

By: Keffer

H.B. No. 3031

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the sale by the Brazos River Authority of certain
3 residential and commercial leased lots and other real property in
4 the immediate vicinity of Possum Kingdom Lake.

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

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

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

9 Definitions. In this section:

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

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

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

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

1 (5) "Contract" means the Authority entering into a
2 purchase and sale agreement with a Purchaser for the transfer of
3 the Authority's interest in the Leased Tract, in whole or in part.

4 (6) "Consumer Price Index" means the consumer price
5 index for residential and commercial real property, as published by
6 the Bureau of Labor Statistics of the United States Department of
7 Labor.

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

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

21 (9) "FERC License" means the order of the Federal
22 Energy Regulatory Commission issuing a license to the Authority for
23 project number 1490-003-Texas on September 8, 1989, as such
24 license has been renewed, extended, or amended and may be further
25 renewed, extended, or amended at any time and from time to time, and
26 also including the Amendment to the original FERC License which
27 amendment was issued on May 15, 1980, to the extent incorporated or

1 referenced in the FERC License.

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

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

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

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

25 (14) "Leaseholder" means a person or entity that has a
26 residential lease or a commercial lease with the Authority,
27 including the Leaseholder's heirs, successors, and assigns.

1 (15) "Leased Tract" or "Tract" means all or any
2 portion of the Commercial Leased Land, the Residential Leased Land,
3 and Undeveloped Strips, whether owned by the Authority, Purchaser,
4 or Owner and whether or not subject to a lease, Ground Lease, or
5 owned in fee simple.

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

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

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

17 (19) "Purchaser" means any person or entity, including
18 its successor's in interest, heirs, or assigns, that acquires the
19 Leased Tract (or any portion thereof) from the Authority in
20 accordance with Subsection (b) of this section. This term shall not
21 include those Leaseholders that acquire individual Leased Tracts
22 from the Purchaser in accordance with Subsection (b) of this
23 section.

24 (20) "Ranch" means that certain subdivision of record
25 in Palo Pinto County, Texas according to the map or plat of record
26 in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as
27 it may be amended or modified from time to time, which subdivision

1 includes a portion of the Leased Tract and a portion of the
2 Authority Land.

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

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

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

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

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

1 definition of Roads, as used herein, shall not include (a)
2 Driveways, (b) paved or gravel roads located wholly within
3 Authority public use areas, (c) paved or gravel roads located
4 within gated Authority operations areas, and (d) paved or gravel
5 roads located wholly within an individual tract which is part of the
6 Commercial Leased Land, which roads only serve that individual
7 commercial Tract.

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

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

18 (b) Sale to Purchaser. Prior to January 1, 2011, the
19 Authority may sell the Leased Tract in whole or in part, to a
20 Purchaser in accordance with applicable law, this subsection and
21 subsections (d), (e), (f), (g), (h), and (i) for an amount to exceed
22 50% of the land only assessed value of the Leased Tract without
23 exemptions (as determined by the county appraisal district) for
24 the year 2008. Any sale of the Leased Tract to a Purchaser under
25 this subsection shall be subject to the following:

26 (1) Each Leaseholder shall have the opportunity to buy
27 such Leaseholder's individual Leased Tract from the Purchaser or to

1 continue leasing the applicable Leased Tract from the Purchaser in
2 accordance with the following purchase or lease options. The
3 Purchaser shall:

4 (i) Permit the Leaseholder to purchase such
5 Leaseholder's individual Leased Tract in cash or through lender
6 financing for 65% of land only assessed value without any
7 exemptions (as determined by county appraisal district) for the
8 year 2008, such option to be available at Closing as set forth in
9 subsection (b)(2) and for a period of at least one year from
10 Closing.

11 (ii) Permit the Leaseholder to purchase for the
12 percent of assessed value only as set forth in (i) above 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 subsection (b)(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 (iii) Offer a new 99-year lease at a rental rate
21 of 6% of the land only assessed value without any exemptions (as
22 determined by county 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 county appraisal district) at the time of

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

3 (iv) 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 20-year lease will include an option to purchase the
13 applicable Leased Tract at the land only assessed value without any
14 exemptions (as determined by county appraisal district) at the time
15 of purchase (but not less than the 2008 land only assessed value
16 without any exemptions).

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

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

24 (B) an option permitting the Leaseholder to
25 purchase such Leaseholder's individual Leased Tract for the land
26 only assessed value without any exemptions (as determined by county
27 appraisal district) at the time of purchase, or for the year 2008,

1 whichever is greater, for a period of 8 years from Closing, and
2 (C) an agreement to extend Ground Leases as
3 necessary to allow for this full 8-year purchase option period.
4 Nothing in this subsection shall preclude the Purchaser from
5 offering additional purchase or lease options to the Leaseholders,
6 provided any additional options are made available to all
7 Leaseholders on an equal basis.

