-captioned bond issue (the "Bonds") for the purpose of refunding a portion of the Corporation's outstanding Revenue Bonds, Series 2001 (the "Refunded Bonds") as summarized on the next page. This engagement was performed in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the addressees of this report who are the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described in this report either for the purpose for which this report has been requested or for any other purpose.

Series	Principal Issued	Dated	Principal Refunded	Maturities Refunded	Redemption Date	Redemption Price
2001	$11,650,000	July 1, 2001	$10,070,000	3-1-12 to 3-1-21	3-1-11	100%

VERIFICATION OF ESCROW ACCOUNT CASH FLOW SUFFICIENCY

The Financial Advisor provided us with schedules (Appendix I) summarizing the future escrow account cash receipt and disbursement. These schedules indicate that there will be sufficient cash available in the escrow account to pay the principal and interest on the Refunded Bonds assuming the Refunded Bonds will be redeemed on March 1, 2011 at 100 percent of par plus accrued interest.

The attached Exhibit A (Schedule of Sources and Uses of Funds) was compiled based upon information provided by the Financial Advisor.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B through B-3 independently calculating the future escrow account cash receipt and disbursement and compared the information used in our calculations to the information listed below contained in applicable pages of the following documents:

- Subscription confirmation, dated September 13, 2010, and Schedule of U.S. Treasury Securities provided by the Financial Advisor used to acquire certain United States Treasury Securities - State and Local Government Series (the "SLGS") insofar as the SLGS are described as to the principal amount, interest rate, maturity date and issuance date; and

- Resolution for the Refunded Bonds provided by Allen Boone Humphries Robinson LLP insofar as the Refunded Bonds are described as to the maturity and interest payment dates, principal amounts, interest rates and optional redemption date and price.

In addition, we compared the interest rate for the maturity of the SLGS, as shown on the Schedule of U.S. Treasury Securities, with the maximum allowable interest rate shown on the Department of Treasury, Bureau of Public Debt, SLGS Table for use on September 13, 2010 and found that the interest rate was equal to the maximum allowable interest rate for that maturity.

Our procedures, as summarized in Exhibits B through B-3, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing the future escrow account cash receipt and disbursement. The schedules provided by the Financial Advisor and those prepared by us reflect that the anticipated receipt from the SLGS, together with an initial cash deposit of $10.43 to be deposited into the escrow account on October 12, 2010, will be sufficient to pay, when due, the principal and interest related to the Refunded Bonds assuming the Refunded Bonds will be redeemed on March 1, 2011 at 100 percent of par plus accrued interest.

VERIFICATION OF YIELDS

The Financial Advisor provided us with schedules (Appendix I) which indicate that the yield on the cash receipt from the SLGS purchased with Bond proceeds is less than the yield on the Bonds. These schedules were prepared based on the assumed settlement date of October 12, 2010 using a 360-day year with interest compounded semi-annually. The term "yield", as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid or received on an obligation produces an amount equal to, in the case of the cash receipt from the SLGS purchased with Bond proceeds, the purchase price, and in the case of the Bonds, the issue price. In addition, we found that the schedules provided by the Financial Advisor, which assume the redemption of the March 1, 2020 maturity identified on Exhibits C and C-1 at par on March 1, 2019 plus accrued interest, correctly treat those Bonds as yield-to-call Bonds as retired on the respective dates that for each Bond produces the lowest yield for the issue that includes the Bonds. Those Bonds identified as yield-to-call Bonds on the attached Exhibits C and C-1 are those Bonds that are subject to optional redemption and that are issued at an issue price that exceeds the stated redemption price at maturity of such Bonds by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of such Bonds and the number of complete years to the first optional redemption date for the Bonds. We found that there are no other yield-to-call Bonds other than those identified on the attached Exhibits C and C-1.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B-1 and C independently calculating the yields on (i) the cash receipt from the SLGS purchased with Bond proceeds calculated on Exhibit B-1, and (ii) the Bonds using the Official Statement provided by the Financial Advisor insofar as the Bonds are described as to the maturity and interest payment dates, dated date, principal amounts, interest rates, optional redemption date and price, and issue price to the public. The results of our calculations, based on the aforementioned assumptions, are summarized below:

	Yield	Exhibit
• Yield on the cash receipt from the SLGS purchased with Bond proceeds	0.149022%	B-1
• Yield on the Bonds	2.228068%	C

Our procedures, as summarized in Exhibits B-1 and C, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing the yields. The schedules provided by the Financial Advisor and those prepared by us reflect that the yield on the cash receipt from the SLGS purchased with Bond proceeds is less than the yield on the Bonds.

* * * * * *

We were not engaged to, and did not, perform an examination in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants, the objective of which would be the expression of an examination opinion on the items referred to above. Accordingly we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of those to whom this letter is addressed and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Minneapolis, Minnesota
October 12, 2010

Exhibit A

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

SCHEDULE OF SOURCES AND USES OF FUNDS

October 12, 2010

SOURCES:	
Principal amount of the Bonds	$9,675,000.00
Accrued interest	11,017.95
Net original issue premium	784,853.30
Transfer from Debt Service Funds	111,473.96
	$10,582,345.21
USES:	
Purchase price of the SLGS:	
- Purchased with Bond proceeds	$10,208,167.47
- Purchased with Debt Service Funds	111,463.53
Beginning cash deposit to the escrow account	10.43
Accrued interest	11,017.95
Costs of issuance	190,000.00
Underwriter's discount	61,521.67
Contingency	164.16
	$10,582,345.21

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

ESCROW ACCOUNT CASH FLOW

Dates	Cash receipt from SLGS: Purchased with Bond proceeds (Exhibit B-1)	Purchased with Debt Service Funds (Exhibit B-2)	Debt service payment on Refunded Bonds (Exhibit B-3)	Cash balance
Cash deposit on October 12, 2010				$10.43
03-01-11	$10,214,040.66	$111,527.66	$10,325,568.75	10.00
	$10,214,040.66	$111,527.66	$10,325,568.75	

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

CASH RECEIPT FROM AND YIELD ON THE SLGS PURCHASED WITH BOND PROCEEDS

Receipt date	Principal	Interest rate	Interest	Cash receipt from SLGS purchased with Bond proceeds	Present value on October 12, 2010 using a yield of 0.149022%
03-01-11	$10,208,167.47	0.150%	$5,873.19	$10,214,040.66	$10,208,167.47
Purchase price of the SLGS purchased with Bond proceeds					$10,208,167.47

The present value of the cash receipt from the SLGS purchased with Bond proceeds on October 12, 2010, using a yield of 0.149022%, is equal to the purchase price of the SLGS purchased with Bond proceeds.

Exhibit B-2

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

CASH RECEIPT FROM THE SLGS PURCHASED WITH DEBT SERVICE FUNDS

Receipt date	Principal	Interest rate	Interest	Cash receipt from SLGS purchased with Debt Service Funds
03-01-11	$111,463.53	0.150%	$64.13	$111,527.66

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

DEBT SERVICE PAYMENT ON THE REFUNDED BONDS AND DEBT SERVICE PAYMENTS TO MATURITY ON THE REFUNDED BONDS

Date	Principal	Interest rate	Interest	Debt service payment
03-01-11	$10,070,000	(1)	$255,568.75	$10,325,568.75

(1) Actual maturity dates, principal amounts and interest rates are as follows:

Date	Principal	Interest rate	Interest	Debt service payments to maturity
03-01-11			$255,568.75	$255,568.75
09-01-11			255,568.75	255,568.75
03-01-12	$920,000	4.500%	255,568.75	1,175,568.75
09-01-12			234,868.75	234,868.75
03-01-13	950,000	4.650%	234,868.75	1,184,868.75
09-01-13			212,781.25	212,781.25
03-01-14	1,050,000	5.375%	212,781.25	1,262,781.25
09-01-14			184,562.50	184,562.50
03-01-15	1,050,000	5.375%	184,562.50	1,234,562.50
09-01-15			156,343.75	156,343.75
03-01-16	1,025,000	5.375%	156,343.75	1,181,343.75
09-01-16			128,796.88	128,796.88
03-01-17	1,025,000	5.375%	128,796.88	1,153,796.88
09-01-17			101,250.00	101,250.00
03-01-18	1,025,000	5.000%	101,250.00	1,126,250.00
09-01-18			75,625.00	75,625.00
03-01-19	1,025,000	5.000%	75,625.00	1,100,625.00
09-01-19			50,000.00	50,000.00
03-01-20	1,000,000	5.000%	50,000.00	1,050,000.00
09-01-20			25,000.00	25,000.00
03-01-21	1,000,000	5.000%	25,000.00	1,025,000.00
	$10,070,000		$3,105,162.51	$13,175,162.51

Exhibit C

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

DEBT SERVICE PAYMENTS AND YIELD ON THE BONDS

	$9,675,000 issue dated October 1, 2010				(1)	Present value on October 12, 2010
Date	Principal	Interest rate	Interest	Total debt service	Adjusted debt service	using a yield of 2.228068%
03-01-11	$70,000	2.500%	$150,244.79	$220,244.79	$220,244.79	$218,368.58
09-01-11			179,418.75	179,418.75	179,418.75	175,930.40
03-01-12	940,000	3.000%	179,418.75	1,119,418.75	1,119,418.75	1,085,560.94
09-01-12			165,318.75	165,318.75	165,318.75	158,552.21
03-01-13	955,000	3.250%	165,318.75	1,120,318.75	1,120,318.75	1,062,625.81
09-01-13			149,800.00	149,800.00	149,800.00	140,520.32
03-01-14	1,045,000	4.000%	149,800.00	1,194,800.00	1,194,800.00	1,108,437.21
09-01-14			128,900.00	128,900.00	128,900.00	118,265.31
03-01-15	1,025,000	4.000%	128,900.00	1,153,900.00	1,153,900.00	1,047,034.97
09-01-15			108,400.00	108,400.00	108,400.00	97,277.15
03-01-16	985,000	4.000%	108,400.00	1,093,400.00	1,093,400.00	970,396.47
09-01-16			88,700.00	88,700.00	88,700.00	77,854.25
03-01-17	970,000	4.000%	88,700.00	1,058,700.00	1,058,700.00	919,009.88
09-01-17			69,300.00	69,300.00	69,300.00	59,493.44
03-01-18	955,000	4.000%	69,300.00	1,024,300.00	1,024,300.00	869,664.15
09-01-18			50,200.00	50,200.00	50,200.00	42,151.85
03-01-19	945,000	4.000%	50,200.00	995,200.00	1,900,200.00	1,577,977.61
09-01-19			31,300.00	31,300.00	13,200.00	10,840.87
03-01-20	905,000	4.000%	31,300.00	936,300.00	13,200.00	10,721.43
09-01-20			13,200.00	13,200.00	13,200.00	10,603.30
03-01-21	880,000	3.000%	13,200.00	893,200.00	893,200.00	709,585.11
	$9,675,000		$2,119,319.79	$11,794,319.79	$11,758,119.79	$10,470,871.25

The present value of the future payments is equal to:

Principal amount of the Bonds	$9,675,000.00
Accrued interest	11,017.95
Net original issue premium	784,853.30
	$10,470,871.25

The sum of the present values of the adjusted debt service payments of the Bonds on October 12, 2010, using a yield of 2.228068%, is equal to the issue price of the Bonds.

