

SCHWARTZ, PAGE & HARDING, L.L.P.

ATTORNEYS AT LAW

1300 POST OAK BOULEVARD

SUITE 1400

HOUSTON, TEXAS 77056

WWW.SPHELLP.COM

November 4, 2015

TELEPHONE (713) 623-4531
TELECOPIER (713) 623-6143

JOSEPH M. SCHWARTZ
MICHAEL G. PAGE
PETER T. HARDING
ABRAHAM I. RUBINSKY
MARTHA T. BERSCH
HOWARD M. COHEN
SPENCER W. CREED
CHRISTOPHER T. SKINNER
DANIEL S. RINGOLD
MITCHELL G. PAGE
BRYAN T. YEATES

CHRISTINA J. COLE
MATTHEW R. REED
E. BENJAMIN MORSE
WILLIAM D. STAFFORD
TRAVIS M. HEDGPETH
GINA M. VON STERNBERG

Via Certified Mail
Return Receipt Requested
No. 70151520000332567964

Mr. Arnold G. Polanco
Ross, Banks, May, Cron & Cavin, P.C.
2 Riverway, Suite 700
Houston, Texas 77056

Re: Galveston County Municipal Utility District No. 14 (the "District"); Utility Conveyance and Security Agreement regarding Bay View, Section Two, Phase I ("Conveyance")

Dear Mr. Polanco:

Pursuant to the Amended and Restated Utility Agreement between the City of League City and the District, enclosed please find one (1) Conveyance for approval, acceptance and execution by the City of League City, Texas, for the following utilities:

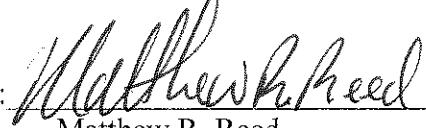
1. Bay View, Section Two, Phase I.

Please add the Conveyance on the agenda for the next City Council meeting. Please return the executed original and we will record same, and furnish to you on behalf of the City a copy of the recorded document.

Should you have any questions regarding the enclosed or foregoing, please do not hesitate to call on me.

Very truly yours,

SCHWARTZ, PAGE & HARDING, L.L.P.

By: 
Matthew R. Reed
Attorneys for the Districts

Enclosures
397693_1

(THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A UTILITY)

UTILITY CONVEYANCE AND SECURITY AGREEMENT

(Bay View, Section Two, Phase I)

This Agreement, made, entered into, and effective as of September, 22, 2014, by and between the City of League City, Texas, a municipal corporation (herein the "City"), and Galveston County Municipal Utility District No. 14, 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").

WITNESSETH:

RECITALS

The City and the District have previously entered into that certain Restated Utility Agreement dated as of January 22, 1999; as amended by that certain First Amendment to the Restated Utility Agreement dated as of April 23, 2002; that certain Second Amendment to the Restated Utility Agreement dated October 18, 2004; and that certain Third Amendment to the Restated Utility Agreement dated October 11, 2005 (collectively, 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 herein set forth and set forth in the Utility Agreement, the City and the District contract and agree as follows:

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 dated August 20, 2013, by and between the District and Principal Services, Ltd., as amended or revised by any and all change orders (hereinafter referred to as the "Contract"), providing for the construction of water, sanitary sewer and drainage facilities to serve Bay View Subdivision, Section Two, Phase I (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.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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

ATTEST:

CITY OF LEAGUE CITY

City Secretary

Mayor, City of League City

(SEAL)

THE STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

This instrument was acknowledged before me on this ____ day of _____,
20____, by _____, _____, on behalf of
the City of League City, Texas.

Notary Public, in and for the
State of Texas

(NOTARY SEAL)

AGREED TO AND ACCEPTED THIS 22nd day of September, 2014.

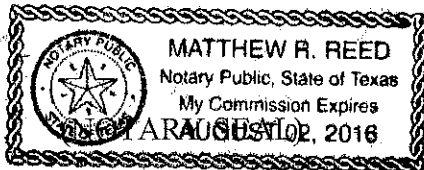
GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 14

Brent Novelli

President

THE STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

This instrument was acknowledged before me on this 22nd day of September, 2014, by Brent Novelli, President, on behalf of Galveston County Municipal Utility District No. 14.



Matthew R. Reed

Notary Public, in and for the
State of Texas

EXHIBIT "1"

That certain water distribution system, sanitary sewer collection system and storm drainage system serving Bay View Subdivision, Section Two, Phase I 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 the District and Principal Services, Ltd., dated August 20, 2013, for construction of the water, sewer and drainage facilities to serve Bay View Subdivision, Section Two, Phase I within Galveston County Municipal Utility District No. 14.

EXHIBIT "2"

Being all that certain 12.0387 acres of land known as Bay View Section 2, Phase I, situated in the Perry and Austin Upper League Survey, A-19, City of League City, Galveston County, Texas, according to the plat thereof recorded on slide numbers 2014A/20 and 2014A/21 of the Galveston County Map Records and recorded under Galveston County Clerk's File No. 2014014002.

EXHIBIT "3"

Public Roads and Utility Easements in the Bayview Subdivision, Section Two, Phase One, League City, Galveston County, Texas, according to the plat thereof recorded under Galveston County Clerk File No. 2014014002 and the Plat recorded on slide numbers 2014A/20 and 2014A/21 of the Map Records of Galveston County, Texas.