

File No. SKETCH FILE 73A

GALVESTON County

Exchange Agreement: GLO & Mitchell Resorts, Inc.

Date Filed: December 6, 1998

STATE OF TEXAS

§

David Dewhurst, Commissioner

COUNTY OF GALVESTON

§

By

Douglas Howard

§

EXCHANGE AGREEMENT

This Exchange Agreement ("Agreement") is made and entered into by and between the State of Texas, acting by and through Garry Mauro, Commissioner of the Texas General Land Office and Chairman of the School Land Board, on behalf of the Permanent School Fund (the "State"), and Mitchell Resorts, Inc. ("Mitchell").

WHEREAS, Mitchell, and/or affiliated business entities, developed a residential area named the Pirate's Cove Subdivision (the "Subdivision") located along the water body known as "Eckert's Bayou," Galveston Island, Galveston County, Texas, and located in the Jones and Hall Survey also known as the "Trimble and Lindsey Survey" (the "Development");

WHEREAS, Mitchell has sold, among other lots in the Development, Lots 17 and 18, Block 6, and Lots 1 through 7, Block 11, all in Section 6 of the Subdivision (the "Lots") to third parties, which third parties and their successors-in-interests to the Lots are intended third-party beneficiaries of this Agreement (the "Lot Owners");

WHEREAS, a line roughly parallel to the line formed by the bayou-side boundary of the Lots, and being the line of mean high water at the time (0.54') (the "Line"), was surveyed by Licensed State Land Surveyor Jack A. Hall, and dated February 10, 1992 (the "Survey");

WHEREAS, Mitchell desires to clarify title to the land lying between the bulkhead shoreline of the Lots and the Line (the "Submerged Strip"), as the Submerged Strip is shown and/or described in Exhibit "A" hereto;

WHEREAS, the Survey was submitted to the General Land Office, and received February 13, 1992;

WHEREAS, both the State and Mitchell claim ownership of the submerged land in Eckert's Bayou;

WHEREAS, Mitchell owns an approximately 6-acre tract located above the line of mean high water, as described in Exhibit "B" hereto and incorporated herein (the "Acreage");

WHEREAS, the State and Mitchell deem it to be in their respective best interests to resolve the dispute and conflict regarding the ownership of Eckert's Bayou without the necessity of protracted and costly litigation;

WHEREAS, the State and Mitchell agree that a resolution of their competing claims can be achieved by an arrangement of mutual transfer of their respective claims of title to certain parcels of land so that each can have and hold, free of any claim by the other, and the parties being in agreement that each is receiving a benefit and value equal to that received by the other party; and

WHEREAS, the School Land Board approved the execution of this Agreement at its regularly scheduled meeting of October 6, 1998;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties mutually agree as follows:

1. Pursuant to the authority under Sections 33.001(g) and 32.061 (note), TEX. NAT. RES. CODE. ANN. (Vernon Supp. 1998), the State agrees to transfer to Mitchell the State's claim to the Submerged Strip in exchange for Mitchell's transfer to the State of the Acreage and Mitchell's claim and title to the submerged land located in Eckert's Bayou save and except the Submerged Strip.
2. Upon execution of this Agreement, the State and Mitchell agree to execute deeds in the forms as attached as Exhibits "C-1", "C-2", and "C-3", as evidence of a transfer of their respective properties.
3. This Agreement is executed by the State, acting by and through Garry Mauro, Commissioner of the Texas General Land Office and Chairman of the School Land Board, on behalf of the Permanent School Fund.
4. This Agreement shall be binding on and inure to the benefit of the successors, heirs, representatives, and assigns of the parties hereto, and the Lot Owners are third-party beneficiaries of this Agreement. Nothing in this Agreement shall be deemed nor construed as being an admission or a recognition of, or constitute a bar to the assertion of, a different basis for the determination of ownership of any property by the parties hereto, or any of the parties hereto and any other party, at any other place or location.
5. Mitchell agrees not to fill, dredge, or otherwise disturb the Submerged Strip in any way.
6. The State and Mitchell agree that this Agreement shall have no impact on the application of the laws of the State of Texas with regards to the impact of natural forces on public and private lands, such as erosion and accretion.

7. In the event of erosion landward of the Submerged Strip due to a storm event, the State and Mitchell acknowledge that for a period of time not to exceed one year from the time Mitchell, or its successors-in-interest to the Lots, receives written notification by the General Land Office that such storm event has taken place, Mitchell, or its successors-in-interest to the Lots, may, pursuant to law and General Land Office rules, reclaim any portion of the Lots landward of the boundary of the Submerged Strip that became submerged as a result of such storm event. Mitchell acknowledges that this ability to reclaim does not extend to any portion of the Submerged Strip. If Mitchell, or its successors-in-interest to the Lots, fails to reclaim such area within said one-year period, Mitchell acknowledges that the State will claim ownership to all submerged land in Eckert's Bayou located landward of the Submerged Strip that has not been reclaimed.

IN WITNESS WHEREOF, this Agreement is executed under Seal of Office this 6th day of October, 1998, effective Octm 6,, 1998.

STATE OF TEXAS

Garry Mauro
Garry Mauro, Commissioner,
Texas General Land Office, and
Chairman, School Land Board

APPROVED:

Contents; Keown
Deputy Comm. _____
Sr. Deputy SK
Executive _____

MITCHELL RESORTS, INC.

Don E. Roose Jr
By: Don E. Roose, Jr.
Its: Vice President - Controller

STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on September 18, 1998, by Don E. Roose, Jr., Vice President-Controller of Mitchell Resorts, Inc., a Delaware corporation, on behalf of the corporation.

Tina M. Gibson
Notary Public in and for
the State of _____
Commission expires: _____



together with any improvements located thereon, provided however that there is RESERVED unto Grantor, AND EXCEPTED from this conveyance all oil, gas, coal, lignite, salt, potash, uranium, thorium and all other minerals in and under the above described Property with all leasing rights thereto, as well as the right of ingress and egress to explore for, develop and produce the same, provided, however, that notwithstanding anything herein to the contrary, it is agreed that Grantor will not allow or permit any exploration or drilling on the surface of the Property or use the surface in the exercise of any rights herein reserved, and that any development of said Property shall be by means of a directional well located off the premises, or by pooling of said land with other land, lease or leases.

TO HAVE AND TO HOLD the above described Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the said Grantee, its successors and assigns forever; provided, however, this conveyance is made subject to all restrictions, covenants, conditions, reservations, rights-of-way, and easements, if any, that are valid and properly of record or visible and apparent upon the Property described above. The Property has heretofore, by agreement of the parties hereto, been designated and used as a seagrass mitigation site

and this deed is made and accepted subject to an absolute prohibition and restriction, as a covenant running with the Property, of any filling of all or any part of the Property, or the causing or allowing of fill, by the Grantee, its successors and assigns at any time for any reason.