(1) Assumes that the March 1, 2020 maturity is called on March 1, 2019 at 100 percent of par plus accrued interest.

Fort Bend Flood Control Water Supply Corporation
(Fort Bend County, Texas)

NET ORIGINAL ISSUE PREMIUM ON THE BONDS

Maturity date	Principal	Interest rate	Yield	Initial public offering price	Net original issue premium (discount)
03-01-11	$70,000	2.500%	0.600%	100.731%	$511.70
03-01-12	940,000	3.000%	0.770%	103.068%	28,839.20
03-01-13	955,000	3.250%	0.930%	105.461%	52,152.55
03-01-14	1,045,000	4.000%	1.180%	109.332%	97,519.40
03-01-15	1,025,000	4.000%	1.530%	110.438%	106,989.50
03-01-16	985,000	4.000%	1.830%	111.080%	109,138.00
03-01-17	970,000	4.000%	2.130%	111.108%	107,747.60
03-01-18	955,000	4.000%	2.370%	110.982%	104,878.10
03-01-19	945,000	4.000%	2.590%	110.565%	99,839.25
03-01-20	905,000	4.000%	2.760%	109.224% (1) (2)	83,477.20
03-01-21	880,000	3.000%	3.080%	99.291%	(6,239.20)
	$9,675,000				$784,853.30

(1) Maturity was priced to call on March 1, 2019 at 100 percent of par.

(2) Represents the yield-to-call Bonds included for purposes of computing yield on the Bonds.

APPENDIX I

Applicable schedules provided by FirstSouthwest

SOURCES AND USES OF FUNDS

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Dated Date	10/01/2010
Delivery Date	10/12/2010

Sources	
Bond Proceeds	
Par Amount	9,675,000 00
Accrued Interest	11,017 95
Net Premium	784,853 30
	10,470,871 25
Other Sources of Funds.	
Transfer from Debt Service Fund	111,473 96
	10,582,345 21

Uses:	
Refunding Escrow Deposits:	
Cash Deposit	10.43
SLGS Purchases	10,319,631 00
	10,319,641 43
Other Fund Deposits	
Accrued Interest	11,017 95
Delivery Date Expenses	
Cost of Issuance	190,000.00
Underwriter's Discount	61,521 67
	251,521 67
Other Uses of Funds.	
Additional Proceeds	164 16
	10,582,345.21

ESCROW SUFFICIENCY

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
10/12/2010		10.43	10.43	10.43
03/01/2011	10,325,568.75	10,325,568.32	(0.43)	10.00
	10,325,568.75	10,325,578.75	10.00	

ESCROW CASH FLOW

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Date	Principal	Interest	Net Escrow Receipts
03/01/2011	10,319,631.00	5,937 32	10,325,568.32
	10,319,631 00	5,937.32	10,325,568.32

Escrow Cost Summary

Purchase date	10/12/2010
Purchase cost of securities	10,319,631.00

ESCROW COST

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	03/01/2011	10,319,631	0.150%	10,319,631.00
		10,319,631		10,319,631.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
10/12/2010	10,319,631	10.43	10,319,641.43
	10,319,631	10.43	10,319,641.43

ESCROW DESCRIPTIONS

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Oct 12, 2010.							
	SLGS	Certificate	03/01/2011	03/01/2011	10,319,631	0.150%	0 150%
					10,319,631		

SLGS Summary

SLGS Rates File	13SEP10
Total Certificates of Indebtedness	10,319,631.00

ESCROW STATISTICS

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
DSF	111,473.96	0.386	0.149023%	0.149023%	110,587.92	885.95	0.09
CASH	10,208,167.47	0.386	0.149022%	0.149022%	10,127,029.72	81,137.75	
	10,319,641.43				10,237,617 64	82,023 70	0 09

Delivery date	10/12/2010
Arbitrage yield	2.228068%

ESCROW REQUIREMENTS

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Period Ending	Interest	Principal Redeemed	Total
03/01/2011	255,568 75	10,070,000.00	10,325,568.75
	255,568 75	10,070,000.00	10,325,568 75

SUMMARY OF BONDS REFUNDED

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Revenue Bonds, Series 2001, 2001:					
SERIAL	03/01/2012	4 500%	920,000 00	03/01/2011	100 000
	03/01/2013	4 650%	950,000 00	03/01/2011	100 000
	03/01/2014	5.375%	1,050,000 00	03/01/2011	100.000
	03/01/2015	5.375%	1,050,000 00	03/01/2011	100 000
	03/01/2016	5.375%	1,025,000 00	03/01/2011	100.000
	03/01/2017	5 375%	1,025,000.00	03/01/2011	100 000
	03/01/2018	5.000%	1,025,000.00	03/01/2011	100 000
	03/01/2019	5.000%	1,025,000 00	03/01/2011	100 000
	03/01/2020	5.000%	1,000,000.00	03/01/2011	100 000
	03/01/2021	5.000%	1,000,000 00	03/01/2011	100 000
			10,070,000 00		

BOND DEBT SERVICE

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
10/12/2010				
03/01/2011	70,000	150,244 79	220,244.79	
09/01/2011		179,418 75	179,418.75	399,663.54
03/01/2012	940,000	179,418 75	1,119,418 75	
09/01/2012		165,318 75	165,318.75	1,284,737 50
03/01/2013	955,000	165,318.75	1,120,318.75	
09/01/2013		149,800.00	149,800 00	1,270,118.75
03/01/2014	1,045,000	149,800 00	1,194,800.00	
09/01/2014		128,900.00	128,900 00	1,323,700.00
03/01/2015	1,025,000	128,900.00	1,153,900 00	
09/01/2015		108,400.00	108,400 00	1,262,300.00
03/01/2016	985,000	108,400.00	1,093,400 00	
09/01/2016		88,700.00	88,700.00	1,182,100 00
03/01/2017	970,000	88,700.00	1,058,700 00	
09/01/2017		69,300.00	69,300 00	1,128,000.00
03/01/2018	955,000	69,300 00	1,024,300 00	
09/01/2018		50,200 00	50,200 00	1,074,500 00
03/01/2019	945,000	50,200.00	995,200.00	
09/01/2019		31,300 00	31,300 00	1,026,500 00
03/01/2020	905,000	31,300.00	936,300 00	
09/01/2020		13,200.00	13,200 00	949,500 00
03/01/2021	880,000	13,200.00	893,200 00	893,200.00
	9,675,000	2,119,319 79	11,794,319.79	11,794,319 79

PROOF OF ARBITRAGE YIELD

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Date	Debt Service	Present Value to 10/12/2010 @ 2.2280676%
03/01/2011	220,244.79	218,368.58
09/01/2011	179,418.75	175,930.40
03/01/2012	1,119,418.75	1,085,560.94
09/01/2012	165,318 75	158,552.21
03/01/2013	1,120,318 75	1,062,625.81
09/01/2013	149,800.00	140,520 32
03/01/2014	1,194,800.00	1,108,437 21
09/01/2014	128,900 00	118,265.31
03/01/2015	1,153,900 00	1,047,034 97
09/01/2015	108,400 00	97,277.15
03/01/2016	1,093,400.00	970,396 47
09/01/2016	88,700 00	77,854.25
03/01/2017	1,058,700.00	919,009 88
09/01/2017	69,300 00	59,493 44
03/01/2018	1,024,300.00	869,664 15
09/01/2018	50,200 00	42,151 85
03/01/2019	1,900,200 00	1,577,977.61
09/01/2019	13,200 00	10,840 87
03/01/2020	13,200 00	10,721 43
09/01/2020	13,200 00	10,603 30
03/01/2021	893,200 00	709,585.11
	11,758,119.79	10,470,871 25

Proceeds Summary

Delivery date	10/12/2010
Par Value	9,675,000.00
Accrued interest	11,017 95
Premium (Discount)	784,853.30
Target for yield calculation	10,470,871.25

PROOF OF ARBITRAGE YIELD

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 10/12/2010 @ 2 2280676%
SERIAL	03/01/2020	4.000%	2 760%	03/01/2019	100.000	38,576 94

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 10/12/2010 @ 2 2280676%	Increase to NPV
SERIAL	03/01/2020	4 000%	2 760%			51,674 39	13,097.45

BOND PRICING

Fort Bend Flood Control Water Supply Corporation
Revenue Refunding Bonds, Series 2010
FINAL Numbers

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)	Takedown
Serial Bond										
	03/01/2011	70,000	2 500%	0.600%	100 731				511 70	2 500
	03/01/2012	940,000	3 000%	0 770%	103 068				28,839 20	2 500
	03/01/2013	955,000	3 250%	0 930%	105 461				52,152 55	2 500
	03/01/2014	1,045,000	4 000%	1 180%	109 332				97,519 40	3 750
	03/01/2015	1,025,000	4 000%	1 530%	110 438				106,989 50	3 750
	03/01/2016	985,000	4 000%	1 830%	111 080				109,138 00	5 000
	03/01/2017	970,000	4 000%	2 130%	111 108				107,747 60	5 000
	03/01/2018	955,000	4 000%	2 370%	110 982				104,878 10	5 000
	03/01/2019	945,000	4 000%	2 590%	110 565				99,839 25	5 000
	03/01/2020	905,000	4 000%	2 760%	109 224 C	2 872%	03/01/2019	100 000	83,477 20	5 000
	03/01/2021	880,000	3 000%	3 080%	99 291				(6,239 20)	5 000
		9,675,000							784,853 30	

Dated Date	10/01/2010	
Delivery Date	10/12/2010	
First Coupon	03/01/2011	
Par Amount	9,675,000 00	
Premium	784,853 30	
Production	10,459,853 30	108 112179%
Underwriter's Discount	(61,521 67)	(0 635883)
Purchase Price	10,398,331 63	107 476296%
Accrued Interest	11,017 95	
Net Proceeds	10,409,349 58	

NOTICE TO PAYING AGENT OF DEFEASANCE AND BOND REDEMPTION

Notice is hereby given that Fort Bend Flood Control Water Supply Corporation (the "Corporation"), through its Board of Directors and by resolution duly passed, has provided for the deposit with The Bank of New York Mellon Trust Company, National Association, cash and direct obligations of the United States of America sufficient to defease and provide for the payment of principal or redemption price of and interest on all of the following Bonds (the "Defeased Bonds") to the redemption date as herein below described:

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION UNLIMITED TAX BONDS, Series 2001, dated July 1, 2001, originally scheduled to mature on March 1 in the years 2012 through 2021, inclusive, in the aggregate principal amount of $10,070,000 (the "2001 Bonds"), and

Notice is further given that the Corporation has conditionally called for redemption, prior to their scheduled maturities, for a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, that portion of the Defeased Bonds, which are described as follows:

Scheduled Maturity (3/ 1)	Series	Defeased Bonds To Be Redeemed	Redemption Date	Redemption Price
2012-2021	2001	$10,070,000	3/1/2011	100%

The Defeased Bonds called for redemption shall cease to bear interest after their respective redemption dates.

