

AN ACT

relating to the sale by the Brazos River Authority of certain residential and commercial leased lots and other real property in the immediate vicinity of Possum Kingdom Lake.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 8502, Special District Local Laws Code, is amended by adding Section 8502.020 to read as follows:

Sec. 8502.020. SALE OF AUTHORITY PROPERTY. (a)

Definitions. In this section:

(1) "Authority Land" means the FERC Project Area and all other real property owned by the Authority at the Lake as of the date before Closing, save and except for the Leased Tract.

(2) "Buffer Zone" means that twenty-five or fifty foot strip of land measured landward horizontally from the 1000' contour line that is included in the FERC Project Area as defined in the FERC License.

(3) "Close" or "Closing" means the date on which the Authority transfers its interest in the Leased Tract, in whole or in part, to a Purchaser. There may be multiple closing dates if the Leased Tract is sold in portions.

(4) "Commercial Leased Land" means that portion of the Leased Tract that is located wholly outside the FERC Project Area and that is leased for commercial purposes as of the date the Restrictions are placed of record.

1 (5) "Consumer Price Index" means the consumer price
2 index for Housing, Dallas-Fort Worth, TX area, Series Id:
3 CUURA316SAH, CUUSA316SAH, Base Period: 1982-84 = 100, as published
4 by the Bureau of Labor Statistics of the United States Department of
5 Labor, or its equivalent substitute should this series be
6 discontinued.

7 (6) "Contract" means the Authority entering into a
8 purchase and sale agreement with a Purchaser for the transfer of the
9 Authority's interest in the Leased Tract, in whole or in part.

10 (7) "Driveways" means those certain private gravel
11 and/or paved driveways that connect a Road or other street or
12 thoroughfare to an individual Leased Tract or any improvements
13 thereon; Driveways also includes those shared or common Driveways
14 that serve more than one Leaseholder or individual Leased Tract.

15 (8) "Environmental Laws" means the Comprehensive
16 Environmental Response, Compensation and Liability Act of 1980, the
17 Toxic Substances Control Act, the Clean Water Act, the Resource
18 Conservation and Recovery Act and any other similar federal, state
19 or local law, rule or regulation respecting the environment or
20 Hazardous Materials, together with all rules and regulations
21 promulgated thereunder and all present or future amendments
22 thereto.

23 (9) "FERC License" means the order of the Federal
24 Energy Regulatory Commission issuing a license to the Authority for
25 project number 1490-003-Texas on September 8, 1989, as such license
26 has been renewed, extended, or amended and may be further renewed,
27 extended, or amended at any time and from time to time, and also

1 including the Amendment to the original FERC License, which
2 amendment was issued on May 15, 1980, to the extent incorporated or
3 referenced in the FERC License.

4 (10) "FERC Project Area" means that portion of
5 Authority property that is subject to the FERC License, as
6 identified and defined in the FERC License, as may be amended at any
7 time and from time to time, and which FERC Project Area may move or
8 change over time due to natural forces.

9 (11) "Ground Lease" means each of those certain
10 residential and/or commercial ground leases between the Authority
11 and a Leaseholder, and the respective heirs, successors, and
12 assigns.

13 (12) "Hazardous Materials" means underground storage
14 tanks, petroleum and petroleum products, asbestos, PCB's,
15 urea-formaldehyde and any hazardous or toxic substances,
16 pollutants, contaminants, wastes, or materials as defined under any
17 Environmental Laws.

18 (13) "Lake" means Possum Kingdom Lake located in
19 Young, Palo Pinto, Stephens, and Jack Counties. The boundary of the
20 Lake is defined by the 1000' contour line, as that contour may
21 meander and change over time with natural forces, including erosion
22 and accretion. The "1000' contour line" means the line running
23 along the periphery of the Lake if the surface of the Lake is at an
24 elevation of 1000 feet above mean sea level, as measured from the
25 top of the spillway crest gates of the Morris Sheppard Dam, as such
26 line may move and shift from time to time due to natural forces.

27 (14) "Leased Tract" or "Tract" means all or any

1 portion of the Commercial Leased Land, the Residential Leased Land,
2 and Undeveloped Strips, whether owned by the Authority, Purchaser,
3 or Owner and whether or not subject to a lease or Ground Lease or
4 owned in fee simple.

5 (15) "Leaseholder" means a person or entity that has a
6 residential lease or a commercial lease with the Authority,
7 including the Leaseholder's heirs, successors, and assigns.

8 (16) "Lienholder" means any mortgagee under a
9 mortgage, or a trustee or beneficiary under a deed of trust,
10 constituting a lien on any portion of the Leased Tract.

11 (17) "Owner" means the record holder of fee simple
12 title to any portion of the Leased Tract sold pursuant to this
13 section, including its heirs, personal representatives,
14 successors, and assigns. This term does not include a Purchaser who
15 acquires the Leased Tract from the Authority in accordance with
16 Subsection (b).

17 (18) "Property" means the Leased Tract and the
18 Authority Land.

19 (19) "Purchaser" means any person or entity, including
20 its successors in interest, heirs, or assigns, that acquires the
21 Leased Tract (or any portion thereof) from the Authority in
22 accordance with Subsection (b). This term does not include those
23 Leaseholders that acquire individual Leased Tracts from the
24 Purchaser in accordance with Subsection (b).

25 (20) "Ranch" means that certain subdivision of record
26 in Palo Pinto County, Texas, according to the map or plat of record
27 in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as

1 it may be amended or modified from time to time, which subdivision
2 includes a portion of the Leased Tract and a portion of the
3 Authority Land.

4 (21) "Ranch Agreement" means that certain agreement by
5 and among the Authority, The Ranch on Possum Kingdom, L.P., and Hill
6 Country Harbor Village, L.P., effective as of August 1, 1997, and
7 dated December 12, 1997.

8 (22) "Ranch Declarations" means that certain
9 Declaration of Covenants, Conditions and Restrictions for The Ranch
10 on Possum Kingdom Palo Pinto County, Texas, dated December 8, 1997,
11 as recorded in Volume 944, Page 403, Official Public Records of Palo
12 Pinto County, Texas.

13 (23) "Residential Leased Land" means that portion of
14 the Leased Tract located outside the FERC Project Area that is
15 leased for single-family residential purposes only as of the date
16 the Restrictions are placed of record. This term does not include
17 land that is subject to a commercial lease, where such lessee is
18 authorized to sublease for residential purposes.

19 (24) "Restrictions" means the easements, covenants,
20 restrictions, liens, encumbrances, and requirements contained in
21 the Declaration of Restrictive Covenants, Easements, and
22 Conditions to be recorded by the Authority as set forth in
23 Subsection (d).

24 (25) "Roads" means those paved or gravel streets,
25 roads, and thoroughfares owned and maintained by the Authority that
26 are located in Stephens, Jack, Young, or Palo Pinto County and that
27 provide access, ingress, and egress to and from the Leased Tract,

1 the Lake, and/or Authority Land; provided, however, that the
2 definition of Roads, as used herein, does not include:

3 (A) Driveways;

4 (B) paved or gravel roads located wholly within
5 Authority public use areas;

6 (C) paved or gravel roads located within gated
7 Authority operations areas; and

8 (D) paved or gravel roads located wholly within
9 an individual tract that is part of the Commercial Leased Land,
10 which roads only serve that individual commercial Tract.

11 (26) "Shoreline Management Plan" means that certain
12 Possum Kingdom Shoreline Management Plan and Customer Guide,
13 adopted May 22, 2006, and amended July 31, 2006, and as may be
14 revised and/or further amended by the Authority at any time and from
15 time to time.

16 (27) "Undeveloped Strips" means small strips of
17 unleased land located between individual lots within the Leased
18 Tract and small parcels of land between the Leased Tract and Roads
19 that the Authority determines in its sole discretion to include in
20 any sale of all or any portion of the Leased Tract.

21 (b) Sale to Purchaser. Prior to January 1, 2011, the
22 Authority may sell the Leased Tract in whole or in part, to a
23 Purchaser in accordance with applicable law, this subsection, and
24 Subsections (d), (e), (f), (g), (h), and (i). Any sale of the
25 Leased Tract to a Purchaser under this subsection shall be subject
26 to the following:

27 (1) Each Leaseholder shall have the opportunity to buy

1 such Leaseholder's individual Leased Tract from the Purchaser or to
2 continue leasing the applicable Leased Tract from the Purchaser in
3 accordance with the following purchase or lease options. The
4 Purchaser shall:

5 (A) Permit the Leaseholder to purchase such
6 Leaseholder's individual Leased Tract in cash or through lender
7 financing for 90% of land only assessed value without any
8 exemptions (as determined by the appraisal district) for the year
9 2008, such option to be available at Closing as set forth in
10 Subdivision (2) and for a period of at least one year from Closing.

11 (B) Permit the Leaseholder to purchase for the
12 percent of assessed value only as set forth in Paragraph (A) such
13 Leaseholder's individual Leased Tract via seller financing, with a
14 down payment of ten percent (10%) and an interest rate of six
15 percent (6%), with a 30-year amortization, such option to be
16 available at Closing as set forth in Subdivision (2) and for a
17 period of at least one year from Closing. The leaseholder shall not
18 be charged any origination fees or points by purchaser as a part of
19 the closing costs involved in the seller financing option.

