



(THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A UTILITY)

UTILITY CONVEYANCE AND SECURITY AGREEMENT
**(Water, Sanitary Sewer, Drainage Facilities, Lift Station,
Magnolia Bayou and Detention Facilities
Bay Colony Parkside, Section One)**

This Agreement, made, entered into, and effective as of the 13th day of December, 2005, by and between the City of League City, Texas, a municipal corporation (herein the "City"), and Galveston County Municipal Utility District No. 14, of Galveston County, Texas, being a political subdivision and corporate and governmental agency of the State of Texas, operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution (herein the "District").

W I T N E S S E T H :

RECITALS

The City and the District have previously entered into Utility Agreements each dated as of December 13, 1983, and amended as of March 10, 1988, and each Restated as of January 22, 1999, and the First Amendment to the Restated Utility Agreement dated April 23, 2002, the Second Amendment to the Restated Utility Agreement dated October 18, 2004, and the Third Amendment to the Restated Utility Agreement dated October 11, 2005 (herein the "Utility Agreement"), pursuant to which the District has acquired and/or constructed water, sanitary sewer and storm sewer facilities to serve the area (hereinafter defined as the "Facilities"). The District now desires to convey the Facilities to the City in accordance with Sections 1.02(d) and 7.01 of the Utility Agreement and to reserve a security interest in the Facilities to secure the performance of the City's obligations under the Utility Agreement. The City desires to accept ownership of the Facilities and to grant to the District the aforementioned security interest.

AGREEMENT

For and in consideration of the premises and of the mutual obligations, covenants and benefits hereinafter set forth, the City and the District contract and agree as follows:

After recording, please return to:
Glenda Brevelle/sk
Schwartz, Page & Harding, L L P
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056

1. Conveyance. The District hereby TRANSFERS, BARGAINS, GRANTS, AND CONVEYS to the City all its right, title and interest in the Water, Sewer and Drainage Facilities, more particularly described in Exhibit "1" attached hereto and incorporated herein by reference (hereinafter referred to as the "Facilities") constructed under that certain agreement: (i) between the District and Rebel Contractors, Inc. for Magnolia Bayou and detention facilities, (ii) between the District and Pate & Pate Enterprises, Inc. for water, sanitary sewer and storm sewer facilities, and (iii) between the District and T&C Construction, Inc. for lift station no. 1, as amended or revised by any and all change orders (hereinafter referred to as the "Contract"), providing for the construction of water, sanitary sewer, drainage facilities, lift station, Magnolia Bayou and detention facilities to serve Bay Colony Parkside, Section One (hereinafter referred to as the "Service Area") within the District, which Service Area is described by metes and bounds or plat in Exhibit "2" attached hereto and made a part hereof for all purposes, together with any and all benefits extending to the "Owner" (as defined in the Contract), including manufacturers', contractors' and subcontractors' warranties and performance and payment bonds, under the Contract or relating to the Facilities, all of which are located within utility or other public easements dedicated by plat or otherwise to Grantee, Galveston County, or the public generally and filed of record in the Official Public Records of Real Property of Galveston County, Texas, and which easements are described in Exhibit "3" attached hereto and made a part hereof for all purposes. The District hereby SELLS, CONVEYS, TRANSFERS and DELIVERS to the City the Facilities, which are presently owned by the District free and clear of all liens except for easements, restrictions, mineral, oil and gas and mining rights and reservations, zoning laws and defects in title; provided, however, that such easements, restrictions, minerals, oil and gas and mining rights and reservations, zoning laws and defects in title do not individually or in the aggregate materially interfere with the City's right of access to or the use, operation and maintenance of the system or materially detract from the value thereof and are approved by the City; together with any and all manufacturers', contractors' and subcontractors' warranties and all other rights beneficial to the operation of the Facilities. The District shall hold the City harmless from any and all claims asserted by contractors and subcontractors in relation to the Facilities. The consideration for the conveyance of the Facilities shall be the fulfillment of the City's obligations under the Utility Agreement.

