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AN ORDINANCE APPROVING RESTATED UTILITY AGREEMENTS BETWEEN THE CITY OF LEAGUE CITY, TEXAS, AND GALVESTON COUNTY MUNICIPAL UTILITY DISTRICTS NO. 14 AND 15, AMENDING THE ORIGINAL UTILITY AGREEMENTS, AND AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE SAME FOR AND ON BEHALF OF SAID CITY

WHEREAS, the City of League City, Texas, ("City") and Galveston County Municipal Utility Districts No. 14 and 15 ("Districts") have compiled all past agreements, contracts, resolutions and ordinances which specifically govern their relationships into comprehensive Restated Utility Agreements, which are attached hereto as Exhibits "1" and "2" to this Ordinance and incorporated herein by reference; and

WHEREAS, the City of League City, Texas ("City") deems it necessary and proper and in the best interest of the citizens of the City to approve said Restated Utility Agreements.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LEAGUE CITY, TEXAS, as follows:

Section 1. The facts and opinions in the preamble of this Ordinance are true and correct.

Section 2. The City Council of the City of League City hereby approves the Restated Utility Agreements attached hereto as Exhibits "1" and "2" and incorporated herein by reference and authorizes the Mayor to execute the same and the City Secretary to attest such execution for and on behalf of the City in multiple counterparts.

Section 3. It is officially found and determined that this meeting of the City Council of the City of League City is open to the public as required by law, and that written notice of the date, place and subject of the meeting was posted for at least seventy-two (72) hours preceding the time of the meeting at a place convenient to the public at the City Hall as required by law.

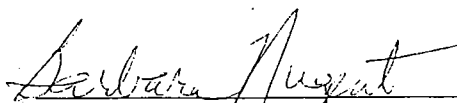
Section 4. All ordinance, resolutions and agreements and parts of ordinances, resolutions and agreements in conflict herewith are hereby repealed to the extent of the conflict only.

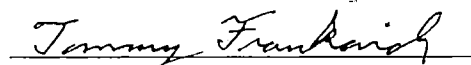
APPROVED first reading the 9th day of February 1999.

APPROVED second reading the 23rd day of February, 1999.

PASSED AND ADOPTED the 23rd day of February, 1999.

ATTEST:


BARBARA NUGENT
City Secretary


A. T. (TOMMY) FRANKOVICH,
Mayor

RESTATED
UTILITY AGREEMENT

BETWEEN

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

AND

THE CITY OF LEAGUE CITY, TEXAS

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

THIS AGREEMENT, made and entered into as of the 22nd day of January, 1999, by and between Galveston County Municipal Utility District No. 14, a body politic and corporate and a governmental agency created and operating under the provisions of Chapters 49 and 54, Texas Water Code, and pursuant to Article XVI, Section 59, Texas Constitution ("District"), and the City of League City, Texas, a municipal corporation ("City").

W I T N E S S E T H:

The City and the District have entered into certain agreements and the City has adopted certain resolutions and ordinances regarding the District, construction of phases of its System (hereinafter defined), capital recovery fee credits, and certain related matters, as follows:

(1) Resolution No. 83-11 and/or 83-11A, as applicable, A Resolution Approving a Utility Agreement between Todd Development Company on behalf of Proposed Galveston County Municipal Utility District No. 14 and the City of League City, Texas, dated December 13, 1983, as amended by that certain Resolution No. 88-10, dated April 14, 1988, A Resolution Approving an Amendment to Utility Agreement by and between Galveston County Municipal Utility District No. 14 and the City of League City, Texas, which amendment is dated March 10, 1988;

(2) City of League City Resolution No. 86-04 and/or 86-05, as applicable, Resolution Establishing Capital Recovery Fees To Be Paid By Galveston County Municipal Utility District No. 14 and Galveston County Municipal Utility District No. 15;

(3) City of League City Resolution No. 86-11, Resolution Establishing Capital Recovery Fees To Be Paid by Galveston County Municipal Utility District No. 14 and Galveston County Municipal Utility District No. 15;

(4) Resolution No. 88-05, Resolution Establishing Credits For Capital Recovery Fees To Be Paid by Galveston County Municipal Utility District No. 14 and Galveston County Municipal Utility District No. 15;

(5) Resolution No. 88-06, Resolution Establishing Credits For Capital Recovery Fees To Be Paid by Galveston County

Municipal Utility District No. 14 and Galveston County Municipal Utility District No. 15;

(6) Ordinance No. 88-14, Waterline and Sanitary Sewer Facilities Capacity Agreement by and among Galveston County Municipal Utility District No. 14, Galveston County Municipal Utility District No. 15 and the City of League City, Texas, dated March 10, 1988; and

(7) Ordinance No. 88-13, Pro Rata Reimbursement Agreement For Sanitary Sewer Force Main Facilities By and Among Galveston County Municipal Utility District No. 14, Galveston County Municipal Utility District No. 15 and the City of League City, Texas, dated March 10, 1988 (paragraphs 1-7 of this Restated Utility Agreement shall be collectively referred to as the "Prior Resolutions and Agreements").

The City and the District are desirous of entering into one agreement to simplify the various arrangements between them and to modify and restate the terms and conditions regarding construction, acquisition, ownership, operation, and maintenance of a waterworks, sanitary sewer and drainage system to serve the area within the District, the payment of City taxes to the District, the capital recovery fee credits due the District, the payment of capital recovery fees regarding future development within the District, and related matters, and to terminate the Prior Resolutions and Agreements.

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

ARTICLE I

Background and Representations

Section 1.01: Background. The District was created, organized and exists for the purpose of furnishing water, sewer and drainage services to the area within its boundaries. The District presently comprises approximately 485.169 acres of land in Galveston County, Texas. The boundaries of the District are described by metes and bounds in Exhibit "A", which is attached hereto and incorporated herein by reference for all purposes. The boundaries of the District may be changed from time to time with the prior consent of the City. No area shall be annexed to the District without the consent of the City and the consent of a majority in value of the owners of land in the area proposed to be annexed.

The District has acquired and will acquire and construct a water supply and distribution system and a sewage collection and treatment system to serve the present and future users within the District and works and improvements necessary to properly drain the area within its boundaries. The District will need to make adequate arrangements so that it will have the financial capability to enable it to acquire and construct the needed

facilities and to discharge any obligations incurred in acquiring and constructing such facilities.

The City is a municipal corporation and is operating under a Home Rule Charter adopted under the laws of the State of Texas. The City has the power under the laws of the State of Texas to acquire, own and operate a water and sanitary sewer system and works and improvements necessary for the drainage of lands in the City.

The District is entirely within the corporate limits of the City. As a result, both the City and the District function in a common orbit and have some common duties and responsibilities to the present and future land owners within the District.

In order to provide a water supply and distribution system, sanitary sewer collection and treatment system and works and improvements for the drainage of the portion of the City which lies within the boundaries of the District; in order to assure that the District will have the financial capabilities to extend the services to the present and future land owners within the boundaries of the District; in order to secure the commitment of the District to extend the services without discrimination and on the same basis as extension of services made to all other land owners in the District; and in consideration of the District's acquiring and constructing the System for the benefit of the City, the City is willing to commit and obligate itself to accept

title to the System as provided herein and to pay to the District a portion of the ad valorem taxes collected by the City in future years on land and improvements within the District as herein more fully provided to aid it in meeting its obligations to repay principal and interest on the District's bonds issued to acquire and construct the systems in accordance with the provisions of this Agreement.

Since it is the policy of the District to proceed at the earliest possible time in an expeditious manner with the acquisition and construction of the necessary water, sanitary sewer and drainage facilities to serve all the land within the District without discrimination and with preference toward no particular land owner or land owners, the District is willing to commit to extend utilities as required by this Agreement.

In order to assure the continuing and orderly development of the land and property within the District, the District and the City desire to enter into this Agreement whereby the District will acquire and construct works, improvements, facilities, plants, equipment and appliances necessary for a water, sanitary sewer and drainage system to serve the area within the District as provided in this Agreement in accordance with all requirements of the City, and all of the land and property in the District will be placed in the position to ultimately receive adequate water, sewer and drainage services.

Section 1.02: Representations by the District. The District makes the following representations:

a. The District is a body politic and corporate and a governmental agency created and operating under the provisions of Chapters 49 and 54, Texas Water Code pursuant to Article XVI, Section 59, Texas Constitution, and is authorized and empowered by the provisions of Chapters 49 and 54, Texas Water Code, to enter into this Agreement, and the President and Secretary of the District have been duly authorized to execute and deliver this Agreement.

b. The District has the power and authority to acquire, construct, operate and maintain a water, sanitary sewer and drainage system which may be exercised upon approval of the City and will have the power and authority, subject to the approval of proper State agencies, to issue and sell combination unlimited tax and revenue bonds to acquire and construct the needed water, sanitary sewer and drainage system to serve the present and future land owners within the District.

c. The District proposes to issue and sell its Bonds from time to time, to acquire, and/or construct, a waterworks, sanitary sewer and drainage system to serve the area within the District, and shall use its best efforts to procure from the appropriate Federal, State, County, Municipal and other authorities the necessary permits and approvals to issue and sell

its Bonds and to acquire and construct water, sanitary sewer and drainage facilities and improvements.

d. As the waterworks, sanitary sewer and drainage system is acquired and constructed, the District shall transfer the same to the City, subject to the City's acceptance thereof, 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 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 and (2) a security interest therein which will be reserved by the District for the purpose of securing the performance of the City under Section 7.01 of this Agreement. All warranties of contractor and subcontractors and all other rights beneficial to the operation of the System will be transferred by the District to the City. The District agrees to hold the City harmless from any and all claims asserted by contractors or subcontractors of the District in relation to any contract obligations of the District. At such time as the District's bonds issued to acquire and construct such waterworks, sanitary sewer and drainage system have been discharged, the

District shall execute a release of such security interest and the City shall own the System free and clear of such security interest.

e. This Agreement has been duly and properly approved and executed by the Board of Directors of the District, the officers executing the Agreement have been duly authorized to do so, the Agreement is binding upon the District, and the District has the authority and has so authorized or will authorize the actions provided for herein.

Section 1.03: Representations by City. The City makes the following representations:

a. The City is a home rule city operating under the laws of the State of Texas, and the Mayor and City Secretary have been duly authorized to execute and deliver this Agreement.

b. The City has the authority to levy, assess and collect ad valorem taxes on property within the City and to use the taxes collected by it from property within the District as provided in this Agreement.

c. The City presently has, or has the power and authority to obtain, the water supply and wastewater treatment capacities necessary to properly serve the System, as hereinafter defined, to be acquired and constructed by the District.

d. This Agreement has been duly and properly approved and executed by the City Council of the City, the officials or

officers executing the Agreement have been duly authorized to do so, the Agreement is binding upon the City, and the City has so authorized or will authorize the actions provided for herein.

Section 1.04: Recitals. The recitations and recitals set forth above are declared true and correct and are hereby incorporated as part of this Agreement.

Section 1.05: Prior Resolutions and Agreements. The Prior Resolutions and Agreements listed on pages 2-4 of this Restated Utility Agreement are hereby declared terminated, and from and after the effective date of this Agreement shall be null and void for all purposes.

ARTICLE II

Definitions

Section 2.01: Approving Bodies. The term "Approving Bodies" shall mean the City of League City, the Texas Natural Resource Conservation Commission, the Texas Department of Health, and any other federal, state, county or local agency having or acquiring jurisdiction.

Section 2.02: Bonds and Bond Date. The term "Bonds" as used in this Agreement shall mean the District's bonds, notes, warrants or certificates of obligation payable from ad valorem taxes which it issues from time to time. The term "Bond Date" means the date of issuance of any issue of bonds by the District.

Section 2.03: Commission. The term "Commission" shall mean the Texas Natural Resource Conservation Commission or its successors.

Section 2.04: Construction Funds. The term "Construction Funds" shall mean money required by this Agreement to be deposited into the Construction Fund to be created pursuant to Section 4.09.

Section 2.05: District's Engineers. The term "District's Engineers" shall mean the independent engineering firm which may be employed by the District with the approval of the City.

Section 2.06: Districts. The term "Districts" shall mean the District and Galveston County Municipal Utility District No. 15.

Section 2.07: Drainage System. The term "Drainage System" shall mean the District's drainage system as it now exists or as it may be acquired, constructed, improved and extended in the future.

Section 2.08: Engineering Report. The term "Engineering Report" shall mean a study, analysis or report of the District's engineers describing the needed water, sewer and drainage facilities to serve the area within the District.

Section 2.09: Land and Improvements. The term "Land and Improvements" shall mean only property designated as "land" or "improvements" as classified by the Galveston County Central

Appraisal District. Land and Improvements do not include personal property as classified by the Galveston County Central Appraisal District in its reports to the City on tax collections. The City is not liable to the District for any portion of taxes collected on personal property and the City and the District agree to be bound by the property classifications used by the Galveston County Central Appraisal District.

Section 2.10: Proposed Extension. The term "Proposed Extension" shall mean any part of the System to be acquired or constructed to serve an area that it is economically feasible to serve.

Section 2.11: Sewer System. The term "Sewer System" shall mean the District's sanitary sewer System as it now exists or as it may be acquired, constructed, improved and extended in the future.

Section 2.12: System. The term "System" shall mean the Water System, Sanitary Sewer System and Drainage System or any phase thereof, described in Section 3.01 of this Agreement.

Section 2.13: Water System. The term "Water System" shall mean the District's water system as it now exists or as it may be acquired, constructed, improved and extended in the future.

ARTICLE III

Description of System

Section 3.01: Description of System. Preliminary plans and specifications of the System will be prepared by the District's Engineers in accordance with the directives of the City, if any, and all such plans and specifications will be approved by the City if the same are in accordance with the City's policies, practices and ordinances then in existence. The System shall include structures or improvements outside the boundaries of the District if reasonably necessary to serve the area within the District. The final plans and specifications shall be in accordance with such standards as are now or hereafter adopted by the City.

Section 3.02: Design of the System. The District shall design the System in accordance with sound engineering principles and in compliance with any requirements of the Approving Bodies.

Section 3.03: Quality of Materials. The District shall use in the System materials satisfactory for the intended purpose and meeting any requirements of the Approving Bodies.

Section 3.04: Construction. The District shall construct the System in accordance with the final plans and specifications. All changes of the final plans and specifications shall be

submitted to the City for approval, which approval shall be required.

ARTICLE IV

Construction and Financing of the System

Section 4.01: Policy of Extension. The District shall construct or extend the System in such stages as is economically feasible. When the District determines that it is economically feasible to extend the System or any part thereof to a particular area, it shall so notify the City in writing. When the City determines that it is economically feasible to extend the System or any part thereof to a particular area it shall so notify the District in writing. If either the District or the City do not agree with the determination of the other that it is economically feasible to extend the System or any part thereof to a particular area, then it shall so notify the other in writing. Such dispute concerning economic feasibility shall be resolved by arbitration under Section 8.02. In the event that the decision of the arbitrator or arbitrators favors economic feasibility, the District's obligation to extend the System or any part thereof shall remain limited by Article VI.

Prior to arbitration the parties hereto agree to present all matters in dispute to the City Council in open session in an attempt to informally resolve disagreements hereunder. The City shall be provided copies of all relevant documents concerning

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matters at issue as well as copies of all documents filed by the District with the Commission.

Section 4.02: Preparation of Final Plans and Specifications. When the determination is made that it is economically feasible to extend the System, the District shall direct the District's Engineers to prepare final plans and specifications of the Proposed Extension.

Section 4.03: Approval of Final Plans and Specifications. Before the commencement of construction within or without the District, the District shall submit to the City all plans and specifications for the construction of the System or any part thereof and secure the City's approval thereto. Whenever feasible, plans for interrelated or dependent systems should be submitted at the same time. If the City finds such plans and specifications to be in accordance with the City's standards existing at the time of review of any proposed plans and specifications, it shall approve same. Nothing herein shall in any way prevent the City from requiring modification of plans, specifications and work in progress to meet the requirements of any new state or federal laws, administrative rules or City ordinances. The construction of the System shall conform to the approved plans and specifications and to such standards and specifications as may be established from time to time by the City. Without limiting the generality of the foregoing, all

water wells, water meters, flush valves, valves, pipes and appurtenances installed or used within the District shall conform exactly to the specifications of the City. Without limiting the generality of the foregoing, all water service lines and sewer service lines, lift stations, sewage treatment facilities and appurtenances thereto installed or used within the District shall comply with the City's standard plans and specifications. The final plans and specifications of the Proposed Extension shall be submitted to such Approving Bodies as may require such submission and the District shall use its best efforts to obtain any necessary approvals. After the final plans and specifications have been approved by all Approving Bodies, the District shall be authorized to proceed with construction as provided herein.

Section 4.04: Advertisement for Bids. All construction contracts shall be let on a competitive bidding basis, unless otherwise provided by law and with the approval of City Council. After preparation of final plans and specifications and their approvals as required by this Agreement, the District shall advertise for bids for the construction of the proposed work described in the final plans and specifications. All bids shall include evidence of financial condition of the bidders. The City's representatives shall be notified of and invited to attend each pre-bid and bid opening in accordance with the notice provisions of Section 9.03. All bids received by the District

shall be reviewed by designated representatives of the District and the designated representatives of the City, and such representatives shall recommend to the District, within twenty days, that one of the bids received and submitted by the District on each phase of the construction be accepted or that all bids be rejected. The City and District shall designate from time to time in writing the persons who shall be their designated representatives. A failure of the City to designate representatives after twenty days notice or to make recommendations, shall permit the District to make all decisions concerning acceptance or rejection of bids.

Section 4.05: Readvertisement for Bids. Upon the written request of the City, the District will readvertise for construction bids upon the terms and conditions applicable to the first advertisement for bids, in the event the first bids are not acceptable to the City. The District also reserves the right to readvertise for bids if the first bids are not acceptable to the District.

Section 4.06: Award of Construction Contract. If the District has on deposit Construction Funds in a sum sufficient to pay the construction costs of the proposed work or has reasonable assurance that such funds will be forthcoming, then the District shall enter into a contract or contracts with the contractor or contractors whose bids have been accepted by the District. The

District shall award all construction contracts in accordance with the requirements of law (currently found in Chapter 49 of the Texas Water Code). Each contract with the District shall comply with Chapters 49 and 54 of the Texas Water Code, provide for retainage as required by law, require a performance bond and a payment bond in accordance with the requirements of law, require workman's compensation insurance, builders' risk insurance, and public liability insurance in such sums as the District shall determine, and require a covenant and warranty to diligently prosecute the work in a good and workmanlike manner and in accordance with the final plans and specifications.

Section 4.07: District to Pursue Remedies Against Contractors and Subcontractors and their Sureties. In the event of default of any contractor or any subcontractor under any contract made by it in connection with the Proposed Extension or in the event of breach of warranty with respect to any materials, workmanship or performance guarantee, the District will promptly proceed (subject to agreement by the parties to the contrary) either separately or in conjunction with others, to exhaust the remedies of the District against the contractor or subcontractor so in default and against each such surety for the performance of such contract. The District agrees to advise the City of the steps it intends to take in connection with any such default.

If the District fails to take action, or if the City deems the action taken is inappropriate after assignment of such rights, then the City may, in its own name, or in the name of the District, prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor or surety that the City deems reasonably necessary and in such event the District hereby agrees to cooperate fully with City and take all action necessary to effect the substitution of the City for the District in any such action or proceeding. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after the deduction of the costs and expenses of collection, shall be deposited into the Construction Fund to be used by the District for constructing future extensions of the System. If the City brings an unsuccessful action against a contractor, subcontractor or surety, the expenses of such action shall be shared equally by the District and the City.

Section 4.08: Inspection During Construction. Full-time resident inspection shall be provided or designated by the City at the City's option during the construction period by the City's inspectors. If the City elects to provide fulltime resident inspection by an independent inspector it shall notify the District in writing prior to the commencement of construction and the expenses of the City inspection shall be at the expense of

the District, provided such inspector shall be a registered professional engineer in the State of Texas and such independent inspector shall provide a certificate of insurance evidencing a professional malpractice policy covering all inspection work performed on behalf of the District and the City. In such event, the independent inspector shall provide such certificates as may be required by the Texas Natural Resource Conservation Commission. In addition, the District may provide such additional inspectors as the District determines is necessary. Daily inspection reports shall be kept on file at the City, if the City designates an independent fulltime resident inspector, and copies shall be provided to the District's engineer as requested. Any deviations from approved plans and specifications shall be reported in writing one party to the other as soon as reasonably discovered.

Section 4.09: Proceeds of District's Bonds. Proceeds of the District's bonds may be used by the District for the following purposes:

(1) Payment of principal and interest on Bond Anticipation Notes, the proceeds of which were deposited into the Construction Fund.

(2) Payment of monies not to exceed the first two years interest on any series of District bonds.

(3) Payment of accrued interest on any series of bonds from their date to the date of their delivery.

(4) Except as provided in paragraphs (1), (2) and (3) above, proceeds received from the sale of any series of District bonds shall be deposited into the Construction Fund as Construction Funds and shall be used solely as provided in this Agreement as it may be amended from time to time.

Section 4.10: Disbursement from Construction Fund. Moneys in the District's Construction Fund shall be used only for the following purposes:

(1) Payment for labor, services, materials and supplies used or furnished in the construction of the System or any part thereof, all as provided in the final plans and specifications therefor or as provided in change orders relating to the System or any part thereof that have been approved by the District, the District's Engineers and the City, including, payment for such labor, services, materials and supplies used as herein specified whether said improvements are located within or without the District as long as the same is for the benefit of the District and payment for miscellaneous expenses incident to any of the foregoing items.

(2) Payment of legal and engineering fees and expenses relating to the construction of the System or any part thereof, and payment of the premiums on any required surety bond and

payment of the premiums of all insurance required to be taken out and maintained during the construction of the System or any part thereof, if not paid by the contractor pursuant to his contract with the District.

(3) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor or surety in respect of any default under a contract or any breach of warranty or upon any performance guarantee relating to any part of the System.

(4) Payment of the District's expenses in issuing and selling its bonds including legal and fiscal expenses.

(5) Payment for any land needed for any detention pond, water plant, sewer plant, lift station, offsite easement, right-of-way, or elevated storage tank site. The quantity of land needed for each of the foregoing purposes will be approved by the City. The purchase price of land shall be in accordance with the rules of the Commission, i.e., at the "developer's cost" which shall include taxes and carrying costs and shall be approved by the City.

(6) Payment of reasonable administrative and operating expenses incurred during construction of the System or any part thereof.

(7) Payment to acquire the System or any part thereof as contemplated by Article V including a sum which may be allowed by

the Texas Natural Resource Conservation Commission for the construction of the System or any part thereof to any third party pursuant to Article V.

(8) Payment of such other fees, expenses and items as are allowed by the rules of the Texas Natural Resource Conservation Commission for municipal utility districts.

(9) Payment of such other fees, expenses and items as may be approved by the District and the City.

Section 4.11: Authorization for Withdrawals from Construction Funds. No money shall be paid from the District's Construction Funds except as is authorized by Chapters 49 and 54, Texas Water Code, as amended, by the rules of the Commission and by this Agreement.

Section 4.12: Investment of Construction Funds. Pending their use, the Construction Funds shall be invested and reinvested as determined by the District in accordance with the requirements of law.

Section 4.13: Surplus Construction Funds. Surplus Construction Funds, if any, may be used for future extensions of the System with the concurrence of the City Council and all required approvals from the Commission.

Section 4.14: Construction Audit. The District shall have the construction cost of the System or any part thereof audited

in accordance with the rules of the Texas Natural Resource Conservation Commission and the requirements of law. The records of the District shall be subject to inspection by the City at all reasonable times.

ARTICLE V

Construction by Third Parties and

Acquisition by the District

Section 5.01: Construction by Third Parties. The rules of the Commission allow under certain circumstances the construction of water, sewer and drainage facilities by a developer of property within a district for sale to the District. These rules as presently adopted allow a developer of property in the District to construct the System in stages and sell the same to the District. If the City agrees, the District may designate a third party to construct the System or portion thereof. Any such third party must construct the System or portion thereof in accordance with the final plans and specifications approved by the City and in accordance with the provisions of this Agreement in so far as the same may be applicable. Without limiting the generality of the foregoing, any third party constructing facilities for sale to the District must comply with the provisions of Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08 and 4.14 of this Agreement.

Any third party may be reimbursed his cost for constructing the System or a part thereof required or permitted by the provisions of this Section 5.01 provided the costs qualify as permissible expenditures under the provisions of Section 4.10 of this Agreement with the consent of the City and the rules of the Commission. The District may acquire a partially completed System or partially completed part of such System and complete the same in accordance with the provisions of Article IV; provided, however, that nothing herein shall require the City to accept the System or any part thereof until the same has been completed and accepted by the City in accordance with the provisions of this Agreement.

Section 5.02: Contract with Third Party. In acquiring the System or any part thereof which has been constructed, in whole or in part, by a third party, the District may acquire such System or part thereof on such terms and conditions from such third party as the Commission shall allow or require or the parties hereto shall agree. Although a District may contract to acquire the System or a part thereof from a third party, it shall not issue bonds for such purpose if it would contravene the limitations imposed in Section 6.02 of this Agreement and if it does not have the concurrence of the City Council.

ARTICLE VI

Obligations to Extend the System

Section 6.01: Obligations of District. The District shall extend the water, sewer and drainage systems to serve the future users in the District so ultimately all the land owners within the District will be in a position to receive services from the System. To this extent the District shall have a legal as well as moral obligation to the City to extend the System. Notwithstanding the foregoing, however, the District shall not be obligated to extend the System into an area if any of the following conditions exist:

(1) The City is in default under the provisions of this Agreement.

(2) The ratio of the District's bonded indebtedness to its assessed valuation after the issuance of the Bonds requested for the Proposed Extension based on one hundred percent (100%) of fair market value exceeds:

(a) Twenty percent (20%) during the first twenty-four months after the Bond Date;

(b) Fifteen percent (15%) during the twenty-four months following the expiration of the initial twenty-four month period; and

(c) Ten percent (10%) thereafter.

(3) The ratio of the District's projected bonded indebtedness in connection with extending service to an area, to the projected assessed valuation of property in such area at full development, as estimated by the District's Engineer, is more than ten percent (10%).

(4) The District is unable to sell its bonds pursuant to the provisions of this Agreement.

(5) The Attorney General of the State of Texas refuses to approve the District's Bonds, if required.

(6) If the District's supplemental tax exceeds or would exceed the rate of \$1.25 per \$100 assessed valuation of taxable property assessed at one hundred percent (100%) of fair market value.

Section 6.02: Limitation on District's Bonded Indebtedness and Covenant to Sell Bonds. The District agrees to issue and sell its bonds from time to time for the purpose of acquiring and constructing the System; provided, however District shall not issue and sell its Bonds, Notes, Warrants or Certificates of Obligation payable from ad valorem taxes if the ratio of the District's indebtedness to its assessed valuation at the time of issuance or sale based on one hundred percent (100%) of fair market value exceeds: (a) 100 percent (100%) during the first twenty-four months after the Bond Date; and (b) 50 percent (50%) thereafter. On January 1 of each year and at such other times as

the parties may agree, the assessed valuation shall be estimated by the Galveston County Appraisal District for the purpose of computing the limitation hereunder with the consent of the Board of Directors of the District and the City Council of the City. After the assessed valuation is finalized in any year by Galveston County Appraisal District, such assessed valuation shall control for purposes of making the computations hereunder, unless the parties otherwise agree. The only debt to be considered in making the computation under Section 6.01 and this Section 6.02 is that debt occasioned by the issuance of bonds as defined herein which consists of Bonds, Notes, Warrants and Certificates of Obligation payable directly from ad valorem taxes and no other debt of the District shall be considered in making the calculations hereunder. The terms and provisions of the Bonds which the District shall sell from time to time for the purpose of constructing the System shall be reviewed and approved by the City Council. The District's bonds shall expressly provide that the District shall reserve the right to redeem said bonds on any date no later than the fifteenth (15th) anniversary of the Bond Date of issuance without premium. Bonds (other than refunding bonds and bonds sold to a federal or state agency) shall only be sold after the taking of public bids therefore, and no bonds shall be sold for less than ninety-five percent (95%) of par provided the net effective interest rate on bonds so sold,

taking into account any discount or premium as well as the interest rate borne by such bonds, shall not exceed two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the thirty (30) day period next preceding: (1) the date notice of the sale of the bonds is given; or (2) the date of sale of the bonds, whichever is greater. Bonds may be sold by the District only with the approval of the City Council. The Bonds of the District (other than refunding bonds and bonds sold to a federal or state agency) shall be sold to the lowest and best bidders after the District has advertised for and solicited bids. All Bonds of the District shall be approved by the Attorney General of the State of Texas.

Section 6.03: Grants. The City shall reasonably cooperate with the District and any third parties in any application to obtain any governmental grants for the acquisition and construction of the System. Unless otherwise agreed, the costs of applying for a governmental grant shall be borne by the District and, furthermore, the District shall bear all direct and indirect expenses related to all grant applications and studies.

ARTICLE VII

Ownership and Operation

Miscellaneous Covenants with Respect to System

Section 7.01: Ownership by City. As the System, or any integral stage thereof, is acquired and constructed, the District shall transfer the same to the City, subject to the terms and conditions of this Agreement (including but not limited to Section 7.02 hereof); reserving, however, a security interest therein for the purpose of securing the performance of the City under this Agreement. At such time as the District's Bonds issued to acquire and construct the System have been discharged, the District shall execute a release of such security interest and the City shall own the System free and clear of such security interest.

The City acknowledges and agrees that the System has been and will be designed and constructed so as to provide adequate water, sewer and drainage services to the lands within the District and Galveston County Municipal Utility District No. 15 according to the existing City Master Facilities Plan. The City guarantees, represents and warrants to the District that sufficient capacities in the System shall always be reserved for lands within the District.

Section 7.02: Operation by City. As construction of each integral phase of the System is completed, representatives of the

City shall inspect the same and, if the City finds that the same has been completed in accordance with the final plans and specifications, or any modifications thereof, and in accordance with all applicable laws, rules and regulations, the City shall accept the same, whereupon such portion of the System shall be operated and maintained by the City at its expense as provided herein. Nothing herein shall be deemed to require the City to accept any portion or part of the System that is not functionally integrated and operational (e.g. sewer lines not connected to an operating sewage treatment plant) until the City deems the System is operating in an acceptable manner. In the event the System has not been completed in accordance with the final plans and specifications, the City will immediately advise the District in what manner said System does not comply and the District shall immediately correct the same whereupon the City shall again inspect the System and may accept the same if the defects have been corrected. If deemed necessary or advisable by the parties, a supplemental agreement or agreements may be entered into regarding correcting any phase of the System. During the term of this Agreement the City will operate the System and provide service to all users within the District without discrimination, subject to the rules, policies and ordinances of the City and the capacity and availability of the System. The City shall operate and maintain the System in good working order and condition.

Section 7.03: Water Supply and Distribution and Sewage Collection and Treatment Facilities. The District and the City acknowledge and agree that the District, or developers on its behalf, constructed certain water distribution and lift station and interceptor facilities for the benefit of the District, Galveston County Municipal Utility District No. 15 and the City. (See Section 7.11 also.)

The District, or developers on its behalf, constructed certain water distribution facilities, said facilities located and constructed as described on Exhibits "B" and "C" attached hereto and incorporated herein by reference (the "Water Distribution Facilities"), which facilities serve to connect the Districts to the City's existing Calder Road water treatment plant (the "Calder Road Plant") and the water plant location.

In order to assure the City that a twenty-four inch (24") water distribution line was constructed and in order to assure the District and Galveston County Municipal Utility District No. 14 that they will have sufficient capacity to serve development within their boundaries, the City agrees that 3,090,000 gallons per day, average daily flow, of capacity in the Water Distribution Facilities shall be reserved for the sole use and benefit of the Districts and customers within their boundaries.