20 (C) Offer a new 99-year lease at a rental rate of
21 6% of the land only assessed value without any exemptions (as
22 determined by the appraisal district) for the year 2008, with
23 annual Consumer Price Index increases or decreases, such option to
24 be available for a period of at least one year from Closing. The
25 99-year lease will include an option to purchase the applicable
26 Leased Tract at the land only assessed value without any exemptions
27 (as determined by the appraisal district) at the time of purchase

1 (but not less than the 2008 land only assessed value without any
2 exemptions).

3 (D) Offer a new 20-year lease with a rental rate
4 as determined by the current Authority lease rate methodology or
5 other lease rate structure as set forth in the Ground Lease as
6 applicable (and including increases and adjustments to such rates)
7 with annual Consumer Price Index increases or decreases, to
8 Leaseholders who are over the age of 65 and who receive an ad
9 valorem tax exemption under Section 11.13, Tax Code, for a
10 structure on the Leaseholder's individual Leased Tract, such option
11 to be available for a period of at least one year from the date of
12 Closing. The Leaseholder must have received the ad valorem tax
13 exemption for a structure on the Leaseholder's individual Leased
14 Tract by January 1, 2009. The 20-year lease will include an option
15 to purchase the applicable Leased Tract at the land only assessed
16 value without any exemptions (as determined by the appraisal
17 district) at the time of purchase (but not less than the 2008 land
18 only assessed value without any exemptions).

19 (E) Ratify the existing Ground Lease of any
20 Leaseholder who does not timely exercise one of the foregoing
21 options, such ratification to include:

22 (i) adoption of the current Authority lease
23 rate methodology or other lease rate structure as set forth in the
24 Ground Lease, as applicable (and including increases and
25 adjustments to such rates) for a period of 8 years from Closing;

26 (ii) an option permitting the Leaseholder
27 to purchase such Leaseholder's individual Leased Tract for the land

1 only assessed value without any exemptions (as determined by the
2 appraisal district) at the time of purchase, or for the year 2008,
3 whichever is greater, for a period of 8 years from Closing; and

4 (iii) an agreement to extend Ground Leases
5 as necessary to allow for this full 8-year purchase option period.
6 Nothing in this subsection shall preclude the Purchaser from
7 offering additional purchase or lease options to the Leaseholders,
8 provided any additional options are made available to all
9 Leaseholders on an equal basis.

10 (2) A Leaseholder who desires to buy such
11 Leaseholder's individual Leased Tract from the Purchaser pursuant
12 to the option set forth in either Subdivision (1)(A) or (B)
13 concurrently with the Purchaser's Closing must exercise the desired
14 option as follows:

15 (A) notify the Authority and Purchaser in writing
16 within 90 days after the effective date of the Contract between the
17 Authority and Purchaser of Leaseholder's intent to purchase the
18 applicable Leased Tract;

19 (B) Leaseholder and Purchaser will enter into a
20 purchase and sale agreement in substantially the form as agreed to
21 between the Authority and Purchaser, which form will be attached to
22 the Contract, and which individual purchase and sale agreements
23 will be ratified by Purchaser at the Closing; the purchase and sale
24 agreement shall contain, at a minimum, the following terms and
25 conditions:

26 (i) the purchase price for the individual
27 Leased Tract in accordance with the applicable purchase option;

1 (ii) earnest money in the amount of \$1,000
2 to be delivered to the title company agreed to by Leaseholder and
3 Purchaser and approved by the Authority along with the executed
4 purchase and sale agreement;

5 (iii) the Leaseholder's obligation to
6 provide a survey as set forth in this subsection and a title
7 commitment from the agreed upon title company;

8 (iv) a 60-day period commencing on the date
9 of the purchase and sale agreement for the Leaseholder to obtain
10 financing (if exercising its option pursuant to Subdivision (1)(A)
11 above);

12 (v) the Leaseholder must notify Purchaser
13 of any objections to any items on the title commitment and/or survey
14 within fifteen (15) days after receipt of same, but in no event less
15 than 45 days prior to the anticipated date of Closing, provided
16 however that neither the Purchaser nor the Authority shall have any
17 obligation to cure any such items or to incur any expenses in curing
18 any items, except that Purchaser and/or the Authority, as
19 applicable, shall use good faith efforts to address and/or remove
20 those requirements or exceptions shown on Schedule C of the title
21 commitment that are applicable to or created by the Purchaser
22 and/or Authority, as applicable, and, notwithstanding the
23 foregoing, neither the Purchaser nor the Authority shall have any
24 obligation to cure any exceptions on the attached Schedule C
25 regarding legal right of access to or from the applicable Leased
26 Tract;

27 (vi) Leaseholder is purchasing the

1 applicable individual Leased Tract in its "as-is" condition and
2 Purchaser shall have no obligation to make any improvements or
3 modifications thereto, nor will Purchaser make any representations
4 or warranties as to the condition or use of the applicable Leased
5 Tract;

6 (vii) Purchaser shall not be responsible
7 for any broker fees or commissions due to any broker or agent
8 engaged or claiming to have been engaged by Leaseholder for the
9 purchase and sale of the applicable Leased Tract;

10 (viii) Purchaser shall be responsible for
11 costs related to the release of any existing liens placed on the
12 applicable portion of the Leased Tract by Purchaser, including
13 prepayment penalties and recording fees, release of Purchaser's
14 loan liability to the extent applicable to the individual Leased
15 Tract, tax statements or certificates, preparation of the deed, and
16 one-half of any escrow fee;

17 (ix) Leaseholder shall be responsible for
18 any costs associated with a loan or financing for the applicable
19 portion of the Leased Tract, including, without limitation, loan
20 origination, discount, buy-down, and commitment fees, appraisal
21 fees, loan application fees, credit reports, preparation of loan
22 documents, loan-related inspection fees, and interest on the notes
23 from the date of disbursement to date of first monthly payment; the
24 cost of the survey; recording fees; copies of easements and
25 restrictions; mortgagee title policy with endorsements required by
26 lender, if any; one-half of any escrow fee; any prepaid items,
27 including without limitation, insurance premiums and reserves and

1 taxes; underwriting fee; and any title policy (including
2 endorsements) obtained by Leaseholder;

3 (x) Taxes will be prorated as of the date of
4 Closing; if taxes are not paid as of the date of Closing, then
5 Leaseholder shall be responsible for the payment of taxes; and

6 (xi) the agreement between Leaseholder and
7 Purchaser shall be contingent on Closing occurring within the
8 timeframes set forth in this subsection.

9 (C) Leaseholder shall deliver to Authority and
10 Purchaser no less than forty-five days prior to Closing, at the
11 Leaseholder's expense, an accurate survey of the individual Leased
12 Tract (including any Undeveloped Strips being included in such
13 Leased Tract), which survey is acceptable to the Authority and
14 Purchaser. To be acceptable to the Authority and Purchaser, the
15 survey must:

16 (i) be acceptable to the title company
17 selected by the Purchaser and Leaseholder and approved by the
18 Authority for purposes of issuing any policy of title insurance on
19 the applicable portion of the Leased Tract;

20 (ii) be prepared by a licensed state land
21 surveyor or a registered professional land surveyor acceptable to
22 the Authority;

23 (iii) include the boundary of the
24 Leaseholder's Leased Tract and any Undeveloped Strips being
25 conveyed, which boundaries must be consistent with the master
26 survey prepared on behalf of the Authority in conjunction with the
27 sale of the Leased Tract to the Purchaser;

1 (iv) include all improvements on the Leased
2 Tract and indicate any encroachments across the applicable boundary
3 lines or into the FERC Project Area or Buffer Zone; Leaseholder must
4 provide evidence that any such encroachments across boundary lines
5 or into the FERC Project Area or Buffer Zone have been cured by the
6 Leaseholder (either by removal of such encroachment or by written
7 agreement between the affected parties permitting such
8 encroachment to continue) prior to the survey being deemed
9 acceptable; and

10 (v) be reviewed and approved by the
11 Authority and Purchaser; the Authority, Purchaser, and their
12 representatives or agents may perform an inspection of the
13 applicable Leased Tract to verify the accuracy of the Survey and any
14 encroachments thereon;

15 (D) On or before Closing, the purchase and sale
16 agreement between the Leaseholder and Purchaser and any earnest
17 money that may be required pursuant to such agreement shall be
18 timely delivered to a title company or escrow agent acceptable to
19 the Authority and agreed to by Leaseholder and Purchaser in such
20 agreement;

21 (E) On or before Closing, Purchaser and
22 Leaseholder shall complete all documentation necessary to
23 effectuate transfer of the applicable Leased Tract from the
24 Purchaser to the Leaseholder and deliver such completed and
25 executed documents to the applicable escrow agent; and

26 (F) Promptly after Closing, the deed and any
27 other applicable documents effectuating transfer of such Leased

1 Tract to the Leaseholder shall be recorded in the county records
2 where the Leased Tract is located promptly after such escrow agent
3 receives written notice from the Authority or title company or
4 escrow agent facilitating the Closing of the Leased Tract from the
5 Authority to Purchaser that such Closing has been completed and the
6 necessary documents have been recorded pursuant to such Closing. In
7 no event shall the deed or any other documents transferring the
8 applicable portion of the Leased Tract to the Leaseholder be
9 recorded prior to Closing.