The District hereby warrants that it is the lawful owner of the Facilities and that such Facilities are free and clear of all liens, except for (1) easements, restrictions, mineral, oil and gas and mining rights and reservations, zoning laws and defects in title, provided, however, that such easements, restrictions, minerals, oil and gas and mining rights and reservations, zoning laws and defects in title do not individually or in the aggregate materially interfere with the City's right to access to or the use, operation, and maintenance of the Facilities or materially detract from the value thereof and are approved by the City, and (2) the security interest which is hereby reserved by the District for the purpose of securing the performance of the City under Sections 7.04 and 7.06 of the Utility Agreement.

2. Security Interest. The City hereby grants to the District a security interest in the Facilities to secure performance of the City's obligations under the Utility Agreement.

3. Duration of Security Interest. The security interest granted by the City in the preceding paragraph shall continue in full force and effect until such time as all of the District's bonds issued to finance the Facilities have been discharged. When all the District's bonds have been discharged, the District shall execute a release of the security interest and the City shall own the Facilities free and clear of the security interest.

4. Default and Remedies. The City's failure to perform any one or more of its obligations under the Utility Agreement shall constitute default under this Agreement. Upon default, in addition to the remedies specified in the Utility Agreement, the District shall have the remedies specified in this Agreement and the remedies of a secured party under the Texas Business and Commerce Code and such remedies shall be cumulative. In the event of default, ownership of the Facilities shall automatically revert to the District. The District shall have the right to take reasonable and necessary steps to facilitate the transfer of the Facilities to the District in the event of a default. The District may retain the Facilities in satisfaction of the City's obligation and may own and operate the Facilities thereafter for the use and benefit of the District's residents and the City shall have no authority to compel the District to sell or otherwise dispose of the Facilities. The City may

redeem the Facilities by tendering fulfillment of all its obligations under the Utility Agreement.

WITNESS THE EXECUTION OF THIS Agreement in multiple counterparts, each of equal dignity, as of the date set forth above.

ATTEST:

Barbara J. May
City Secretary

(SEAL)
CITY OF LEAGUE CITY
COUNTY OF GALVESTON
TEXAS

CITY OF LEAGUE CITY
P.F.
Mayor, City of League City

THE STATE OF TEXAS §
§
COUNTY OF GALVESTON §

This instrument was acknowledged before me on this 8th day of July, 2008 by Tom Randall, Mayor, on behalf of the City of League City, Texas.

(NOTARY SEAL)
CSILLA A. LUDANYI
MY COMMISSION EXPIRES
February 3, 2012

Csilla Ludanyi
Notary Public, in and for the State of Texas

GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 14

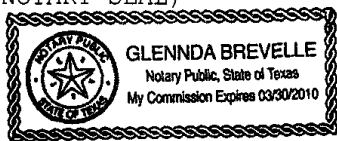
Charles Freeland
President

THE STATE OF TEXAS §
§
COUNTY OF GALVESTON §

This instrument was acknowledged before me on this 13th day of December, 2005, by Charles Freeland, President, on behalf of Galveston County Municipal Utility District No. 14.

Glennnda Brevelle
Notary Public, in and for the
State of Texas

(NOTARY SEAL)



31566_1 DOC

EXHIBIT "1"

That certain water distribution system, sanitary sewer collection system, storm drainage system, lift station, Magnolia Bayou and detention facilities serving Bay Colony Parkside, Section One within Galveston County Municipal Utility District No. 14 together with all improvements, structures, fences, distribution lines, collection lines, storm sewer mains, water mains, flushing valves, meters, valves, pipes, fittings, connections, meter boxes, laterals, easements, rights-of-way, licenses, operating rights and all other property therein whether real, personal or mixed, contract rights or equipment used or useful in connection with said water distribution, sanitary sewer collection and storm drainage system being conveyed hereby, and being more particularly described as all such facilities installed pursuant to a contract between: (i) the District and Rebel Contractors, Inc. for Magnolia Bayou and detention facilities, (ii) the District and Pate & Pate Enterprises, Inc. for water, sanitary sewer and storm sewer facilities, and (iii) the District and T&C Construction, Inc. for lift station no. 1, for construction of the water, sewer, drainage facilities, lift station, Magnolia Bayou and detention facilities to serve Bay Colony Parkside, Section One and Galveston County Municipal Utility District No. 14.