The Bank of New York Mellon Trust Company, National Association, as successor paying agent to The Chase Manhattan Bank is hereby directed to send a written notice of defeasance and bond redemption for the Defeased Bonds by first class mail at least 30 days prior to the date fixed for redemption to the Registered Owner of each Defeased Bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Registrar. Such written notice shall be in the form prescribed by the resolution authorizing the issuance of the Series 2001 Bonds.

This Notice is issued and given pursuant to the option of redemption reserved to the Corporation in the proceedings authorizing the issuance of the Defeased Bonds and in accordance with recitals and provisions of said Defeased Bonds.

GIVEN this 14th day of September, 2010.

President, Board of Directors
Fort Bend Flood Control Water Supply Corporation

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, Dallas, Texas, hereby acknowledges the receipt of the foregoing Notice to Paying Agent of Bond Redemption, the same having been received on the date shown below, which is more than thirty (30) days prior to the date fixed for redemption.

EXECUTED this 20th day of September, 2010.

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION
Dallas, Texas.

By: _____

Name: Michelle L. Baldwin

Title: Senior Associate

ATTORNEY GENERAL OF TEXAS

GREG ABBOTT

October 7, 2010

THIS IS TO CERTIFY that the Fort Bend Flood Control Water Supply Corporation (the "Issuer") has submitted to me Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bond, Series 2010 (the "Bond") in the principal amount of $9,675,000 for approval. The Bond is dated October 1, 2010, numbered IB-1, and was authorized by a Resolution of the Issuer passed on September 14, 2010 (the "Resolution").

I have examined the law and such certified proceedings and other papers as I deem necessary to render this opinion.

As to questions of fact material to my opinion, I have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to me without undertaking to verify the same by independent investigation.

I express no opinion relating to the official statement or any other offering material relating to the Bond.

Based on my examination, I am of the opinion, as of the date hereof and under existing law, as follows (capitalized terms, except as herein defined, have the meanings given to them in the Resolution):

(1) The Bond has been issued in accordance with law and is a valid and binding special obligation of the Issuer.

(2) The Bond is payable solely from Pledged Revenues.

(3) The Issuer has no taxing power.

Therefore, the Bond is approved.

The Comptroller is instructed that she may register the Bond without the cancellation of the underlying securities being refunded thereby.

Attorney General of the State of Texas

No 51223
Book No 2010-D
JCH

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bond, Series 2010

numbered IB-1, of the denomination of $ 9,675,000, dated October 1, 2010, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 7th day of October 2010, under Registration Number 77621.

Given under my hand and seal of office, at Austin, Texas, the 7th day of October 2010.

SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, Melissa Mora, ☐ Bond Clerk ☒ Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 7th day of October 2010, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bond, Series 2010,

numbered IB-1, dated October 1, 2010, and that in signing the certificate of registration I used the following signature:

Susan Combs

IN WITNESS WHEREOF I have executed this certificate this the 7th day of October 2010.

Melissa Mora

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 77621.

GIVEN under my hand and seal of office at Austin, Texas, this the 7th day of October 2010.

Susan Combs

Susan Combs
Comptroller of Public Accounts
of the State of Texas

RECEIPT AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

We, the undersigned officer of Fort Bend Flood Control Water Supply Corporation (the "Corporation"), do hereby certify, as of the date set forth below, the following:

1. On October 12, 2010, we delivered, or caused to be delivered, to the purchaser thereof the following bonds (the "Bonds"):

> FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, dated October 1, 2010, in the principal amount of $9,675,000

2. At the time of such delivery, the Corporation received from the Underwriter full payment for the Bonds in keeping with the resolution authorizing the issuance and awarding the sale thereof.

3. At the time of delivery of the Bonds, (a) no litigation of any nature has been filed or is now pending which contests or attacks the validity of the Bonds, which would restrain or enjoin the issuance or delivery of the Bonds; which would restrain or enjoin the collection or pledge of funds from which the Bonds are payable or would in any other manner affect the provision made for their payment or security; or which in any manner questions the proceedings or authority concerning the issuance of the Bonds; and so far as we know and believe no such litigation is threatened; (b) neither the corporate existence nor the boundaries of the Corporation are being contested; no litigation has been filed or is now pending which would affect the authority of the officers of the Corporation to issue, execute and deliver the Bonds or would affect the title of the undersigned to their respective offices; and no authority or proceedings for the issuance, execution or delivery of the Bonds have been repealed, rescinded or revoked; and (c) no additional bonds, warrants or other indebtedness payable from the same source as the Bonds have been issued since the date of the General Certificate submitted to the Attorney General of Texas in connection with the approval of the Bonds.

SIGNED as of, and delivered on, the date of delivery of the Bonds set forth above.

Secretary,
Fort Bend Flood Control Water Supply Corporation

CLOSING CERTIFICATE

THE STATE OF TEXAS §
§
COUNTY OF FORT BEND §

I, the undersigned, Secretary of Fort Bend Flood Control Water Supply Corporation (the "Issuer"), acting in our official capacity as such, hereby certify with respect to the $9,675,000 Revenue Refunding Bonds, Series 2010 (the "Bonds"), as follows:

(i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of October 12, 2010 (the "Closing") as if made on the date of Closing;

(ii) no litigation or proceeding against it is pending or, to its knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues, including payments on the Bonds, pursuant to the Resolution, and other income or the levy or collection of the taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof;

(iii) the resolution of the Issuer authorizing the execution, delivery and/or performance of the Official Statement, the Bonds and Issuer Documents has been duly adopted by the Issuer, ais in full force and effect and has not been modified, amended or repealed; and

(iv) to the best of its knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does

not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and

(v) there has not been any materially adverse change in the operations or financial condition of the Issuer since the latest date as of which audited financial information is available.

[EXECUTION PAGE FOLLOWS]

EXECUTED this 12th day of October, 2010, the date of payment for and delivery of the Bonds.

FORT BEND FLOOD CONTROL
WATER SUPPLY CORPORATION

Secretary

$9,675,000
FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
REVENUE REFUNDING BONDS
SERIES 2010

RECEIPT AND CROSS RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned hereby acknowledges the receipt from Fort Bend Flood Control Water Supply Corporation (the "Corporation") of the above-captioned bonds, dated October 1, 2010 (the "Bonds"), which have been delivered to and received by the undersigned in the proper form and in accordance with the District's Bond Resolution dated September 14, 2010, authorizing the issuance of the Bonds.

As payment for the Bonds, the undersigned this day has delivered to the District the amount of $10,409,349.58 (representing the principal amount of the Bonds of $9,675,000.00, less an underwriters' discount of 61,521.67, plus a net original issue premium of $784,853.30, plus accrued interest from the date of the Bonds to the date hereof of $11,017.95), which constitutes payment in full of the purchase price for the Bonds.

JEFFERIES & COMPANY, INC.

By: _____
Name: Mark Ellis
Title: Managing Director

Dated: October 12, 2010

The undersigned Paying Agent for the Bonds hereby acknowledges that the proceeds of the Bonds have been received on behalf of the District in the amount of $10,409,349.58, and that such proceeds, in addition to the $111,473.96 transferred from the existing Debt Service Fund, have been applied as set forth on Exhibit A attached hereto.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: _____
Name: Michelle L. Baldwin
Title: Senior Associate

Dated: October 12, 2010

EXHIBIT A

$ 10,319,641.43	Used to refund the Refunded Bonds
$ 11,017.95	Accrued Interest deposited to Debt Service Fund
$ 190,164.16	Used to pay other Costs of Issuance
$ 10,520,823.54	Total

REGISTRAR RECEIPT

It is hereby certified that The Bank of New York Mellon Trust Company, N.A. is the duly appointed Registrar for Fort Bend Flood Control Water Supply Corporation (the "Corporation"); that such Registrar has this day received for the account of the Corporation the sum of $10,409,349.58; that such Registrar has registered in the Bond Register the names and addresses of the owners of the Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010, dated October 1, 2010, numbered IB-1, aggregating the principal amount of $9,675,000, as the owners are shown on the face of said bonds; and that the Registrar has received unauthenticated bonds to be issued in exchange, conversion or replacement for the above-described bonds in accordance with the provisions of the Paying Agent/Registrar Agreement and the Corporation's resolution authorizing the issuance of said Series 2010 Bonds, numbered as follows:

R-1 through R-11

It is further certified that the Bonds have been delivered to Jefferies & Company, Inc., the Purchaser thereof, and that the proceeds of the Bonds have been delivered to the Corporation as directed by the Corporation's financial advisor.

IN WITNESS WHEREOF, said Registrar has caused this certificate to be executed by its duly authorized and acting officer on this 12th day of October, 2010.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N. A.

By: _____

Name: Michelle L. Baldwin

Title: Senior Associate

(BANK SEAL)

306119

ALLEN BOONE HUMPHRIES ROBINSON LLP
ATTORNEYS AT LAW
PHOENIX TOWER
3200 SOUTHWEST FREEWAY
SUITE 2600
HOUSTON, TEXAS 77027
TEL (713) 860-6400
FAX (713) 860-6401
abhr.com

October 12, 2010

WE HAVE ACTED AS BOND COUNSEL for Fort Bend Flood Control Water Supply Corporation (the "Corporation"), which we also represent on other matters, in connection with an issue of bonds (the "Bonds") described as follows:

> FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION REVENUE REFUNDING BONDS, SERIES 2010, dated October 1, 2010, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds, aggregating $9,675,000.
>
> The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Resolution adopted by the Corporation authorizing the Bonds (the "Resolution"). Portions of the Bonds are subject to redemption prior to maturity as set out in the Bonds and in the Resolution.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the Corporation. We have assumed no responsibility with respect to the financial condition of the Corporation or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Corporation's Official Statement prepared for use in connection with the sale of the Bonds (the "Official Statement") has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Corporation and of The Bank of New York Mellon Trust Company, N.A., a national banking association (the "Escrow Agent"); the report of Grant Thornton L.L.P., certified public accountants (the "Report"), verifying the sufficiency of the deposits made with the Escrow Agent for

defeasance of the bonds being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents, and representatives of the Escrow Agent, the Corporation, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the bonds being refunded. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Bonds are valid and legally binding obligations of the Corporation payable solely from the payments made by Fort Bend County, Texas (the "County") to the Corporation from tax revenues of the County pursuant to the terms of an agreement dated as of July 3, 2001, as amended (the "Agreement");

(2) Taxable property in the County is subject to the levy of ad valorem taxes, within the limits prescribed by law to pay the Bonds and the interest thereon. The County is required by law to assess and collect annually a tax sufficient to pay the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources; and

(3) The transcript of certified proceedings evidences that firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an escrow agreement entered into between the Corporation and the Escrow Agent on or effective as of the date of delivery of the Bonds, and that therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such escrow agreement.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.