The City and the District acknowledge that the Calder Road Plant's capacity will have to be enlarged in the future, or

another source of water supply capacity obtained, in order to provide the 3,090,000 gallons per day, average daily flow, of capacity that the Districts will ultimately require. The City further agrees that 1,428 equivalent single-family connections in the Calder Road Plant as it now exists are reserved for the sole use and benefit of the Districts and customers within their boundaries. The City further agrees that of such 1,428 equivalent single-family connections, 765 equivalent single-family connections are reserved specifically to the District. The parties agree that the District may transfer its reserved capacity to Galveston County Municipal Utility District No. 15. Any such transfer shall be effective only upon receipt by the City of an agreement between the Districts to such effect.

The parties anticipate that the City will, as development occurs within the Districts and other areas, make the necessary modifications and enlargements to the City's water supply system in order that it will have sufficient capacity to supply such development. However, the parties agree it is within the City's discretion to decide when and if the City will enlarge such plant. The City and the District agree that, if the District should require additional capacity in the plant and the City is unable to provide same, then the District shall be authorized and entitled, at its sole cost and expense, or in conjunction with Galveston County Municipal Utility District No. 15, to modify and

enlarge the capacity of the plant, provided that such modification and enlargement shall meet the City's then current specifications, and that any such capacity provided by the District or Districts shall be reserved for the sole use and benefit of the Districts and customers within their boundaries.

In addition, the District, or developers on its behalf, constructed certain gravity flow and force main sanitary sewer line and lift station facilities located and constructed as described on Exhibit "D" attached hereto and incorporated herein by reference (the "Sanitary Sewer Facilities"), which facilities serve to connect the Districts to existing sewer lines and thereby to the City's existing Dallas Salmon wastewater treatment plant.

The Sanitary Sewer Facilities were intended to provide wastewater collection service to the Districts until the City provided a permanent wastewater treatment facility which will serve the Districts and adjacent areas. The City and the Districts have agreed that the Districts, or developers on their behalf, have sized the Sanitary Sewer Facilities to serve areas outside of the Districts which the City desires to have served upon the Districts ceasing to use said facilities.

In order to assure the City that a twenty-one inch (21") and eighteen inch (18") gravity flow sanitary sewer lines, a ten inch (10") sanitary sewer force main, and a 500,000 gallon per day,

average daily flow, lift station as described on Exhibit "D" were constructed and in order to assure the Districts that they have sufficient capacity to serve development within their boundaries, the City agrees that 500,000 gallons per day, average daily flow, of capacity in the Sanitary Sewer Facilities, the existing intermediate sewer lines and the Dallas Salmon wastewater treatment plant are reserved for the sole use and benefit of the Districts and customers within their boundaries. Of such 500,000 gallons of capacity in the Sanitary Sewer Facilities, the City further agrees that 268,000 gallons per day, average daily flow, of capacity in the Sanitary Sewer Facilities are specifically reserved to the District. Provided, however, that when the Districts and the City have agreed upon an alternate source of permanent wastewater treatment plant capacity and said capacity is actually available for use by and connected to the Districts, then the City shall have the right to allocate said capacity to persons or entities other than the Districts and customers within the Districts; and further provided, that, to the extent there shall be capacity in excess of 500,000 gallons per day in the gravity flow portion of the Sanitary Sewer Facilities, such capacity shall be deemed surplus capacity and the City shall have the right to allocate such surplus capacity to persons or entities other than the Districts or customers within the Districts.

Section 7.04: Rates. The City shall from time to time fix such rates and charges for customers of the System as the City, in its sole discretion, determines is necessary; provided that the rates and charges for services afforded by the System will be equal and uniform to those charged other similar users within the City. All such customer revenue from the System shall belong exclusively to the City.

Section 7.05: Connection Charges. The City may impose a charge for connection to the System at a rate to be determined from time to time by the City, provided the charge is equal to the sums charged other City users for comparable connection. The connection charge shall belong exclusively to the City.

Section 7.06: Payment of City Taxes. In consideration of the District's agreeing to acquire and construct the System necessary to provide service for the area within the District, which is also within the City, the City agrees to collect and pay to the District an amount equal to the percentages hereinafter specified of the ad valorem taxes collected by the City in future years on land and improvements thereon within the District, after deducting the actual and reasonable costs of collection thereof. The City shall pay twenty percent (20%) of such City taxes for taxes collected regarding the 1997 calendar year and following years until and including the year that there are 152 equivalent single-family connections completed, as shown on Galveston

Central Appraisal District's certified tax roll within the District. The year following the year for which the payment of taxes by the City for 152 equivalent single-family connections has been made, the City shall pay sixteen percent (16%) of such taxes for the next two (2) year period, twelve percent (12%) for the next two (2) year period, eight percent (8%) for the next two (2) year period, four percent (4%) for the next two (2) year period, and then the City's payment obligation shall cease and the City shall not pay any portion of City taxes to the District thereafter. All such funds paid by the City to the District shall be maintained and deposited to the District's debt service fund of the District and shall be expended solely for the purpose of retiring the District's bonded indebtedness.

The City shall make the initial payment to the District upon acceptance of the conveyance of the first phase of the System.

The City shall use its best efforts to collect its taxes. The payment required by this Section 7.06 shall be made on or before March 1 of each year in which payment is due to the District from the City. Similarly, supplemental payments of any ad valorem tax collections by the City in respect of such properties or lands within the District received by the City subsequent to March 1 of a given tax year shall be made by the City to the District in six month intervals thereafter until paid in full. The City shall take all steps necessary to collect such

taxes, including the bringing of civil suits against delinquent taxpayers. All late charges shall belong to the City.

Section 7.07: Termination of City's Obligation to Pay City Taxes to the District. The City shall only be obligated to pay to the District an amount equal to that portion of the taxes collected in the area of the District necessary to pay principal and interest on the District's bonds and otherwise maintain the District's interest and sinking fund and reserve fund as required by the orders or resolutions authorizing the issuance of the District's bonds. The City's obligation to pay pursuant to Section 7.06 hereof, if not already terminated pursuant to the provisions of Section 7.06 hereof, shall terminate after the District's Bonds are discharged.

Section 7.08: Supplemental Tax by District. The parties to this Agreement recognize that the payment of City taxes will not be sufficient to enable the District to pay the principal and interest on its bonds and establish and maintain the interest and sinking fund and reserve fund required by the District's order(s) authorizing the issuance of its bonds and that it will be necessary for the District to levy a supplemental ad valorem tax for such purposes. Further, the parties recognize that the District is authorized by law to assess, levy and collect an additional ad valorem tax for operation and maintenance purposes.

Section 7.09: Limit of City's Liability. Unless the City dissolves the District and assumes the assets and liabilities of the District, the bonds or any other obligations of the District shall never become an obligation of the City.

Section 7.10: Maintenance of the System. Subject to the limitations, if any, which may be provided by law and after acceptance of same, the City shall at all times maintain the System, or cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all the valid rules, regulations, directions or orders by any governmental, administrative or judicial body promulgating the same. The District agrees to furnish as built drawings of the System as each stage is completed so as to facilitate such maintenance.

Section 7.11: Existing Capital Recovery Fee Credits and Future Capital Recovery Fee Payments. Prior to the effective date of this Restated Utility Agreement, the District, or developers on its behalf, with the approval of the City, constructed the water distribution facilities and certain lift station and sanitary sewer interceptor facilities, located and

constructed as described on Exhibits "B", "C", and "D", attached hereto and incorporated herein by reference for all purposes, which facilities were constructed pursuant to the City's Master Facilities Plan and which facilities are "General Benefit Facilities" as determined by the City. The City, therefore, has agreed that the cost of the facilities, in the total amount of \$1,650,107, are deemed credits toward water and wastewater capital recovery fees that the Districts, or developers within their boundaries, will otherwise be required to pay to the City pursuant to City Ordinance No. 83-41, as amended by Ordinance No. 85-51, and as further amended, supplemented or superseded by similar charges or fees. Such credits were allocated \$1,224,576 towards water capital recovery fees and \$425,531 towards wastewater capital recovery fees. Prior to the effective date of this Restated Agreement, Galveston County Municipal Utility District No. 15 has utilized \$152,686 of water capital recovery fee credits and \$221,412.50 of wastewater capital recovery fee credits for Centerfield, Section 1, and Centerfield Lakes, Section 1, subdivisions within the District. Furthermore, prior to the effective date of this Restated Agreement, the District has utilized \$91,750.00 of water capital recovery fee credits and \$137,500.00 of wastewater capital recovery fee credits for Lakes in Bay Colony, Section 1 and Bay Colony Pointe, Section 3 subdivisions within the District. The District and the City have

agreed that \$980,140 of water capital recovery fee credits and \$66,618.50 of wastewater capital recovery fee credits remain as of the date of this Agreement, and that these amounts are equal to and hereby converted to 1335 equivalent single-family connections worth of water capital recovery fees and 61 equivalent single-family connections worth of wastewater capital recovery fees allocated to the Districts; and that of such total amount, 775 water equivalent single-family connections and 61 wastewater equivalent single-family connections are allocated and reserved to the District. The conversion of credits to equivalent single-family connections is set forth in case there are future questions about the value of credits relative to general benefit facilities constructed by or on behalf of the Districts.

In consideration of the modification and reduction herein of the City's obligation contained in the Prior Resolutions and Agreements to pay City tax revenues to the District, the City and the District agree that no capital recovery fees or similar charges or fees, including but not limited to capital recovery fees imposed by Ordinance No. 83-41, as amended by Ordinance No. 85-51, shall be imposed by the City on the District, or developers or builders within its boundaries, until the development within the District exceeds 2,600 single-family home

lots, or such number of equivalent single-family connections resulting from multifamily, commercial or office development, provided however, that capital recovery fees shall again commence to apply to property within the District on January 1, 2013, regardless of whether 2,600 equivalent single-family connections have been completed by such date. Further, development approved by the City prior to January 1, 2013, must commence construction on or before June 30, 2014. If construction of the projects comprising such development approved by the City is not commenced within such time, capital recovery fees shall be imposed by the City at the rates in effect at the time of imposition.

The parties further agree that the District may transfer its reserved equivalent single-family connections to Galveston County Municipal Utility District No. 15 and that Galveston County Municipal Utility District No. 15 may transfer equivalent single-family connections reserved to it to the District. Any such transfer shall be effective only upon receipt by the City of an agreement between the Districts to such effect.

ARTICLE VIII

Default Provision

Section 8.01: Default and Remedies in Event of Default. Default shall mean, inter alia, the unreasonable refusal of the City to render the various approvals required hereunder, the failure to make proper and timely payments of the amount equal to

the agreed upon portion of the taxes collected on Land and Improvements within the District, the failure to provide the services required under this Agreement or any failure by either party to comply with the terms and conditions of this Agreement.

In addition to all the rights and remedies provided by the laws of the State of Texas, because of the peculiar damage each party hereto might suffer by virtue of a breach by the other party, each party shall be entitled to the equitable remedy of specific performance or mandamus.

Section 8.02: Arbitration. Any controversy, dispute or claim arising out of or relating to this Agreement, or any breach thereof, shall be settled by binding arbitration in accordance with the Texas Arbitration Act. No arbitrator shall have the jurisdiction or authority to add to, take from, nullify, or modify any of the terms of this Agreement, either directly or indirectly under the guise of interpretation. The arbitrator shall be bound by the facts and evidence submitted to him in the hearing and may not go beyond the terms of this Agreement in rendering his award. It is further understood and agreed that the power of the arbitrator shall be strictly limited to determining the meaning and interpretation of the explicit terms of this Agreement as herein expressly set forth, and that no arbitrator shall have the power to base any award on any alleged practices or oral understandings not incorporated herein. Any

award rendered in arbitration proceedings under this Agreement shall be subject to judicial review at the instance of either party for the purpose of determining whether the arbitrator exceeded his power as herein limited, and neither party shall be deemed to have waived its right to such review by proceeding to arbitration without compulsion of a judicial decree. Within his power as herein limited, the arbitrator may enter an award based upon any remedy available to the parties as provided in Section 8.01 of this Agreement. Judgment upon the award may be entered in any court having jurisdiction thereof. Any such arbitration proceeding shall be held at the principal offices of the City, or such other place in Galveston County as is designated by the City. Each party represents that this Agreement was concluded upon the advice of counsel below. The provisions of this section are subject to and shall not be considered as attempting to exclude the jurisdiction of the Texas Natural Resource Conservation Commission ("TNRCC") or any other governmental regulatory authority to arbitrate or settle disputes, hold hearings or enter orders relating to the subject matter of this Agreement.

Prior to arbitration the parties hereto agree to present all matters in dispute to the City Council in open session in an attempt to informally resolve disagreements hereunder. The City shall be provided copies of all relevant documents concerning

matters at issue as well as copies of all documents filed by the District with the TNRCC and the State Attorney General.

ARTICLE IX

Miscellaneous Provisions

Section 9.01: Force Majeure. In the event either party is rendered unable, wholly or in part, by force majeure, to carry out any of its obligations under this Agreement, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible after the occurrence of the cause relied upon, then the obligations of the party giving such notice, to the extent it is affected by force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided, but for no longer period. Such cause shall as far as possible be remedied with all reasonable dispatch.

The term "force majeure" as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of governments and people, explosions, breakage or damage to

machinery or pipelines and any other inabilities of either party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

Section 9.02: Approval. Whenever this Agreement requires or permits approval or consent to be hereafter given by either party, such approval or consent shall be evidenced by resolution adopted by the governing body of the party or by an appropriate certificate executed by a person, firm or entity previously authorized to determine and give such approval or consent on behalf of the party pursuant to an ordinance or resolution adopted by the governing body. The parties agree that no such approval or consent shall be unreasonably withheld.

Section 9.03: Address and Notice. Unless otherwise provided in this Agreement, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "notice") herein provided or permitted to be given, made or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party

to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Agreement, from and after the expiration of three (3) days after it is so deposited.

Notice given in any other manner shall be effective only if and when received by the party to be notified. However, in the event of service interruption or hazardous conditions, neither party will delay remedial action pending the receipt of formal notice. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to City, to:
Mayor
City Hall
300 West Walker
League City, Texas 77573

If to the District, to:
Galveston County Municipal Utility District No. 14
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard
Suite 1400
Houston, Texas 77056

The parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address in Galveston or Harris County, Texas, by at least fifteen (15) days' written notice to the other party.

Section 9.04: Assignability. This Agreement shall bind and benefit the respective parties and their legal successors,

but shall not otherwise be assignable, in whole or in part, by either party without first obtaining written consent of the other.

Section 9.05: Regulatory Agencies. This Agreement shall be subject to all present and future valid laws, orders, rules and regulations of the United States of America, the State of Texas, and of any regulatory body having jurisdiction.

Section 9.06: No Additional Waiver Implied. The failure of either party hereto to insist, in any one or more instances upon performance of any of the terms, covenants or conditions of this Agreement, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by the other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.

Section 9.07: Captions. The captions appearing at the first of each numbered section in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision hereof, or in connection with the duties, obligations or liabilities of the respective parties hereto or in ascertaining intent, if any question of intent should arise.

Section 9.08: Severability. The provisions of this Agreement are not severable, and if any provision or part of this

Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, this Agreement shall terminate and be void, and the Prior Resolutions and Agreements shall again be in full force and effect.

Section 9.09: Merger. This Agreement embodies the entire understanding between the parties and there are no prior effective representations, warranties or agreements between the parties except as set forth in the City ordinances consenting to the creation of the District.

Section 9.10: Construction of Agreement. The parties agree that this Agreement shall not be construed in favor of or against either party on the basis that the party did or did not author this Agreement.

Section 9.11: Term. This Agreement shall be in force and effect from the date of execution hereof for a term of forty (40) years unless otherwise previously terminated pursuant to some term or condition of this Agreement or dissolution of the District.

Section 9.12: District Meetings. The District agrees that it shall hold its Board of Directors (the "Board") meetings at a location or locations as required by law, currently governed by Section 49.062 of the Texas Water Code.

The District agrees to provide to the City for informational purposes or for posting at City Hall or elsewhere, as deemed appropriate by the City, copies of all notices of meetings of the Board. Such notices shall be furnished by the District to the City sufficiently in advance of such meeting as may be necessary to permit posting thereof by the City for the time required by law for notices of public meetings of the Board.

The City shall be allowed to have a representative or representatives attend all Board meetings.

IN WITNESS WHEREOF, the parties hereto have executed this ^{including Addendum (F.C.)} Agreement in multiple copies, each of which shall be deemed to be an original, this the 22nd day of January, 1999.

CITY OF LEAGUE CITY

By: Tommy Frawley
Mayor

ATTEST:

Barbara Nugent
City Secretary

APPROVED AS TO FORM:

Finis Cowan
Finis Cowan
Attorney for the City of
League City

GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 14

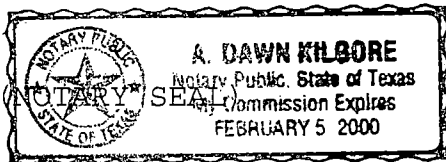
By James Montemayor
President, Board of Directors

ATTEST:

[Signature]
Secretary, Board of Directors

THE STATE OF TEXAS §
COUNTY OF Galveston §

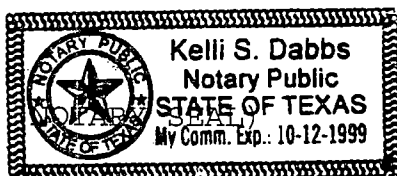
This instrument was acknowledged before me on this 22nd day
of January, 1999, by A. Frankovich,
Mayor, on behalf of the City of League City,
Texas



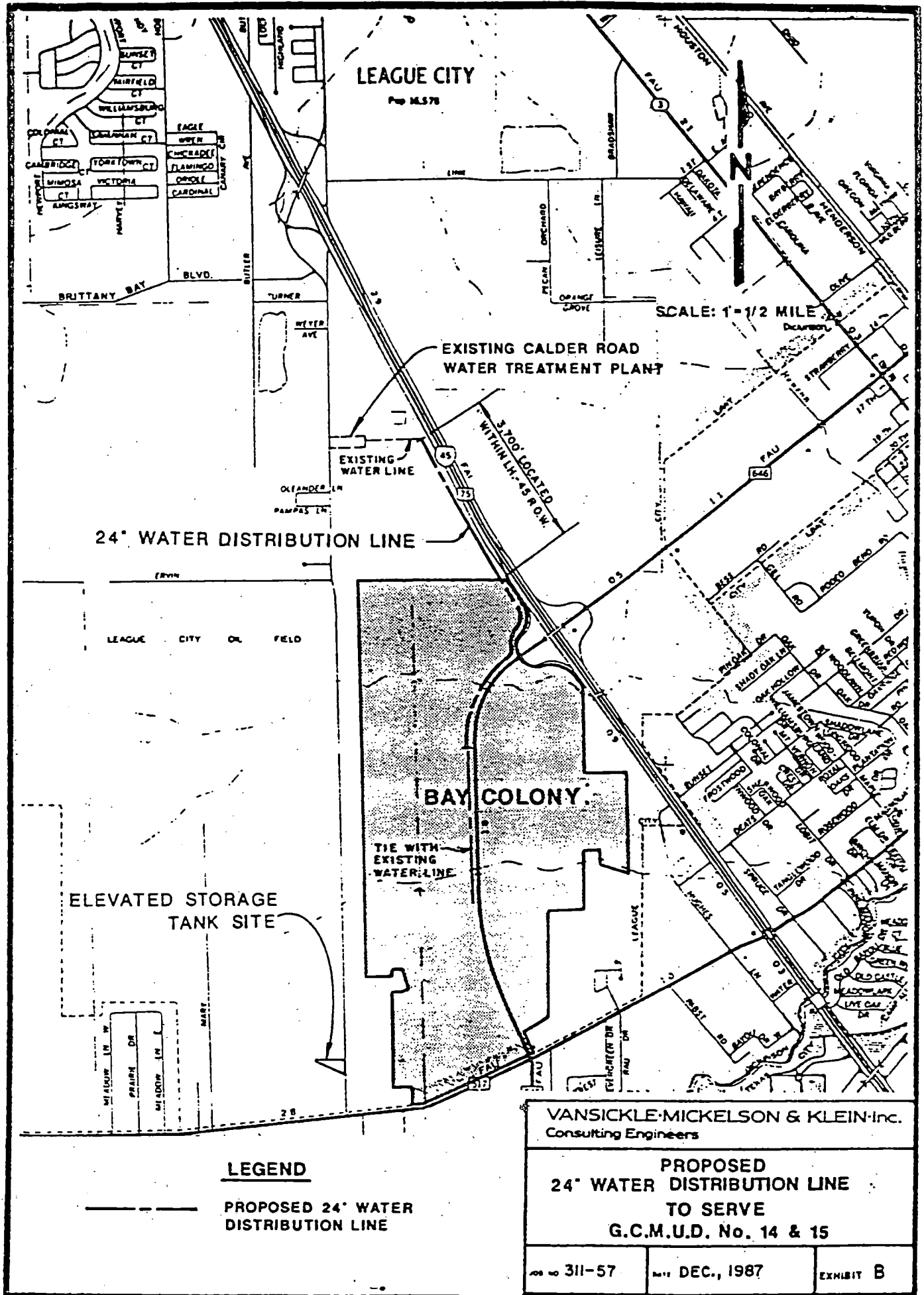
A. Dawn Kilgore
Notary Public, in and for the
State of Texas

THE STATE OF TEXAS §
COUNTY OF Harris §

This instrument was acknowledged before me on this 22nd day
of February, 1999, by Joseph Montemayor,
President, on behalf of Galveston County Municipal
Utility District No. 14.



Kelli S. Dabbs
Notary Public, in and for the
State of Texas



BAY COLONY

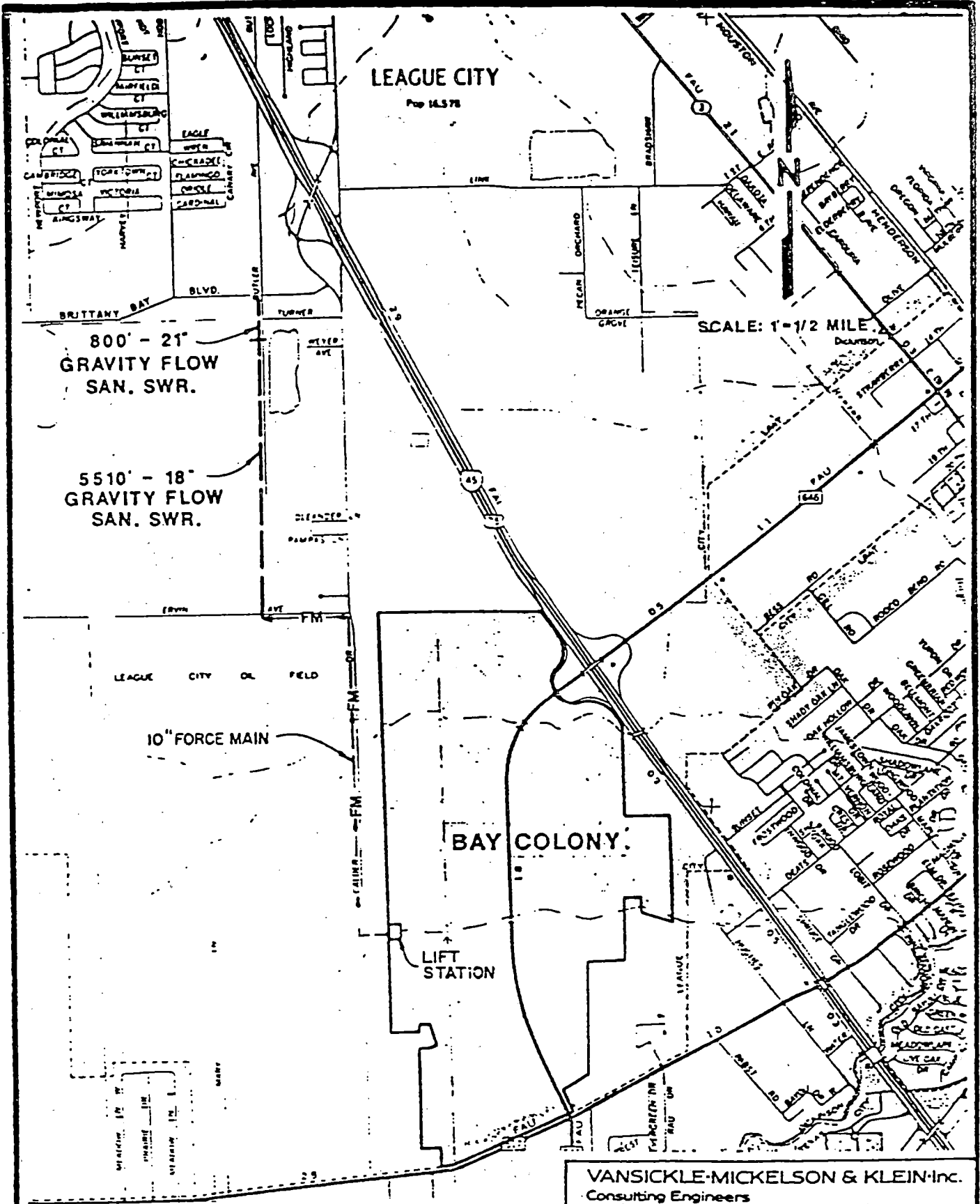
**GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**PROPOSED FACILITIES
PROJECTED CONSTRUCTION COSTS**

I.	Water Distribution Main		
	7,500' - 24" waterline @ \$65.00*/foot	=	\$ 487,500
	Engineering, Inspection, ROW, Contingencies	=	<u>146,250</u>
	TOTAL WATER DISTRIBUTION MAIN		\$ 633,750
II	Elevated Storage Tank Site		
	Purchase of site	=	\$ 41,297
	Engineering Fees	=	<u>45,474**</u>
	TOTAL WATER PLANT		<u>\$ 86,771</u>
	TOTAL MASTER PLAN FACILITIES ELIGIBLE FOR CAPITAL RECOVERY CREDIT		<u>\$ 720,521</u>

* Cost information from League City Master Plan (July, 1985)

** Cost is based on one-half (1/2) engineering fees actually paid.



LEGEND

- FM — SANITARY SEWER FORCE MAIN
- — — GRAVITY FLOW SANITARY SEWER RECEIVING CAPITAL RECOVERY CREDITS

VANSICKLE-MICKELSON & KLEIN Inc.
Consulting Engineers

**PROPOSED
GRAVITY SEWERS
TO SERVE
G.C.M.U.D. No. 14 & 15**

311-62

DEC., 1987

3

BAY COLONY

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

PROPOSED MASTER PLAN FACILITIES
PROJECTED CONSTRUCTION COSTS

BUTLER INTERCEPTORS

5,510' - 18" PVC @ \$100/LF* =	\$ 551,000
1,370' - 21" PVC @ \$115/LF* =	157,550
Engineering, Inspection, ROW, Contingencies =	<u>212,565</u>
 TOTAL MASTER PLAN FACILITIES ELIGIBLE FOR CAPITAL RECOVERY CREDITS	 <u>\$ 921,115</u>

*Cost information from League City Master Plan (July, 1985)

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT # 14

&

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT # 15

Re: CRF Payment Certificates #260 and #261

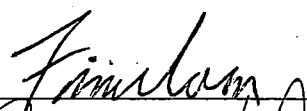
Whereas, as is reflected in the attached MUD 14 and MUD 15 summary, page two, and CRF Payment Certificates 260 and 261, the following CRF credits were issued on September 9, 1988:

	<u>PROJECT</u>	<u>WATER</u>	<u>WASTEWATER</u>
Certificate 260	Centerfield, Sec 2	\$60,160	\$ 96,350
Certificate 261	Highland Village, Sec. 2	\$69,120	\$110,700

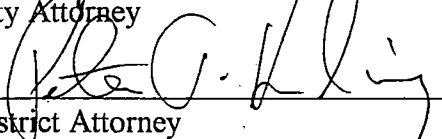
The projects were not developed.

Since the CRF credits were re-negotiated in the Restated Utility Agreements, Certificates 260 and 261 are null and void.

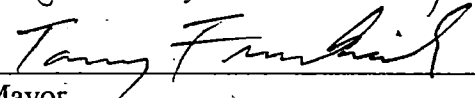
Signatures:



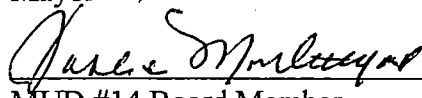
City Attorney



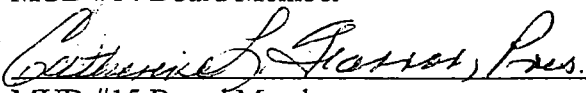
District Attorney



Mayor



MUD #14 Board Member



MUD #15 Board Member

CRF PAYMENT CERTIFICATE

No. 000261

ENGINEERING/PLANNING DEPT.
City of League City
300 West Walker St.
League City, TX 77573
713/332-3431

DEVELOPMENT: Bay Colony Highland Village, Section 1
LOCATION: IM 646 - West
SECTIONS: 1 JOB # 88-01-0, R
COMMENTS: CRF certificate for 104 single family
residential lots - Credit (as per
resolutions 86-04 and 86-11)

METER SIZE: 108 SFR* WATER CRF/UNIT 108 x \$640 = \$69,120.SEWER CRF/UNIT 108 x \$1025 = \$110,700.TOTAL \$ 179,820.

* Exempt as per Resolution 86-04

This is to certify that the City of League City, Texas received payment from:

the amount of _____ DOLLARS

for payment of Capital Recovery Fees (CRF) for proposed above-mentioned development.

DATE: September 9, 1988 Fees Received by: JA Rodriguez

DATE PLANNING COMMISSION APPROVED: _____

DATE CITY COUNCIL APPROVED: _____

WATER AND SEWER CONNECTION CHARGES AND CAPITAL MAINTENANCE FEES ARE TO BE PAID TO CUSTOMER SERVICE DEPARTMENT UPON REQUEST FOR INDIVIDUAL SERVICES. BUILDING PERMITS WILL NOT BE ISSUED UNTIL CAPITAL RECOVERY FEES, CONNECTION CHARGES AND CAPITAL MAINTENANCE FEES ARE PAID IN FULL.

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DEVELOPER

CUSTOMER SERVICE DEPT.

BUILDING DEPARTMENT

Water credits left as per
Certif. 000260

\$1,849,280

- 69,120 this certif

\$1,780,160 total water credits
to date.

sewer credits breakdown
after Certif. 000260

- 63,087.50

- 110,700. - this certif.

- 173,787.50 remaining
another sewer capital
improvement City of
League City
Planned 10/4/85

CRF PAYMENT CERTIFICATE

No. 000260

ENGINEERING/PLANNING DEPT.
City of League City
300 West Walker St.
League City, TX 77573
713/332-3431

DEVELOPMENT: Bay Colony, Centerfield, Section 2
LOCATION: 97646 East
SECTION: 2 - Centerfield JOB # 87-11-07R
COMMENTS: CRF certificates for 94 single family
residential lots - Credit (as per
Resolutions 86-04 and 86-11)

METER SIZE: 94 SFR

* WATER CRF/UNIT 94 x \$640 = \$60,160

** SEWER CRF/UNIT 94 x \$1025 = \$96,350

** Exempt fees
per Res. 86-11TOTAL \$ 156,510.

* Exempt as per Resolution 86-04

This is to certify that the City of League City, Texas received payment from:

the amount of _____ DOLLARS

for payment of Capital Recovery Fees (CRF) for proposed above-mentioned development.

DATE: September 9, 1988 Fees Received by: M. Rodriguez

DATE PLANNING COMMISSION APPROVED: _____

DATE CITY COUNCIL APPROVED: _____

WATER AND SEWER CONNECTION CHARGES AND CAPITAL MAINTENANCE FEES ARE TO BE PAID TO CUSTOMER SERVICE DEPARTMENT UPON REQUEST FOR INDIVIDUAL SERVICES. BUILDING PERMITS WILL NOT BE ISSUED UNTIL CAPITAL RECOVERY FEES, CONNECTION CHARGES AND CAPITAL MAINTENANCE FEES ARE PAID IN FULL.

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DEVELOPER

CUSTOMER SERVICE DEPT.

BUILDING DEPARTMENT

Water credits left as per
Certif. 000242.

\$1,909,440

60,160 this certif.

\$1,849,280 Total water credits
left to date

Sewer credits left as per
Certif. 000242

\$33,262.50

- 63,027.50

{ 000242