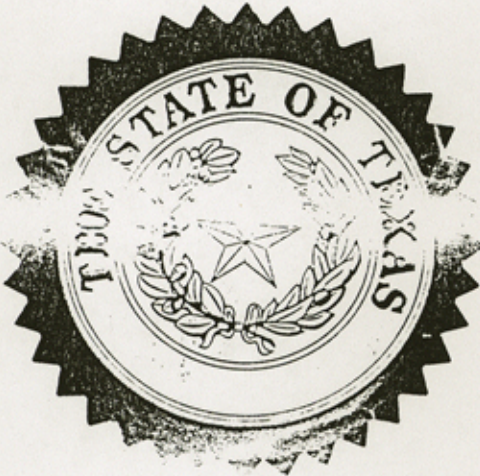
The transfer from Grantor to Grantee is further subject to taxes, if any, for tax year 1998 and subsequent tax years, and any matters of record in the official files of the Texas General Land Office and/or in the Real Property Records of Galveston County, Texas.

Grantor, for the consideration and subject to the reservations and exceptions herein described, transfers to Grantee the Property without any express or implied warranty whatsoever, and all warranties that might arise by common law and the warranties in §5.023 of the Texas Property Code, as written or hereafter amended, are specifically excluded.

TO HAVE AND TO HOLD the above described Property unto the said Grantee, Grantee's heirs, administrators, executors, successors and/or assigns forever.

WITNESS OUR HANDS and seals of office at Austin, Texas, on the
dates shown below.

THE STATE OF TEXAS



By: *George W. Bush*
George W. Bush, Governor

Date of Execution: 11/17/98

By: *Garry Mauro*
Garry Mauro, Commissioner
Texas General Land Office
Chairman, School Land Board

Date of Execution: 10/20/98

APPROVED

Legal *[Signature]*
Contents *[Signature]*
Dep. Comm. _____
Sr. Dep. *[Signature]*
Executive _____

WARRANTY DEED

STATE OF TEXAS

§

KNOW ALL BY THESE PRESENTS:

COUNTY OF GALVESTON

§

§

THAT MITCHELL RESORTS, INC., 2201 Timberloch Place, the Woodlands, Texas, 77380, as Grantor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has sold and transferred, and by these presents does sell and transfer unto THE STATE OF TEXAS, acting by and through Garry Mauro, Commissioner of the General Land Office and Chairman of the School Land Board, on behalf of the Permanent School Fund, 1700 North Congress Avenue, Austin, Travis County, Texas 78701, as Grantee, the real property described as follows:

an approximately 5.764 acre tract of land out of Lots 7, 8, 23 and 36 of Section 3 of the Jones and Hall Survey, also known as the Trimble and Lindsey Survey, as more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (the "Property"),

provided however that there is RESERVED unto Grantor, AND EXCEPTED from this conveyance all oil, gas, coal, lignite, salt, potash, uranium, thorium and all other minerals in and

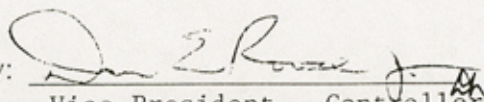
under the above described Property with all leasing rights thereto, as well as the right of ingress and egress to explore for, develop and produce the same, provided, however, that notwithstanding anything herein to the contrary, it is agreed that Grantor will not allow or permit any exploration or drilling on the surface of the Property or use the surface in the exercise of any rights herein reserved, and that any development of said Property shall be by means of a directional well located off the premises, or by pooling of said land with other land, lease or leases. Grantor grants, sells, and conveys to Grantee the Property, together with all and singular the rights and appurtenances thereto in any wise belonging, to have and hold it to Grantee, Grantee's heirs, executors, administrators, successors, or assigns forever.

Grantor binds Grantor and Grantor's heirs, executors, administrators, successors and assigns, to warrant and forever defend all and singular the property to Grantee and Grantee's heirs, executors, administrators, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof.

When the context requires, singular nouns and pronouns include the plural.

EXECUTED this 18th day of September, 1998, effective 11/17/98.

MITCHELL RESORTS, INC.,
a Delaware corporation

By: 
Its: Vice President - Controller

STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on September 18, 1998, by Don E. Roose, Jr., * of Mitchell Resorts, Inc. a Delaware corporation, on behalf of the corporation.

*Vice President - Controller

Tina M. Gibson
Notary Public in and for the
State of _____

Commission expires: _____



EXHIBIT C-3

QUITCLAIM DEED

THE STATE OF TEXAS §
 § KNOW ALL BY THESE PRESENTS:
COUNTY OF GALVESTON §

That the undersigned, MITCHELL RESORTS, INC., a Delaware corporation, hereinafter referred to as "Grantor", for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has QUITCLAIMED, and by these presents does QUITCLAIM unto THE STATE OF TEXAS, ON BEHALF OF THE PERMANENT SCHOOL FUND, herein referred to as "Grantee", all of Grantor's right, title and interest in and to the submerged bed of Eckert's Bayou, Galveston County, Texas, together with all appurtenances thereto SAVE AND EXCEPT the following tract of land:

an approximately one-acre tract located above the line of mean high water as depicted on a survey plat prepared by Licensed State Land Surveyor Jack A. Hall, dated February 10, 1992, shown as elevation 0.54 feet, adjacent to Lots 17 and 18, Block 6, Section 6 and Lots 1 through 7, Block 11, Section 6 of the Pirate's Cove Subdivision in the Jones and Hall Survey, also known as the Trimble and Lindsey Survey, as more particularly described in Exhibit "A" attached hereto;

provided, the filing of this quitclaim deed is not intended to, and shall not be used to, raise or assert a waiver or

relinquishment of a claim of ownership by the State of Texas to all or any portion of the property *subject* to this quitclaim.

TO HAVE AND TO HOLD all of Grantor's right, title and interest in and to the above described property and premises unto the Grantee, and Grantee's administrators, successors and/or assigns forever; so that neither Grantor nor Grantor's administrators, successors and/or assigns shall have, claim or demand any right of title to the aforesaid property, premises or appurtenances or any part thereof.

NO RIGHT, DEFENSE OR MITIGATION AVAILABLE TO THE STATE OF TEXAS UNDER ANY APPLICABLE FEDERAL OR STATE LAW IS WAIVED, RELEASED OR RELINQUISHED AS A RESULT OF THE ACCEPTANCE OF DELIVERY OF THIS DEED BY GRANTEE, THE FILING OF THIS QUITCLAIM DEED AND/OR THE SUBSEQUENT FAILURE BY THE STATE OF TEXAS TO DISCLAIM THIS QUITCLAIM. THE STATE OF TEXAS, BY THE ACCEPTANCE OF DELIVERY OF THIS QUITCLAIM DEED, DOES NOT ASSUME, RECOGNIZE THE VALIDITY OF, OR TAKE SUBJECT TO ANY LIEN, CHARGE, ASSESSMENT, ENCUMBRANCE OR RESTRICTION ON OR AGAINST ANY PORTION OF THE PROPERTY SUBJECT HERETO, REGARDLESS OF WHEN OR HOW CREATED.

EXECUTED this 18th day of September, 1998, effective
11/17/98.