10 (3) Closing shall occur no later than December 31,
11 2010. The Authority shall post on its website no later than thirty
12 days after entering into a Contract for sale with Purchaser the
13 effective date of such Contract and the anticipated date of
14 Closing, which date shall be at least six (6) months from the
15 effective date of the Contract. Any changes to the anticipated date
16 of Closing shall also be posted on the Authority's website. These
17 dates shall be used to establish the time periods provided in
18 Subdivision (2).

19 (c) Sale to Leaseholders. This subsection shall only apply
20 to, and be effective for, those portions of the Leased Tract (if
21 any) for which Closing has not occurred on or before December 31,
22 2010, pursuant to Subsection (b), in which case the effective date
23 of this subsection shall be January 1, 2011. Upon the effective
24 date of this subsection, the Authority shall suspend any applicable
25 sale efforts under Subsection (b) for a period of two years
26 beginning on the effective date of this subsection and initiate a
27 tract by tract sale of the Leased Tract to the then-current

1 Leaseholders as follows:

2 (1) For a period of two years beginning on the
3 effective date of this subsection and in accordance with the
4 procedures set forth in this subsection, and subject to Subsections
5 (d), (e), (f), (g), (h), and (i), the Authority shall provide
6 Leaseholders the opportunity to purchase their individual Leased
7 Tracts directly from the Authority. Leaseholders shall have until
8 the expiration of such two-year period to submit a completed
9 application of intent to purchase their individual Leased Tracts as
10 provided by Subdivision (4).

11 (2) The Authority shall determine if, and how, any
12 Undeveloped Strips will be divided between adjacent Leaseholders
13 and incorporated into any individual Leased Tract; provided,
14 however, Leaseholders shall not be required to accept any such
15 Undeveloped Strips.

16 (3) On or before the effective date of this
17 subsection, the Authority shall make available to the Leaseholders
18 a form for an application of intent to purchase the Leaseholder's
19 individual Leased Tract. Such application shall be deemed a
20 contract subject to the provisions set out herein. The application
21 of intent shall provide the Leaseholder a 30-day feasibility period
22 beginning on the date such application is submitted in which the
23 Leaseholder can determine the feasibility of purchasing the
24 applicable individual Leased Tract, including the ability of such
25 Leaseholder to obtain financing for such purchase.

26 (4) A Leaseholder who desires to purchase such
27 Leaseholder's individual Leased Tract must submit a completed

1 application to the Authority on or before December 31, 2012. An
2 application will be deemed "complete" upon the following:

3 (A) Leaseholder delivers to the Authority an
4 executed application of intent to purchase with all required
5 information included in the application;

6 (B) Leaseholder delivers an earnest money
7 deposit, in good funds acceptable to the title company or escrow
8 agent selected by the Authority, in the amount of \$1,000 to such
9 title company or escrow agent, which earnest money shall be
10 nonrefundable after the expiration of the feasibility period except
11 in the event closing does not occur due to the fault of the
12 Authority;

13 (C) any and all rent and other fees or amounts due
14 to the Authority pursuant to such Leaseholder's Ground Lease have
15 been paid and there are no amounts then outstanding which are past
16 due;

17 (D) Leaseholder has delivered to the Authority a
18 survey that is acceptable to the Authority of the applicable Leased
19 Tract (and any Undeveloped Strips being included in such Leased
20 Tract). To be acceptable to the Authority, the survey must:

21 (i) be acceptable to the title company
22 selected by the Authority for purposes of issuing any policy of
23 title insurance on the applicable portion of the Leased Tract;

24 (ii) be prepared by a licensed state land
25 surveyor or a registered professional land surveyor acceptable to
26 the Authority;

27 (iii) include the boundary of the

1 Leaseholder's Leased Tract and any Undeveloped Strips being
2 conveyed, which boundaries must be consistent with the master
3 survey of the Leased Tract prepared on behalf of the Authority;

4 (iv) include all improvements on the Leased
5 Tract and indicate any encroachments across the applicable boundary
6 lines or into the FERC Project Area or Buffer Zone; Leaseholder must
7 provide evidence that any such encroachments across boundary lines
8 or into the FERC Project Area or Buffer Zone have been cured by the
9 Leaseholder (either by removal of such encroachment or by written
10 agreement between the affected parties permitting such
11 encroachment to continue) prior to the survey being deemed
12 acceptable; and

13 (v) be reviewed and approved by the
14 Authority; the Authority or its representatives or agents may
15 perform an inspection of the Leased Tract to verify the accuracy of
16 the Survey and any encroachments thereon.

17 (E) Leaseholder has delivered to the Authority a
18 title commitment and, if requested by the Authority, any exception
19 documents referenced therein, prepared by the applicable title
20 company or escrow agent selected by the Authority; and

21 (F) Leaseholder has delivered to the Authority
22 written evidence from Leaseholder's lender or financial
23 institution that Leaseholder has the financing or funds available,
24 as applicable, to complete the purchase of Leaseholder's Leased
25 Tract.

26 (5) Completed applications that are timely delivered
27 will be accepted and processed by the Authority in the order in

1 which they are received; except that the Authority shall give
2 preference in processing applications to Leaseholders who receive
3 an ad valorem tax exemption under Section 11.13, Tax Code, for a
4 structure on the Leaseholder's Leased Tract.

5 (6) A Leased Tract sold under this subsection shall be
6 sold for 90% of the land only assessed value without any exemptions,
7 as determined by the appraisal district, for the year in which the
8 Leaseholder's application of intent to purchase is submitted to the
9 Authority, or for the year 2008, whichever is greater.

10 (7) The Leaseholder purchasing such Leaseholder's
11 Leased Tract is responsible for:

12 (A) timely paying all rent and other fees or
13 amounts due to the Authority pursuant to such Leaseholder's Ground
14 Lease through the date of closing on the Leaseholder's portion of
15 the Leased Tract;

16 (B) obtaining and delivering to the Authority a
17 survey of the applicable Leased Tract in accordance with
18 Subdivision (4)(D) and curing any encroachments shown thereon, all
19 at Leaseholder's expense;

20 (C) obtaining and delivering to the Authority, at
21 such Leaseholder's expense, a title commitment in accordance with
22 Subdivision (4)(E); the Authority may, but shall have no obligation
23 to, cure any objections that Leaseholder may have to the
24 exceptions, covenants, easements, reservations or any other items
25 reflected on the title commitment; provided, however, that the
26 Authority shall use good faith efforts to address and/or remove
27 those requirements or exceptions shown on Schedule C of the title

1 commitment that are applicable to or created by the Authority, and,
2 notwithstanding the foregoing, the Authority shall have no
3 obligation to cure any exceptions on the attached Schedule C
4 regarding legal right of access to or from the applicable Leased
5 Tract;

6 (D) delivering to the applicable title company or
7 escrow agent on or before closing on the Leaseholder's Leased
8 Tract, in good funds, the purchase price and all reasonable,
9 normal, customary, and documented costs associated with the
10 transfer of the individual Leased Tract to the Leaseholder
11 including, without limitation, all escrow fees, recording fees,
12 taxes on the land after the date of such closing, document
13 preparation fees, the cost of any Title Policy (including any
14 endorsements thereon) obtained by Leaseholder, and any costs
15 associated with removing any liens on the applicable Leased Tract;
16 and

17 (E) timely delivering to the escrow agent any
18 notices, statements, affidavits, or other documents required by the
19 application, escrow agent, or at law to effectuate the transfer of
20 the applicable Leased Tract to the Leaseholder.

21 (8) For those completed applications of intent to
22 purchase timely delivered to the Authority under this subsection,
23 the purchase must be completed no later than June 30, 2013. For any
24 individual Leased Tracts for which closing has not occurred by such
25 date, the application shall be deemed terminated. The Authority
26 shall not accept any applications of intent to purchase after
27 December 31, 2012; and any applications of intent to purchase that

1 are delivered to the Authority prior to such date but that are not
2 "complete" as of such date in accordance with Subdivision (4) shall
3 be rejected by the Authority. Leaseholders submitting an
4 application of intent to purchase their individual Leased Tracts
5 are responsible for ensuring that such application is deemed
6 "complete" on or before December 31, 2012.

7 (9) Any Ground Lease that would otherwise expire shall
8 be automatically extended as necessary for one year terms to permit
9 such Leaseholder the full two-year period to deliver such
10 application of intent to purchase such Leaseholder's individual
11 Leased Tract and to complete such transaction no later than June 30,
12 2013.

13 (10) The Owner of a Tract sold under this subsection
14 shall pay the Authority any reasonable fees set by the Authority for
15 any services the Owner accepts from the Authority. However, the
16 Owner of a Tract is under no obligation to accept services from the
17 Authority.

18 (11) Any Tract subject to the Ranch Agreement shall
19 only be subject to sale under this subsection if the Authority is
20 released from its obligations under the Ranch Agreement relating to
21 such Tract.

22 (12) The following laws do not apply to sale of an
23 individual Leased Tract under this subsection:

24 (A) Chapter 272, Local Government Code;

25 (B) Section 49.226, Water Code; and

26 (C) Section 8502.013 of this code.

