

**GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 44**
(Galveston County, Texas)

**OFFICIAL NOTICE OF SALE AND
PRELIMINARY OFFICIAL STATEMENT**

DATED: February 5, 2019

\$5,600,000
UNLIMITED TAX BONDS
SERIES 2019

BIDS TO BE SUBMITTED: 11:00 A.M., Houston, Texas Time
Tuesday, March 5, 2019

BIDS TO BE PRESENTED: 4:00 P.M., Houston, Texas Time
Tuesday, March 5, 2019



RBC Capital Markets®

Financial Advisor

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

NEW ISSUE – Book-Entry-Only

OFFICIAL NOTICE OF SALE

\$5,600,000

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 44

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

UNLIMITED TAX BONDS, SERIES 2019

Sealed Bids Due by: Tuesday, March 5, 2019 at 11:00 A.M., Houston, Texas Time

The Bonds are obligations solely of Galveston County Municipal Utility District No. 44 (the “District”) and are not obligations of the State of Texas, Galveston County, the City of League City, or any entity other than the District.

THE DISTRICT WILL DESIGNATE THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

THE SALE

Bonds Offered for Sale at Competitive Bid . . . The Board of Directors (the “Board”) of Galveston County Municipal Utility District No. 44 (the “District”), is offering for sale at competitive bid \$5,600,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”).

Place and Time of Sale . . . The Board will receive bids at the designated meeting place outside the boundaries of the District, at South Shore Harbour Resort & Conference Center, 2500 South Shore Harbour Boulevard, League City, Texas 77573 11:00 A.M., Houston, Texas Time, Tuesday, March 5, 2019 and the bids will be publicly read at 4:00 P.M., Houston, Texas Time. Sealed bids, which must be submitted in duplicate on the Official Bid Form and plainly marked “Bid for Bonds,” are to be addressed to “President and Board of Directors, Galveston County Municipal Utility District No. 44” and should be delivered to the District’s Financial Advisor, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002, prior to 11:00 A.M., Houston, Texas Time, Tuesday, March 5, 2019. Any bid received after such scheduled time for receipt of bids will not be accepted and will be returned unopened.

Electronic Bidding Procedure . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 11:00 A.M., Houston, Texas Time, Tuesday, March 5, 2019, SIGNED Official Bid Forms, in duplicate, to Matthew E. Dustin, RBC Capital Markets, LLC, 609 Main St. Suite 3600, Houston, Texas 77002. Subscription to the i-Deal’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Electronic bids must be received via PARITY in the manner described below, prior to 11:00 A.M., Houston, Texas Time, on Tuesday, March 5, 2019.

Electronic bids must be submitted via PARITY in accordance with this Official Notice of Sale, prior to 11:00 P.M., Houston, Texas Time, but no bid will be received after the time for receiving bids specified above. An electronic bid made through the facilities of PARITY shall be deemed a sealed, irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

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

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

Bids by Telephone or Facsimile . . . Bidders must submit, prior to, Tuesday, March 5, 2019, duplicate SIGNED Official Bid Forms to Matthew E. Dustin, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002 and submit their bid by telephone or facsimile on the date of sale by 11:00 A.M., Houston, Texas Time.

Matthew E. Dustin of RBC Capital Markets, LLC will call telephone bidders who have submitted SIGNED Official Bid Forms prior to the date of the sale. Fax bids must be received by 11:00 A.M., Houston, Texas Time, on the date of the sale. Contact Matthew E. Dustin (713) 853-0884 of RBC Capital Markets, LLC on the day of the sale to obtain the fax phone numbers.

Late Bids and Irregularities . . . RBC Capital Markets, LLC is not authorized to receive and will not be responsible for the submission of any bids made after the time prescribed nor does the District or RBC Capital Markets, LLC assume any responsibility or liability with respect to any irregularities associated with the submission, transcription, delivery, or electronic or facsimile transmission of any bid. The District reserves the right to waive any irregularity except time of bid.

Award of Bonds . . . The District will take action to award the Bonds or reject all bids promptly upon the Board of Directors reviewing and approving the bids. Upon awarding the Bonds, the District also will adopt the order authorizing issuance of the Bonds (the “Bond Order”) and will approve the Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order, to which reference is hereby made for all purposes, and subject to compliance with Texas Government Code § 2252.908 as more fully described below. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing of the bids.

THE BONDS

Description of Certain Terms of the Bonds . . . The Bonds will be dated March 1, 2019, with interest payable on September 1, 2019, and semiannually thereafter on each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or prior redemption. The Bonds will be delivered to the Initial Purchaser (hereinafter defined) as one initial Bond in the aggregate principal amount of \$5,600,000, in fully registered form, and may be exchanged for bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be issued only in fully registered form. Principal will be payable to the registered owner(s) of the Bonds (the “Bondholder(s)”) upon presentation and surrender at the principal payment office of the paying agent/registrar, initially, ZB, National Association dba Amegy Bank (hereinafter sometimes called the “Paying Agent” or the “Registrar”). Interest on the Bonds will be payable by check of the Paying Agent, dated as of the Interest Payment Date, and mailed by the Paying Agent to the Bondholders, as shown on the records of the Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”). The Bonds will mature serially on September 1 in each of the following years in the following amounts:

2020	\$230,000	2030	\$280,000
2021	230,000	2031	280,000
2022	235,000	2032	295,000
2023	245,000	2033	295,000
2024	255,000	2034	310,000
2025	255,000	2035	310,000
2026	250,000	2036	315,000
2027	260,000	2037	325,000
2028	270,000	2038	335,000
2029	275,000	2039	350,000

Redemption Provisions . . . The District reserves the right, at its option, to redeem Bonds maturing on or after September 1, 2026, in whole or from time to time in part in integral multiples of \$5,000 on September 1, 2025, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all the Bonds are redeemed the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 within a maturity. If less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by method of random selection.

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

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

CONDITIONS OF SALE

Types of Bids and Interest Rates . . . The Bonds will be sold in one block, all or none, and no bid of less than 97% of par value plus accrued interest to the date of delivery will be considered. Bidders must specify the rate or rates of interest the Bonds will bear, but no bid which results in a net effective interest rate, as defined by Chapter 1204, Texas Government Code (the IBA method), of more than two percentage points (2%) above the highest “20 Bond Index” as reported by the “Bond Buyer” during the thirty (30) day period prior to the date of this OFFICIAL NOTICE OF SALE. Interest rates must be in multiples of 1/8 or 1/20 of 1%. Any number of interest rates and rate changes may be named, but graduating or declining interest rates within a maturity, split interest rates within a maturity, or supplemental or zero interest rates will not be acceptable.

Serial Bonds and/or Term Bonds . . . Bidders have the option of specifying that the principal amount of the Bonds payable in any two or more consecutive years may, in lieu of maturing in each of such years, be combined into one or more term bonds. Term bonds may be used for any of the maturities in the years 2026 through 2039, both inclusive.

In the event that bidders choose to specify one or more term bonds, such term bonds will be subject to mandatory redemption by the District prior to their scheduled maturities on September 1 in the years and in the amounts set forth in the maturity schedule of the serial bonds. The term bonds, along with the serial bonds maturing on and after September 1, 2026, will be subject to optional redemption on September 1, 2025, or any date thereafter, in whole or from time to time in part, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

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

Good Faith Deposit . . . Each bid must be accompanied by a bank cashier’s check payable to the order of “Galveston County Municipal Utility District No. 44,” in the amount of \$112,000 which is 2% of the principal amount of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the “Initial Purchaser”) will be retained uncashed by the District until the Bonds are delivered. No interest will be paid on the Good Faith Deposit. Upon payment for and delivery of the Bonds in immediately available funds, the Good Faith Deposit will be returned uncashed to the Initial Purchaser. If the Initial Purchaser should fail or refuse to make payment for or accept delivery of the Bonds in accordance with its bid, then the check will be cashed and accepted by the District as full and complete liquidated damages. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded.

Provision of Texas Ethics Commission Form 1295 (“TEC Form 1295”) by Bidders. . . Pursuant to Texas Government Code § 2252.908 (the "Interested Party Disclosure Act" or the "Act"), the District may not award the Bonds to a bidder unless the bidder, and each syndicate member listed on the Official Bid Form, unless such bidder or syndicate member is exempt from such requirements pursuant to Texas Government Code § 2252.908(c)(4) have provided to the District (c/o District Financial Advisor with contact info) a completed and signed TEC Form 1295 which has been assigned a certificate number by the Texas Ethics Commission (the "TEC"). Pursuant to the rules prescribed by the TEC, the TEC Form 1295 must be completed online through the TEC's website, assigned a certificate number, printed, and signed, and provided to the District. The TEC Form 1295 may accompany the Official Bid Form or may be submitted separately, but must be provided to the District prior to the time prescribed for the award of the Bonds. The TEC Form 1295 may be provided to the District via facsimile or electronically, however, the original signed and notarized TEC Form 1295 complete with certificate number must be physically delivered to the District within two business days of the award. Following the award of the Bonds, the District will notify the TEC of the receipt of each completed TEC Form 1295. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein. For purposes of completing the TEC Form 1295, the entity's name is Galveston County Municipal Utility District No. 44 and the contract ID number is GCMUD44 – S2018 – B. Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the apparent winning bid.