MITCHELL RESORTS, INC.,
a Delaware corporation

By: *Don E. Roose*
Its: Vice President - Controller

STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on September 18,
1998, by Don E. Roose, * of Mitchell Resorts, Inc. a
Delaware corporation, on behalf of the corporation.

*Vice President - Controller

Tina M. Gibson
Notary Public in and for the
State of _____

Commission expires: _____



PIRATES COVE SECTION SIX
0.635 ACRES

Being a 0.635 acre tract of land situated in Galveston County, Texas in the Trimble and Lindsey Survey, Section Two, out of Reserve "O" and Block 6 of the Second Amending Plat of Pirates Cove Section 6 as recorded in Volume 18, Sheet 574 of the Galveston County Map Records and being more particularly described by metes and bounds as follows with all control referred to the Texas State Plane Coordinate System, Lambert Projection, South Central Zone, with bearing base being the southeast line of Lot 18 of said Block 6;

BEGINNING at the east corner of said Lot 18 common to the most northerly corner of Reserve "E" of said Section 6;

THENCE along the southeast line of said Lot 18, S 07°04'22" W, 35.05 feet to a point for corner;

THENCE severing said Block 6 as follows:

N 87°26'22" W, 23.83 feet to a point for corner;

N 84°50'30" W, 29.95 feet to a point for corner;

N 81°40'02" W, 98.17 feet to a point for corner;

S 86°05'02" W, 26.00 feet to a point for corner;

S 75°09'49" W, 17.30 feet to a point for corner;

S 71°16'04" W, 17.36 feet to a point for corner;

And S 66°22'21" W, 6.35 feet to a point for corner in the west line of Lot 16 of said Block 6 common to the east line of Lot 15 of said Block 6;

THENCE along said common lot line N 20°05'32" W, 30.12 feet to the northwest corner of said Lot 16 common to the northeast corner of said Lot 15 located in the south line of Reserve "O" of said Section 6;

THENCE severing said Reserve "O", N 72°00'00" W, 151.59 feet to the south corner of Lot 2 of said Block 6 common to the east corner of Lot 3 of said Block 6;

THENCE along the common lot line between Lots 2 and 3, N 75°41'24" W, 30.07 feet to a point for corner;

THENCE severing said Block 6 northerly along a curve to the left an arc distance of 92.71 feet based on a radius of 139.57 feet, a central angle of 38°03'25" and having a chord which bears N 00°24'41" W a chord distance of 91.01 feet to the end of said curve being non-tangent at this point;

THENCE N 37°26'22" W, 21.26 feet to a point for corner;

THENCE N 34°02'51" W, 53.57 feet to a point for corner in the north line of Lot 1 and north line of said Block 6;

THENCE along said north line N 63°13'00" E, 30.24 feet to the northeast corner of said Lot 1 and said Block 6;

THENCE along the easterly line of said Block 6 and easterly line of said Section 6 as follows:

S 34°02'51" E, 47.94 feet to a point for corner;

S 40°57'07" E, 39.87 feet to a point for corner;

S 53°18'57" E, 35.79 feet to a point for corner;
S 66°44'59" E, 32.10 feet to a point for corner;
S 51°46'17" E, 33.82 feet to a point for corner;
S 62°55'30" E, 33.66 feet to a point for corner;
S 66°32'04" E, 33.25 feet to a point for corner;
S 49°17'15" E, 35.75 feet to a point for corner;
S 61°40'32" E, 32.63 feet to a point for corner;
S 80°05'05" E, 35.14 feet to a point for corner;
S 81°45'23" E, 33.55 feet to a point for corner;
S 72°18'23" E, 32.51 feet to a point for corner;
S 82°55'02" E, 31.87 feet to a point for corner;

And S 89°11'59" E, 35.80 feet to the POINT OF BEGINNING and
containing 0.635 acres of land.

PIRATES COVE SECTION SIX
0.388 ACRES

Being a 0.388 acre tract of land situated in Galveston County, Texas in the Trimble and Lindsey Survey, Section Two, out of Reserve "P" and Block 11 of the Second Amending Plat of Pirates Cove Section 6 as recorded in Volume 18, Sheet 574 of the Galveston County Map Records and being more particularly described by metes and bounds as follows with all control referred to the Texas State Plane Coordinate System, Lambert Projection, South Central Zone, with bearing base being the west line of Lot 1 of said Block 11;

BEGINNING at the north corner of said Lot 1 common to the most northerly northeast corner of Reserve "E" of said Section 6;

THENCE along the northeasterly line of said Block 11 and Reserve "P" as follows:

N 84°11'15" E, 76.03 feet to a point for corner;

N 75°25'30" E, 34.06 feet to a point for corner;

S 89°17'31" E, 32.37 feet to a point for corner;

S 87°30'49" E, 30.66 feet to a point for corner;

S 72°23'34" E, 39.41 feet to a point for corner;

S 62°38'04" E, 54.08 feet to a point for corner in the northeast line of Lot 4 of said Block 11 and north corner of said Reserve "P";

S 72°28'12" E, 66.07 feet to a point for corner;

S 72°37'44" E, 53.99 feet to a point for corner;

S 64°24'11" E, 60.34 feet to a point for corner;

S 78°18'46" E, 46.75 feet to a point for corner;

And N 73°15'22" E, 22.08 feet to a point for corner;

THENCE severing said Reserve "P" and Block 11, S 29°59'49" W, 76.66 feet to a point for corner in the southeast line of Lot 7 of said Block 11 common to the northwest line of Lot 8 of said Block 11;

THENCE severing said Block 11 as follows:

N 58°01'11" W, 24.40 feet to a point for corner;

N (S) 59°40'00" W, 69.03 feet to a point for corner;

N 66°36'50" W, 217.88 feet to a point for corner;

N 79°40'34" W, 20.80 feet to a point for corner;

And N 87°27'33" W, 154.17 feet to a point for corner in the west line of said Lot 1 common to the east line of said Reserve "E";

THENCE along said common line N 00°00'59" W, 9.00 feet to the POINT OF BEGINNING and containing 0.388 acres of land.

EXHIBIT B

Being a 5.764 acre tract of land out of Lots 7, 8, 23, 25 and 36 of Section 3 of the Trimble and Lindsey Survey of Galveston Island, Galveston County, Texas and the intervening and adjoining roads, and being more particularly described by metes and bounds as follows;