27 (13) A provision that applies to the Leaseholder of a

1 Leased Tract under this section applies to any subsequent Owner of
2 the Leased Tract.

3 (14) At closing on the individual Leased Tract, the
4 Leaseholder shall pay any indebtedness secured by a lien on the
5 Leaseholder's leasehold estate (including the Buffer Zone, whether
6 or not included as part of the Leased Tract pursuant to Subsection
7 (e)) or deliver the express written consent of the Lienholder on the
8 leasehold estate in the Leased Tract permitting the Leaseholder to
9 grant a purchase money lien on the fee simple estate in the Leased
10 Tract.

11 (15) At the closing of the applicable Leased Tract,
12 the Authority will deliver a special warranty deed.

13 (16) For any portion of the Leased Tract that has not
14 been sold pursuant to this subsection on or before June 30, 2013,
15 the Board shall sell any such remaining portion of the Leased Tract
16 pursuant to terms and conditions determined by such Board.

17 (d) Restrictions on Leased Tract. The Leased Tract (or any
18 portion thereof) sold in accordance with Subsection (b) or (c)
19 shall be subject to the following Restrictions, which shall be
20 included, in substance, in a Declaration of Restrictive Covenants,
21 Easements, and Conditions to be prepared by the Authority
22 substantively in accordance with the following and recorded by the
23 Authority, as declarant, in the applicable county records prior to
24 any sale pursuant to Subsection (b) or (c):

25 (1) Subject to Subdivision (10), no Owner, Purchaser,
26 or Leaseholder may forbid, restrict, or take any action which
27 effectively forbids or restricts the public from using the FERC

1 Project Area and the adjacent areas of the Lake in accordance with
2 the terms of the FERC License.

3 (2) Each Owner, Purchaser, and Leaseholder shall agree
4 to not block, restrict, or otherwise prohibit access over, through,
5 or across any Road and further agrees that such Roads or portion
6 thereof shall remain open for use by the Authority, other Owners or
7 Purchasers, lessees of any portion of the Property (including
8 Leaseholders) and the general public. Except for (i) those portions
9 of the Property that are accessible by water only as of the
10 effective date of the Restrictions, and/or (ii) restrictions of
11 access existing as of the effective date of the Restrictions (e.g.,
12 access to and from public roads that requires traversing real
13 property not owned by the Authority, Owners, or Purchasers
14 hereunder), and/or (iii) the covenants and restrictions of the
15 Ranch Declarations (to the extent applicable to the Roads) or other
16 restrictive covenants existing prior to the date the Restrictions
17 are recorded of record, no Owner, Purchaser, or Leaseholder shall
18 be permitted to block, restrict, or otherwise prohibit access on,
19 over, or across the Roads.

20 (3) The Driveways are not part of the Roads and shall
21 be maintained by the Owner, Purchaser, or Leaseholder of the
22 applicable Driveways. No Owner, Purchaser, or Leaseholder shall
23 obstruct, prevent, or otherwise restrict access on, over or across
24 any portion of a common Driveway by any such other Owner, Purchaser,
25 or Leaseholder, or their guests or invitees, whose portion of the
26 Property is served by such common Driveway. Owners, Purchasers,
27 and/or Leaseholders whose portion of the Property is served by a

1 common Driveway shall at all times have a nonexclusive right of
2 ingress and egress over and across such common Driveway to access
3 their portion of the Property.

4 (4) All grants and dedications of easements,
5 rights-of-way, restrictions, and related rights affecting the
6 Leased Tract, made prior to the Leased Tract becoming subject to the
7 Restrictions that are of record, or visible or apparent, shall be
8 incorporated into such Restrictions by reference and made a part of
9 the Restrictions for all purposes as if fully set forth therein and
10 shall be construed as being adopted in each and every contract,
11 deed, or conveyance executed or to be executed by or on behalf of
12 the Authority conveying any part of the Leased Tract. The foregoing
13 adoption of such easements includes, without limitation, any and
14 all written easements or agreements, whether or not recorded,
15 between the Authority and any other party for the installation,
16 maintenance, repair, or replacement of utility lines located on,
17 above, over, under, or beneath the Property.

18 (5) The Authority shall reserve for itself and its
19 successors, assigns, and designees the nonexclusive right and
20 easement, but not the obligation, to enter upon the Property, the
21 Lake and other bodies of water, if any, located within the Property
22 (a) to install, keep, maintain, and replace pumps in order to obtain
23 water for the irrigation of any portion of the Authority Land, (b)
24 to construct, maintain, replace, and repair any wall, dam, or other
25 structure retaining water therein, (c) to access, construct,
26 maintain, replace, and repair any measurement stations, monuments,
27 or other similar improvements, (d) to remove trash and other

1 debris, and (e) to fulfill the Authority's obligations as a river
2 authority and any obligations set forth in the FERC License, state
3 water rights, or other governmental regulations. The Authority and
4 its designees shall have an access easement through, over, and
5 across any portion of the Leased Tract to the extent reasonably
6 necessary to exercise the rights and responsibilities under this
7 subdivision; provided, however, that (i) the Authority shall
8 provide written notice at least 48 hours in advance of such entry to
9 the Purchaser or Owner of such portion of the Leased Tract (except
10 in the event of an emergency, in which case advance notice shall not
11 be required, but the Authority shall provide such written notice as
12 soon as practicable thereafter); (ii) the Authority shall promptly
13 repair any damage to the portion of the Leased Tract caused by the
14 Authority's entrance onto such Owner's or Purchaser's portion of the
15 Leased Tract; and (iii) the Authority shall use reasonable efforts
16 to avoid interfering with the Owner's or Purchaser's use of the
17 portion of the Leased Tract.

18 (6) The Authority shall reserve for itself and its
19 successors, assigns, and designees a perpetual right, power,
20 privilege, and easement to occasionally overflow, flood, and
21 submerge that portion of the Property located at or below the
22 elevation contour of 1015' above mean sea level in connection with
23 the Authority's operation and maintenance of the Lake. The
24 Authority shall have no liability to any Owner, Purchaser,
25 Leaseholder, or any other person for any damages, claims, costs,
26 injuries, or liabilities to any person or the Property or any
27 improvements thereon that are caused by or arise from any act or

1 omission by the Authority in connection with the foregoing right
2 and easement.

3 (7) Additional land may be included in the Property or
4 Leased Tract at any time by the Authority, as long as the Authority
5 owns any portion of the Property, by recording an amendment to these
6 Restrictions in each of the counties in which the Property is
7 located. Upon such additions, the Restrictions shall apply to the
8 added land and the rights, privileges, duties, and liabilities of
9 the Owners or Purchasers subject to the Restrictions shall be the
10 same with respect to the added land as with respect to the Property
11 originally covered by the Restrictions. As additional lands are
12 added hereto, the Authority shall, with respect to said land,
13 record amendments that may incorporate the Restrictions therein by
14 reference and that may supplement or modify the Restrictions with
15 such additional covenants, restrictions, and conditions that may be
16 appropriate for those added lands.

17 (8) The Restrictions may not be modified in any
18 respect whatsoever or terminated, in whole or in part, except with
19 the consent of (i) the Owners or Purchasers of at least sixty
20 percent (60%) of the individual lots that comprise the Residential
21 Leased Land and Commercial Leased Land, and (ii) the Owners or
22 Purchasers of at least sixty percent (60%) of the land area of the
23 Authority Land, and (iii) the Authority, for so long as the
24 Authority has any interest in the Property, whether as an Owner or
25 holder of the FERC License or otherwise. Notwithstanding the
26 foregoing, the Authority, without the joinder of any other party,
27 shall have the absolute right to make minor changes or amendments to

1 the Restrictions to correct or clarify errors, omissions, mistakes,
2 or ambiguities contained therein. No amendment shall be effective
3 until such amendment has been recorded in the Official Public
4 Records of each of the counties in which the Property is located.

5 (9) No improvements (except as specifically set forth
6 in Subdivision (11)) shall be constructed or located on the Leased
7 Tract within twenty-five feet (25') landward measured horizontally
8 from the 1000' contour line of the Lake, a meander line that changes
9 over time due to natural forces, such as erosion and accretion;
10 provided, however, this restriction shall not include improvements
11 inside this setback that are existing at the time the Restrictions
12 are filed that (i) have been approved in writing by the Authority,
13 and (ii) if such improvements are located within the FERC Project
14 Area, have been approved by the Federal Energy Regulatory
15 Commission (and to the extent not already approved by the Federal
16 Energy Regulatory Commission, the Authority intends to file an
17 application to obtain permission for the existing encroachments
18 into the FERC Project Area to remain in place). In addition, no
19 improvements on the Leased Tract (or any portion thereof) shall be
20 constructed or located within five feet (5') of any other boundary
21 line (i.e., the side and back boundary lines), other than fences;
22 provided, however, this restriction shall not include improvements
23 located within this 5' setback that are existing at the time the
24 Restrictions are filed and that have been approved in writing by the
25 Authority.

26 (10) No Owner, Purchaser, or Leaseholder shall have
27 any rights to construct any improvements or fencing that block or

1 restrict access to the FERC Project Area, except with the written
2 consent of the Authority, to be granted or withheld in its sole
3 discretion, and except in compliance with the FERC License. This
4 limitation does not apply to fences located within the Leased Tract
5 and outside the FERC Project Area.