A 46.93 ACRE TRACT OUT OF A 186.6757 ACRE TRACT OUT OF THE PERRY AND AUSTIN UPPER LEAGUE, ABSTRACT 19, GALVESTON COUNTY, TEXAS, BEING OUT OF AND PART OF A 240 7394 ACRE TRACT CONVEYED TO BAY COLONY PARTNERS, J V, BY DEED RECORDED UNDER FILM CODE NO. 010-83-1873, GALVESTON COUNTY CLERK'S RECORDS:

COMMENCING at a 5/8" iron rod found at the northeast corner of said 186.6757 acre tract, said iron rod located at the intersection of the common line between the Stephen F Austin Survey (A-3) and the Perry and Austin Upper League (A-19) and the southwesterly right of way line of F.H. 45 (300' wide);

THENCE South 88 degrees 49 minutes 30 seconds West, along the common line between the Stephen F Austin Survey (A-3) and the Perry and Austin Upper League (A-19), a distance of 705.00 feet to an iron rod;

THENCE South 1 degree 10 minutes 30 seconds East, a distance of 42.99 feet to an iron rod;

THENCE around a curve in a counterclockwise direction having a delta angle of 40 degrees 06 minutes 20 seconds, an arc distance of 510.98 feet, a radius of 730.00 feet, and a chord of South 21 degrees 13 minutes 40 seconds East, a distance of 500.61 feet to an iron rod;

THENCE South 41 degrees 16 minutes 50 seconds East, a distance of 118.43 feet to an iron rod;

THENCE around a curve in a clockwise direction having a delta angle of 82 degrees 47 minutes 41 seconds, an arc distance of 968.18 feet, a radius of 670.00 feet, and a chord of South 0 degree 07 minutes 01 seconds West, a distance of 886.11 feet to an iron rod; to the POINT OF BEGINNING;

THENCE South 48 degrees 29 minutes 09 seconds East, a distance of 60.00 feet to an iron rod;

THENCE around a curve in a counterclockwise direction having a delta angle of 84 degrees 40 minutes 48 seconds, an arc distance of 36.95 feet, a radius of 23.00 feet, and a chord of South 0 degree 49 minutes 33 seconds East, a distance of 33.68 feet to an iron rod;

THENCE South 45 degrees 09 minutes 57 seconds East, a distance of 444.48 feet to an iron rod;

THENCE around a curve in a counterclockwise direction having a delta angle of 87 degrees 39 minutes 21 seconds, an arc distance of 38.39 feet, a radius of 23.00 feet, and a chord of South 87 degrees 09 minutes 38 seconds East, a distance of 34.73 feet to an iron rod in the northerly right of way line of F.H. 646;

THENCE around a curve in a counterclockwise direction having a delta angle of 12 degrees 10 minutes 56 seconds, along the northerly right of way line of F.H. 646, an arc distance of 418.82 feet, a radius of 1969.86 feet, and a chord of South 42 degrees 45 minutes 14 seconds West, a distance of 418.04 feet to an iron rod in the northerly line of Geisler Gully;

THENCE along the northerly line of Geisler Gully as follows;

North 83 degrees 15 minutes 20 seconds West, a distance of 458.23 feet to an iron rod;

North 78 degrees 23 minutes 20 seconds West, a distance of 212.76 feet to an iron rod;

South 87 degrees 43 minutes 40 seconds West, a distance of 157.39 feet to an iron rod;

South 81 degrees 50 minutes 40 seconds West, a distance of 351.69 feet to an iron rod;

North 80 degrees 21 minutes 20 seconds West, a distance of 274.15 feet to an iron rod;

North 62 degrees 27 minutes 20 seconds West, a distance of 202.41 feet to an iron rod;