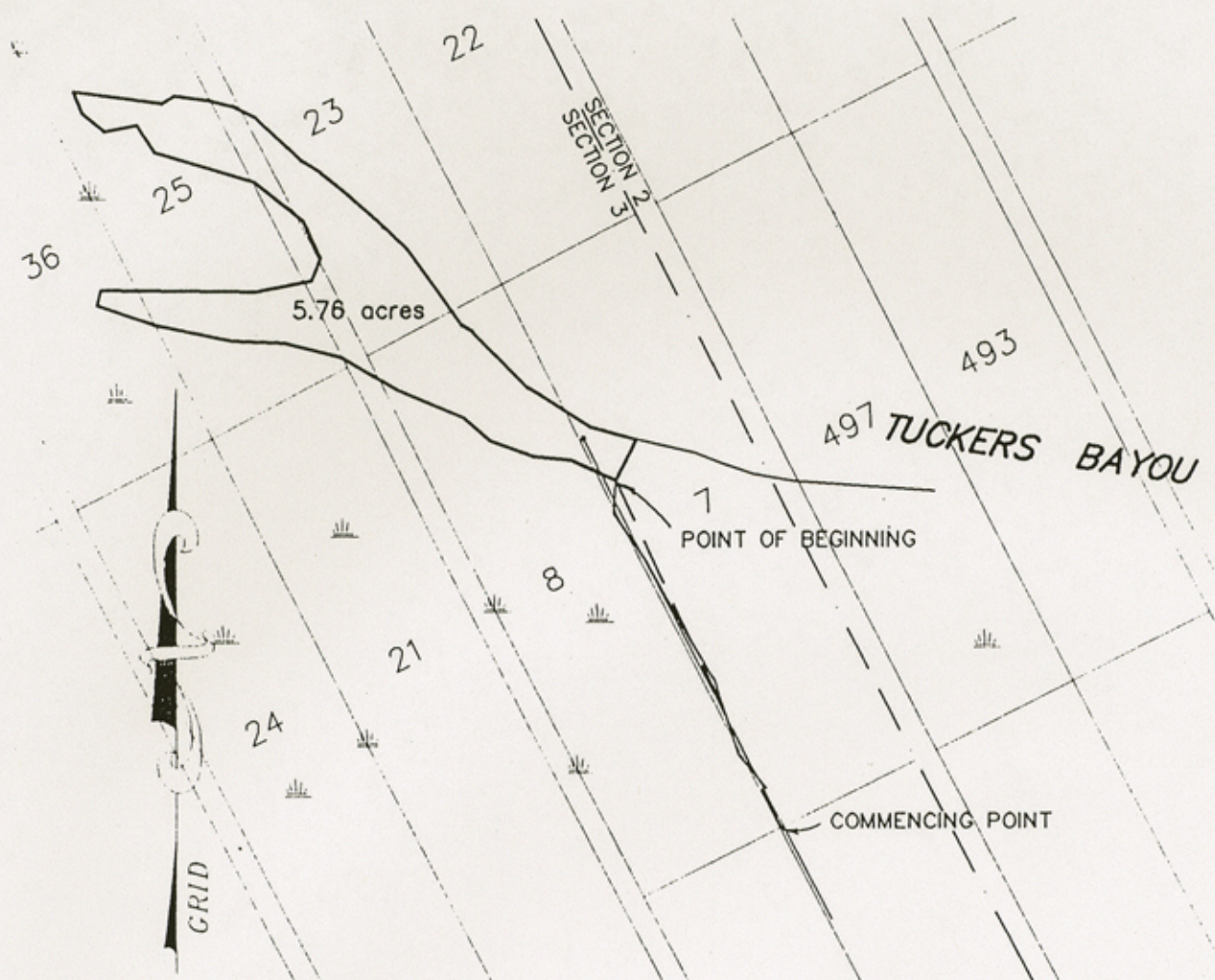
COMMENCING at the Southwest corner of said Lot 7 common to the Southeast corner of said Lot 8;

THENCE N 24° 52' 13" W, a distance of 838.73 feet to the Mean High Water Line on the Westerly line of an island and the POINT OF BEGINNING;

THENCE following the said Mean High Water Line of said Island as follows:

N 66-24-08 W Length: 108.1
N 84-22-52 W Length: 78.4
N 70-42-56 W Length: 101.0
N 49-49-10 W Length: 77.1
N 67-54-52 W Length: 158.1
N 60-23-54 W Length: 140.2
N 75-42-50 W Length: 124.6
N 87-18-13 W Length: 116.0
N 78-10-55 W Length: 169.7
N 71-09-23 W Length: 133.3
N 15-50-52 E Length: 32.7
S 89-14-46 E Length: 338.5
N 79-39-55 E Length: 122.1
N 21-36-34 E Length: 51.7
N 24-09-07 W Length: 89.6
N 51-54-44 W Length: 132.5
N 73-14-37 W Length: 227.4
N 31-38-10 W Length: 72.9
S 79-34-39 W Length: 71.3
N 51-46-39 W Length: 63.8
N 23-00-50 W Length: 51.3
S 82-04-14 E Length: 198.7
N 57-15-49 E Length: 30.9
S 82-12-26 E Length: 79.1
S 74-55-43 E Length: 48.4
S 63-48-20 E Length: 57.8
S 46-08-13 E Length: 137.4
S 57-07-26 E Length: 47.7
S 51-25-21 E Length: 79.5
S 48-54-06 E Length: 82.7
S 45-45-57 E Length: 88.2
S 35-46-50 E Length: 201.5
S 59-12-07 E Length: 26.5
S 45-13-04 E Length: 168.5
S 60-44-21 E Length: 35.5
S 57-42-45 E Length: 123.9
S 75-13-51 E Length: 105.3

THENCE S 27-31-49 W, leaving the said Mean High Water Line, a distance of 97.4 feet to the PLACE OF BEGINNING and containing 5.764 acres of land above the said Mean High Water Line.



NOTES: BEARINGS BASED ON SPC TXSC OF HGCS D 62 AND ROBINSON, HORIZONTAL DATUM 83.
 ELEVATIONS BASED ON K 1186 ELEVATION OF 3.42 FEET ABOVE MEAN SEA LEVEL 1987 ADJUSTMENT.
 MEAN HIGH WATER LINE ESTABLISHED AT 0.78' ABOVE MEAN SEA LEVEL 1987 ADJ.
 PRESENCE OF UNDERGROUND UTILITIES AND PIPELINES NOT SHOWN OR RESEARCHED.
 1" IRON PIPES SET AT ALL POINTS ALONG MEAN HIGH WATER LINE

Revised 1-16-98 to describe 5.764 acre tract- all field work of original date
 NOVEMBER 14, 1997 SCALE 1" = 400'

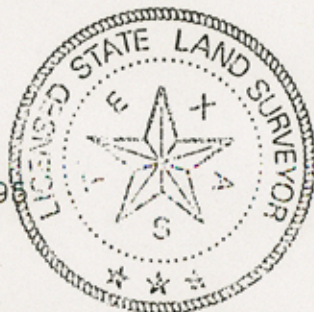
Survey of a 5.764 acre tract of land out of Lots 7, 8, 23, 25 and 36 of Section 3 of the Trimble and Lindsey Survey of Galveston Island, Galveston County, Texas and the intervening and adjoining roads, and being more particularly described by metes and bounds on attached Exhibit "A"

I hereby certify that on the above date, the above described property together with improvements located thereon was surveyed on the ground under my direction and that the above map together with dimensions as shown, is true and correct as of the above date. There are no overages nor shortages in the above tract. There are no encroachments other than shown.

HALL & JOHNSON, SURVEYORS

Jack A. Hall

Jack A. Hall
 Licensed State Land Surveyor
 Registered Professional Land Surveyor No. 95
 P.O. Box 877
 Galveston, Texas 77553
 Ph. 409 740 1517 Fax 409 740 0377



NOTE: The above property does lie within the 100 year flood plain as established by the U.S. Department of Housing and Urban Development.