6 (11) Erosion control improvements (such as retaining
7 walls, rip rap, etc.) and landscape planting may not be constructed
8 or located within the FERC Project Area or at or below the 1000'
9 contour line without the prior written approval of the Authority.
10 Such improvements shall be subject to the terms and conditions set
11 forth in the Restrictions, in the FERC License, in any other Federal
12 Energy Regulatory Commission rules and regulations, and in the
13 Authority's regulations, including without limitation, the
14 Shoreline Management Plan.

15 (12) No Owner, Purchaser, or Leaseholder shall have
16 the right to place, or permit to be placed, any advertisements,
17 private notices, signs, or billboards on the Leased Tract except
18 that temporary signage customarily found on residential property
19 may be placed on the Residential Leased Land at the reasonable
20 discretion of the Owner, Purchaser, and/or Leaseholder of that
21 portion of the Residential Leased Land.

22 (13) No activities shall be conducted on the Leased
23 Tract and no improvements constructed on the Leased Tract that are
24 or might be unsafe or hazardous to any person or property.

25 (14) No Owner, Purchaser, Leaseholder, or occupant of
26 any portion of the Leased Tract shall use or permit the use,
27 handling, generation, storage, release, disposal, or

1 transportation of Hazardous Materials on, about, or under the
2 Leased Tract except for such quantities that are routinely utilized
3 in connection with residential use (for all portions of the Leased
4 Tract except the Commercial Leased Land) or for commercial uses
5 that are in compliance with the Restrictions (for the Commercial
6 Leased Land), and that are stored, used, and disposed of in
7 compliance with all Environmental Laws. Each Owner, Purchaser, and
8 Leaseholder shall indemnify, defend, protect, and save the
9 Authority, its successors and assigns, trustees, directors,
10 employees, and officers and each other Owner, Purchaser, and
11 Leaseholder, harmless from and against, and shall reimburse such
12 indemnified parties for, all liabilities, obligations, losses,
13 claims, damages, fines, penalties, costs, charges, judgments, and
14 expenses, including, without limitation, reasonable attorneys'
15 fees and expenses that may be imposed upon or incurred or paid by or
16 asserted against such indemnified parties by reason of or in
17 connection with such Owner's, Purchaser's, or Leaseholder's failure
18 to comply with this subdivision.

19 (15) No Owner or Purchaser shall conduct, or permit to
20 be conducted, any activity on the Leased Tract that is improper,
21 immoral, noxious, annoying, creates a nuisance, or is otherwise
22 objectionable to other Owners or Purchasers or incompatible with
23 the recreational use of the Lake and the FERC Project Area.

24 (16) The Residential Leased Land (and any Undeveloped
25 Strips that are conveyed to an Owner or Purchaser as part of the
26 Residential Leased Land pursuant to Subsection (b) or (c)) shall be
27 improved and used solely for single-family residential use,

1 inclusive of a garage, fencing, and other such related improvements
2 as are necessary or customarily incident to normal residential use
3 and enjoyment and for no other use. No portion of the Residential
4 Leased Land (and any Undeveloped Strips that are conveyed to an
5 Owner or Purchaser as part of the Residential Leased Land pursuant
6 to Subsection (b) or (c)) shall be used for manufacturing,
7 industrial, business, commercial, institutional, or other
8 nonresidential purpose, save and except as set forth in Subdivision
9 (17). Notwithstanding the foregoing, Owners, Purchasers, and/or
10 Leaseholders shall be permitted to conduct a "garage sale" on their
11 respective portion of the Residential Leased Land (and any
12 Undeveloped Strips that are conveyed to an Owner or Purchaser as
13 part of the Residential Leased Land pursuant to either Subsection
14 (b) or (c)) not more than one time per calendar year.

15 (17) No professional, business, or commercial
16 activity to which the general public is invited shall be conducted
17 on the Residential Leased Land (and any Undeveloped Strips that are
18 conveyed to an Owner or Purchaser as part of the Residential Leased
19 Land pursuant to Subsection (b) or (c)); except an Owner,
20 Purchaser, Leaseholder, or occupant of a residence may conduct
21 business activities within a residence so long as: (a) the
22 existence or operation of the business activity is not apparent or
23 detectable by sight, sound, or smell from outside the residence;
24 (b) the business activity conforms to all zoning requirements; (c)
25 the business activity does not involve door-to-door solicitation of
26 residents, lessees, Leaseholders, Owners, or Purchasers within the
27 Property; (d) the business does not generate a level of vehicular or

1 pedestrian traffic or a number of vehicles parked within the
2 Property that is noticeably greater than that which is typical of
3 residences in which no business activity is being conducted; and
4 (e) the business activity is consistent with the residential
5 character of the Residential Leased Land and does not constitute a
6 nuisance, or a hazardous or offensive use, or threaten the security
7 or safety of other residents, lessees, Owners, Purchasers, or
8 Leaseholders of the Property. The terms "business" and "trade", as
9 used in this provision, shall be construed to have their ordinary,
10 generally accepted meanings and shall include, without limitation,
11 any occupation, work, or activity undertaken on an ongoing basis
12 that involves the provision of goods or services to persons other
13 than the provider's family and for which the provider receives a
14 fee, compensation, or other form of consideration, regardless of
15 whether: (x) such activity is engaged in full or part-time; (y) such
16 activity is intended to or does generate a profit; or (z) a license
17 is required. Leasing of a residence shall not be considered a
18 business or trade within the meaning of this subsection. This
19 subdivision shall not apply to any activity conducted by the
20 Authority.

21 (18) Except as may be otherwise provided in the
22 Restrictions, Commercial Leased Land (and any Undeveloped Strips
23 that are conveyed to an Owner or Purchaser as part of the Commercial
24 Leased Land pursuant to Subsection (b) or (c)) may be improved and
25 used for any lawful commercial purpose, including without
26 limitation, nonprofit organizations or governmental or
27 quasi-governmental agencies.

1 (19) No portion of the Leased Tract may be used for the
2 commercial testing or development of wind power, or to produce,
3 lease, store, and/or transmit electrical power generated thereby
4 for commercial or resale purposes.

5 (20) Each Owner or Purchaser shall keep, or cause to be
6 kept, all improvements located on its respective portion of the
7 Leased Tract maintained in good condition and repair, clean and
8 free of rubbish and other hazards, and otherwise in full accordance
9 with the Restrictions and all governmental rules, regulations,
10 codes, and zoning requirements. Such maintenance shall include, but
11 not be limited to, the following: regular and timely removal of all
12 litter, garbage, trash, and waste; regular lawn mowing; tree,
13 shrub, and plant pruning and trimming; watering of landscaped
14 areas; weed control; pest control; maintaining exterior lighting
15 and mechanical facilities in good working order; keeping walks and
16 driveways clean and in good repair; and the repairing and
17 repainting of the exterior improvements visible to neighboring
18 properties and/or public view.

19 (21) In the event of any damage to or destruction of
20 any building or improvement on any portion of the Leased Tract from
21 any cause whatsoever, the Owner, Purchaser, or Leaseholder upon
22 whose portion of the Leased Tract the casualty occurred shall, at
23 such Owner's, Purchaser's, or Leaseholder's sole option, either (i)
24 repair, restore, or rebuild and complete the same with reasonable
25 diligence, (ii) clear the affected area of all hazardous or
26 dangerous debris and structures and lawfully dispose of same within
27 one year from the date of casualty, or (iii) effectuate any

1 combination of clauses (i) and (ii) of this subdivision as such
2 Owner, Purchaser, or Leaseholder may deem reasonably appropriate.
3 Notwithstanding the foregoing, in the event the Owner, Purchaser,
4 or Leaseholder elects to rebuild buildings or improvements that
5 were located within the FERC Project Area or within twenty-five
6 feet (25') landward measured horizontally from the 1000' contour
7 line that were approved in accordance with Subdivision (9), such
8 buildings or improvements shall be rebuilt in accordance with
9 Subdivision (24).

10 (22) The Texas Commission on Environmental Quality has
11 adopted rules governing on-site sewage facilities (also called
12 septic systems). The Authority is the commission's authorized
13 agent for the septic system licensing program, including the
14 enforcement of the commission's septic system rules and regulations
15 for the Property. The Authority, as the agent for the commission,
16 shall have the authority to access the Property for the purpose of
17 issuing such licenses, inspecting such septic systems, and
18 enforcing any and all rules and regulations related thereto. Each
19 Owner, Purchaser, and Leaseholder agrees to comply with all
20 sanitary regulations and the licensing process adopted by the
21 commission and enforced by the Authority, as its agent, from time to
22 time.

23 (23) The Owner or Purchaser shall be responsible, at
24 such Owner's or Purchaser's expense, for providing for the
25 collection, removal, and disposal of all solid waste on the Leased
26 Tract; or the Owner or Purchaser of any portion of the Leased Tract
27 shall be responsible for ensuring that the Leaseholders provide for

1 such collection, removal, and disposal of all solid waste on the
2 applicable portion of the Leased Tract. In the event the Ranch fails
3 to provide for the collection, removal, and disposal of all solid
4 waste related to the Ranch, the Owner or Purchaser shall be
5 responsible for providing for the same.