Compliance with laws prohibiting contracts with companies boycotting Israel and certain companies engaged in business with Iran, Sudan or foreign terrorist organizations . . . Pursuant to Chapter 2270, Texas Government Code¹, the District may not award the Bonds to a bidder unless the bidder verifies that it does not boycott Israel and agrees it will not boycott Israel through the delivery date of the Bonds. Similarly, pursuant to Chapter 2252, Texas Government Code, the District may not award the sale of the Bonds to a bidder unless the bidder certifies that it is not a company that contracts with or provides supplies or services to a foreign terrorist organization, as defined by Section 2252.151(2), Texas Government Code, and has not been identified as a company on a list prepared and maintained under Section 806.051, 807.051, or 2252.153, Texas Government Code. By submitting a bid, the bidder makes and certifies to the representations necessary and convenient for the compliance with the aforementioned laws and, agrees to execute, at the request of District, further written certifications as may be necessary or convenient for District to establish compliance with the aforementioned laws

Rule G-36 Requirements . . . It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rule Making Board's Rule G-36 within the required time frame.

Competitive Bidding and Certificate of Underwriter . . . In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), which would allow the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, then the “hold-the-offering-price rule” shall apply, which will allow the District to treat the initial offering price to the public of each maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule applies to any maturity of the Bonds, the Underwriter will neither offer nor sell that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (i) the date on which the Underwriter has sold at least 10 percent of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public or (ii) the close of the fifth business day after the sale date. The Underwriter agrees to promptly report to the District's financial advisor when it has sold 10 percent of a maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public if that occurs prior to the close of the fifth business day after the sale date. Alternative Certificates of Underwriter are attached for use (a) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (b) when such requirements are not met.

¹ The District is requiring the written acknowledgement and verification pursuant to instructions from the Attorney General of the State of Texas. The District is not taking a position as to whether the competitive sale of the Bonds pursuant to this Notice of Sale and Bidding Instructions constitutes a contract for goods and/or services for any purposes under Texas law.

OFFICIAL STATEMENT

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

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

Changes to Official Statement . . . If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Conditions to Delivery." The obligation of the District to do so will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not for more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

Delivery of Official Statements . . . The District will furnish to the Initial Purchaser (and to each other participating initial purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period referred to in SEC Rule 15c2-12(e)(2). The District will pay the expense of preparing up to 250 copies of the Official Statement and an equal number of copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

Continuing Disclosure . . . The District will agree in the Bond Order to provide certain periodic information and notices of certain specified events in accordance with Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of the certified copy of the Bond Order containing the agreement described under such heading. During the last 5 years, the District has complied in all material respects with all continuing disclosure agreements made by them in accordance with SEC Rule 15c2-12(b)(5)(i).

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

Initial Delivery of Initial Bonds . . . Initial delivery ("Initial Delivery") will be accomplished by the issuance of one initial bond in the principal amount of the Bonds, payable in stated installments (the "Initial Bonds"), either in typed or printed form, registered in the name of Cede & Co., manually signed or signed by facsimile by the President or Vice President and Secretary or Assistant Secretary of the Board, or executed by such facsimile signatures and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. After delivery of the Initial Bonds, they shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. See "THE BONDS – Book-Entry-Only System" in the Preliminary Official Statement. Initial Delivery will be at the principal payment office of the Paying Agent/Registrar in Dallas, Texas on or about March 28, 2019. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given five (5) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about March 28, 2019, and, subject to the aforementioned notice, it is understood and agreed that the Initial

Purchaser will accept delivery of and make payment for the Bonds by 12:00 A.M., Houston, Texas time, March 28, 2019, or thereafter on the date the Bonds are tendered for delivery, up to and including April 28, 2019. If for any reason the District is unable to make delivery on or before April 28, 2019, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

Delivery of Exchange Bonds . . . Upon presentment of the Initial Bond and upon payment for the Initial Bond at the time of the Underwriter, the Paying Agent/Registrar shall cancel the Initial Bond and deliver the exchange Bonds in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity registered in the name of Cede & Co. through the Book-Entry-Only System of the DTC. It is understood that all costs and expenses for the shipping, packing, insuring and delivery of the exchange Bonds shall be borne by the Initial Purchaser if the Initial Purchaser requests delivery of the exchange Bonds at any location other than the corporate trust office of the Paying Agent/Registrar.

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

Conditions to Delivery . . . The Initial Purchaser's obligation to accept delivery of and pay for the Bonds is subject to the issuance of the legal opinion of the Attorney General of Texas as to the legality of the Bonds, and the legal opinion of Smith, Murdaugh, Little & Bonham, LLP ("Bond Counsel"), the No-Litigation Certificate, and the non-occurrence of the events indicated under "No Material Adverse Change" all as described below.

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

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 \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2019 is not expected to exceed \$10,000,000, and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2019.

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

No-Litigation Certificate . . . The District will furnish the Initial Purchaser a certificate executed by both the President or Vice-President and Secretary or Assistant Secretary of the Board, dated as of the date of delivery of the Bonds, to the effect that there is not pending, and, to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, the Master District Contract, the levy and/or collection of the funds from which the Bonds are payable, or the organization or boundaries of the District or the title of the offices thereof to their respective offices.

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

GENERAL CONSIDERATIONS

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

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

Risk Factors . . . The Bonds involve certain risk factors. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption “RISK FACTORS.”

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

Municipal Bond Rating and Insurance . . . The District has made application to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds and S&P has assigned a rating of “_____”. If the Initial Purchaser chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer.

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

Registration and Qualification of Bonds for Sale . . . The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, or under the Securities Act of Texas in reliance upon the exemptions provided thereunder; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for the sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

Additional Copies of Documents . . . Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, Matthew E. Dustin, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002.

Joseph Ferro, President
Board of Directors
Galveston County Municipal
Utility District No. 44

OFFICIAL BID FORM

President and Board of Directors
Galveston County Municipal Utility District No. 44
c/o Smith, Murdaugh, Little & Bonham, LLP
2727 Allen Parkway, Suite 1100
Houston, Texas 77019

Members of the Board:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of Galveston County Municipal Utility District No. 44 (the "District") relating to its \$5,600,000 Unlimited Tax Bonds, Series 2019 (the "Bonds"), which by reference are made a part hereof. We recognize the special investment risks involved in these securities, and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District's legally issued Bonds, upon the terms and conditions set forth in the Bond Order, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$_____ (which represents _____% of the principal amount thereof) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds mature September 1 and bear interest in each year at the following rates:

<u>Due</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2020	\$230,000	____%	2030(a)	\$280,000	____%
2021	230,000	____%	2031(a)	280,000	____%
2022	235,000	____%	2032(a)	295,000	____%
2023	245,000	____%	2033(a)	295,000	____%
2024	255,000	____%	2034(a)	310,000	____%
2025	255,000	____%	2035(a)	310,000	____%
2026(a)	250,000	____%	2036(a)	315,000	____%
2027(a)	260,000	____%	2037(a)	325,000	____%
2028(a)	270,000	____%	2038(a)	335,000	____%
2029(a)	275,000	____%	2039(a)	350,000	____%

- (a) Subject to optional redemption in whole or in part on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

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

Total Interest Cost.....	\$ _____
Plus: Cash Discount	\$ _____
Net Interest Cost	\$ _____
Net Effective Interest Rate	_____ %

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

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

The initial and definitive bonds shall be registered in the name of Cede & Co. and delivered through the Book-Entry-Only System of the Depository Trust Company.

Cashier's Check No. _____, issued by _____ Bank, _____, Texas and payable to your order in the amount of \$112,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

The District may not accept this bid until it has received from the bidder, if that bidder is a privately held entity, a completed and signed TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC"), pursuant to Texas Government Code § 2252.908 and the rules promulgated thereunder by the TEC. The undersigned understands that failure to provide said form complete with a certificate number assigned by the TEC as provided for in the Official Notice of Sale will result in a non-conforming bid and will prohibit the District from considering this bid for acceptance.

By executing this Bid Form, the bidder represents and verifies that, to the extent this bid for the Bonds represents a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of Chapter 2270 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid and through the end of the underwriting period as defined by United States Securities and Exchange Commission Rule 15c2-12, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Additionally, by executing this Bid Form, the bidder also represents and certifies that, to the extent this bid for the Bonds represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

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

We agree to make payment for the Initial Bond in immediately available funds at the offices ZB, National Association dba Amegy Bank, Houston, Texas, not later than 11:00 A.M. Houston, Texas time, on March 28, 2019, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

(Syndicate members, if any)

Respectfully submitted,

By: _____
Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby accepted by Galveston County Municipal Utility District No. 44 this ____ day of _____, 2019.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

**CERTIFICATE OF UNDERWRITER – FEDERAL INCOME TAX COMPETITIVE BIDDING
REQUIREMENTS MET**

The undersigned hereby certifies as follows with respect to the sale of \$5,600,000 Galveston County Municipal Utility District No. 44 Unlimited Tax Bonds, Series 2019 (the “Bonds”):

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (the “Underwriter”) that has purchased the Bonds from Galveston County Municipal Utility District No. 44 (the “District”) at competitive sale.
2. The Underwriter was not given the opportunity to review other bids prior to submitting its bid, and the bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.
3. As of the sale date, the reasonably expected initial offering prices of the Bonds to the public by the Underwriter (expressed as a percentage of principal amount and exclusive of accrued interest) is as set forth below:

<u>Due</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2020	\$230,000	___%	2030(a)	\$280,000	___%
2021	230,000	___%	2031(a)	280,000	___%
2022	235,000	___%	2032(a)	295,000	___%
2023	245,000	___%	2033(a)	295,000	___%
2024	255,000	___%	2034(a)	310,000	___%
2025	255,000	___%	2035(a)	310,000	___%
2026(a)	250,000	___%	2036(a)	315,000	___%
2027(a)	260,000	___%	2037(a)	325,000	___%
2028(a)	270,000	___%	2038(a)	335,000	___%
2029(a)	275,000	___%	2039(a)	350,000	___%

(a) Subject to optional redemption in whole or in part on September 1, 2025 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

4. The Underwriter [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _____ (the “Insurer”) for a fee of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

5. The term “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party to an underwriter. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

6. Sale date means the first date on which there is a binding contract in writing for the sale of the Bonds. The sale date of the Bonds is March 5, 2019.