South 87 degrees 53 minutes 46 seconds West, a distance of 183.89 feet to an iron rod;

South 72 degrees 46 minutes 40 seconds West, a distance of 433.88 feet to an iron rod;

South 67 degrees 14 minutes 40 seconds West, a distance of 194.74 feet to an iron rod in the west line of said 186.6757 acre tract, also being the east line of call 158 ac. Subdivision of lot eight (8) volume 155, page 317 and volume 3327, page 584 G.C.D.R.,

THENCE North 1 degree 18 minutes 53 seconds West, along the west line of said 186.6757 acre tract, also being the east line of call 158 ac. Subdivision of lot eight (8) volume 155, page 317 and volume 3327, page 584 G.C.D.R., a distance of 1270.31 feet to an iron rod;

THENCE North 88 degrees 41 minutes 08 seconds East, a distance of 81.37 feet to an iron rod;

THENCE North 81 degrees 33 minutes 12 seconds East, a distance of 192.35 feet to an iron rod;

THENCE North 85 degrees 20 minutes 44 seconds East, a distance of 104.74 feet to an iron rod;

THENCE South 84 degrees 10 minutes 00 seconds East, a distance of 127.43 feet to an iron rod;

THENCE South 79 degrees 25 minutes 17 seconds East, a distance of 121.92 feet to an iron rod;

THENCE South 73 degrees 13 minutes 37 seconds East, a distance of 121.58 feet to an iron rod;

THENCE South 68 degrees 09 minutes 13 seconds East, a distance of 110.50 feet to an iron rod;

THENCE North 57 degrees 23 minutes 32 seconds East, a distance of 15.18 feet to an iron rod;

THENCE North 23 degrees 56 minutes 17 seconds East, a distance of 21.42 feet to an iron rod;

THENCE South 63 degrees 17 minutes 13 seconds East, a distance of 88.25 feet to an iron rod;

THENCE around a curve in a counterclockwise direction having a delta angle of 84 degrees 00 minutes 35 seconds, an arc distance of 34.56 feet, a radius of 25.00 feet, and a chord of South 15 degrees 17 minutes 30 seconds East, a distance of 33.46 feet to an iron rod;

THENCE around a curve in a clockwise direction having a delta angle of 17 degrees 09 minutes 43 seconds, an arc distance of 458.28 feet, a radius of 1530.00 feet, and a chord of South 48 degrees 42 minutes 56 seconds East, a distance of 458.37 feet to an iron rod;

THENCE South 40 degrees 08 minutes 05 seconds East, a distance of 136.11 feet to an iron rod;

THENCE around a curve in a counterclockwise direction having a delta angle of 93 degrees 01 minutes 52 seconds, an arc distance of 1066.69 feet, a radius of 620.00 feet, and a chord of South 86 degrees 39 minutes 01 seconds East, a distance of 899.70 feet to an iron rod;

THENCE around a curve in a counterclockwise direction having a delta angle of 05 degrees 19 minutes 11 seconds, an arc distance of 68.21 feet, a radius of 670.00 feet, and a chord of North 44 degrees 10 minutes 27 seconds East, a distance of 62.19 feet to the PLACE OF BEGINNING containing 2844262.10 square feet or 46.929800 acres

EXHIBIT "3"

1. Easements dedicated by plat of Bay Colony Parkside, Section One as recorded on May 9, 2001, under Plat Record No. 18, Map No. 1164 and 1165 of the Map Records of Galveston County, Texas.
2. Special Warranty Deed (Parkside Lift Station) recorded in the Official Public Records of Real Property of Galveston County, Texas under Clerk's File No. 2003049409 at Film Code 018-87-0186.
3. Special Warranty Deed (Parkside Detention Basin) recorded in the Official Public Records of Real Property of Galveston County, Texas under Clerk's File No. 2004010579 at Film Code 019-93-1177.



FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Mary Ann Daigle

2010038147

August 03, 2010 11 39 36 AM

FEE \$44 00

Mary Ann Daigle, County Clerk
Galveston County, TEXAS