6 (24) (i) An Owner, Purchaser, or Leaseholder, subject
7 to approval by the Federal Energy Regulatory Commission, may
8 repair, alter, or rebuild improvements located within the FERC
9 Project Area, which improvements were previously approved in
10 accordance with Subdivision (9); provided, however, such repairs,
11 alterations, and/or rebuilding shall not extend beyond the
12 footprint of the existing or previously existing improvement.

13 (ii) An Owner, Purchaser, or Leaseholder may
14 repair, alter, or rebuild improvements located outside the FERC
15 Project Area but within 25' landward measured horizontally from the
16 1000' contour line, and/or improvements located within the 5'
17 boundary setback, which improvements were previously approved in
18 accordance with Subdivision (9). Such repairs, alterations, or
19 rebuilding may extend such improvements outside the previously
20 existing footprint towards the side boundaries and back boundary of
21 the applicable Leased Tract, but such improvements may not be
22 extended towards the shoreline or encroach closer to the 1000'
23 contour line of the Lake than the existing or previously existing
24 improvements.

25 (25) The Authority shall reserve its rights, title,
26 and interest in all oil, gas, and other minerals in and under any
27 and all Property, including the Leased Tract.

1 (26) No land within the FERC Project Area shall be
2 improved, used, or occupied, except in such manner as shall have
3 been approved by the Authority and, to the extent required, by the
4 Federal Energy Regulatory Commission. No docks, piers, on-water
5 facilities, retaining walls, or any other structures or facilities
6 shall be built, installed, or maintained in, on, or over the waters
7 of the Lake or within the FERC Project Area except as authorized by
8 the Authority. All such structures or facilities shall be subject
9 to all rules and regulations applicable to the Lake and the FERC
10 Project Area, as the same may be adopted or amended from time to
11 time. Owner, Purchaser, and/or the Leaseholder shall be responsible
12 for any fees or annual charges assessed by the Authority and/or the
13 Federal Energy Regulatory Commission for such permit or
14 improvements and shall be responsible for ensuring that any such
15 improvements are consistent with the FERC License, Shoreline
16 Management Plan, and all other rules and regulations applicable to
17 the FERC Project Area. Owner or Purchaser shall not, at any time,
18 permit any liens to encumber the FERC Project Area.

19 (27) No use of the Lake or other bodies of water within
20 the Property, if any, shall be made except in accordance with the
21 FERC License, the Shoreline Management Plan, the Authority's
22 regulations, and any other rules and regulations that may be
23 promulgated by the Federal Energy Regulatory Commission and/or the
24 Authority at any time and as amended from time to time. Any such use
25 shall be subject to the Authority's and the Federal Energy
26 Regulatory Commission's superior use rights. The Authority shall
27 not be responsible for any loss, damage, or injury to any person or

1 property arising out of the authorized or unauthorized use of the
2 Lake or other bodies of water within or adjacent to the Property.

3 (28) The Authority may use and regulate the Lake or
4 other bodies of water within the Property for the irrigation of the
5 Authority Land, or for any other purpose deemed appropriate by the
6 Authority, subject to the rights and authority of the Federal
7 Energy Regulatory Commission or other governmental entity having
8 jurisdiction of such areas, and subject to the water rights granted
9 (or which may be granted) to the Authority by the State of Texas.

10 The Authority's rights under this subdivision shall be superior to
11 any rights of any Owner, Purchaser, or Leaseholder. This
12 subdivision shall not be construed to limit or restrict the rights
13 and authority of the Federal Energy Regulatory Commission or other
14 governmental entity having jurisdiction of the Property.

15 (29) Owners or Purchasers must obtain written
16 permission from the Authority in accordance with the Authority's
17 regulations to use or divert water from the Lake on any portion of
18 the Leased Tract for domestic or commercial purposes.

19 (30) No Owner, Purchaser, or Leaseholder shall be
20 permitted to divert or alter the natural drainage of the terrain or
21 clear vegetation on any portion of the Property in such a manner
22 that would cause unnatural erosion or silting of the Lake.

23 (31) Owners, Purchasers, and Leaseholders shall take
24 all reasonable precautions to ensure that all use of and activities
25 on the Leased Tract and the FERC Project Area, including without
26 limitation, the construction, operation, and maintenance of any
27 improvements on the Leased Tract, and/or FERC Project Area occur in

1 a manner that is in compliance with the FERC License and that will
2 protect the scenic, recreational, and environmental values of the
3 Lake. The Authority, as a licensee of the Federal Energy Regulatory
4 Commission, has specific approval authority on any proposed
5 construction that impacts the FERC Project Area or lakebed, and
6 Owner, Purchaser, and Leaseholder shall comply with the approval
7 process as may be established by the Authority and/or the Federal
8 Energy Regulatory Commission from time to time.

9 (32) Structures in place within the FERC Project Area
10 shall be subject to the FERC License, as the same may be amended
11 and/or renewed from time to time. Any structures erected in the FERC
12 Project Area after May 15, 1980 (the date of the amendment to the
13 previous FERC License) may be required to be removed at the expense
14 of the owner of the improvement, unless such improvements are
15 approved in writing by the Authority in accordance with the FERC
16 License. In no event shall this subdivision grant any
17 authorization for a violation of any rules or regulations of the
18 Authority, the FERC License, or any state, federal, or local law.

19 (33) The Owner, Purchaser, and Leaseholder of any
20 portion of the Leased Tract shall comply with all of the following
21 rules and regulations:

22 (A) the Shoreline Management Plan and any
23 amendments or revisions to that document to the extent such
24 Shoreline Management Plan applies to the Owner's, Purchaser's,
25 and/or Leaseholder's portion of the Leased Tract;

26 (B) the applicable rules, regulations, and order
27 of the Federal Energy Regulatory Commission including, without

1 limitation the FERC License;

2 (C) the Authority's "Regulations for Governance
3 for Brazos River Authority Lakes and Associated Lands," as
4 published on the Authority's Internet website; and

5 (D) other rules and regulations adopted by the
6 Authority regarding conduct on and use of the Lake or the Property.

7 (34) By Texas statute, the Authority is empowered to
8 adopt and has adopted certain regulations governing conduct on and
9 use of the Property within the FERC Project Area and Lake. Owners,
10 Purchasers, Leaseholders, and persons using the Leased Tract with
11 such Owners' or Purchasers' consent shall abide by all such rules
12 and regulations adopted from time to time by the Authority and any
13 future revisions and amendments thereto.

14 (35) Owners, Purchasers, and Leaseholders of that
15 portion of the Leased Tract that is part of the Ranch shall comply
16 with the terms and conditions of the Ranch Agreement and the
17 covenants and restrictions set forth in the Ranch Declarations, to
18 the extent applicable to such portion of the Leased Tract. As to
19 that portion of the Property that is part of the Ranch, the Ranch
20 Declarations shall control in the event of any conflict between the
21 covenants, restrictions, and conditions set forth in the Ranch
22 Declarations and the Restrictions.

23 (36) In order to maintain the quality of the Lake's
24 water, the stability of the shoreline, and of the environment in the
25 Lake's vicinity, each Owner, Purchaser, and Leaseholder of all or
26 any portion of the Leased Tract agrees to:

27 (A) comply with any local, state, or federal laws

1 related to water quality or the environment, including laws
2 governing toxic wastes and hazardous substances;

3 (B) if the Owner's or Purchaser's private on-site
4 sewerage facility is not licensed by the Texas Commission on
5 Environmental Quality (or any successor to such Commission) then
6 the Owner, Purchaser, or Leaseholder shall connect to and use, at
7 the Owner's, Purchaser's, or Leaseholder's expense, as applicable,
8 any wastewater treatment system or service that becomes available
9 to the Owner's or Purchaser's portion of the Leased Tract, not later
10 than twelve (12) months after the system or service becomes
11 available to such portion of the Leased Tract and thereafter
12 discontinue use of any private on-site sewerage facility; and if,
13 at any time after a wastewater treatment system or service becomes
14 available to the Owner's or Purchaser's portion of the Leased Tract,
15 the Owner's or Purchaser's private on-site sewerage facility
16 (whether licensed or not) requires either replacement or an
17 alteration or change in the on-site sewerage facility resulting in
18 (i) an increase in the volume of permitted flow, (ii) a change in
19 the nature of permitted influent, (iii) a change from the planning
20 materials approved by the permitting authority, (iv) a change in
21 construction, and/or (v) an increase, lengthening, or expansion of
22 the treatment or disposal system, then such Owner or Purchaser
23 shall promptly connect to and use, at the Owner's, Purchaser's, or
24 Leaseholder's expense, as applicable, such wastewater treatment
25 system or service and thereafter discontinue use of any private
26 on-site sewerage facility. Notwithstanding the foregoing, in the
27 event a property owners association or municipality requires the

1 Owners or Purchasers of the portion of the Leased Tract that is
2 included in such association or municipality to connect to a
3 wastewater system or service, then such association or municipality
4 rules shall control;

5 (C) obtain written consent of the Authority prior
6 to diverting or pumping water from the Lake or any body of water
7 within or adjacent to the Property, constructing or erecting any
8 embankment or retaining wall, or commencing any dredging activity;
9 and

10 (D) pay to the Authority any reasonable fee
11 related thereto (e.g., water usage, recreational user, dredging, or
12 retaining wall fees) as may be adopted from time to time by the
13 Authority.