Counter 23997

File No. SKETCH FILE 73 B

GALVESTON Co County
QUITCLAIM DEED - APPROX. 1 acre - Section 6
Pirates Cove Subd: Mitchell's Resorts, Inc. to PSF

QUITCLAIM DEED Date Filed: December 6, 1998

David Dewhurst, Commissioner

By Douglas Howard

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

KNOW ALL BY THESE PRESENTS:

That the undersigned, MITCHELL RESORTS, INC., a Delaware corporation, hereinafter referred to as "Grantor", for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has QUITCLAIMED, and by these presents does QUITCLAIM unto THE STATE OF TEXAS, ON BEHALF OF THE PERMANENT SCHOOL FUND, herein referred to as "Grantee", all of Grantor's right, title and interest in and to the submerged bed of Eckert's Bayou, Galveston County, Texas, together with all appurtenances thereto SAVE AND EXCEPT the following tract of land:

an approximately one-acre tract located above the line of mean high water as depicted on a survey plat prepared by Licensed State Land Surveyor Jack A. Hall, dated February 10, 1992, shown as elevation 0.54 feet, adjacent to Lots 17 and 18, Block 6, Section 6 and Lots 1 through 7, Block 11, Section 6 of the Pirate's Cove Subdivision in the Jones and Hall Survey, also known as the Trimble and Lindsey Survey, as more particularly described in Exhibit "A" attached hereto;

provided, the filing of this quitclaim deed is not intended to, and shall not be used to, raise or assert a waiver or

relinquishment of a claim of ownership by the State of Texas to all or any portion of the property subject to this quitclaim.

TO HAVE AND TO HOLD all of Grantor's right, title and interest in and to the above described property and premises unto the Grantee, and Grantee's administrators, successors and/or assigns forever; so that neither Grantor nor Grantor's administrators, successors and/or assigns shall have, claim or demand any right of title to the aforesaid property, premises or appurtenances or any part thereof.

NO RIGHT, DEFENSE OR MITIGATION AVAILABLE TO THE STATE OF TEXAS UNDER ANY APPLICABLE FEDERAL OR STATE LAW IS WAIVED, RELEASED OR RELINQUISHED AS A RESULT OF THE ACCEPTANCE OF DELIVERY OF THIS DEED BY GRANTEE, THE FILING OF THIS QUITCLAIM DEED AND/OR THE SUBSEQUENT FAILURE BY THE STATE OF TEXAS TO DISCLAIM THIS QUITCLAIM. THE STATE OF TEXAS, BY THE ACCEPTANCE OF DELIVERY OF THIS QUITCLAIM DEED, DOES NOT ASSUME, RECOGNIZE THE VALIDITY OF, OR TAKE SUBJECT TO ANY LIEN, CHARGE, ASSESSMENT, ENCUMBRANCE OR RESTRICTION ON OR AGAINST ANY PORTION OF THE PROPERTY SUBJECT HERETO, REGARDLESS OF WHEN OR HOW CREATED.

EXECUTED this 18th day of September, 1998, effective
11/17/98.

MITCHELL RESORTS, INC.,
a Delaware corporation

By: Don E. Roose
Its: Vice President - Controller *DR*

STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on September 18,
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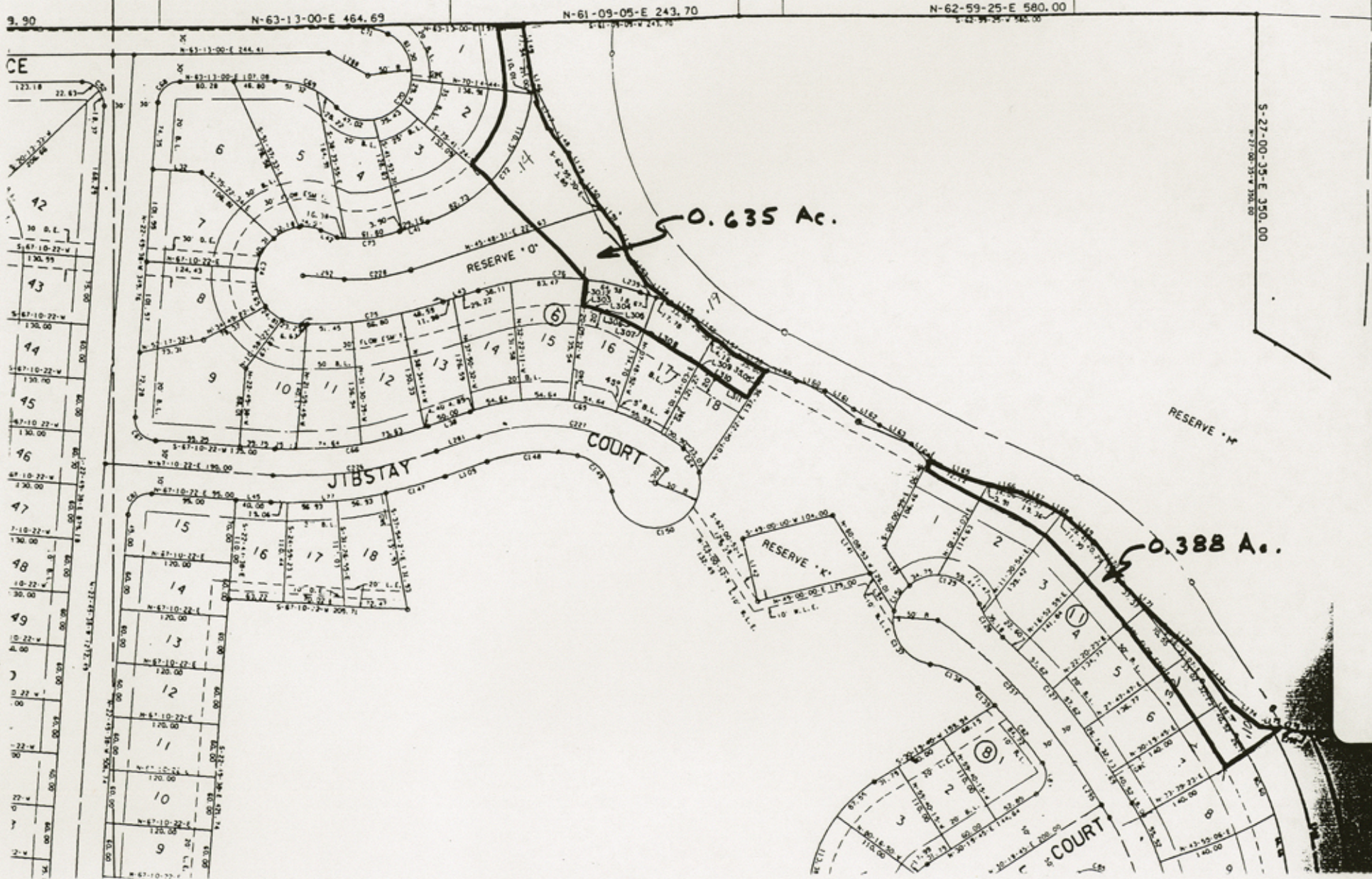
*Vice President - Controller