7. The undersigned understands that the statements made herein will be relied upon by the District and Smith, Murdaugh, Little & Bonham, LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this ____ day of _____, 2019.

(Name of Underwriter or Manager)

By: _____

Title: _____

**CERTIFICATE OF UNDERWRITER – FEDERAL INCOME TAX COMPETITIVE BIDDING
REQUIREMENTS NOT MET**

The undersigned hereby certifies as follows with respect to the sale of \$5,600,000 Galveston County Municipal Utility District No. 44 Unlimited Tax Bonds, Series 2019 (the “Bonds”):

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (the “Underwriter”) that has purchased the Bonds from Galveston County Municipal Utility District No. 44 (the “District”).
2. As of the date of this Certificate, for each of the following maturities (the “Sold Maturities”), the first price at which a substantial amount (at least ten percent) of such maturity was sold to the public (expressed as a percentage of principal amount and exclusive of accrued interest) is set forth below:

<u>Due</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2020	\$230,000	____%	2030(a)	\$280,000	____%
2021	230,000	____%	2031(a)	280,000	____%
2022	235,000	____%	2032(a)	295,000	____%
2023	245,000	____%	2033(a)	295,000	____%
2024	255,000	____%	2034(a)	310,000	____%
2025	255,000	____%	2035(a)	310,000	____%
2026(a)	250,000	____%	2036(a)	315,000	____%
2027(a)	260,000	____%	2037(a)	325,000	____%
2028(a)	270,000	____%	2038(a)	335,000	____%
2029(a)	275,000	____%	2039(a)	350,000	____%

(a) Subject to optional redemption in whole or in part on September 1, 2025 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

3. As of the sale date for the Bonds, each of the following maturities (the “Unsold Maturities”) was offered to the public for purchase at the price (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below:

<u>Principal</u> <u>Amount</u>	<u>Year of</u> <u>Maturity</u>	<u>Issue</u> <u>Price</u>	<u>Principal</u> <u>Amount</u>	<u>Year of</u> <u>Maturity</u>	<u>Issue</u> <u>Price</u>
\$					

4. As set forth in the Notice of Sale, the Underwriter has agreed in writing that, for each of the Unsold Maturities, the Underwriter would neither offer nor sell any of the Bonds of such maturity to any person at a price that is higher than the initial offering price for each maturity, as set forth in the pricing wire or equivalent communication for the Bonds attached to this Certificate, during the Offering Period for such maturity, nor would the Underwriter permit a related party to do so. Pursuant to such agreement, the Underwriter has neither offered nor sold any of the Unsold Maturities at a price higher than the respective initial offering price for that maturity of the Bonds during the Offering Period.

5. The Underwriter [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _____ (the “Insurer”) for a fee of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

6. The term “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party to an underwriter. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

7. Sale date means the first date on which there is a binding contract in writing for the sale of the Bonds. The sale date of the Bonds is March 5, 2019.

8. Offering Period means, with respect to an Unsold Maturity, the period beginning on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date or (b) the date on which the Underwriter has sold at least 10 percent of such Unsold Maturity to the public at a price that is no higher than the initial offering price for such Unsold Maturity.

9. The undersigned understands that the statements made herein will be relied upon by the District and Smith, Murdaugh, Little & Bonham, LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this ____ day of _____, 2019.

(Name of Underwriter or Manager)

By: _____

Title: _____

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 5, 2019

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

The District will designate the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

RATINGS: S&P (Underlying).....“ ”
(Insured)“ ”
See “MUNICIPAL BOND RATING AND
INSURANCE RATING” herein

\$5,600,000

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 44

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

UNLIMITED TAX BONDS, SERIES 2019

Dated: March 1, 2019

Due: September 1, as shown below

The Galveston County Municipal Utility District No. 44 Unlimited Tax Bonds, Series 2019 (the “Bonds”) will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of and interest on the Bonds will be payable by ZB, National Association dba Amegy Bank, Houston, Texas (the “Paying Agent/Registrar”). Interest accrues from March 1, 2019, and is payable on September 1, 2019 and each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check or draft, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the bond register kept by the Paying Agent/Registrar (the “Registered Owners”) on the fifteenth day of the month prior to each Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. (b)
2020	\$230,000	—%	—%		2030(c)	\$280,000	—%	—%	
2021	230,000	—%	—%		2031(c)	280,000	—%	—%	
2022	235,000	—%	—%		2032(c)	295,000	—%	—%	
2023	245,000	—%	—%		2033(c)	295,000	—%	—%	
2024	255,000	—%	—%		2034(c)	310,000	—%	—%	
2025	255,000	—%	—%		2035(c)	310,000	—%	—%	
2026(c)	250,000	—%	—%		2036(c)	315,000	—%	—%	
2027(c)	260,000	—%	—%		2037(c)	325,000	—%	—%	
2028(c)	270,000	—%	—%		2038(c)	335,000	—%	—%	
2029(c)	275,000	—%	—%		2039(c)	350,000	—%	—%	

- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Underwriter (hereinafter defined), and may subsequently be changed.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global market intelligence on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption Provisions.” The yield on Bonds maturing on and after September 1, 2026 is calculated to the lower of yield to redemption or maturity. In addition, the Underwriter may designate one or more of the Bonds maturing in years 2026 through 2039, both inclusive, as term bonds.

The Bonds, when issued, will constitute valid and legally binding obligations of Galveston County Municipal Utility District No. 44 (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the City of League City or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Smith, Murdaugh, Little & Bonham, LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the District by _____, Disclosure Counsel, Dallas, Texas. The Bonds are expected to be available for delivery on March 28, 2019 in Houston, Texas.

SEALED BIDS TO BE SUBMITTED: 11:00 A.M., Houston, Texas Time

SEALED BIDS TO BE OPENED: 4:00 P.M., Houston, Texas Time

Tuesday, March 5, 2019

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from RBC Capital Markets, LLC, 609 Main St, Suite 3600, Houston, Texas 77002, the Financial Advisor to the District.

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

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 44 (the “District”) of its Unlimited Tax Bonds, Series 2019 (the “Bonds”).

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and pursuant to an order (the “Bond Order”) adopted by the Board of Directors of Galveston County Municipal Utility District No. 44 (the “District”), a political subdivision of the State of Texas. In the Bond Order, the District’s Board of Directors delegated pricing of the Bonds to a pricing officer, who will approve a pricing certificate which contains final pricing information for the Bonds.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

The District.....	Galveston County Municipal Utility District No. 44 (the “District”), a political subdivision of the State of Texas, created by an Order of the Texas Commission on Environmental Quality (“TCEQ” or “Commission”), dated August 10, 2004, is located wholly within the City of League City’s corporate limits. The District is approximately 30 miles southeast of downtown Houston and generally bounded on the east by Tuscan Lakes Boulevard, on the south by FM 646 and on the west by Dickinson Avenue. The District operates under Chapter 54 and Chapter 49 of the Texas Water Code, and other general statutes of Texas applicable to municipal utility districts. See “THE DISTRICT.”
The Issue.....	\$5,600,000 Galveston County Municipal Utility District No. 44 Unlimited Tax Bonds, Series 2019 (the “Bonds”) are issued pursuant to an order of the District’s Board of Directors (the “Bond Order”). In the Bond Order, the District’s Board of Directors delegated pricing of the Bonds to a pricing officer, who will approve a pricing certificate which contains final pricing information for the Bonds. The Bonds aggregate to a principal amount of \$5,600,000, maturing annually on September 1 in varying amounts in the years 2020 through 2039, both inclusive. Bonds maturing on September 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. Interest on the Bonds is payable on each March 1 and September 1 beginning September 1, 2019. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”
Book-Entry-Only	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “THE BONDS - Book-Entry-Only System.”
Tax-Exemption	In the opinion of Smith, Murdaugh, Little & Bonham, LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and the Bonds are not subject to the alternative tax on individuals and corporations. See “TAX MATTERS” herein for a discussion of Bond Counsel’s opinions, including a description of certain alternative minimum tax consequences for corporations.
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. The Bonds are obligations of the District, and are not obligations of the State of Texas, Galveston County, the City of League City, Texas, or any entity other than the District. In addition, property owners of the District will also pay an ad valorem tax to the City of League City. See “THE BONDS - Source of Payment.”
Use of Proceeds	Proceeds from the sale of the Bonds will be used to finance the following projects: 1) Phase Three Drainage Improvements to Serve Tuscan Lakes Southeast Quadrant; 2) Phase Four Drainage Improvements to Serve Tuscan Lakes Southeast Quadrant; 3) WSD to Serve Tuscan Lakes Section 50-4-1; 4) WSD to Serve Tuscan Lakes Section 50-4-2; 5) WSD to Serve Tuscan Lakes Section 50-5; 6) WSD to Serve the Village at Tuscan Lakes Section 4-1; 7) WSD to Serve the Village of Tuscan Lakes Section 4-2; 8) WSD to Serve the Village at Tuscan Lakes Section 3-2; and 9) to pay for costs related to the issuance of the Bonds.
Authorized but Unissued Bonds	After the issuance of the Bonds, the District will have \$43,755,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities authorized but unissued, \$4,000,000 principal amount of unlimited tax park bonds for the Park and Recreational Facilities and \$33,005,000 principal amount of unlimited tax refunding bonds authorized but unissued. See “THE BONDS - Issuance of Additional Debt.”

Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”
Municipal Bond Rating and Insurance.....	<p>The District has made application to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds and S&P has assigned a rating of “_____.” If the Initial Purchaser chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer.</p> <p>An application has been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described below. See “MUNICIPAL BOND RATING AND INSURANCE RATING.”</p>
Status of Development..	The District encompasses approximately 436.929 acres of which approximately 130.8 acres have been developed with water, sanitary sewer, and drainage facilities. Single family residential development within the District as of _____, 2019 consists of _____ platted lots comprised of _____ completed homes, _____ homes in various stages of construction, and _____ vacant lots. Located within the District, there is a 206-unit apartment complex completed in 2011. Commercial development within the District consists of an LA Fitness, a retail shopping center, a CVS Pharmacy, a Children's Learning Adventure, a JSC Federal Credit Union, and a Valero gas station. (See “THE DISTRICT – Status of Development”)
Developer	The principal developer of land within the District is Kenwood Investments, L.P., dba Tuscan Lakes Development, L.P., a Texas limited partnership, (“Tuscan Lakes Development”), the sole general partner of which is Tuscan Lakes GP, L.L.C., a Texas limited liability company (“Tuscan Lakes GP”). Tuscan Lakes Investors I, L.P., a Texas limited partnership, affiliated with Tuscan Lakes Development, the general partner of which is Tuscan Lakes GP, is a major landowner in the District in the area known as Tuscan Lakes. Centex Homes (“Centex”), a Nevada general partnership, acquired 105 acres within the District, which was developed as the single family age 55+ active adult community of The Village at Tuscan Lakes. Centex is indirectly wholly-owned by Pulte Corporation (“Pulte”). Pulte Homes has developed 327 homes and has no immediate plans for further development at this time. See “THE DEVELOPER.”
Homebuilders within the District	The homebuilders active within Tuscan Lakes are D.R. Horton, K. Hovnanian and Westin. Each builder offers an array of designs in the community, priced from the \$250,000’s. The Village at Tuscan Lakes is a gated community with single-family homes for age-qualified 55+ adults, offering a resort setting. This lifestyle community offers nine floor plans ranging from 1,500 to over 2,600 square feet. See “THE DISTRICT – Homebuilders.”
Payment Record.....	The District has never defaulted in the payment of principal or interest on its previously issued bonds. See “SELECTED FINANCIAL INFORMATION - Total Outstanding Bonds.”
Legal Opinion.....	Smith, Murdaugh, Little & Bonham, LLP, Houston, Texas, Bond Counsel.
Disclosure Counsel.....	_____.

Engineer..... LJA Engineering, Inc., Houston, Texas.

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

THE BONDS INVOLVE CERTAIN RISK FACTORS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION SUMMARY
(Unaudited as of March 13, 2018)

2018 Certified Assessed Valuation.....	\$219,809,802	(a)
Estimated Assessed Valuation at January 1, 2019.....	\$245,178,111	(b)
Direct Debt Outstanding (after issuance of the Bonds)	\$22,650,000	
Estimated Overlapping Debt.....	\$23,440,243	
Direct Debt Ratios:		
as a percentage of 2018 Certified Assessed Valuation (\$219,809,802).....	10.30%	
as a percentage of Estimated Assessed Valuation at January 1, 2019 (\$245,178,111).....	9.24%	
Direct and Estimated Overlapping Debt Ratios:		
as a percentage of 2018 Certified Assessed Valuation (\$219,809,802).....	20.97%	
as a percentage of Estimated Assessed Valuation at January 1, 2019 (\$245,178,111).....	18.80%	
Debt Service Fund Balance (as of December 4, 2018)	\$1,228,224	(c)
Capital Projects Fund Balance (as of December 4, 2018)	\$ 487,743	
General Fund Balance (as of December 4, 2018)	\$ 168,897	
2018 Tax Rate		
Maintenance & Operations.....	\$0.08	
Debt Service.....	<u>0.72</u>	
	\$0.80	
Projected Average Annual Debt Service Requirements (2019 - 2039)		
of the Bonds ("Average Annual Requirement").....	\$1,640,039	
Tax rate required to pay Projected Average Annual Requirement based upon		
2018 Certified Assessed Valuation at 95% collections	\$0.79	
Tax rate required to pay Projected Average Annual Requirement based upon		
Estimated Assessed Valuation at January 1, 2019 at 95% collections	\$0.71	
Projected Maximum Annual Debt Service Requirements (2028)		
of the Bonds ("Maximum Annual Requirement")	\$1,661,208	
Tax rate required to pay Projected Maximum Annual Requirement based upon		
2018 Certified Assessed Valuation at 95% collections	\$0.80	
Tax rate required to pay Projected Maximum Annual Requirement based upon		
Estimated Assessed Valuation at January 1, 2019 at 95% collections	\$0.72	
Estimated District Population	_____	(d)

Preliminary, subject to change.

(a) As certified by the Galveston Central Appraisal District ("GCAD"). See "TAXING PROCEDURES."

(b) Provided by GCAD for information purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2019 and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2018, through January 1, 2019. Moreover, this estimate is prior to any protests and the ultimate Assessed Valuation of any improvements added from January 1, 2018 through December 31, 2018, which will be placed on the District's 2018 tax roll, may vary significantly from such estimate once the GCAD Review Board certifies the value thereof in 2019. See "TAXING PROCEDURES."

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

(d) Based upon 2.0 residents per occupied single family home and 2.5 residents per multi-family unit, which at ____, 2019 totaled ____ and ____, respectively.

PRELIMINARY OFFICIAL STATEMENT

relating to

\$5,600,000

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 44

(A political subdivision of the State of Texas located within Galveston County, Texas)

Unlimited Tax Bonds

Series 2019

INTRODUCTION

The Preliminary Official Statement provides certain information in connection with the issuance of the Galveston County Municipal Utility District No. 44 Unlimited Tax Bonds, Series 2019 (the “Bonds”).

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, an order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), an election held within the District and an order (the “Bond Order”) adopted by the Board of Directors of Galveston County Municipal Utility District No. 44 (the “District”), a political subdivision of the State of Texas located within Galveston County, Texas.

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

RISK FACTORS

General

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

Factors Affecting Taxable Values and Tax Payments

Risk of Hurricane Loss: The District is located in the Texas Coastal Plain, and if a hurricane (or any other natural disaster) destroyed all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. There can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

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

Nature of a Portion of the District Development and Over 65/Disabled Exemption: A portion of the District (105 acres) has been developed as the Villages at Tuscan Lakes, an active adult/retirement community with home ownership restricted to purchasers age 55 or older. Pursuant to Texas law, the District may by its own action, exempt \$3,000 or more of the residential homestead value of persons sixty-five (65) years or older or disabled. For tax year 2018, the District granted an exemption of \$10,000 for persons 65 years of age or older and certain disabled persons. Such exemption is to be considered annually, and once authorized may be repealed, decreased or increased by the Board or by a process of petition and referendum. The District may be required to offer such exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard such exemption if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Any tax exemption reduces the taxable value and a reduction in taxable value would likely result in an increase in the tax rate of the District. Granting such an exemption could affect the District's ability to issue bonds in the future.

Additionally, pursuant to Texas law, the owner of the residential homestead property who is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of the taxes on a residential homestead in installments or to defer the payments of the taxes without penalty during the time of ownership if the resident files an affidavit with the Appraisal District. Such deferral prohibits the filing of a lawsuit to collect delinquent taxes until such time as the taxpayer no longer owns and occupies the property as a residence homestead. Taxes and interest continue to accrue against the property and the lien securing such taxes and interest remains in existence during the deferral or abatement period. Because one hundred and five (105) acres of the District has been developed as an active adult/retirement community and, as such, a substantial proportion of the property owners within the District are likely over 65 years of age or older, it is possible the deferrals and payment installments could significantly delay the collection of property taxes pledged for the payment of principal and interest on the Bonds. A significant amount of deferments and split payments could require a tax rate increase to compensate for the loss of timely tax revenue needed for the payment of debt service annually, which could decrease the values of residence in the District and affect the District's ability to issue bonds in the future. See "TAXING PROCEDURES – Property Subject to Taxation" and "Levy and Collection of Taxes."

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

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 Certified Assessed Valuation of the District is \$219,809,802 and the Estimated Assessed Valuation at January 1, 2019, is \$245,178,111 (see "SELECTED FINANCIAL INFORMATION"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,661,208* (2028), and the Projected Average Annual Debt Service Requirement, on a calendar year basis, will be \$1,640,039* (2019 through 2039, inclusive). Assuming no increase or decrease from the 2018 Certified Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.80 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.79 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement. Assuming no increase or decrease from the Estimated Assessed Valuation at January 1, 2019 and no use of funds on hand, a debt service tax rate of \$0.72 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.71 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement. See "PROJECTED DEBT SERVICE SCHEDULE" and "SELECTED FINANCIAL INFORMATION - Tax Adequacy for Debt Service." The District makes no representation that such additional development will actually occur. Property within the District also is subject to taxes levied by other political subdivisions. See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement."

*Preliminary, subject to Change

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

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the City of League City, the District experienced no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, no homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

Ponding (or Pluvial) Flood.

Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood.

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Coastal (or Storm Surge) Flood.

Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Tax Collections

The District's ability to make debt service payments on the Bonds may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District will become highly fragmented among a large number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that if the District defaults in the payment of the principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Order, then the Registered Owners shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, to protect the interests of the bondholders, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Order does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of sovereign immunity. Further, if a judgment in such a suit could be obtained, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditor's rights generally. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court could confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interest of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such registered owner's claim against the District.