14 (37) Each Owner or Purchaser of all or any portion of
15 the Leased Tract agrees and acknowledges that the water level in the
16 Lake varies and that the Authority is not responsible for
17 maintaining the Lake at any certain level or above or below any
18 certain level.

19 (38) The Authority is not responsible or liable for
20 any personal injury or damage to any Owner, Purchaser, Leaseholder,
21 the Leased Tract, the Property, or any improvements caused by any
22 increase or decrease in the water level (even if such increase or
23 decrease is due to modifications of the Morris Sheppard (Possum
24 Kingdom) Dam or other actions or omissions of the Authority) or
25 caused by natural flooding.

26 (39) The Authority shall reserve the right of ingress
27 and egress for the Authority and any person authorized by the

1 Authority, including an agent of the Authority or employees, over
2 and across the Leased Tract and any and all on-water facilities
3 whether located within the Leased Tract or FERC Project Area for all
4 reasonable purposes of the Authority, including, without
5 limitation, the construction, maintenance, repair, and/or
6 replacements of any roads, drainage facilities, and power, water,
7 wastewater, and other utility mains and lines that the Authority
8 considers necessary or beneficial and for public safety, health,
9 and welfare purposes; provided however, that:

10 (A) the Authority shall provide written notice at
11 least 48 hours in advance of such entry to the Purchaser or Owner of
12 such portion of the Leased Tract (except in the event of an
13 emergency, in which case advance notice shall not be required, but
14 the Authority shall provide such written notice as soon as
15 practicable thereafter), which notice shall state with reasonable
16 specificity the purpose for such entry;

17 (B) the Authority shall promptly repair any
18 damage to the portion of the Leased Tract caused by the Authority's
19 entrance onto such Owner's or Purchaser's portion of the Leased
20 Tract; and

21 (C) the Authority shall use reasonable efforts to
22 avoid interfering with the Owner's or Purchaser's use of the portion
23 of the Leased Tract.

24 (40) Each Owner, Purchaser, and Leaseholder shall
25 comply strictly with the Restrictions, as the same may be amended
26 from time to time. Failure to comply with the Restrictions shall
27 constitute a violation of the Restrictions, and shall give rise to a

1 cause of action to recover sums due for damages or injunctive relief
2 or both, maintainable by the Authority or other Owners or
3 Purchaser; provided however, no Owner, Purchaser, Leaseholder, or
4 other person shall have any right of action against the Authority
5 arising under the Restrictions.

6 (41) The Authority shall make no warranty or
7 representation as to the present or future validity or
8 enforceability of any such restrictive covenants, terms, or
9 provisions. Any Owner, Purchaser, or Leaseholder acquiring or
10 leasing, as applicable, any portion of the Property in reliance on
11 one or more of the Restrictions shall assume all risks of the
12 validity and enforceability thereof and, by acquiring such portion
13 of the Property, agrees to hold the Authority harmless therefrom.

14 (42) If the Owner, Purchaser, or Leaseholder of any
15 portion of the Leased Tracts or on-water facilities related thereto
16 (including retaining walls) shall fail to comply with the
17 requirements of the Restrictions, then the Authority shall have the
18 right, but not the obligation, following thirty (30) days prior
19 written notice to such defaulting owner to enter such defaulting
20 owner's portion of the Leased Tract (but only if such failure to
21 comply results in a public health, safety, or welfare concern)
22 and/or such defaulting owner's on-water facility and cure such
23 breach, the cost of which shall be reimbursed by such defaulting
24 owner to the Authority upon demand. Any such unpaid amounts,
25 together with interest thereon (at the rate of six percent (6%) per
26 annum) and the costs of collection (if any), shall be charged as a
27 continuing lien against such defaulting owner's portion of the

1 Leased Tract, which lien shall be subordinate to the lien of any
2 third-party deed of trust previously recorded against such
3 defaulting owner's portion of the Leased Tract.

4 (43) A person shall be deemed to be in default of the
5 Restrictions only upon the expiration of thirty (30) days (ten (10)
6 days in the event of failure to pay money) from receipt of written
7 notice from the Authority or other Owner or Purchaser specifying
8 the particulars in which such person has failed to perform the
9 obligations of the Restrictions unless such person, prior to the
10 expiration of said thirty (30) days (ten (10) days in the event of
11 failure to pay money), has rectified the particulars specified in
12 said notice of default. However, such person shall not be deemed to
13 be in default if such failure (except a failure to pay money) cannot
14 be rectified within said thirty (30) day period and such person
15 commences the cure of such default within such thirty (30) day
16 period and thereafter is continuously using good faith and its best
17 efforts to rectify the particulars specified in the notice of
18 default.

19 (44) The Authority shall have the right, but not the
20 obligation, to enforce all of the provisions of the Restrictions.
21 Any Owner or Purchaser shall have the right to enforce all of the
22 provisions of the Restrictions against any other Owner, Purchaser,
23 or Leaseholder, but not against the Authority. Such right of
24 enforcement shall include the right to sue for both damages for, and
25 injunctive relief against, the breach of any such provision.
26 Furthermore, the Authority shall have the right, when appropriate
27 in its sole judgment and discretion, to claim or impose a lien upon

1 any portion of the Leased Tract, or improvement constructed
2 thereon, in order to enforce any right or effect compliance with the
3 Restrictions.

4 (45) The failure of a person (including the Authority
5 or any Owner or Purchaser) to insist upon strict performance of any
6 of the Restrictions shall not be deemed a waiver of any rights or
7 remedies that said person may have, and shall not be deemed a waiver
8 of any subsequent breach or default in the performance of any of the
9 Restrictions by the same or any other person.

10 (46) The Authority shall not be liable to any Owner,
11 Purchaser, or Leaseholder, or to any other person for any loss,
12 damage, or injury arising out of or in any way connected with the
13 performance or nonperformance of the Authority's rights,
14 obligations, or privileges under the Restrictions. Without
15 limiting the foregoing, the Authority shall not be liable to any
16 Owner, Purchaser, or Leaseholder due to the construction of any
17 improvements within the Property.

18 (47) Each of the Restrictions on the Leased Tract
19 shall be a burden on each portion of the Leased Tract, shall be
20 appurtenant to and for the benefit of the other Property, other
21 portions of the Leased Tract, and each part thereof, and shall run
22 with the land.

23 (48) The Restrictions shall inure to the benefit of
24 and be binding upon the Owners or Purchasers, their heirs,
25 successors, assigns, and personal representatives, and upon any
26 person acquiring all or any portion of the Leased Tract, or any
27 interest therein, whether by operation of law or otherwise.

1 Notwithstanding the foregoing, if any Owner or Purchaser sells or
2 transfers all or any portion of such Owner's or Purchaser's interest
3 in all or any portion of the Leased Tract, such Owner or Purchaser
4 shall, upon the sale and conveyance of title, be released and
5 discharged from all of its obligations as Owner or Purchaser in
6 connection with the property sold by it arising under the
7 Restrictions after the sale and conveyance of title but shall
8 remain liable for all obligations arising under the Restrictions
9 prior to the sale and conveyance of title. The new Owner or
10 Purchaser of all or any such portion of the Leased Tract,
11 (including, without limitation, any Owner (or Lienholder) who
12 acquires its interest by foreclosure, trustee's sale or otherwise)
13 shall be liable for all obligations arising under the Restrictions
14 with respect to such portion of the Leased Tract on and/or after the
15 date of sale and conveyance of title. The Authority may assign, in
16 whole or in part, any of its privileges, exemptions, rights, and
17 obligations (if any) under the Restrictions to any other person and
18 may permit the participation, in whole or in part, by any other
19 person in any of its privileges, exemptions, rights, and
20 obligations (if any) hereunder.

21 (49) Except as provided in this subsection, the term
22 of the Restrictions shall be for a period of fifty (50) years from
23 the date such Restrictions are executed by the Authority.
24 Notwithstanding the foregoing, upon the expiration of such period,
25 the term of the Restrictions shall automatically renew for
26 successive periods of five (5) years each unless, at least ninety
27 (90) days prior to the date of expiration of any period then in

1 effect, (i) the Owners or Purchasers of at least sixty percent (60%)
2 of the individual lots that comprise the Residential Leased Land
3 and the Commercial Leased Land, (ii) the Owners or Purchasers of at
4 least sixty percent (60%) of the land area of the Authority Land,
5 and (iii) the Authority, for so long as the Authority has any
6 interest in the Property, whether as an Owner or holder of the FERC
7 License or otherwise, duly execute, acknowledge and record in the
8 office of the recorder of the counties in which the Property is
9 located a written termination notice, in which event, the
10 Restrictions shall automatically expire at the end of the period
11 then in effect.

12 (e) Buffer Zone. Notwithstanding any provision in this
13 subsection to the contrary, a sale under Subsection (b) or (c) shall
14 be subject to the following:

15 (1) If at the time Closing occurs under Subsection (b)
16 or if at the time a Leaseholder completes the purchase of the
17 applicable Leased Tract from the Authority pursuant to Subsection
18 (c), as applicable, the Buffer Zone, or any portion thereof, has
19 been removed from the FERC Project Area, the Leased Tract being
20 conveyed shall include that portion of the Buffer Zone so removed;
21 provided, however, the Purchaser and/or Owner, as applicable, shall
22 grant the Authority access to the FERC Project Area and Lake to
23 allow the Authority to fulfill its obligations as a River Authority
24 and any obligations set forth in the FERC License, state water
25 rights, or other governmental regulations.