(2) Interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Corporation, the Corporation's Financial Advisor and the Underwriter (as defined in the Resolution) with respect to matters solely within the knowledge of the Corporation, the Corporation's Financial Advisor and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in 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. If such representations are determined to be inaccurate or incomplete or the Corporation fails to comply with the foregoing covenants of the Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

In the Resolution the Corporation has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the Bonds as "qualified tax-exempt obligations". Based on such representations and covenants, it is our opinion that the Bonds are "qualified tax-exempt obligations" under existing law.

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

Owners 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).

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may

thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 County as the taxpayer. We observe that the County has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Allen Boone Humphries Robinson LLP

ALLEN BOONE HUMPHRIES ROBINSON LLP
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abhllp.com

October 12, 2010

Fort Bend Flood Control Water Supply Corporation
Jefferies & Company, Inc.

Re: $9,675,000 Fort Bend Flood Control Water Supply Corporation Revenue Refunding Bonds, Series 2010

This letter is being furnished pursuant to the Bond Purchase Agreement, dated September 14, 2010 (the "Bond Purchase Agreement"), between Jefferies & Company, Inc. (the "Underwriter") and Fort Bend Flood Control Water Supply Corporation (the "Corporation"), relating to the issuance and sale by the Corporation of its $9,675,000 Revenue Refunding Bonds, Series 2010 (the "Bonds"). Terms not otherwise defined herein shall have the same meanings as set forth in the Bond Purchase Agreement.

We have acted as Bond Counsel for the Corporation in connection with the issuance and sale of the Bonds. In our capacity as Bond Counsel, we have undertaken a limited examination as described in our opinion of Bond Counsel relating to the Bonds. Based solely upon such examination, it is our opinion that:

(i) the Bonds are exempted securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Resolution under the Trust Indenture Act; and

(ii) except to the extent noted herein, we have not verified and are not passing upon, and do not assume any responsibility for the accuracy, completeness or fairness of the statements and information contained in the Preliminary Official Statement, but we have reviewed the statements and information contained in the Preliminary Official Statement under the captions "THE BONDS" (excluding the information under the subcaption "Book-Entry-Only System" and "Bondholder's Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION"

(excluding the information under the subcaption "Compliance With Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale," and "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas," and we are of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution

This opinion may be relied upon only by the parties to whom it is addressed. We disclaim any obligation to supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law that may hereafter occur.

Very truly yours,

Allen Boone Humphries Robinson LLP

BATES & COLEMAN, P.C.

Attorneys and Counselors at Law
1402 Alabama Street
Houston, Texas 77004

W. RANDOLPH BATES, JR.
WILLIE HIGH COLEMAN, JR.

TEL: (713) 759-1500
FAX: (713) 630-1055

October 12, 2010

JEFFERIES & COMPANY
133355 Noel Road, Suite 1400
Dallas, Texas 75240
Houston, Texas 77002

Re: $9,675,000 Fort Bend Flood Control Water Supply Corporation, Revenue Refunding Bonds, Series 2010

Ladies and Gentlemen:

We have served as counsel to you, as the Underwriter, in your purchase of the captioned bonds (the "Bonds") issued by Fort Bend Flood Control Water Supply Corporation (the "Corporation"). In that connection, we have reviewed (1) a transcript of certain proceedings relating to the issuance of the Bonds, including without limitation, the Bond Resolutions adopted by the Fort Bend County Commissioners Court on September 14, 2010, authorizing the issuance of the Bonds (the "Resolution"), pursuant to which the Bonds are issued, opinions of Bond Counsel, the Attorney General of Texas, the Preliminary Official Statement for the Bonds, dated September 8, 2010 (the "Preliminary Official Statement") and the Official Statement with respect to the Bonds dated September 14, 2010 (the "Official Statement").

Based on (1) our review of the documents described above, (2) our discussions with bond counsel and with you, (3) our review of the documents, certificates, opinions and other instruments delivered at the closing of the sale of the Bonds on the date hereof and (4) such other matters as we deem relevant, we are of the opinion that the Bonds are exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act and the Bond Orders are not required to be qualified under the Trust Indenture Act.

In addition, based upon our participation in the preparation of the Official Statement and our participation at conferences at which the Official Statement was discussed, which does not include out independent inquiry or investigation into the accuracy, completeness or fairness of the statements contained therein, no facts have come to our attention to lead us to believe that the Official Statement (except for any financial, forecast, technical and statistical statement and data included in the Official Statement and the information regarding The Depository Trust Company and its book-entry system, in each case as to which no view need be expressed), as of its date or as of the date hereof, contained or contains any untrue statement of a material fact, or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion may be relied upon only by you.

Very truly yours,

Bates and Coleman P.C.

FEDERAL TAX CERTIFICATE

I, the undersigned officer of Fort Bend Flood Control Water Supply Corporation (the "Corporation"), make this certification for the benefit of all persons interested in the exclusion from gross income for federal income tax purposes of the interest to be paid on the Corporation's Revenue Refunding Bonds, Series 2010 (the "Bonds"), which are being issued in the aggregate principal amount of $9,675,000 and delivered simultaneously with the delivery of this certificate. I do hereby certify as follows in good faith on the date hereof:

1. Responsible Officer. I am the duly chosen, qualified and acting officer of the Corporation for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Corporation. I am the officer of the Corporation charged, along with other officers of the Corporation, with responsibility for issuing the Bonds.

2. Code and Regulations. The Bonds are subject to the provisions of sections 141, 148, 149 and 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations (the "Regulations") heretofore promulgated under sections 141, 148, 149 and 150 of the Code. These provisions of the Code and Regulations impose restrictions on the use of bond-financed facilities and on the investment of bond proceeds. This certificate is being executed and delivered pursuant to sections 1.141-1 through 1.141-15, 1.148-0 through 1.148-11, 1.149(b)-1, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2 of the Regulations.

3. Definitions. The capitalized terms used in this certificate (unless otherwise defined) that are defined in the resolution authorizing the issuance of the Bonds dated September 14, 2010 (the "Resolution ") shall for all purposes hereof have the meanings therein specified. All such terms defined in the Code or Regulations shall for all purposes hereof have the same meanings as given to those terms in the Code and Regulations unless the context clearly requires otherwise.

4. Reasonable Expectations. The facts and estimates that are set forth in this certificate are accurate. The expectations that are set forth in this certificate are reasonable in light of such facts and estimates. There are no other facts or estimates that would materially change such expectations. In connection with this certificate, the undersigned has to the extent necessary reviewed the certifications set forth herein with other representatives of the Corporation as to such accuracy and reasonableness. The undersigned has also relied, to the extent appropriate, on representations set forth in the certificate of Jefferies & Company, Inc., the underwriters that have purchased the Bonds (the "Underwriters"), attached hereto as Exhibit A, the certificate of First Southwest Company, the Corporation's financial advisor (the "Financial Advisor")

attached hereto as Exhibit B, and the report of Grant Thornton LLP (the "Report") verifying the accuracy of certain computations relating to the Bonds. The undersigned is aware of no fact, estimate or circumstance that would create any doubt regarding the accuracy or reasonableness of all or any portion of such documents.

5. Description of Governmental Purpose. The Corporation is issuing the Bonds pursuant to the Resolution (a) to advance refund and defease a portion of the Corporation's Revenue Bonds, Series 2001 which were originally issued in the aggregate amount of $11,650,000 (the "Prior Bonds"), and (b) to pay the costs of issuance of the Bonds. The Report details all relevant aspects of the application of the proceeds of the Bonds and the Corporation's program to refund the Prior Bonds. Specifically, all of the Series 2001 Bonds maturing on March 1, 2012 through March 1, 2021, inclusive, in the amount of $10,070,000 (collectively, the "Refunded Bonds") will be called for redemption and retired with proceeds of the Bonds. The Refunded Bonds are being defeased in order to achieve a present-value savings in the debt service payable by the Corporation. March 1, 2011 is the first date on which the Refunded Bonds are subject to optional redemption and on such date all of the Refunded Bonds will be called for redemption in advance of their scheduled maturities and retired with proceeds of the Bonds. The Corporation has no present intent to issue any additional bonds. The Bonds are the first advance refunding of the Refunded Bonds, all of which are original bonds.

6. The Prior Bonds. No portion of the purchase price of any of the Prior Bonds was provided by the issuance of any other issue of obligations. All of the original and investment proceeds allocable to the Prior Bonds have been expended. No portion of the proceeds of the Prior Bonds was used to pay the principal of, or interest on, any other issue of governmental obligations. In addition, other than to the extent of preliminary expenditures (i.e., architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project, other than land acquisition, site preparation, and similar costs incident to commencement of construction), no portion of the proceeds of the Prior Bonds was used to reimburse the Corporation for any expenditures made by the Corporation prior to the respective issuance dates of the Prior Bonds.

The Corporation has maintained a debt service fund for the Prior Bonds (the "Debt Service Fund") and has on hand in such Debt Service Fund certain amounts that were to be used for the payment of debt service on the Prior Bonds. The Debt Service Fund will be continued for the payment of debt service on the Prior Bonds that are not Refunded Bonds and the Corporation's other outstanding obligations (the "Unrefunded Bonds"), and the Corporation has continued the Debt Service Fund under the Resolution for purposes of the payment of debt service on the Bonds as described in paragraph 16 below.

7. Use of Amounts Allocable to Prior Bonds. Other than amounts described in paragraph 6 above, there are no amounts on hand that represent proceeds of the Prior Bonds, replacement proceeds of the Prior Bonds or accumulated earnings on such proceeds. The amount of $111,473.96 of the amount on deposit in the Debt Service Fund (the "Debt Service Fund Contribution") will be contributed to the escrow established for the Refunded Bonds and used on March 1, 2011, to pay debt service on the Unrefunded Bonds. The remainder of the amount on deposit in the Debt Service Fund will be maintained by the Corporation in the Debt Service Fund based on the recommendation of the Financial Advisor, set forth in Exhibit B hereto, that such balance should be maintained in the Corporation's Debt Service Fund with respect to the Bonds to provide a reserve for periodic fluctuations in the amount and timing of ad valorem tax collections.

8. Expenditure of Proceeds of the Bonds. The sale proceeds from the issuance of the Bonds will be $10,459,853.30. Such amount represents the stated redemption price at maturity (excluding accrued interest for those Bonds the interest on which is paid at least once annually) of the Bonds, equal to $9,675,000.00, plus original issue premium in the amount of $784,853.30. No portion of the purchase price of any of the Bonds is provided by the issuance of any other issue of obligations. The sale proceeds will be expended as follows:

(a) The amount of $10,208,167.47 will be deposited in the escrow fund established pursuant to the Escrow Agreement (the "Escrow Fund") and used, together with the Debt Service Fund Contribution, on the date hereof to purchase United States Treasury Certificates of Indebtedness and Notes, State and Local Government Series (the "Escrowed Securities"), the proceeds of which will be used as described in the Report to pay the principal of, and interest and redemption premium, if any, on, the Refunded Bonds. No portion of the proceeds of the Bonds is expected to be used to pay any interest on, or principal of, any issue of governmental obligations other than the Bonds and the Refunded Bonds.