Marketability

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Continuing Compliance with Certain Covenants

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

Environmental and Air Quality Regulation

Environmental Regulations

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

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

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

Air Quality/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 "eight-hour" ozone standards ("the 1997 Ozone Standards"). In December 2015, the EPA determined that the HGB area has reached attainment

under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas's redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGB area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion ("ppb") to 75 ppb ("the 2008 Ozone Standard"), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA's 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area's 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA's 2008 Ozone Standard, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb ("the 2015 Ozone Standard"). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2018.

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

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

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

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

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit ("Sixth Circuit") put the CWR on hold nationwide. On June 27, 2017, the EPA and the USACE released a proposed rule rescinding the CWR and reinstating language in place before

2015 changes which broadened the EPA's jurisdiction. The proposed rule was published in the Federal Register on July 27, 2017, and the comment period ended on September 28, 2017. If the CWR is not rescinded, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States."

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. In order to maintain MS4 Permit compliance, the District is partnering with the City of League City (the "City"), to participate in the City's program to develop and implement the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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SOURCES AND USES OF FUNDS

The proceeds of Bonds will be used to finance the following projects: 1) Phase Three Drainage Improvements to Serve Tuscan Lakes Southeast Quadrant; 2) Phase Four Drainage Improvements to Serve Tuscan Lakes Southeast Quadrant; 3) WSD to Serve Tuscan Lakes Section 50-4-1; 4) WSD to Serve Tuscan Lakes Section 50-4-2; 5) WSD to Serve Tuscan Lakes Section 50-5; 6) WSD to Serve the Village at Tuscan Lakes Section 4-1; 7) WSD to Serve the Village of Tuscan Lakes Section 4-2; 8) WSD to Serve the Village at Tuscan Lakes Section 3-2; and 9) to pay for costs related to the issuance of the Bonds.

	<u>District's Share</u>
Construction Costs	
A. Developer Contribution Items	
1. Phase Three Drainage Improvements to Serve Tuscan Lakes Southeast Quadrant	\$ 187,001
2. Phase Four Drainage Improvements to Serve Tuscan Lakes Southeast Quadrant	478,890
3. WSD to Serve Tuscan Lakes Section 50-4-1	178,721
4. WSD to Serve Tuscan Lakes Section 50-4-2	149,908
5. WSD to Serve Tuscan Lakes Section 50-5	1,181,482
6. WSD to Serve the Village at Tuscan Lakes Section 4-1	215,415
7. WSD to Serve the Village of Tuscan Lakes Section 4-2	325,750
8. WSD to Serve the Village at Tuscan Lakes Section 3-2	101,004
9. Engineering for All Items	375,764
10. Geotechnical for All Items	56,560
11. Surveying for All Items	8,015
12. Stormwater for All Items	109,775
13. Miscellaneous for All Items	24,062
Total Developer Contribution Items	<u>\$3,392,347</u>
B. District Items	
1. City of League City Capital Recovery Fees	\$ 912,672
Total District Items	<u>\$ 912,672</u>
TOTAL CONSTRUCTION COSTS	<u>\$4,305,019</u>
Non-construction Costs	
A. Legal Fees	\$ 142,000
B. Fiscal Agent Fees (2.00%)	112,000
C. Interest	
a. Capitalized Interest (12 months @ 5.0%)	280,000
b. Developer Interest	491,271
D. Bond Discount (3.0%)	168,000
E. Operating Expenses	0
F. Bond Issuance Expenses	42,111
G. Bond Application Report	40,000
H. Attorney General Fees (0.10%)	5,600
I. TCEQ Bond Issuance Fee (0.25%)	<u>14,000</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,294,981</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$5,600,000</u>

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

THE BONDS

General

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

The Bonds will be dated March 1, 2019, and will mature on the dates and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. Interest on the Bonds is payable on each March 1 and September 1 (“Interest Payment Date”), beginning September 1, 2019. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000.

Paying Agent/Registrar

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

Book-Entry-Only System

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of the 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. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, principal, and interest payments, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, Maturity Amounts, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, the Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. Discontinuation of the Book-Entry-Only-System by the District may require Participant approval under DTC operational arrangements.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriter believe to be reliable, but the Issuer, the Financial Advisor and the Underwriter take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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 District, 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 Bond Order and summarized under “THE BONDS - Transfer, Exchange and Registration” below. Discontinuance by the District of the DTC System of book-entry-only transfers may require the consent of DTC Participants under DTC Operational Arrangements.

Use of Certain Terms in Other Sections of this Official Statement

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

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

Source of Payment

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Galveston County, the City of League City, Texas, or any entity other than the District.

Authority for Issuance

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

At a bond election held within the District on November 2, 2004, the voters authorized issuance of \$67,200,000 principal amount of unlimited tax bonds for the water, sewer, and drainage facilities, \$4,000,000 principal amount of unlimited tax bonds for parks and recreational facilities, and \$33,005,000 principal amount of unlimited tax bonds for refunding purposes. Including refunding issues, the Bonds constitute the seventh issuance of bonds. After sale of the Bonds, a total of \$43,755,000 in principal amount of unlimited tax bonds for water, sewer, and drainage facilities will remain authorized but unissued. See “Issuance of Additional Debt” below.

Funds

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

No Arbitrage

The District will certify as of the date of delivery of the Bonds that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Moreover, the District will covenant that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2025, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be determined by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures, while the Bonds are in book-entry only form). If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000.

Mandatory Redemption: The Bonds due on September 1 in the years ____, ____, and ____ (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bonds Due September 1, ____	
Mandatory Sinking Fund Redemption Date (September 1)	Principal Amount
September 1, ____	\$ ____
September 1, ____	____
September 1, ____ (maturity)	____
Term Bonds Due September 1, ____	
Mandatory Sinking Fund Redemption Date (September 1)	Principal Amount
September 1, ____	\$ ____
September 1, ____	____
September 1, ____ (maturity)	____
Term Bonds Due September 1, ____	
Mandatory Sinking Fund Redemption Date (September 1)	Principal Amount
September 1, ____	\$ ____
September 1, ____	____
September 1, ____ (maturity)	____

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day

prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of any redemption identifying the Bonds to be redeemed in whole or from time-to-time in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or from time-to-time in part at the address shown on the register.

Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or from time-to-time in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Transfer, Exchange and Registration

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

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

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

Replacement of Bonds

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – Authority for Issuance." After the issuance of the Bonds, the District will have \$43,755,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities authorized but unissued, \$4,000,000 principal amount of unlimited tax park bonds for the Park and Recreational Facilities and \$33,005,000 principal amount of unlimited tax refunding bonds authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "RISK FACTORS."

In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to

issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds without additional voter approval.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. Fire protection to the District is provided by the City of League City.

Consolidation and Dissolution

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

The City of League City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the Utility Service Agreement between the District and the City of League City. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY." If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Defeasance

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

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

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

THE DISTRICT

General

Galveston County Municipal Utility District No. 44 (the "District") was created by order of the TCEQ, dated August 10, 2004, and by a confirmation election held within the District on November 2, 2004, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

At the time of the confirmation election, the District encompassed 435.429 acres. On February 20, 2007, 1.50 acres were annexed to the district to complete a total of 436.929 acres.

Location

The District is a political subdivision of the State of Texas, located wholly within the City of League City's corporate limits, approximately 30 miles southeast of downtown Houston. The District is generally bounded on the east by Tuscan Lakes Boulevard, on the south by FM 646 and on the west by Dickinson Avenue. The District lies entirely within the boundaries of the Dickinson Independent School District.

Authority

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

Status of Development

The following chart more completely describes the status of single family residential development within the District as of March 1, 2018:

	Number of Lots	Acreage	Completed Homes	Under Construction	Vacant Lots
Village at Tuscan Lakes					
Section 1	93	19.1	93	0	0
Section 2-2	14	2.3	14	0	0
Section 2-3	53	10.3	53	0	0
Section 3-1	19	6.6	19	0	0
Section 3-2	86	22.3	86	0	0
Section 4-1	42	8.3	42	0	0
Section 4-2	<u>51</u>	<u>11.2</u>	<u>51</u>	<u>0</u>	<u>0</u>
	358	80.1	358	0	0
Tuscan Lakes					
Section 50-1	84	20.7	84	0	0
Section 50-3-1	31	6.4	31	0	0
Section 50-3-2	19	5.8	19	0	0
Section 50-4-1	24	4.7	24	0	0
Section 50-4-2	24	4.8	24	0	0
Section 55-1 & 60-1	61	27.4	58	0	3
Section 50-5	35	11.7	34	0	1
Section 55-2 & 60-2	62	19.6	62	32	0
Section 55-3 & 60-3	92	35.8	0	40	52
Section 50-6	<u>45</u>	<u>15.2</u>	<u>11</u>	<u>7</u>	<u>27</u>
	477	152.1	347	47	83
Total	<u>835</u>	<u>232.2</u>	<u>705</u>	<u>47</u>	<u>83</u>

Approximately 14.7 acres are currently developed for multi-family use. A 206-unit apartment complex located in the District, Grand Villas at Tuscan Lakes, was completed in 2011.

Approximately 21 acres are currently developed for commercial use. An 83,700 square foot retail shopping center anchored by LA Fitness is open in the District. Additional commercial development within the District consists of two retail shopping centers, a CVS Pharmacy, a Children's Learning Adventure, a JSC Federal Credit Union, a Valero gas station, and an Express Oil. Additional development within the District includes the City of League City Hometown Heroes Park.

Homebuilders

Tuscan Lakes: The homebuilders active within Tuscan Lakes are D.R. Horton, K. Hovnanian and Westin. Each builder offers an array of designs in the community, priced from the \$250,000's.