26 (2) If at the time Closing occurs under Subsection
27 (b), or if at the time a Leaseholder closes on the purchase of the

1 applicable Leased Tract from the Authority pursuant to Subsection
2 (c), as applicable, the Buffer Zone, or any portion thereof, has not
3 been removed from the FERC Project Area and a portion of the Leased
4 Tract is located within the Buffer Zone, the Authority shall
5 provide such Purchaser and/or Owner, as applicable, a residual
6 interest in that portion of the Buffer Zone adjacent to the Leased
7 Tract and covered by the applicable residential Ground Lease, such
8 residual interest to automatically vest upon satisfaction of either
9 of the following conditions:

10 (A) the Federal Energy Regulatory Commission
11 approves an amendment to the FERC License removing the Buffer Zone
12 from the boundaries prescribed by the FERC License such that the
13 Buffer Zone is no longer subject to regulation by the Federal Energy
14 Regulatory Commission; or

15 (B) the FERC License expires (and is not renewed
16 or extended) or is otherwise terminated and thus the Buffer Zone is
17 no longer subject to regulation by the Federal Energy Regulatory
18 Commission.

19 (3) Notwithstanding the foregoing, if such residual
20 interest has not vested on or before August 31, 2040, then such
21 residual interest shall be terminated and of no further force and
22 effect. Upon satisfaction of either of the foregoing conditions
23 prior to August 31, 2040, this conveyance shall be automatically
24 effective without necessity of further documentation. From and
25 after the date such conveyance becomes effective, the Buffer Zone
26 shall be considered to be a part of the Leased Tract conveyed under
27 Subsection (b) or (c) and the Purchaser or then current Owner of the

1 applicable Leased Tract shall be the beneficiary of the residual
2 interest created herein, but only as to the portion of the Buffer
3 Zone located adjacent to the Purchaser's or Owner's property and all
4 right, title, and interest in such adjacent portion of the Buffer
5 Zone as measured by extending the boundary lines on both sides of
6 the applicable portion of the Leased Tract in a straight line across
7 the Buffer Zone to the then current 1000' contour line of the Lake,
8 or, if such portion cannot reasonably be measured as set forth
9 above, then as otherwise determined by the Authority. Such residual
10 interest shall immediately vest in the Purchaser or then-current
11 Owner of such adjacent Leased Tract without the necessity of any
12 additional written conveyance.

13 (4) In the event a sale under Subsection (b) or (c)
14 does not include the Buffer Zone or any portion thereof, or only
15 includes a residual interest in the Buffer Zone or any portion
16 thereof, then such Buffer Zone shall remain subject to the terms and
17 conditions of the residential Ground Lease in effect between the
18 Leaseholder and the Authority at the time Closing occurs under
19 Subsection (b) or at the time the Leaseholder purchases the
20 applicable Leased Tract under Subsection (c); provided, however, no
21 rent shall be due the Authority under such Ground Lease for the
22 Buffer Zone. At such time as the applicable Ground Lease expires or
23 is otherwise terminated, the Authority may, subject to approval of
24 the Federal Energy Regulatory Commission, grant the Purchaser or
25 the then-current Owner of the adjacent tract (as determined
26 pursuant to the method set forth in Subdivision (2)(B)), an
27 easement for use of such portion of the Buffer Zone, which easement

1 shall be subject to the FERC License. The Authority shall retain
2 ownership of such portion of the Buffer Zone and exercise control
3 over such portion of the Buffer Zone consistent with the FERC
4 License and this subsection. The easement granted to such Owner
5 shall be limited to uses permitted under the terms of the FERC
6 License and the Authority's Shoreline Management Plan, and any
7 other Authority rules and regulations as may be adopted from time to
8 time.

9 (f) Purchase Price. For purposes of determining the
10 purchase price and/or lease rate pursuant to the options set forth
11 in Subsection (b)(1) or the purchase price in Subsection (c), in the
12 event the appraisal district does not provide an assessed value for
13 the applicable portion of the Leased Tract for the applicable year,
14 then the land only assessed value without any exemptions for the
15 applicable portion of the Leased Tract shall be calculated based on
16 the assessed value per square foot of comparable lots with similar
17 physical characteristics in the applicable county or adjoining
18 counties, as determined by the Authority.

19 (g) Roads. Authority or Purchaser, whichever is
20 applicable, shall transfer its interest in the Roads to the
21 applicable county in which the Roads, or any portion thereof, are
22 situated as follows:

23 (1) All Roads located in Stephens County
24 (approximately three miles of Roads) shall be transferred to
25 Stephens County on or before December 31, 2011.

26 (2) All Roads located in Palo Pinto County
27 (approximately forty-six miles of Roads) shall be transferred to

1 Palo Pinto County in twenty percent increments of the total mileage
2 per year for five consecutive years. The first twenty percent
3 increment shall be transferred on or before December 31, 2011, and
4 each remaining twenty percent increment shall be transferred on or
5 before December 31 of each subsequent year, but not before January 1
6 of such year unless approved by an order or resolution of the Palo
7 Pinto County Commissioners Court, with the final twenty percent
8 increment being transferred on or before December 31, 2015, but not
9 before January 1, 2015, unless approved by an order or resolution of
10 the Palo Pinto County Commissioners Court.

11 (3) Authority or Purchaser, whichever is applicable,
12 in consultation with the Palo Pinto County Commissioner or
13 Commissioners who have jurisdiction over the Leased Tract, shall
14 determine which Roads or portions thereof shall be transferred each
15 year.

16 (4) The transfer of any portion of the Roads located
17 within the FERC Project Area shall be in accordance with the FERC
18 License and may be in the form of a grant of a right-of-way or
19 easement, unless otherwise authorized by the Federal Energy
20 Regulatory Commission.

21 (5) Beginning on the date of transfer, the Authority
22 or Purchaser, whichever is applicable, shall no longer have any
23 obligations regarding such Roads. The Roads shall be transferred
24 in their "as-is" condition and neither the Authority nor the
25 Purchaser shall have any obligation to ensure that the Roads, or any
26 portion thereof, comply with the standards in effect at the time of
27 transfer in the applicable county for like roads currently

1 maintained by that county.

2 (6) Concurrently with the transfer in each year of a
3 portion of the Roads, the Authority or Purchaser, as applicable,
4 shall transfer to Palo Pinto County the amount, rounded to the
5 nearest dollar, computed by multiplying \$200,000 by a fraction the
6 numerator of which is the number of miles of Roads located in and
7 transferred to Palo Pinto County in that year and the denominator of
8 which is the total number of miles of Roads located in and
9 transferred or to be transferred to Palo Pinto County. For every
10 other county in which a portion of the Roads is located, the
11 Authority or Purchaser, as applicable, shall transfer an amount
12 equal to (A) the per mile road payment (as defined below) multiplied
13 by (B) the number of miles of the Roads located in such county. As
14 used in this subdivision, "per mile road payment" means the amount,
15 rounded to the nearest dollar, computed by dividing \$200,000 by the
16 total number of miles of Roads located in and transferred or to be
17 transferred to Palo Pinto County pursuant to this subsection.

18 (7) Notwithstanding any provision in this subsection
19 to the contrary, the Authority or Purchaser, as applicable, shall
20 retain ownership of any portion of a Road that is inaccessible to
21 the public. For purposes of this subdivision, a portion of the Road
22 is considered inaccessible to the public if, as of the effective
23 date of the Act enacting this section, the public can only access
24 such portion of the Road by crossing property not owned by the
25 Authority or Purchaser, as applicable, and not subject to an
26 easement or other ownership interest that allows the public to
27 cross such property without restriction. If a retained portion of a

1 Road subsequently becomes accessible to the public, the Authority
2 or Purchaser, as applicable, shall transfer such retained portion,
3 including any interest the Authority or Purchaser has in any
4 additional Road constructed or acquired by the Authority or
5 Purchaser in order to make the retained portion of the Road
6 accessible to the public, to the applicable county in accordance
7 with the process set forth in this subsection, or in the event such
8 portion of the Road becomes accessible to the public after December
9 31, 2015, within one (1) year of such retained portion of the Road
10 becoming accessible.

11 (h) Platting. A sale of the Leased Tract under this section
12 shall not be subject to Chapter 232, Local Government Code, or any
13 other platting requirement.

14 (i) Mineral Interests. The Authority shall reserve its
15 interest in all oil, gas, and other minerals in and under the Leased
16 Tract (or any portion thereof) sold under this section.

17 SECTION 2. If the provisions of Section 8502.020, Special
18 District Local Laws Code, as added by this Act, conflict with any
19 other provisions of Chapter 8502 of that code, then the provisions
20 of Section 8502.020 shall prevail, notwithstanding all such
21 conflicting provisions.

22 SECTION 3. This Act takes effect immediately if it receives
23 a vote of two-thirds of all members elected to each house, as
24 provided by Section 39, Article III, Texas Constitution. If this
25 Act does not receive the vote necessary for immediate effect, this
26 Act takes effect September 1, 2009.

President of the Senate

Speaker of the House

I certify that H.B. No. 3031 was passed by the House on April 28, 2009, by the following vote: Yeas 149, Nays 0, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3031 was passed by the Senate on May 15, 2009, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor