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Julie J. Peak
Managing Director

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September 7, 2010

Via E-Mail: mike.loftin@leaguecity.com

Mr. Michael W. Loftin
Director of Finance
City of League City
300 West Walker
League City, Texas 77573

RE: Galveston County Municipal Utility District No. 46 (the "District")
\$3,000,000 Unlimited Tax Bonds, Series 2010A (the "Bonds")

Dear Mr. Loftin:

The District is proposing to sell the Bonds in the aggregate principal amount of \$3,000,000, constituting the third series of bonds to be sold by the District. Pursuant to the "Utility Agreement between the District and the City of League City" (the "Utility Agreement"), the District is required to obtain City of League City approval prior to the sale of bonds. The terms and conditions of the Bonds and expenditure of funds are in compliance with the Utility Agreement, in particular, the District is in compliance with Section 5.02 of the Utility Agreement which stipulates maximum debt ratios allowed (see detail below).

The sale of the Bonds is under review by the staff of the Texas Commission on Environmental Quality (the "TCEQ"). We have attached a cash flow analysis related to the financing for your review. The District expects to levy a total 2010 tax rate of \$1.00 (\$0.75 for debt service and \$0.25 maintenance), which is the same as 2009. The District's 2010 Taxable Assessed Valuation and Estimated Taxable Assessed Valuation as of July 1, 2010 provided by the Galveston Central Appraisal District is \$75,309,715 (which includes uncertified value in the amount of \$3,833,866) and \$89,495,366, respectively. The District's current outstanding debt assuming issuance of the Series 2010A Bonds is \$9,145,000. The ratios of current outstanding debt to 2010 Taxable Assessed Valuation and Estimated Taxable Assessed Valuation as of July 1, 2010 is 12.14% and 10.22%, respectively. **There is no tax rebate associated with the District.**

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The District would like to sell the Bonds as soon as the bond application is approved by the TCEQ, and in connection therewith, the District would like to obtain League City approval as soon as possible. Please let us know if you need any additional information.

Thank you for your assistance with this financing.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Julie Peak", with a stylized flourish at the end.

Julie J. Peak
Managing Director

cc: Mr. Greer Pagan, Allen Boone Humphries Robinson, LLP
Mr. Greg Lentz, First Southwest Company