(b) The amount of $61,521.67 will be allocated on the date of issuance of the Bonds to the Underwriters' discount or compensation.

(c) The amount of $190,000.00 will be disbursed to pay other costs of issuance on the Bonds (including any rating agency fees charged to the Corporation by the Bond insurer).

(d) The amount of $164.16 represents a rounding amount and will be deposited in the Debt Service Fund and used to pay debt service on the Bonds on the first interest payment date.

9. Pre-issuance Accrued Interest. The Corporation will also receive from the Underwriters on the issuance date of the Bonds the amount of $11,017.95, representing

accrued interest on the Bonds from October 1, 2010, through the date of delivery. Such amount will be deposited in the Debt Service Fund, and will be disbursed on March 1, 2011 to pay interest on the Bonds.

10. Investment Proceeds. The amount described in paragraphs 8(b) will not be invested. Except for earnings on the amounts described in paragraphs 8(c) and 8(d), the amounts, if any, earned by the Corporation from investments pursuant to Section 4.02 of the Escrow Agreement, and the amount of $10.00 set forth in the Report as the amount expected to be remaining in the Escrow Fund following the final debt service payment with respect to the Refunded Bonds on September 1, 2010, all amounts received by the Corporation, such as interest and dividends, resulting from the investment of any original proceeds or investment proceeds of the Bonds will be deposited in the Escrow Fund for the Refunded Bonds and used to pay the principal of, and interest and redemption premium, if any, on, the Refunded Bonds. Earnings on the amounts described in paragraphs 8(c) and 8(d) will be used for one of the purposes described in such paragraphs.

11. Transferred Proceeds. There are no transferred proceeds with respect to the Bonds because all of the proceeds of Refunded Bonds have been or will be expended prior to the first dates on which amounts are disbursed from the Escrow Fund to pay principal of the Refunded Bonds.

12. No Replacement Proceeds. Other than amounts described herein, there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purposes of the Bonds, including the expected use of amounts to pay debt service on the Refunded Bonds, that the amounts would have been used for such purpose if the proceeds of the Bonds were not used or to be used for such purpose.

(a) No Sinking Funds. Other than to the extent described herein, there is no debt service fund, redemption fund, reserve fund, replacement fund, or similar fund reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds.

(b) No Pledged Funds. Other than amounts described herein, there is no amount that is directly or indirectly, other than solely by reason of the mere availability or preliminary earmarking, pledged to pay principal or interest on the Bonds, or to a guarantor of part or all of the Bonds, such that such pledge provides reasonable assurance that such amount will be available to pay principal or interest on the Bonds if the Corporation encounters financial difficulty. For purposes of this certification, an amount is treated as so pledged if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders or the guarantor of the Bonds.

(c) No Other Replacement Proceeds. There are no other replacement proceeds allocable to the Bonds because the Corporation reasonably expects that the term of the Bonds will not be longer than is reasonably necessary for the governmental purposes of the Bonds. Furthermore, if the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Bonds, the Corporation does not reasonably expect to have available amounts during the portion of such period that is longer than is reasonably necessary. The Bonds would be issued to achieve a debt service savings independent of any arbitrage benefit as evidenced by the expectation that the Bonds reasonably would have been issued if the interest on the Bonds were included in gross income (assuming that the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate).

(d) Weighted Average Maturity. The weighted average maturity of the Bonds does not exceed the remaining weighted average maturity of the Refunded Bonds and the weighted average maturity of the Refunded Bonds is not greater than 120 percent of the weighted average estimated economic life of the portion of the project financed by the Refunded Bonds, determined in accordance with section 147(b) of the Code. Such weighted average estimated economic life is determined in accordance with the following assumptions: (a) The weighted average was determined by taking into account the respective costs of each of the assets financed by the Refunded Bonds; (b) the reasonably expected economic life of an asset was determined as of the later of the date hereof or the date on which such asset is expected to be placed in service (i.e., available for use for the intended purposes of such asset); (c) the economic lives used in making this determination are not greater than the useful lives used for depreciation under section 167 of the Code prior to the enactment of the current system of depreciation in effect under section 168 of the Code (i.e., the "mid-point lives") under the asset depreciation range ("ADR") system of section 167(m) of the Code, as set forth in Revenue Procedure 83-35, 1983-1 C.B. 745, where applicable, and the "guideline lives" under Revenue Procedure 62-21, 1962-2 C.B. 418, in the case of structures; and (d) land or any interest therein has not been taken into account in determining the average reasonably expected economic life of such Project, unless 25 percent or more of the net proceeds of any issue is to be used to finance land.

13. No Excess Gross Proceeds. Except for the amounts described in paragraph 8(d) above, earnings on the amounts described in paragraphs 8(c) and 8(e) above, and the amount of $10.00 described in paragraph 10 above, all gross proceeds of the Bonds are allocable to:

(a) the payment of principal, interest or call premium on the Refunded Bonds as described in paragraph 8(a) above;

(b) the payment of pre-issuance accrued interest on the Bonds as described in paragraph 9 above;

(c) the payment of costs of issuance of the Bonds as described in paragraph 8(b) and 8(c) above;

(d) a reasonably required reserve or replacement fund as described in paragraph 7 above and paragraph 16 below;

(e) the payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Bonds or investments of the Bonds;

(f) transferred proceeds allocable to expenditures for the governmental purpose of the Prior Bonds as described in paragraph 7 above; or

(g) replacement proceeds in a sinking fund for the Bonds.

Investment earnings on the amounts described in paragraphs 8(c) and 8(d) are expected to be de minimis; therefore, the sum of the investment earnings on the amounts described in paragraphs 8(c) and 8(d), the amount described in paragraph 8(d) and the amount described in paragraph 10 will be less than one percent of the original proceeds of the Bonds. Under Section 4.02 of the Escrow Agreement, the Escrow Agent will reinvest certain cash balances in the Escrow Fund pending their use to pay debt service on the Refunded Bonds. The yield that such investments are expected to earn, based on current interest rates for investments with maturities similar to such investments, will be less than the yield on the Bonds. Accordingly, and as set forth in paragraph 10 above, the amount earned from such investments is not expected to exceed an amount which, when aggregated with other amounts described herein, exceeds one percent of the original proceeds of the Bonds.

14. Yield on the Bonds. For the purposes of this certificate, the yield on the Bonds is the discount rate that, when used in computing the present value as of the issue date of the Bonds, of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Bonds as of the issue date. For purposes of determining the yield on the Bonds, the issue price of the Bonds is the sum of the issue prices for each group of substantially identical Bonds. For each group of substantially identical Bonds, the issue price is the first price at which a substantial amount (i.e., ten percent) is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters and wholesalers). Based upon the representations of the Underwriters set forth in Exhibit A hereto, the issue price (including accrued interest to the date of issue only) of the Bonds aggregated $10,470,871.25.

(a)

The yield with respect to that portion of the Bonds subject to optional redemption is computed by treating such Bonds as retired at the stated redemption

price at the final maturity date because (a) the Corporation has no present intention to redeem prior to maturity the Bonds which are subject to optional redemption; (b) no Bond is subject to optional redemption at any time for a price less than the retirement price at final maturity plus accrued interest; (c) no Bond is subject to optional redemption within five years of the issue date of the Bonds; (d) no Bond subject to optional redemption is issued at an issue price that exceeds the stated redemption price at maturity of such Bond by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of such Bond and the number of complete years to the first optional redemption date for such Bond; and (e) no Bond subject to optional redemption bears interest at a rate that increases during the term of the Bond. No Bond is subject to mandatory early redemption.

The yield on the Bonds calculated in this manner, as shown in the Report, is 2.228068 percent.

15. Temporary Periods and Yield Restriction.

(a) Pre-issuance Accrued Interest. The amount described in paragraph 9 represents accrued interest on the Bonds for a period not in excess of one year and will be expended within one year; therefore, such amount may be invested at an unrestricted yield.

(b) Uninvested Amounts. The amount described in paragraph 8(b) will not be invested and, therefore, are not subject to yield restriction.

(c) Issuance Costs. It is expected that the amount described in paragraph 8(c) will be disbursed within 13 months of the date hereof for costs of issuing the Bonds; therefore, such amount will be invested for an allowable temporary period. To the extent any portion of the amount described in paragraph 8(c) is not expended as described herein, the Corporation will take steps to restrict the investment of such amounts to a yield which is not materially higher than the yield on the Bonds.

(d) Rounding Amount. The amount described in paragraph 8(d) will be invested at a yield that is not higher than the yield on the Bonds.

(e) Debt Service Fund Contribution. The amount described in paragraph 7 which is used to purchase the Escrowed Securities will be disbursed within 13 months of the date such amount was received by the Corporation. Therefore, such amount will be invested for an allowable temporary period.

(f) Yield on the Escrowed Securities. The yield on the Escrowed Securities is computed using the same compounding interval and financial conventions used to compute the yield on the Bonds. The yield on the Escrowed Securities is the discount rate that, when used in computing the present value as of the date the Escrowed Securities were first allocated to the Bonds of all unconditionally payable receipts to be

actually or constructively received from the Escrowed Securities, produces an amount equal to the amounts to be actually or constructively paid for the Escrowed Securities. The Escrowed Securities are all yield-restricted nonpurpose investments that are a single class of investments and that are treated as a single investment because all of the Escrowed Securities were purchased with Bond proceeds and held in a refunding escrow as described in paragraph 8(a) above. The Corporation has allocated gross proceeds of the Bonds in the amount described in section 1.148-6(c) of the Regulations. Such purchase price is equal to the price paid by the Corporation to the United States for the Escrowed Securities. As shown in the Report, the yield on the Escrowed Securities determined in this manner is .151722 percent, a yield that is not higher than the yield on the Bonds.

Pursuant to section 1.148-9(g) of the Regulations, the Corporation hereby elects to waive the temporary period available with respect to those proceeds of the Bonds deposited in the Escrow Fund as described in paragraph 8(a) above to the extent such proceeds are used to purchase investments the proceeds of which are to be used to pay debt service on the Refunded Bonds.

The Corporation has covenanted in the Resolution to comply with, among other things, the requirements of section 148(f) of the Code and, if required, the Corporation will satisfy this requirement with respect to earnings on the Escrowed Securities out of funds other than those in the Escrow Fund.

(g) Waiver of 30-Day Temporary Period. Pursuant to section 1.148-9(g) of the Regulations, the Corporation hereby elects to waive the 30-day temporary period available under section 1.148-9(d)(2)(i) of the Regulations.

16. Funds.

(a) Debt Service Fund. Pursuant to the Bond Document, the Corporation has confirmed the debt service fund designated the "Debt Service Fund," which will be used primarily to achieve a proper matching of revenues and debt service on the Bonds within each bond year. The revenues are anticipated to be sufficient to pay debt service each year on the Bonds. The Debt Service Fund will be depleted at least once each year except for a reasonable carryover amount not to exceed the greater of (a) one year's earnings on the Debt Service Fund or (b) one-twelfth of annual debt service. The Corporation reasonably expects that any such revenues deposited in the Debt Service Fund will be disbursed within 13 months of the date of receipt of such revenues by the Corporation. Any such amount not expended within such period will be invested at a yield not "materially higher" than the yield on the Bonds, except as set forth in paragraph 13 below.

(b) Redemption Fund. Amounts transferred from the Revenue Fund to the Redemption Fund will be used within 13 months of the date of deposit in the Revenue Fund solely for the purpose of redeeming the Bonds prior to their stated maturity.

17. Waiver of Minor Portion. Pursuant to section 1.148-9(g) of the Regulations, the Corporation hereby elects to waive the minor portion available under section 1.148-9(f) of the Regulations.

18. Issue. There are no other obligations which (a) are sold at substantially the same time as the Bonds (i.e., within 15 days), (b) are sold pursuant to the same plan of financing with the Bonds, and (c) will be paid out of substantially the same source of funds as the Bonds.

19. Compliance With Rebate Requirements. The Corporation has covenanted in the Resolution that it will take all necessary steps to comply with the requirement that "rebatable arbitrage earnings" on the investment of the "gross proceeds" of the Bonds, within the meaning of section 148(f) of the Code be rebated to the federal government. Specifically, the Corporation will (a) maintain records regarding the investment of the "gross proceeds" of the Bonds, including the Prior Bond Reserve Portion which become "transferred proceeds" of the Bonds, as may be required to calculate such "rebatable arbitrage earnings" separately from records of amounts on deposit in the funds and accounts of the Corporation which are allocable to other bond issues of the Corporation or moneys which do not represent "gross proceeds" of any bonds of the Corporation, (b) calculate at such intervals as may be required by applicable Regulations, the amount of "rebatable arbitrage earnings," if any, earned from the investment of the "gross proceeds" of the Bonds, including the Prior Bond Reserve Portion which become "transferred proceeds" of the Bonds, and (c) pay, not less often than every fifth anniversary date of the delivery of the Bonds and within 60 days following the final maturity of the Bonds, or on such other dates required or permitted by applicable Regulations, all amounts required to be rebated to the federal government. Further, the Corporation will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the "gross proceeds" of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's-length and had the yield on the issue not been relevant to either party.

20. Not an Abusive Transaction.

(a) General. No action taken in connection with the issuance of the Bonds is or will have the effect of (a) enabling the Corporation to exploit, other than during an allowable temporary period, the difference between tax-exempt and taxable interest rates to obtain a material financial advantage (including as a result of an investment of

any portion of the gross proceeds of the Bonds over any period of time, notwithstanding that, in the aggregate, the gross proceeds of the Bonds are not invested in higher yielding investments over the term of the Bonds), and (b) overburdening the tax-exempt bond market by issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Bonds, based on all the facts and circumstances. Specifically, (i) the primary purpose of each transaction undertaken in connection with the issuance of the Bonds is a bona fide governmental purpose; (ii) each action taken in connection with the issuance of the Bonds would reasonably be taken to accomplish the governmental purposes of the Bonds if the interest on the Bonds were not excludable from gross income for federal income tax purposes (assuming the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate on the Bonds); (iii) the proceeds of the Bonds will not exceed by more than a minor portion the amount necessary to accomplish the governmental purposes of the Bonds and will in fact not be substantially in excess of the amount of proceeds allocated to expenditures for the governmental purposes of the Bonds.

(b) No Re-refunding. No portion of the Refunded Bonds has been refunded or defeased other than by reason of the issuance of the Bonds.

(c) No Sinking Fund. No portion of the Bonds has a term that has been lengthened primarily for the purpose of creating a sinking fund or similar fund with respect to the Bonds and thereby eliminating significant amounts of negative arbitrage in the Escrow Fund.

(d) No Noncallable Bonds. The Refunded Bonds do not include any noncallable Prior Bonds that have been refunded in order to invest proceeds in the Escrow Fund allocable to the noncallable Refunded Bonds at a yield that is higher than the yield on the Bonds and thereby eliminate significant amounts of negative arbitrage in the Escrow Fund.

(e) No Window Refunding. No portion of the Bonds has been structured with maturity dates the primary purpose of which is to make available released revenues that will enable the Corporation to avoid transferred proceeds or to make available revenues that may be invested to be ultimately used to pay debt service on another issue of obligations.

(f) No Sale of Conduit Loan. No portion of the gross proceeds of the Prior Bonds or the Bonds has been or will be used to acquire, finance, or refinance any conduit loan.

21. No Arbitrage. On the basis of the foregoing facts, estimates and circumstances, it is expected that the gross proceeds of the Bonds will not be used in a manner that would cause any of the Bonds to be an "arbitrage bond" within the

meaning of section 148 of the Code and the Regulations. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change such expectations.

22. No Private Use, Payments or Loan Financing.

(a) General. The Corporation reasonably expects, as of the date hereof, that no action or event during the entire stated term of the Bonds will cause either the "private business tests" or the "private loan financing test," as such terms are defined in the Regulations, to be met. Specifically,

(i) Not more than 10 percent of the proceeds of the Bonds will be used and no portion of the proceeds of the Prior Bonds has been used in a trade or business of a nongovernmental person. For purposes of determining use, the Corporation will apply rules set forth in applicable Regulations and Revenue Procedures promulgated by the Internal Revenue Service, including, among others, the following rules: (A) Any activity carried on by a person other than a natural person or a state or local governmental unit will be treated as a trade or business of a nongovernmental person; (B) the use of all or any portion of the project financed by the Prior Bonds (the "Project") is treated as the direct use of proceeds; (C) a nongovernmental person will be treated as a private business user of proceeds of the Bonds or the Prior Bonds as a result of ownership, actual or beneficial use of the proceeds pursuant to a lease, or a management or incentive payment contract, or certain other arrangements such as a take-or-pay or other output-type contract; and (D) the private business use test is met if a nongovernmental person has special legal entitlements to use directly or indirectly the Project.

(ii) The Corporation has not taken and will not take any deliberate action that would cause or permit the use of any portion of the Project to change such that such portion will be deemed to be used in the trade or business of a nongovernmental person for so long as any of the Bonds remains outstanding (or until an opinion of nationally recognized bond counsel is received to the effect that such change in use will not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds). For this purpose any action within the control of the Corporation is treated as a deliberate action. A deliberate action occurs on the date the Corporation enters into a binding contract with a nongovernmental person for use of the Project that is not subject to any material contingencies.

(iii) All payments of the debt service on the Bonds will be paid from and secured by a generally applicable tax. For this purpose, a generally applicable tax is a tax (A) which is an enforced contribution exacted pursuant to legislative Corporation in the exercise of the taxing power that is imposed and collected for the purpose of raising revenue to be used for governmental purposes and (B) which has a

uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction using a generally applicable manner of determination and collection. No portion of the payment of the debt service on the Bonds will be directly or indirectly derived from payments (whether or not to the Corporation or any related party) in respect of property, or borrowed money, used or to be used for a private business use. Furthermore, no portion of the payment of the debt service on the Bonds will be directly or indirectly secured by any interest in property used or to be used for a private business use or payments in respect of property used or to be used for a private business use.

(iv) No portion of the proceeds of the Bonds will be directly or indirectly used to make or finance a loan to any person other than a state or local governmental unit.

(b) Dispositions of Personal Property in the Ordinary Course. The Corporation does not reasonably expect that it will sell or otherwise dispose of personal property components of the Project financed with the Bonds other than in the ordinary course of an established governmental program that satisfies the following requirements:

(i) The weighted average maturity of the portion of the Bonds financing personal property is not greater than 120 percent of the reasonably expected actual use of such personal property for governmental purposes;

(ii) The reasonably expected fair market value of such personal property on the date of disposition will be not greater than 25 percent of its cost;

(iii) Such personal property will no longer be suitable for its governmental purposes on the date of disposition; and

(iv) The Corporation is required to deposit amounts received from such disposition in a commingled fund with substantial tax or other governmental revenues and the Corporation reasonably expects to spend such amounts on governmental programs within 6 months from the date of commingling.

(c) Other Agreements. The Corporation will not enter into any agreement with any nongovernmental person regarding the use of all or any portion of the Project during the stated term of the Bonds unless such agreement will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

23. Weighted Average Maturity. The Weighted Average Maturity of the Bonds set forth on Exhibit B attached to this Certificate is the sum of the products of the Issue Price of each group of identical Bonds and the number of years to maturity (determined

separately for each group of identical Bonds and taking into account mandatory redemptions), divided by the aggregate Sale Proceeds of the Bonds.

24. Bonds are not Hedge Bonds. The Corporation represents that not more than 50 percent of the proceeds of each issue of which the Refunded Bonds are a part was invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the Corporation reasonably expected at the time each issue of which the Refunded Bonds are a part was issued that at least 85 percent of the spendable proceeds of each such issue would be used to carry out the governmental purposes of such issues within the corresponding three-year period beginning on the respective dates of issue of such Refunded Bonds.

EXECUTION PAGE FOLLOWS

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

By: _____

Name: Mike Stone

Title: Secretary

Date: October 12, 2010

EXHIBIT A

CERTIFICATE OF UNDERWRITERS

Jefferies & Company, Inc. has acted as underwriter (the "Underwriter") in connection with the sale and delivery of the Fort Bend Flood Control Water Supply Corporation (the "Corporation") of Revenue Refunding Bonds, Series 2010 in the aggregate principal amount of $9,675,000 (the "Bonds"). I, the undersigned, hereby certify as follows on behalf of the Underwriter:

1. I am the duly chosen, qualified and acting officer of the Underwriter for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Underwriter. I am the officer of the Underwriter charged, along with other officers of the Underwriter, with responsibility for the Bonds.

2. The Underwriter has made a bona fide public offering to the public of all of the Bonds of each maturity at the issue prices to the public set out in the Report. The issue prices set forth in the Report were determined on the date the Bonds were purchased by the Underwriters based on the reasonable expectations regarding the initial public offering prices. The issue price for each maturity of the Bonds, as set forth in the Report, represents the first price (including original issue premium and discount and accrued interest to the issue date only) of the Bonds at which a substantial amount (at least 10 percent) of each such maturity was sold to the public. The aggregate of such issue prices of all of the Bonds is $10,470,871.25. The initial public offering prices described above do not exceed the fair market value for the Bonds on the sale date. The term "public," as used herein, does not include bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.

3. The Underwriter hereby authorizes the Corporation to rely on the statements made herein in connection with making the representations set forth in the Federal Tax Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. The Underwriter hereby authorizes Allen Boone Humphries Robinson LLP to rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes. Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Federal Tax Certificate to which this certificate is attached.

JEFFERIES & COMPANY, INC.

By: _____

Name: Mark Ellis

Title: Managing Director

Date: October 12, 2010

EXHIBIT B

CERTIFICATE OF FINANCIAL ADVISOR

First Southwest Company has acted as financial advisor to the Fort Bend Flood Control Water Supply Corporation (the "Corporation"), in connection with the sale and delivery of the Corporation's Revenue Refunding Bonds, Series 2010, in the aggregate amount of $9,675,000 (the "Bonds"). I, the undersigned, hereby certify as follows:

1. I am the duly chosen, qualified and acting officer of the Financial Advisor for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Financial Advisor. I am the officer of the Financial Advisor charged, along with other officers of the Financial Advisor, with responsibility for issuing the Bonds.

3. The Financial Advisor computed the Weighted Average Maturity of the Bonds to be 5.7674 years, as set forth in paragraph 23 of the Federal Tax Certificate.

4. I have worked closely with representatives of the Corporation in structuring the financial terms of the Bonds and the refunding of the Refunded Bonds. The Financial Advisor has also performed certain computations that are the subject of the Report. I hereby confirm that the assumptions that are described in the Report as provided by the Financial Advisor are true, accurate and complete. I further hereby represent that to the best of my knowledge the statements set forth in paragraph 20 of the Federal Tax Certificate to which this certificate is attached, are true.

The Financial Advisor hereby authorizes the Corporation to rely on the statements made herein in connection with making the representations set forth in the Federal Tax Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. The Financial Advisor hereby authorizes Allen Boone Humphries Robinson LLP to rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes. Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Federal Tax Certificate to which this certificate is attached.

FIRST SOUTHWEST COMPANY

By: _____

Name: Joe Morrow

Title: Senior Vice President

Date: October 12, 2010

Form **8038-G** (Rev. May 2010)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No 1545-0720

Part I Reporting Authority

If **Amended Return**, check here ▶ ☐

1 Issuer's name **Fort Bend Flood Control Water Supply Corporation (Fort Bend County, Texas)**	2 Issuer's employer identification number (EIN) **74 6001969**
3 Number and street (or P.O. box if mail is not delivered to street address) Room/suite **c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway 2600**	4 Report number *(For IRS Use Only)* 3
5 City, town, or post office, state, and ZIP code **Houston, Texas 77027**	6 Date of issue **October 12, 2010**
7 Name of issue **Revenue Refunding Bonds, Series 2010**	8 CUSIP number **346831CW8**
9 Name and title of officer of the issuer or other person whom the IRS may call for more information **Don L. Russell, President**	10 Telephone number of officer or other person **(281) 242-1399**

Part II Type of Issue (enter the issue price) See instructions and attach schedule

11	Education	11		
12	Health and hospital	12		
13	Transportation	13		
14	Public safety	14		
15	Environment (including sewage bonds)	15		
16	Housing	16		
17	Utilities	17	10,459,853	30
18	Other. Describe ▶	18		
19	If obligations are TANs or RANs, check only box 19a ▶ ☐ If obligations are BANs, check only box 19b ▶ ☐			
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	3/1/2021	$ 10,459,853.30	$ 9,675,000.00	5.7674 years	2.2281 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	11,017	95
23	Issue price of entire issue (enter amount from line 21, column (b))			23	10,459,853	30
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	251,521 67			
25	Proceeds used for credit enhancement	25	0 00			
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0 00			
27	Proceeds used to currently refund prior issues	27	0 00			
28	Proceeds used to advance refund prior issues	28	10,208,167 47			
29	Total (add lines 24 through 28)			29	10,459,689	14
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	164	16

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	N/A	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	5.9293	years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ▶	3/1/2011	
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY) **9/6/2001**		

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . .	35	0	00
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . .	36a	0	00
b	Enter the final maturity date of the GIC ▶ _____			
37	Pooled financings: **a** Proceeds of this issue that are to be used to make loans to other governmental units . . .	37a	0	00

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . ▶ ☑

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . ▶ ☐

40 If the issuer has identified a hedge, check box . . . . ▶ ☐

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Signature of issuer's authorized representative	Date	Type or print name and title
	10/12/10	Mike Stone, Secretary

Paid Preparer's Use Only

Preparer's signature	Tina Kyle Livingston	Date 10/12/10	Check if self-employed ☐	Preparer's SSN or PTIN P01066476
Firm's name (or yours if self-employed), address, and ZIP code	Allen Boone Humphries Robinson LLP 3200 Southwest Freeway Houston, Texas 77027	EIN 74 : 3091731 Phone no. (713) 860-6400		

DEPARTMENT OF THE TREASURY

BUREAU OF THE PUBLIC DEBT

PARKERSBURG, WV 26106-0396

SUBSCRIPTION CONFIRMATION

State and Local Government Series Securities

Treasury Case Number:	201004111
Program Type:	Time Deposit
Issue Amount:	$10,319,631.00
Issue Date:	10/12/2010
Owner Name:	Fort Bend Flood Control Water Supply Corporation
TIN:	75-2284475
Rate Table Date:	09/13/2010
Status:	Complete
Confirmation Date:	09/20/2010
Confirmation Time:	02:34 PM EDT

View a Subscription Before Issue - Time Deposit

Treasury Case Number 201004111
Status Complete
Issue Date 10/12/2010
Issue Amount $10,319,631.00
Rate Table Date 09/13/2010

Taxpayer Identification Number 75-2284475
Underlying Bond Issue Revenue Refunding Bonds, Series 2010
Owner Name Fort Bend Flood Control Water Supply Corporation
Address Line 1 301 Jackson Street
Line 2
Line 3
City Richmond
State TX
Zip Code 77469
Contact Name Attn: President
Telephone 281-342-3411
Fax
E-mail

ABA Routing Number 021000018
Bank Reference Number
Bank Name The Bank of New York Mellon Trust Company, N.A.
Address Line 1 2001 Bryan Street, 11th Floor
Line 2
Line 3
City Dallas
State TX
Zip Code 75201
Contact Name Michelle Baldwin
Telephone 214-468-6254
Fax 214-468-6322
E-mail michelle.baldwin@bnymellon.com

ABA Routing Number 021000018
Bank Name The Bank of New York Mellon Trust Company, N.A.
Contact Name Michelle Baldwin
Telephone 214-468-6254
Fax 214-468-6322
E-mail michelle.baldwin@bnymellon.com

ABA Routing Number 021000018
Bank Name The Bank of New York Mellon Trust Company, N.A.
Address Line 1 2001 Bryan Street, 11th Floor
Line 2
Line 3

ABA Routing Number 021000018
Account Name BNY TAS #
Account Number 8900101474
Account Type Checking

City Dallas
State TX
Zip Code 75201
Contact Name Michelle Baldwin
Telephone 214-468-6254
Fax 214-468-6322
E-mail michelle.baldwin@bnymellon.com

ABA/TIN 75-0708002
Organization Name First Southwest Company
Address Line 1 325 N. St. Paul Street
Line 2 Suite 800
Line 3
City Dallas
State TX
Zip Code 75201
Contact Name Christine Crotwell
Telephone 713-654-8636
Fax 713-651-9361
E-mail christine.crotwell@firstsw.com

No Viewers Assigned

Security Number	Security Type	Principal Amount	Interest Rate	Maturity Date	First Interest Payment Date	Security Description
1	C of I	$10,319,631.00	0.150000000%	03/01/2011		SLG

Closing Memorandum Relating to:

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

$9,675,000
Revenue Refunding Bonds, Series 2010

Closing: October 12, 2010

FirstSouthwest
A PlainsCapital Company

FORT BEND FLOOD CONTROL
WATER SUPPLY CORPORATION

$9,675,000
Revenue Refunding Bonds, Series 2010

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$9,675,000
FORT BEND FLOOD CONTROL
WATER SUPPLY CORPORATION
REVENUE REFUNDING BONDS, SERIES 2010

DISTRIBUTION LIST

Issuer
Mr. Ed Sturdivant
Ms. Amy Hartman
Ms. Joyce Wendel
Fort Bend County
County Auditor
301 Jackson Street, Suite 533
Richmond, Texas
(281) 341-3769
(281) 341-3774 FAX
sturdrob@co.fort-bend.tx.us
hartmamy@co.fort-bend.tx.us
wendejoy@co.fort-bend.tx.us

Bond Counsel
Mr. Greer Pagan
Ms. Sylvia Moore
Allen Boon Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
(713) 860-6425
(713) 860-6625 FAX
gpagan@abhr.com
smoore@abhr.com

Financial Advisor
Mr. Cliff Kavanaugh
Mr. Joe Morrow
Ms. Christine Crotwell
First Southwest Company
1021 Main Street, Suite 2200
Houston, Texas 77002
(713) 654-8661
(713) 654-8690
cliff.kavanaugh@firstsw.com
joe.morrow@firstsw.com
christine.crotwell@firstsw.com

Paying Agent/Registrar
Ms. Michelle Baldwin
Ms. Elizabeth Power
The Bank of New York Mellon Trust Co N.A.
2001 Bryan Street, 8th Floor
Dallas, Texas 75201
(214) 468-6254 Phone
(214) 468-6322 Fax
michelle.baldwin@bnymellon.com
elizabeth.power@bnymellon.com

Senior Manager
Mr. Mark Ellis
Ms. Jennie Zhao
Jefferies & Company, Inc.
13355 Noel Road, Suite 1400
Dallas, Texas 75240
(972) 701-3035
(972) 692-7560 FAX
mellis@jefferies.com
jzhao@jefferies.com

Underwriter's Counsel
Mr. Randy Bates
Ms. Necitha Madison
Bates & Coleman, P.C.
1402 Alabama Street
Houston, Texas 77004
(713) 759-1500
(713) 630-1055 FAX
rbates@batesandcoleman.com
nmadison@batesandcoleman.com

FirstSouthwest
A PlainsCapital Company

1021 Main Street
Suite 2200
Houston, Texas 77002

(713) 654-8690 Direct
(800) 922-9850 Toll Free
(713) 654-8658 Fax

Joseph W. Morrow
Senior Vice President

joe.morrow@firstsw.com

October 7, 2010

Ms. Jennie Zhao
Jefferies & Company, Inc.
13355 Noel Road, Suite 1400
Dallas, Texas 75240

Re: ***Fort Bend Flood Control Water Supply Corporation***
$9,675,000 Revenue Refunding Bonds, Series 2010

Dear Jennie:

Delivery of the captioned bonds is scheduled for **Tuesday, October 12, 2010 at 10:00 a.m., CST,** by telephone. Funds in the amount of **$10,409,349.58** should be wired or otherwise transferred for immediate credit to:

The Bank of New York Mellon Trust Company, N.A.
ABA No. 021 000 018
For Credit to GLA# 211065
FFC: TAS# - 428493
Ref: Ft. Bend Flood Control Water Supply Corp., Revenue Refunding Bonds, Series 2010
Attn: Michelle Baldwin (214) 468-6254

The total amount of funds to be wired has been determined as follows:

Principal Amount of the Bonds	$ 9,675,000.00
Plus: Accrued Interest	11,017.95
Plus: Net Premium	784,853.30
Less: Underwriter's Discount	(61,521.67)
TOTAL AMOUNT DUE:	**$ 10,409,349.58**

If you have questions about this procedure, please do not hesitate to call.

Sincerely,

Joe Morrow
Senior Vice President

cc: Distribution

FirstSouthwest
A PlainsCapital Company

1021 Main Street
Suite 2200
Houston, Texas 77002

(713) 654-8690 Direct
(800) 922-9850 Toll Free
(713) 654-8658 Fax

Joseph W. Morrow
Senior Vice President

joe.morrow@firstsw.com

October 7, 2010

Mr. Ed Sturdivant
Fort Bend County
County Auditor
301 Jackson Street, Suite 533
Richmond, Texas

Re: ***Fort Bend Flood Control Water Supply Corporation***
$9,675,000 Revenue Refunding Bonds, Series 2010

Dear Ed:

Delivery of the captioned bonds is scheduled for Tuesday, October 12, 2010 at 10:00 a.m., CST, by telephone. On **Monday, October 11, 2010**, please wire funds in the amount of **$111,473.96** to the following:

The Bank of New York Mellon Trust Company, N.A.
ABA No. 021 000 018
For Credit to GLA# 211065
FFC: TAS# - 428493
Ref: Ft. Bend Flood Control Water Supply Corp., Revenue Refunding Bonds, Series 2010
Attn: Michelle Baldwin (214) 468-6254

The County will receive an incoming wire of **$22,237.47** sometime after 10:00 A.M. on Tuesday, October 12, 2010. This amount represents a deposit to the Debt Service Fund of **$11,182.11** and surplus issuance costs of **$11,055.36**.

If you have questions about this procedure, please do not hesitate to call.

Sincerely,

Joe Morrow
Senior Vice President

cc: Distribution

FirstSouthwest
A PlainsCapital Company

1021 Main Street
Suite 2200
Houston, Texas 77002

(713) 654-8690 Direct
(800) 922-9850 Toll Free
(713) 654-8658 Fax

Joseph W. Morrow
Senior Vice President

joe.morrow@firstsw.com

October 7, 2010

Ms. Michelle Baldwin
The Bank of New York Mellon Trust Company, N.A.
2001 Bryan Street, 8th Floor
Dallas, Texas 75201

Re: ***Fort Bend Flood Control Water Supply Corporation***
$9,675,000 Revenue Refunding Bonds, Series 2010

Dear Michelle:

Delivery of the above captioned Bonds is scheduled for **10:00 A.M., Houston Time, Tuesday, October 12, 2010**, by telephone. As purchaser of the Bonds, Jefferies & Company, Inc. will wire or transfer immediately available funds in the amount of **$10,409,349.58** to your attention on the day of closing. In addition, the City will wire funds in the amount of **$111,473.96** to your attention prior to closing, for total funds available of **$10,520,823.54**. Upon receipt of these funds, please distribute or credit the following:

Deposit for Bond Redemption:

Cash	$ 10.43
SLGs	10,319,631.00
	$ 10,319,641.43

Wire to Fort Bend County:

Surplus Cost of Issuance	$ 11,055.36
Deposit to I & S Fund	11,182.11
Total	$ 22,237.47

Prosperity Bank
ABA: 113 122 655
Acct: 1102216536

Financial Advisory Fee:

The Bank of New York
ABA: 021 000 018
Acct Name: First Southwest Company
Acct No: 890 0271 779
Ref: 1159004 — 53,436.54

Bond Counsel Fee:

Amegy Bank of Texas
ABA: 113 011 258
Acct: 3280756
Acct Name: Allen Boone Humphries Robinson LLP
Billing Attorney: Joe B. Allen
Client/Matter: FBF000-02 — 106,258.10

Standard & Poor's Rating Agency Fee:

Bank of America
ABA: 026 009 593
Acct: 12334-02500
Invoice: 10252590 — 12,700.00

Verification Agent Fee:

Harris N.A.
ABA: 071 000 288
Acct: 2750602
Beneficiary: Grant Thornton LLP
Ref: Bill No. 952204240
Client No: 6236315 — 5,000.00

Retain for Bank of New York Mellon Trust Company:

Paying Agent Fee	500.00
Escrow Agent Fee	750.00
Bond Call Fee	300.00
TOTAL FUNDS	**$10,520,823.54**

If you have questions about this procedure, please do not hesitate to call.

Sincerely,

Joe Morrow
Senior Vice President

cc: Distribution

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF FORT BEND

REGISTERED NUMBER
R-_____

REGISTERED
$_____

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION
REVENUE REFUNDING BOND, SERIES 2010

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:	CUSIP NO.:
		October 1, 2010	

REGISTERED OWNER:

SPECIMEN

PRINCIPAL AMOUNT: DOLLARS

FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION (the "Corporation") a Texas nonprofit corporation created pursuant to Article 1434a, Vernon's Texas Civil Statutes, (now codified as Chapter 67, Texas Water Code), for value received, promises to pay, but solely from the sources and in the manner described below, to the Registered Owner named above, or registered assigns or legal representative, on the Maturity Date set forth above, upon the presentation and surrender hereof, at the principal payment office of the paying agent/registrar initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas (the "Paying Agent/Registrar"), the principal amount set forth above. Interest shall accrue on this Bond from October 1, 2010, and shall be paid to the Registered Owner hereof by check or draft mailed to the Registered Owner at its address as it appears in the Bond Register as of the Record Date (as hereinafter defined), at the Interest Rate (which is a per annum rate calculated on the basis of a 360-day year of 12 months of 30 calendar days each) set forth above, on each September 1 and March 1 (the "Interest Payment Dates") until payment of the principal or redemption price has been made or provided for, commencing March 1, 2011. Principal of, and any applicable redemption premium, and interest on this Bond are payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof, without deduction for paying agent services. As used herein, "Record Date" means the February 15 preceding any Interest Payment Date occurring on a March 1, or the August 15 preceding any Interest Payment Date occurring on a September 1.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS, aggregating $9,675,000 (the "Bonds"), issued pursuant to a resolution adopted by the Board of Directors of the Corporation (the "Resolution") to refund a portion of the Corporation's outstanding $11,650,000 Revenue Bonds, Series 2001, and to pay certain expenses incurred in connection with the issuance of the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, and the Act (as defined in the Resolution and pursuant to the Resolution).

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are special obligations of the Corporation that are equally and ratably payable from the "Pledged Revenues", which include all moneys deposited or required to be deposited in the Debt Service Fund pursuant to the provisions of the Resolution and all interest earnings and investment income therefrom; and any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered or deposited in the Debt Service Fund as security under the Resolution, all of which property the Corporation authorized to receive, hold and apply according to the terms of the Resolution. This Bond and the series of which it is a part, together with the interest thereon are special obligations payable by the Corporation solely from the Pledged Revenues and do not constitute indebtedness or general obligation of the Corporation.

SPECIMEN

REFERENCE IS HEREBY MADE to the Resolution, the Agreement for a complete description of the Pledged Revenues and terms, covenants and provisions pursuant to which the Bonds are secured and made payable, the nature and extent of such security, a statement of the rights, duties and obligations of the parties thereto, and a statement of the rights and remedies of the owners of the Bonds. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the aforesaid documents.

THE CORPORATION RESERVES THE RIGHT, at its option, to redeem the Bonds maturing on or after March 1, 2020, prior to their scheduled maturities, in whole or in part from time to time, in integral multiples of $5,000, on March 1, 2019, or on any date thereafter, at a price of par plus accrued interest to the date of redemption on the principal amounts called for redemption. Reference is made to the Resolution for complete details concerning the manner of redeeming the Bonds.

NOTICE OF ANY REDEMPTION shall be given at least 30 days prior to the date fixed for redemption by first class mail, addressed to the Registered Owner of each

Bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Registrar. When Bonds or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

PRINCIPAL MAY BE REDEEMED IN PART only in integral multiples of $5,000. 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. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond by $5,000. The Registrar shall select the particular Bonds to be redeemed within a given maturity by lot or other random selection method. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions of the Resolution, 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.

SPECIMEN

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative, subject to the terms and conditions of the Resolution.

THIS BOND IS EXCHANGEABLE at the principal payment office of the Paying Agent/Registrar for Bonds in the principal amount of $5,000 or any integral multiple thereof, subject to the terms and conditions of the Resolution.

NEITHER THE Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond during the period beginning on a Record Date and ending on the next succeeding interest payment date or to transfer or exchange any Bond called for redemption during the 30 day period prior to the date fixed for redemption of such Bond.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution unless this Bond is either (i) registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

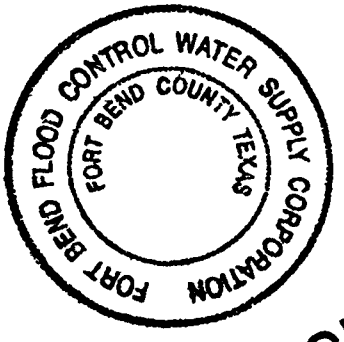
THE CORPORATION HAS COVENANTED in the Resolution that it will at all times provide a legally qualified registrar for the Bonds and will cause notice of any change of registrar to be mailed first class, postage prepaid, to each Registered Owner.

THE CORPORATION HAS RESERVED THE RIGHT to issue additional bonds which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Pledged Revenues, in the same manner and to the same extent as the Bonds, to issue inferior lien bonds or obligations and to issue Special Project Bonds, all as provided in the Resolution.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be performed, to exist and to be done precedent to or in the issuance and delivery of this Bond have been performed, exist and have been done in accordance with law; and that provision has been made for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, and on all of the Bonds by the creation of the aforesaid lien on and pledge of the Pledged Revenues.

SPECIMEN

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the President of the Board of Directors and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors, and the official seal of the Corporation has been duly impressed, or placed in facsimile, on this Bond.



FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

SPECIMEN

President

Secretary/Treasurer

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been delivered pursuant to the Resolution described in the text of this Bond.

The Bank of New York Mellon Trust Company, N.A.

By:_____
Authorized Signature
Date of Authentication:_____

SPECIMEN

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____

(Please print or type name, address, and zip code of Transferee)

_____

(Please insert Social Security or Taxpayer Identification Number of Transferee)

the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____

attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

SPECIMEN

DATED: _____ _____

Signature Guaranteed:

_____ _____

Registered Owner

_____

NOTICE: Signature must be guaranteed by a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this Bond in every particular, without any alteration, enlargement or change whatsoever.