Tina M. Gibson
Notary Public in and for the
State of _____

Commission expires: _____



I. FRITOLFSON TRACT



Quarter 24001

EXHIBIT A

File No. SKETCH FILE 73C

GALVESTON County
Warranty Deed - 5.764 ac. - Mitchell Resorts, Inc.
to PSF & PSF

Date Filed: December 6, 1990

David Dewhurst, Commissioner

By Douglas Howard

WARRANTY DEED

STATE OF TEXAS

§
§
§

KNOW ALL BY THESE PRESENTS:

COUNTY OF GALVESTON

THAT MITCHELL RESORTS, INC., 2201 Timberloch Place, the Woodlands, Texas, 77380, as Grantor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has sold and transferred, and by these presents does sell and transfer unto THE STATE OF TEXAS, acting by and through Garry Mauro, Commissioner of the General Land Office and Chairman of the School Land Board, on behalf of the Permanent School Fund, 1700 North Congress Avenue, Austin, Travis County, Texas 78701, as Grantee, the real property described as follows:

an approximately 5.764 acre tract of land out of Lots 7, 8, 23 and 36 of Section 3 of the Jones and Hall Survey, also known as the Trimble and Lindsey Survey, as more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (the "Property"),

provided however that there is RESERVED unto Grantor, AND EXCEPTED from this conveyance all oil, gas, coal, lignite, salt, potash, uranium, thorium and all other minerals in and

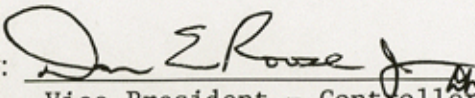
under the above described Property with all leasing rights thereto, as well as the right of ingress and egress to explore for, develop and produce the same, provided, however, that notwithstanding anything herein to the contrary, it is agreed that Grantor will not allow or permit any exploration or drilling on the surface of the Property or use the surface in the exercise of any rights herein reserved, and that any development of said Property shall be by means of a directional well located off the premises, or by pooling of said land with other land, lease or leases. Grantor grants, sells, and conveys to Grantee the Property, together with all and singular the rights and appurtenances thereto in any wise belonging, to have and hold it to Grantee, Grantee's heirs, executors, administrators, successors, or assigns forever.

Grantor binds Grantor and Grantor's heirs, executors, administrators, successors and assigns, to warrant and forever defend all and singular the property to Grantee and Grantee's heirs, executors, administrators, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof.

When the context requires, singular nouns and pronouns include the plural.

EXECUTED this 18th day of September, 1998, effective 11/17/98.

MITCHELL RESORTS, INC.,
a Delaware corporation

By: 
Its: Vice President - Controller

STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on September 18, 1998, by Don E. Roose, Jr., * of Mitchell Resorts, Inc. a Delaware corporation, on behalf of the corporation.

*Vice President - Controller

Tina M. Gibson
Notary Public in and for the
State of _____

Commission expires: _____



EXHIBIT "A"

Being a 5.764 acre tract of land out of Lots 7, 8, 23, 25 and 36 of Section 3 of the Trimble and Lindsey Survey of Galveston Island, Galveston County, Texas and the intervening and adjoining roads, and being more particularly described by metes and bounds as follows;

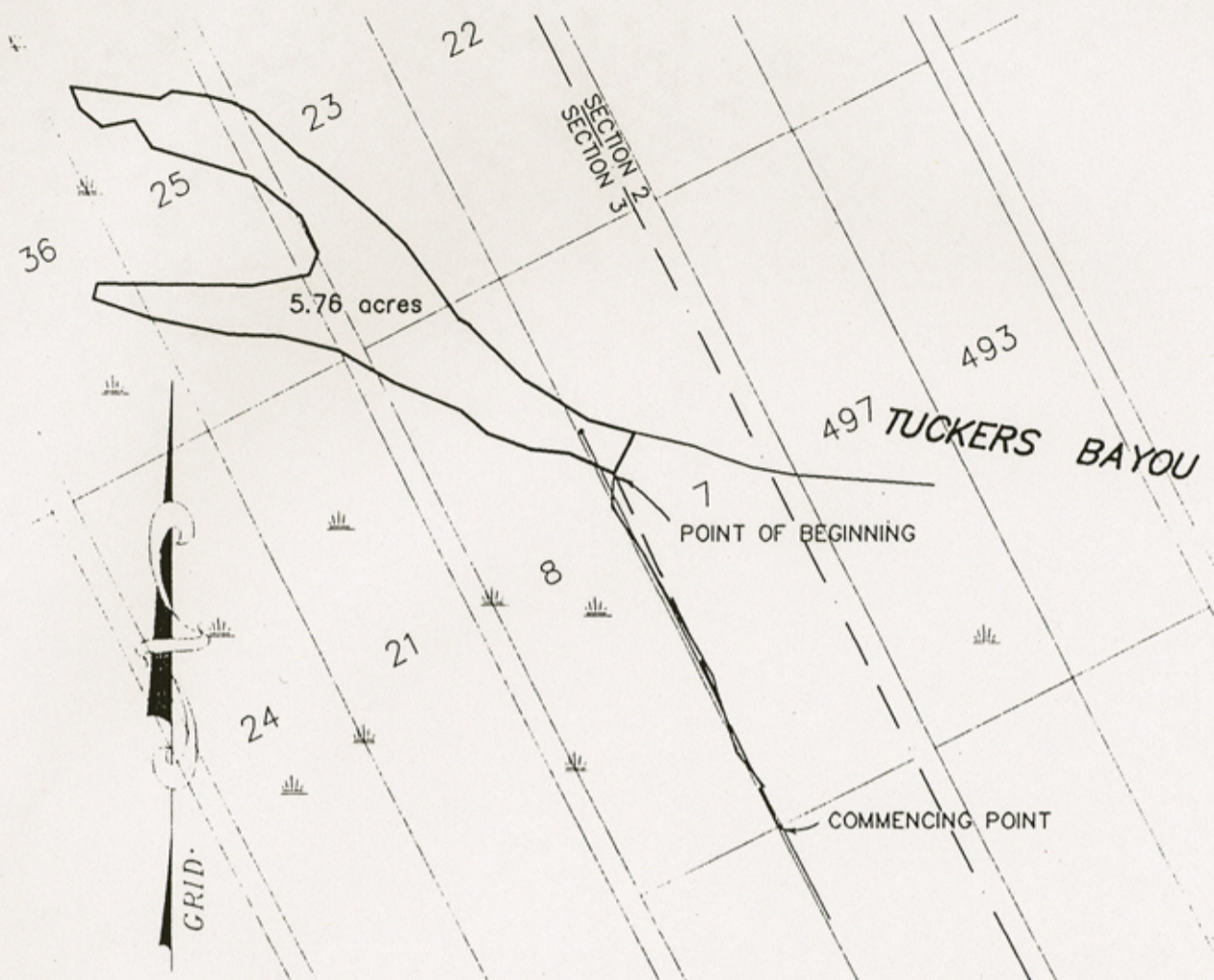
COMMENCING at the Southwest corner of said Lot 7 common to the Southeast corner of said Lot 8;