The Village at Tuscan Lakes: The Village at Tuscan Lakes is a gated community with single-family homes for age-qualified 55+ adults, offering a resort setting. This lifestyle community offers nine floor plans ranging from 1,500 to over 2,600 square feet. Homes in The Village at Tuscan Lakes are priced from the \$140,000's to the \$300,000's.

Future Development

The District contains 50.93 acres of developable residential land currently being developed. There remains 32.22 acres of developable land for commercial purposes in the District, of which 5.00 acres is contracted for sale to a grocer. Approximately 171.5 acres in the District are undevelopable. The District can make no representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that reimbursement of the development costs will be financed through the sale of future bond issues.

Community Facilities

Churches: Churches of most major denominations are located in League City. The Watershed Methodist Church owns 11 acres in the District.

Employment Centers: Local employment centers near the District are located in League City, Dickinson, and Galveston and in Houston adjacent to Clear Lake. Significant employment centers located in the area include National Aeronautics and Space Administration ("NASA") located on the northwest shore of Clear Lake approximately 5 miles from the District; Bayport Industrial Complex located some 12 miles northeast of the District, home to over 40 industrial companies; industrial and chemical plants in the Texas City area located approximately 10 miles south of the District; Ellington Airport, a public and military use airport located approximately 10 miles northwest of the District; chemical, petrochemical, and other large industries located in Pasadena, Deer Park, and Baytown, from 5 to 15 miles from the District.

Fire and Police Protection: League City provides ambulance service, fire and police protection.

Medical Facilities: Columbia Clear Lake Regional Medical Center, a privately-owned hospital offering 24-hour emergency service, is located some six miles northwest of the District and St. John's Hospital is located on NASA Road 1 approximately 5 miles north of the District. In addition, Mainland Center Hospital is located in Texas City approximately 10 miles south of the District.

Recreational Facilities: Recreation facilities in the District are available to residents in the District. These facilities include a recreation complex, including a swimming pool with a children's splash play area and an elaborate playground area. The City owned "Hometown Heroes Park" is located at the southwest corner of the District. This park was developed with 4B funds contributed by the City from 4B Sales Tax and includes 2 indoor gymnasiums, and meeting and exercise rooms. The park grounds provide for walking, jogging, and passive recreation, and includes 2 lighted soccer fields and abundant parking on land provided by Tuscan Lakes Development, L.P. Additionally, there are numerous outdoor recreational areas located in close proximity to the District, including the Chester L. Davis Sportsplex and League City's Big League Dreams Sports Complex which offer numerous ball fields along with other sporting venues, Clear Lake and Galveston Bay which offer a variety of water sports and marinas, and Armand Bayou which offers nature hikes and birding opportunities. There are approximately 15 public or private golf courses located within a short drive of the District.

The Village at Tuscan Lakes is a gated community with single-family homes for age-qualified 55+ adults, offering a resort setting. A 9,000 square foot recreation center is available to The Village at Tuscan Lakes residents with a multitude of amenities for an active lifestyle.

Schools: The District is located in Dickinson Independent School District which provides bus service to students living over two miles from their school campus. Students in the District attend the following state-accredited schools:

<u>School</u>	<u>Approximate Distance from District</u>
Silbernagel Elementary	1 Mile
Dunbar Middle	1 Mile
Dickinson High.....	3 Miles

Shopping Facilities: Neighborhood shopping facilities, including such retail establishments as supermarkets, pharmacies, restaurants and retail outlets, are available in League City outside the boundaries of the District. The nearest regional shopping center, Baybrook Mall, is located on IH 45 approximately seven miles northwest of the District. The mall recently expanded from 150 to 186 stores, including 4 anchor tenant department stores. HEB and Kroger grocers are located within 1 mile of the District at the intersection of South Shore Blvd. and League City Parkway. Other retail includes a Target Super Store, a Home Depot, a Lowes and a Walmart.

THE DEVELOPER

Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the Commission, as well as gas, telephone and electric distribution) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the Commission. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Tuscan Lakes Development, L.P.

The principal developer of land within the District is Kenwood Investments, L.P., dba Tuscan Lakes Development, L.P., a Texas limited partnership, as successor by merger with Tuscan Lakes Development II, L.P. ("Tuscan Lakes Development" or "Developers"), the sole general partner of which is Tuscan Lakes GP, L.L.C., a Texas limited liability company ("Tuscan Lakes GP"). Tuscan Lakes Investors I, L.P. ("Tuscan Lakes Investors"), a Texas limited partnership, as successor by merger with Tuscan Lakes Investors II, L.P., the general partner of which is Tuscan Lakes GP, is a major landowner in the District. Tuscan Lakes Investors is affiliated with Tuscan Lakes Development. Centex Homes ("Centex"), a Nevada general partnership, wholly-owned by Pulte Corporation ("Pulte"), is also a developer of land within the District. Pulte Homes has developed 327 homes in the District and has no immediate plans for further development at this time.

In July, 2003, Tuscan Lakes Development acquired approximately 439 acres, including all of the land within the District. Of such acreage acquired, approximately 330 acres was to be developed as single family residential subdivisions. In May, 2004, 108.38 acres were contributed to a new limited partnership called Tuscan Lakes Investors II, L.P., (known as Tuscan Lakes Investors) to be held for investment and sold to third parties for development as commercial, offices and townhomes. All of this land acquired by Tuscan Lakes Development and Tuscan Lakes Investors is located in the approximately 870-acre community known as Tuscan Lakes. The other municipal utility district within the community of Tuscan Lakes is Galveston County Municipal Utility District No. 43.

In addition to the land developed by Tuscan Lakes Development, Tuscan Lakes Investors currently owns approximately 36.5 acres in the District all of which has water and sewer facilities service available and is being marketed for retail development.

Tuscan Lakes Development has financed lot development in the District with various loans over the years. All loans have been paid off.

The development of the Tuscan Lakes project is being managed by an affiliate of The Johnson Development Corp. Larry D. Johnson, President of The Johnson Development Corp., has over 41 years of experience in real estate development. Mr. Johnson's real estate activities have included over 100 projects resulting in the development of nearly 40,000 acres of multiple-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities and multi-family housing. In the Houston metropolitan area, Mr. Johnson's developments include Atascocita, Steeplechase, Cross Creek Ranch, Harvest Green, Grand Central Sienna Plantation, Silverlake, Fall Creek, Riverstone, Tuscan Lakes, Woodforest and Imperial.

UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY

All land in the District is located within the city limits of the City of League City ("the City"). Shortly after the District was created, the District approved and ratified a Utility Agreement with League City dated April 8, 2003 (the "Utility Agreement"). The Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the "System") to serve land in the District and, when completed in accordance with approved plans and specifications, the District is required to convey title to such utility facilities to the City. The City then operates and maintains such facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents. The City also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in League City. As specified in the Utility Agreement, the District is a "City Service" district and no rebate of City taxes is required or provided.

The Utility Agreement's significant provisions relating to issuance of District Bonds (which may be waived by the City) include the following:

(A) Limitation on the District's Bond Indebtedness.

The District cannot sell bonds if the ratio of the District's indebtedness to its assessed valuation exceeds 25% during the first 24 months after the Bond Date and 15% thereafter.

(B) Water, Sewer and Drainage Bonds are required to be issued in series with the minimum limit on each series being \$2,500,000.

(C) The final maturity of all Bonds issued shall not exceed thirty (30) years from the date of the initial series of Bonds.

(D) The District shall, as specified herein, obtain the City's approval prior to advertising the sale of its Bonds. Whenever possible, the District's sale of bonds shall be scheduled so as not to conflict with a City sale of Bonds.

(E) For any Bond issue, the combined projected debt service tax rate, as defined in 30 TAC 293.59 referenced above, shall not exceed \$1.50.

(F) For each Bond sale, the District shall demonstrate that, at final buildout, the District's net direct debt as a percentage of current and estimated certified assessed value will not exceed ten and one-half percent (10 ½%).

(G) The District is required to obtain the City's approval prior to the advertisement and sale of Bonds. Whenever the District requests such approval, the District will provide the City with a copy of the Engineering Report and will certify to the City that the District has complied with the above listed requirements.

The Utility Agreement provides that the District retains a security interest in the System to secure The City's performance under the Utility Agreement until all of the District's bonds have been discharged. The District will then execute a release of such security interest, and The City will then own the System free and clear.

The District has agreed to extend the System to serve future users as necessary so that ultimately all land owners in the District will be in a position to receive services from the System; however, the District's obligation to extend the System is conditioned upon the Developer's continuing with its development program, the City performing under the provisions of the Utility Agreement, the satisfaction of certain determinations of economic feasibility, governmental agency approvals and the ability of the District to sell bonds.

THE SYSTEM

Regulation

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

Operation of the District's waterworks and sewage treatment facilities is provided by the City of League City, and is subject to regulation by, among others, the United States Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Source of Water Supply:

Water supply for the City of League City is obtained from three sources: 1) existing groundwater wells; 2) surface water as a participant in the Southeast Water Purification Plant; and 3) surface water from the City of Dickinson from the Thomas Mackey Water Purification Plant. Water from these three sources is delivered to the City's nine water plants and from there distributed to retail customers such as the residents of the District.

Source of Wastewater Treatment:

The District has constructed a lift station, force main and gravity trunk sewer to connect to the City of League City's regional sewer system, which flows to the City's Dallas Salmon Wastewater Plant, its primary wastewater plant. This plant has sufficient capacity to serve the District through build out.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the developable acreage within the District is located within the 100-year flood plain. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments."

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DISTRICT BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
November 2, 2004	Water, Sanitary Sewer & Drainage	\$67,200,000	\$23,445,000 (a)	\$43,755,000
November 2, 2004	Recreation Facilities	\$ 4,000,000	\$ 0	\$ 4,000,000
November 2, 2004	Refunding	\$33,600,000	\$ 595,000	\$33,005,000

(a) Includes the Bonds.

SELECTED FINANCIAL INFORMATION (Unaudited as of December 31, 2018)

2018 Certified Assessed Valuation	\$219,809,802 (a)
Estimated Assessed Valuation at January 1, 2019	\$245,178,111 (b)
Direct Debt (including the Bonds)	\$ 22,650,000
Ratio of Direct Debt to 2018 Certified Assessed Valuation	10.30%
Ratio of Direct Debt to Estimated Assessed Valuation at January 1, 2019	9.24%
Area of District: approx. 437 acres	
Estimated Population: _____ (c)	

(a) As certified by the Galveston Central Appraisal District ("GCAD") See "TAXING PROCEDURES."

(b) Provided by GCAD for information purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2019 and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2018, through January 1, 2019. Moreover, this estimate is prior to any protests and the ultimate Assessed Valuation of any improvements added from January 1, 2018 through December 31, 2018, which will be placed on the District's 2018 tax roll, may vary significantly from such estimate once the GCAD Review Board certifies the value thereof in 2019. See "TAXING PROCEDURES."

(c) Based upon 2.0 residents per occupied single family home and 2.5 residents per multi-family unit, which at _____, 2018 totaled ____ and _____, respectively.

Total Outstanding Bonds

<u>Date of Issue</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding after Issuance of the Bonds</u>
12/01/2009	2009	\$ 3,870,000	\$ 255,000
04/01/2012	2012	3,150,000	2,770,000
07/01/2014	2014	3,500,000	3,185,000
12/01/2016	2016 (a)	3,725,000	3,610,000
04/01/2017	2017	3,675,000	3,580,000
05/01/2018	2018	3,650,000	3,650,000
03/01/2019	2019 (b)	<u>5,600,000</u>	<u>5,600,000</u>
		\$27,170,000	\$22,650,000

(a) Refunding issue.

(b) The Bonds.

Cash and Investment Balances (Unaudited at December 4, 2018)

Debt Service Fund Balance (as of December 4, 2018)	\$1,228,224 (c)
Capital Projects Fund Balance (as of December 4, 2018)	\$ 487,743
General Fund Balance (as of December 4, 2018)	\$ 168,897

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

Estimated Overlapping Debt Statement

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

Taxing Body ^(a)	Outstanding Gross Debt	As of	% Overlapping Gross Debt	Overlapping Gross Debt
Dickinson ISD	\$312,435,000.00	12/31/2018	5.58%	\$17,433,873
Galveston Co	235,674,208.40	12/31/2018	0.56%	1,319,775
League City, City of	229,735,000.00	12/31/2018	2.04%	4,686,594
Total Overlapping Debt:				\$23,440,242
Galveston Co MUD # 44				\$22,650,000 ^(b)
Total Direct and Overlapping Debt:				\$46,090,242
Total Direct and Overlapping Debt % of A.V.:				20.97%

(a) Taxing jurisdictions with outstanding general obligation debt.

(b) Includes the Bonds.

Overlapping Taxes for 2018

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

Set forth below is an estimation of the taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2018 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Overlapping Entity	2018 Tax Rate per \$100 AV
Dickinson Independent School District	\$ 1.520
Galveston County ^(a)	\$ 0.532
League City, City of	\$ 0.564
The District	\$ 0.800
Total	\$ 3.416

(a) Includes Galveston County and Galveston County Road and Flood.

Classification of Assessed Valuation

The following represents the type of property comprising the 2014-2018 tax rolls:

	2018 ^(a)	2017 ^(a)	2016 ^(b)	2015 ^(b)	2014 ^(b)
Land	\$61,960,730	\$53,976,050	\$50,696,480	\$41,772,920	\$37,655,890
Improvements	172,487,288	149,499,507	114,376,796	92,112,933	61,164,663
Personal Property	3,384,524	3,314,492	2,537,915	2,509,918	2,641,214
Exemptions	(18,022,740)	(15,157,251)	(11,660,212)	(14,247,438)	(5,465,336)
	<u>\$219,809,802</u>	<u>\$191,632,798</u>	<u>\$155,950,979</u>	<u>\$122,148,333</u>	<u>\$95,996,431</u>

(a) Provided by the Galveston County Appraisal District ("GCAD").

(b) From the District's 2017 Audited Financial Statements.

Tax Collections

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

Tax Year	Assessed Valuation (a)	Tax Rate (b)	Levy (a)	Collections as of Tax Year End (b)		Collections Through December 30, 2018		Fiscal Year Ended
				Amount	%	Amount	%	
2013	\$77,388,014	0.80	\$619,104	\$616,055	99.51%	\$619,042	99.99%	06/30/2014
2014	96,053,812	0.80	768,431	768,081	99.97%	768,354	99.99%	06/30/2015
2015	122,136,333	0.80	976,779	975,767	99.84%	976,681	99.99%	06/30/2016
2016	155,443,169	0.80	1,243,859	1,239,320	99.66%	1,243,113	99.94%	06/30/2017
2017	191,632,798	0.80	1,531,520	1,524,349	99.67%	1,526,313	99.66%	06/30/2018
2018	219,809,802	0.80	1,758,478	(d)	(d)	(d)	(d)	06/30/2019

(a) As provided by the District's Tax Assessor/Collector as of November 30, 2018.

(b) Includes debt service and maintenance tax rates.

(c) From the District's audited financial statements. These amounts reflect collections through December 30th of the year following the tax levy.

(d) In the process of collection.

District Tax Rate

	2018	2017	2016	2015	2014
Debt Service	\$0.08	\$0.67	\$0.64	\$0.67	\$0.67
Maintenance & Operation	0.72	0.13	0.16	0.13	0.13
Total	<u>\$0.80</u>	<u>\$0.80</u>	<u>\$0.80</u>	<u>\$0.80</u>	<u>\$0.80</u>

Tax Rate Limitation

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

Maintenance: \$1.25 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. An election was held within the District on November 2, 2004, which authorized the levy of a maintenance tax not to exceed \$1.25/\$100 assessed valuation.

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2018 certified tax rolls of the District, which reflect ownership as of January 1 of each year. Ownership changes since January 1, 2019 are not known to the District.

Taxpayer	Property Type	2018 AV	2017 AV
GVTL LLC	Commercial	\$14,935,000	\$14,795,000
Westin Homes & Properties LP	Home Builder	3,394,920	1,642,820
Cole LA League City TX LLC	Commercial	3,384,880	3,384,880
D.R. Horton-Texas Ltd.	Home Builder	2,457,050	*
Tuscan Lakes Investors I LP	Commercial	2,140,300	2,680,630
NWC SH 96/FM 270 Ltd.	Commercial	1,861,310	1,861,310
Tuscan Lake Market LLC	Commercial	1,848,500	1,900,000
Pond Plaza Realty Trust	Trust	1,714,260	1,714,260
11752 LLC	Commercial	1,690,020	1,785,780
Shops at Tuscan Lakes II LLC	Shopping Center	1,575,000	*
Big Diamond LLC	Commercial	*	1,548,300
Tuscan Lakes Development LP	Land & Improvements	*	1,473,560
Total		\$35,001,240	\$32,786,540
Percent of 2018 Certified Assessed Valuation		15.92%	

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Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Certified Assessed Valuation and utilize tax rates adequate to service the District's total proposed debt service requirements on the Bonds (estimated at 5.00% per annum). See "RISK FACTORS – Factors Affecting Tax Values and Tax Payments – Maximum Impact of District Tax Rates."

Projected Average Annual Total Debt Service Requirements (2019 – 2039) ("Average Annual Requirement").....	\$1,640,039*
\$0.79 Debt Service Tax Rate on 2018 Certified Assessed Valuation, of \$219,809,802 at 95% collections produces.....	\$1,649,673
\$0.71 Debt Service Tax Rate on Estimate Assessed Valuation at January 1, 2019 of \$245,178,111 at 95% collections produces.....	\$1,653,726
Projected Maximum Annual Total Debt Service Requirements (2038) ("Maximum Annual Requirement").....	\$1,661,208*
\$0.80 Debt Service Tax Rate on 2018 Certified Assessed Valuation, of \$219,809,802 at 95% collections produces.....	\$1,670,554
\$0.72 Debt Service Tax Rate on Estimate Assessed Valuation at January 1, 2019 of \$245,178,111 at 95% collections produces.....	\$1,677,018

Debt Service Fund

Projected Debt Service Requirements for year ending 2019	\$1,276,556 (a)
Debt Service Fund Balance at December 4, 2018	\$1,228,224 (b)
2018 Projected Debt Service Tax Levy @ 95% collections produces	\$1,582,630 (c)

* Preliminary, subject to change.

(a) Reflects the projected 2019 debt service requirements after the issuance of The Bonds. The first interest payment date on The Bonds is September 1, 2019.

(b) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

(c) Based on 2018 Certified Assessed Value at the 2018 debt service tax rate of \$0.72/\$100 assessed valuation.

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OPERATING STATEMENT

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. System revenues are not pledged to the Bonds, and the system operating statement is provided for information purposes only. Such summary has been prepared by the Financial Advisor and bookkeeper for inclusion herein, based upon information obtained from the District's Bookkeeper's reports and audited financial statements.

	Fiscal Year Ended June 30				
	2018(a)	2017(a)	2016(a)	2015(a)	2014(a)
Revenues					
Property Taxes	\$ 248,118	\$ 248,036	\$ 158,914	\$ 124,994	\$ 130,682
Interest Income	2,758	664	95	27	95
Total	\$ 250,876	\$ 248,700	\$ 159,009	\$ 125,021	\$ 130,777
Expenditures					
Service Operations:					
Professional Fees	\$ 120,712	\$ 130,322	\$ 116,640	\$ 84,688	\$ 71,057
Contracted Services	17,035	18,562	15,259	11,911	9,523
Other Expenditures	68,428	19,974	17,465	14,746	13,346
Recreational Facilities	4,220	13,575	59,752	58,749	57,971
Capital Outlay	1,025	278,332	-	1,548	25,870
Debt Service/Debt Issuance Costs	40,005	8,342	28,482	-	-
Total	\$ 251,425	\$ 469,107	\$ 237,598	\$ 171,642	\$ 177,767
Excess Revenues					
(Expenditures)	\$ (549)	\$ (220,407)	\$ (78,589)	\$ (46,621)	\$ (46,990)
Other Financing Sources					
Interfund Transfers	\$ 37,905	\$ 36,824	\$ -	\$ 36,161	\$ -
Developer advances	-	128,937 (b)	60,000	-	50,000
League City Contribution	-	275,967 (c)	-	-	-
Excess Sources	\$ 37,905	\$ 441,728	\$ 60,000	\$ 36,161	\$ 50,000
Excess (Deficiency) of					
Revenues & Other					
Financing Sources					
Over Expenditures &					
Other Financing Uses	\$ 37,356	\$ 221,321	\$ (18,589)	\$ (10,460)	\$ 3,010
Fund Balance, Beginning					
of Year	\$ 218,642	\$ (2,679)	\$ 15,910	\$ 26,370	\$ 23,360
Fund Balance, End of Year	\$ 255,998	\$ 218,642	\$ (2,679)	\$ 15,910	\$ 26,370

(a) Audited.

(b) Developer contribution for operations and capital projects in the District.

(c) League City contribution used for a City funded project in the District of approximately equal amount.

MANAGEMENT

Board of Directors

The current directors of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joseph A. Ferro	President	05/2022
Jim Bollom	Vice President	05/2022
Bill White	Secretary	05/2020
Glenn Carmack	Assistant Vice President	05/2020
Terry Finkle	Assistant Secretary	05/2020

The Directors own property and reside in the District. Directors have four-year terms staggered every two years. Elections are held only in even numbered years on the first Saturday in May.

Tax Assessor/Collector

The tax assessor/collector for the District is Donna Bryant of Assessments of the Southwest, Inc. According to Assessments of the Southwest, Inc., its employees currently serve approximately 200 other special districts as tax assessor/collector.

Operator of Water and Sewer Facilities

The City of League City, pursuant to the Utility Agreement between the District and the City, operates the District's water and sewer system. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

Bookkeeper

Avanta Services ("Avanta") acts as bookkeeper for the District. Avanta performs similar services for approximately 30 other utility districts.

Engineer

The consulting engineer for the District is LJA Engineering, Inc. LJA Engineering, Inc. currently serves approximately 100 other special districts as engineer.

Bond Counsel/General Counsel

The District has engaged Smith, Murdaugh, Little & Bonham, LLP, Houston, Texas as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor

The District has employed the firm of RBC Capital Markets, LLC as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is employed by the District and has participated in the preparation of the Official Statement; however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

PROJECTED DEBT SERVICE SCHEDULE

Year Ended	Outstanding	Series 2019 - The Bonds				New
		Principal	Interest*		Total Principal	
<u>31-Dec</u>	<u>Debt Service</u>	<u>Due 9/1</u>	<u>Due 3/1</u>	<u>Due 9/1</u>	<u>& Interest</u>	<u>Debt Service</u>
2019	1,139,667.50	-	-	136,888.89	136,888.89	1,276,556.39
2020	1,148,122.50	230,000.00	140,000.00	140,000.00	510,000.00	1,658,122.50
2021	1,160,062.50	230,000.00	134,250.00	134,250.00	498,500.00	1,658,562.50
2022	1,165,097.50	235,000.00	128,500.00	128,500.00	492,000.00	1,657,097.50
2023	1,170,672.50	245,000.00	122,625.00	122,625.00	490,250.00	1,660,922.50
2024	1,168,362.50	255,000.00	116,500.00	116,500.00	488,000.00	1,656,362.50
2025	1,182,432.50	255,000.00	110,125.00	110,125.00	475,250.00	1,657,682.50
2026	1,199,847.50	250,000.00	103,750.00	103,750.00	457,500.00	1,657,347.50
2027	1,205,395.00	260,000.00	97,500.00	97,500.00	455,000.00	1,660,395.00
2028	1,209,207.50	270,000.00	91,000.00	91,000.00	452,000.00	1,661,207.50
2029	1,216,377.50	275,000.00	84,250.00	84,250.00	443,500.00	1,659,877.50
2030	1,221,802.50	280,000.00	77,375.00	77,375.00	434,750.00	1,656,552.50
2031	1,235,521.25	280,000.00	70,375.00	70,375.00	420,750.00	1,656,271.25
2032	1,237,232.50	295,000.00	63,375.00	63,375.00	421,750.00	1,658,982.50
2033	1,252,137.50	295,000.00	56,000.00	56,000.00	407,000.00	1,659,137.50
2034	1,249,650.00	310,000.00	48,625.00	48,625.00	407,250.00	1,656,900.00
2035	1,266,075.00	310,000.00	40,875.00	40,875.00	391,750.00	1,657,825.00
2036	1,275,100.00	315,000.00	33,125.00	33,125.00	381,250.00	1,656,350.00
2037	1,281,243.75	325,000.00	25,250.00	25,250.00	375,500.00	1,656,743.75
2038	1,290,087.50	335,000.00	17,125.00	17,125.00	369,250.00	1,659,337.50
2039	1,291,081.25	350,000.00	8,750.00	8,750.00	367,500.00	1,658,581.25
	<u>\$25,565,176.25</u>	<u>\$5,600,000.00</u>	<u>\$1,569,375.00</u>	<u>\$1,706,263.89</u>	<u>\$8,875,638.89</u>	<u>\$34,440,815.14</u>

*Preliminary, subject to change, assuming a 5.00% interest rate.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. For tax year 2018, the District granted an exemption of \$10,000 for persons 65 years of age or older and certain disabled persons. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Effective January 1, 2016, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, effective January 1, 2016, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Additionally, the owner of a residential homestead property who is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. See “SELECTED FINANCIAL INFORMATION - Classification of Assessed Valuation.”

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

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

Tax Abatement

The City or Galveston County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Galveston County or the City at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements need not be the same.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Recent changes in state law require that homesteads be valued solely as a homestead and not for any other uses which might make the property more valuable.

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

the previous five (5) years for open space land and timberland.

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

Reappraisal of Property after Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

The District did not request a reappraisal of property.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during

the time of ownership. The Tax Code provides that the District must allow for an installment agreement if a delinquent tax payer requests such an agreement. Such an agreement must provide for equal monthly installments and must extend for at least twelve months and no more than 36 months. If the subject property in question is a residential homestead then no additional penalties accrue while the agreement is in effect and payments are current. The District has rejected all homestead, over 65, or disabled exemptions in the past and for 2017.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates would not be affected by a rollback election.

Additional Penalties

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

District Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "SELECTED FINANCIAL INFORMATION - Overlapping Taxes for 2018"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals or corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for the information under the subheading “Book-Entry-Only System”), “THE DISTRICT - General,” “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY,” “LEGAL MATTERS,” “TAXING PROCEDURES,” and “CONTINUING DISCLOSURE OF INFORMATION,” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement or conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bonds Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of the information contained herein.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

In the opinion of Smith, Murdaugh, Little & Bonham, LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and Purchaser

with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by 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 \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2019 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2019.

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

MUNICIPAL BOND RATING AND INSURANCE RATING

The District has made application to S&P for an underlying rating on the Bonds and S&P has assigned a rating of “_____.” If the Initial Purchaser chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer.

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

BOND INSURANCE RISK FACTORS

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

In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (“Bond Insurer”) and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING AND INSURANCE” herein.

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

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

OFFICIAL STATEMENT

Consultants

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

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

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

Auditor. The District’s financial statements for the fiscal year ended June 30, 2018, were audited by BKD LLP, Certified Public Accountants, and have been included herein as “APPENDIX A.” BKD LLP, Certified Public Accountants, has agreed to the publication of its audit opinion in this Official Statement. BKD, LLP was not requested to perform any updating procedures subsequent to the date of its audit report on the June 30, 2018, financial statements.

Certification as to Official Statement

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

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings “SELECTED FINANCIAL INFORMATION,” except for “Estimated Overlapping Debt,” and “APPENDIX A” (Independent Auditor’s Report and Financial Statements for the year ended June 30, 2018). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2018. The District will provide the updated information to EMMA.

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

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

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MRSB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation within the meaning of the rule of the District or other obligated person within the meaning of the rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of financial obligation of the District or other obligated person within the meaning of the rule, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation within the meaning of the rule of the District or obligated person within the meaning of the rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any

statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the last 5 years, the District has complied in all material respects with all continuing disclosure agreements made by them in accordance with SEC Rule 15c2-12(b)(5)(i).

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 44, as of the date shown on the first page hereof.

/s/

Joseph A. Ferro
President, Board of Directors
Galveston County Municipal Utility District No. 44

/s/

W. E. White
Secretary, Board of Directors
Galveston County Municipal Utility District No. 44

AERIAL PHOTOGRAPH
(Dated April 2018)



PHOTOGRAPHS

(Dated April 2018)



Child Care



Single-Family Residential Under Construction



CVS Pharmacy



Single-Family Residential



Single-Family Residential



Single-Family Residential

APPENDIX A

Independent Auditor's Report and Financial Statements for the year ended June 30, 2018