THENCE N 24° 52' 13" W, a distance of 838.73 feet to the Mean High Water Line on the Westerly line of an island and the POINT OF BEGINNING;

THENCE following the said Mean High Water Line of said Island as follows:

N 66-24-08 W Length: 108.1
N 84-22-52 W Length: 78.4
N 70-42-56 W Length: 101.0
N 49-49-10 W Length: 77.1
N 67-54-52 W Length: 158.1
N 60-23-54 W Length: 140.2
N 75-42-50 W Length: 124.6
N 87-18-13 W Length: 116.0
N 78-10-55 W Length: 169.7
N 71-09-23 W Length: 133.3
N 15-50-52 E Length: 32.7
S 89-14-46 E Length: 338.5
N 79-39-55 E Length: 122.1
N 21-36-34 E Length: 51.7
N 24-09-07 W Length: 89.6
N 51-54-44 W Length: 132.5
N 73-14-37 W Length: 227.4
N 31-38-10 W Length: 72.9
S 79-34-39 W Length: 71.3
N 51-46-39 W Length: 63.8
N 23-00-50 W Length: 51.3
S 82-04-14 E Length: 198.7
N 57-15-49 E Length: 30.9
S 82-12-26 E Length: 79.1
S 74-55-43 E Length: 48.4
S 63-48-20 E Length: 57.8
S 46-08-13 E Length: 137.4
S 57-07-26 E Length: 47.7
S 51-25-21 E Length: 79.5
S 48-54-06 E Length: 82.7
S 45-45-57 E Length: 88.2
S 35-46-50 E Length: 201.5
S 59-12-07 E Length: 26.5
S 45-13-04 E Length: 168.5
S 60-44-21 E Length: 35.5
S 57-42-45 E Length: 123.9
S 75-13-51 E Length: 105.3

THENCE S 27-31-49 W , leaving the said Mean High Water Line, a distance of 97.4 feet to the PLACE OF BEGINNING and containing 5.764 acres of land above the said Mean High Water Line.



NOTES: BEARINGS BASED ON SPC TXSC OF HGCSO 62 AND ROBINSON, HORIZONTAL DATUM 83.
 ELEVATIONS BASED ON K 1186 ELEVATION OF 3.42 FEET ABOVE MEAN SEA LEVEL 1987 ADJUSTMENT.
 MEAN HIGH WATER LINE ESTABLISHED AT 0.78' ABOVE MEAN SEA LEVEL 1987 ADJ.
 PRESENCE OF UNDERGROUND UTILITIES AND PIPELINES NOT SHOWN OR RESEARCHED.
 1" IRON PIPES SET AT ALL POINTS ALONG MEAN HIGH WATER LINE

Revised 1-16-98 to describe 5.764 acre tract- all field work of original date
 NOVEMBER 14, 1997 SCALE 1" = 400'

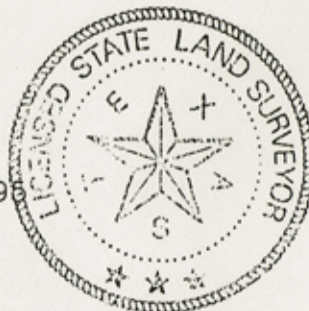
Survey of a 5.764 acre tract of land out of Lots 7, 8, 23, 25 and 36 of Section 3 of the Trimble and Lindsey Survey of Galveston Island, Galveston County, Texas and the intervening and adjoining roads, and being more particularly described by metes and bounds on attached Exhibit "A"

I hereby certify that on the above date, the above described property together with improvements located thereon was surveyed on the ground under my direction and that the above map together with dimensions as shown, is true and correct as of the above date. There are no overages nor shortages in the above tract. There are no encroachments other than shown.

HALL & JOHNSON, SURVEYORS

Jack A. Hall

Jack A. Hall
 Licensed State Land Surveyor
 Registered Professional Land Surveyor No. 95
 P.O. Box 877
 Galveston, Texas 77553
 Ph. 409 740 1517 Fax 409 740 0377



NOTE: The above property does lie within the 100 year flood plain as established by the U.S. Department of Housing and Urban Development.

Counter 2400p

File No. 154872

GALVESTON County

WARRANTY DEED - 5.764 ac

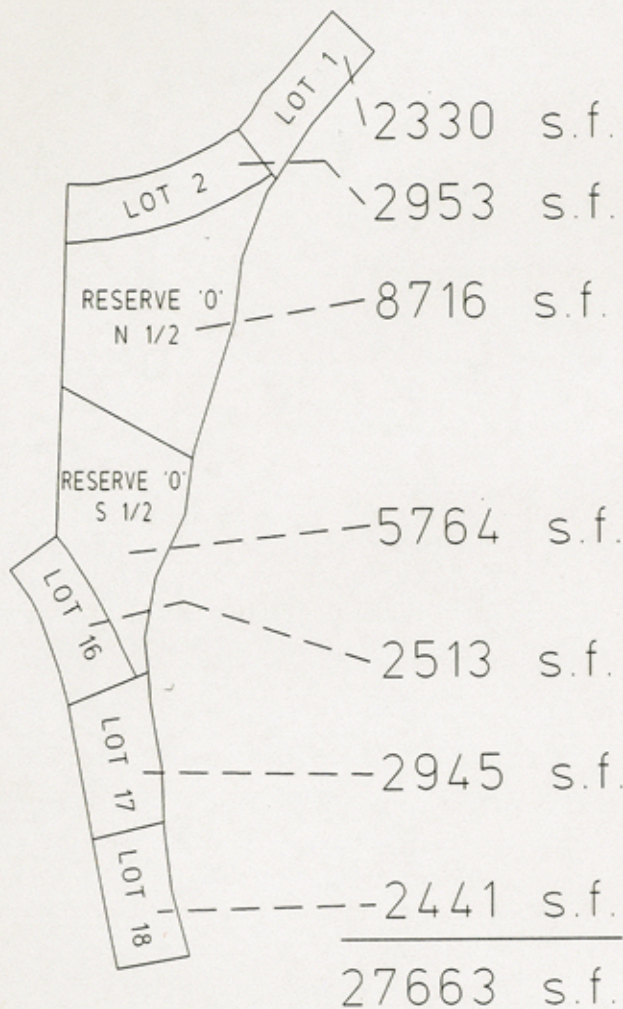
Date Filed: 9-23-98

GARRY MAURO
County Clerk, Commissioner

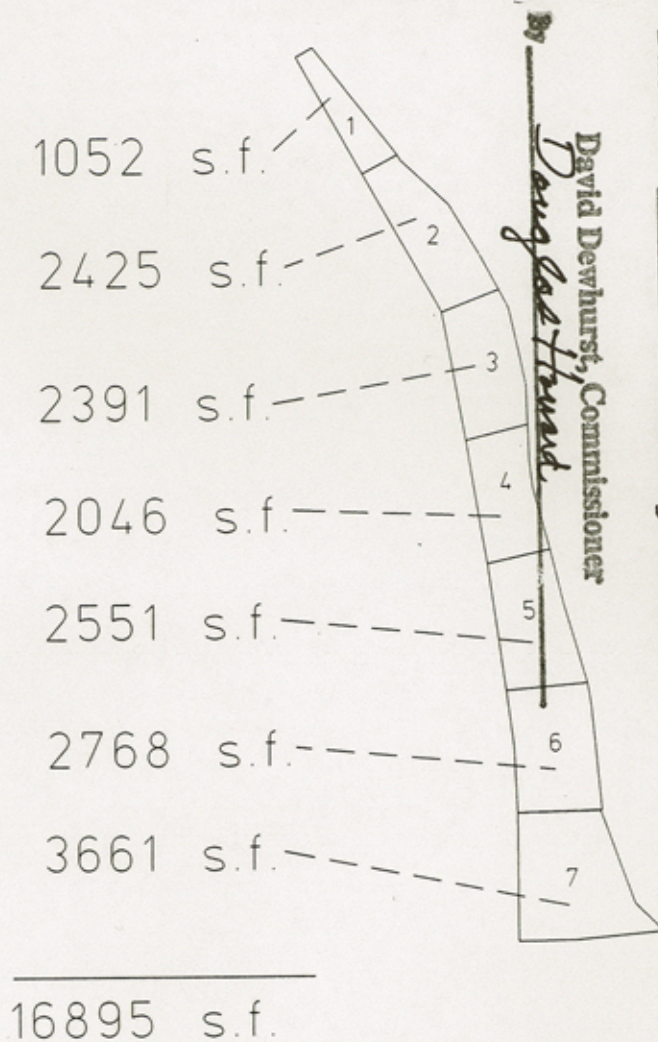
By Robert A. Redman

Counter 27007

Blk. 6



Blk. 11



File No. SKETCH FILE 73 D
GALVESTON County
 Date Filed: December 6, 1998
 By David Dewhurst, Commissioner
Douglas Howard
 AREA BREAKDOWN OF O. 635 AC ± O. 388 AC.

Pirates Cove

Section Six

2/26/98 dh

counter 24008

File No. SKETCH FILE 73 E

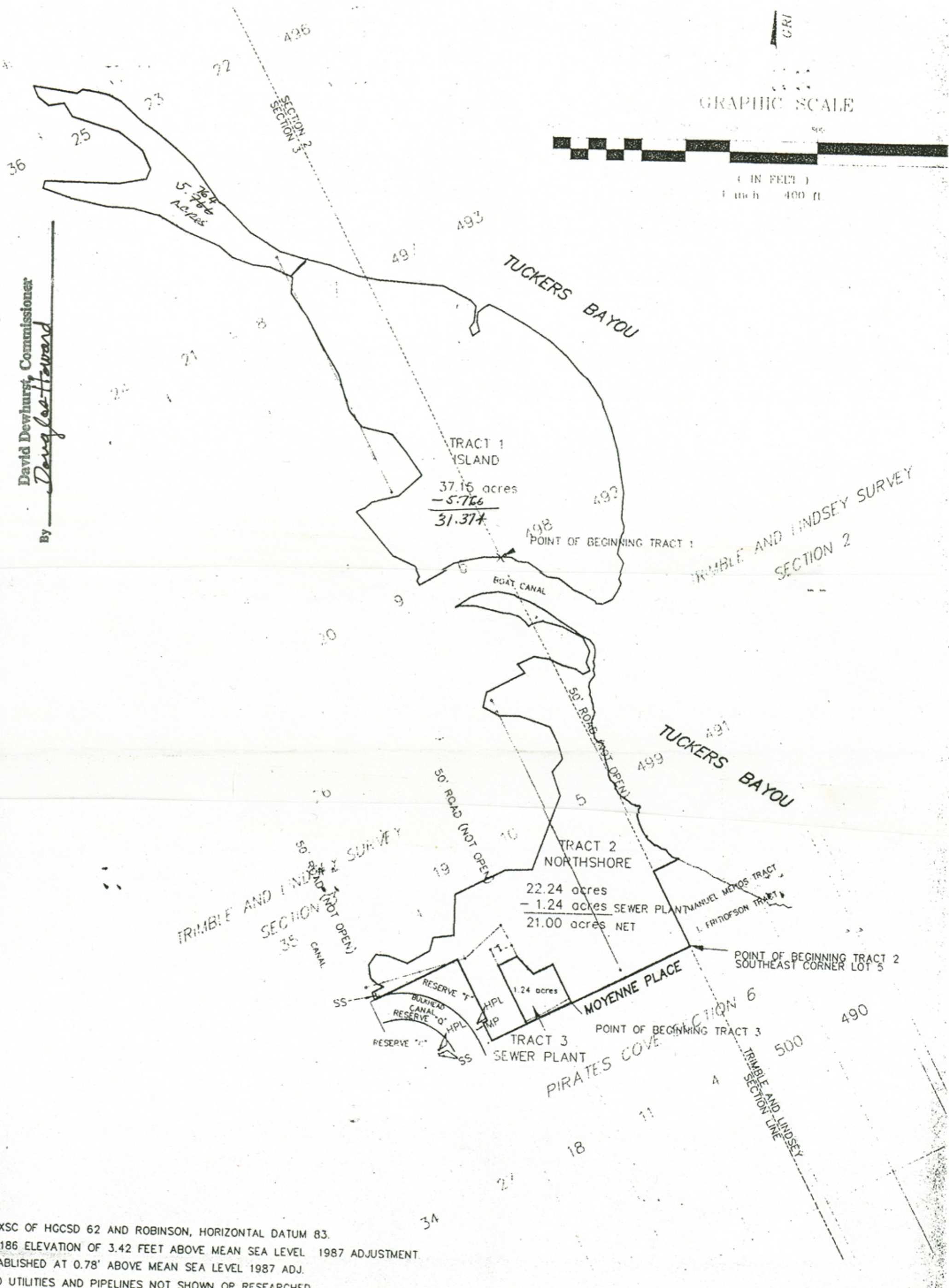
GALVESTON County

LOCATION SKETCH - 5.766 AC. -
Mitchell Resorts, Inc. to PSF

Date Filed: December 6, 1998

David Dewhurst, Commissioner

By Douglas Howard



TXSD OF HGCSO 62 AND ROBINSON, HORIZONTAL DATUM 83.
 1186 ELEVATION OF 3.42 FEET ABOVE MEAN SEA LEVEL 1987 ADJUSTMENT.
 ESTABLISHED AT 0.78' ABOVE MEAN SEA LEVEL 1987 ADJ.
 NO UTILITIES AND PIPELINES NOT SHOWN OR RESEARCHED.
 POINTS ALONG MEAN HIGH WATER LINE

HOUSTON PIPELINE MARKER
 MITCHELL PIPELINE MARKER
 SANITARY SEWER MANHOLE