8 (2) A Leaseholder who desires to buy such
9 Leaseholder's individual Leased Tract from the Purchaser pursuant
10 to the option set forth in either Subsection (b)(1)(i) or (ii)
11 concurrently with the Purchaser's Closing must exercise the desired
12 option as follows:

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

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

24 (A) the purchase price for the individual
25 Leased Tract in accordance with the applicable purchase option;

26 (B) earnest money in the amount of \$1,000 to
27 be delivered to the title company agreed to by Leaseholder and

1 Purchaser and approved by the Authority along with the executed
2 purchase and sale agreement;

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

6 (D) a 60-day period commencing on the date
7 of the purchase and sale agreement for the Leaseholder to obtain
8 financing (if exercising its option pursuant to subsection
9 (b)(1)(i) above);

10 (E) the Leaseholder must notify Purchaser
11 of any objections to any items on the title commitment and/or survey
12 within fifteen (15) days after receipt of same, but in no event less
13 than 45 days prior to the anticipated date of Closing, provided
14 however, Authority shall cure any such items or to incur any
15 expenses in curing any items;

16 (F) Leaseholder is purchasing the
17 applicable individual Leased Tract in its "as-is" condition and
18 Purchaser shall have no obligation to make any improvements or
19 modifications thereto, nor will Purchaser make any representations
20 or warranties as to the condition or use of the applicable Leased
21 Tract

22 (G) Purchaser shall not be responsible for
23 any broker fees or commissions due to any broker or agent engaged or
24 claiming to have been engaged by Leaseholder for the purchase and
25 sale of the applicable Leased Tract;

26 (H) Purchaser shall be responsible for
27 costs related to the release of any existing liens placed on the

1 applicable portion of the Leased Tract by Purchaser, including
2 prepayment penalties and recording fees, release of Purchaser's
3 loan liability to the extent applicable to the individual Leased
4 Tract; tax statements or certificates; preparation of the deed; and
5 one-half of any escrow fee;

6 (I) Leaseholder shall be responsible for
7 any costs associated with a loan or financing for the applicable
8 portion of the Leased Tract, including, without limitation, loan
9 origination, discount, buy-down, and commitment fees, appraisal
10 fees, loan application fees, credit reports, preparation of loan
11 documents, loan-related inspection fees, and interest on the notes
12 from the date of disbursement to date of first monthly payment; the
13 cost of the survey; recording fees; copies of easements and
14 restrictions; mortgagee title policy with endorsements required by
15 lender, if any; one-half of any escrow fee; any pre-paid items,
16 including without limitation, insurance premiums and reserves and
17 taxes; underwriting fee; any title policy (including endorsements)
18 obtained by Leaseholder;

19 (J) Taxes will be pro-rated as of the date
20 of Closing; if taxes are not paid as of the date of Closing, then
21 Leaseholder shall be responsible for the payment of taxes; and

22 (K) the agreement between Leaseholder and
23 Purchaser shall be contingent on Closing occurring within the
24 timeframes set forth in this subsection.

25 (iii) Leaseholder shall deliver to Authority and
26 Purchaser no less than forty-five days prior to Closing, at the
27 Leaseholder's expense, an accurate survey of the individual Leased

1 Tract (including any Undeveloped Strips being included in such
2 Leased Tract) which survey is acceptable to the Authority and
3 Purchaser. To be acceptable to the Authority and Purchaser, the
4 survey must:

5 (A) be acceptable to the title company
6 selected by the Purchaser and Leaseholder and approved by the
7 Authority for purposes of issuing any policy of title insurance on
8 the applicable portion of the Leased Tract;

9 (B) be prepared by a licensed state land
10 surveyor or a registered professional land surveyor acceptable to
11 the Authority;

12 (C) include the boundary of the
13 Leaseholder's Leased Tract and any Undeveloped Strips being
14 conveyed, which boundaries must be consistent with the master
15 survey prepared on behalf of the Authority in conjunction with the
16 sale of the Leased Tract to the Purchaser;

17 (D) include all improvements on the Leased
18 Tract and indicate any encroachments across the applicable
19 boundary lines or into the FERC Project Area or Buffer Zone;
20 Leaseholder must provide evidence that any such encroachments
21 across boundary lines or into the FERC Project Area or Buffer Zone
22 have been cured by the Leaseholder (either by removal of such
23 encroachment or by written agreement between the affected parties
24 permitting such encroachment to continue) prior to the survey being
25 deemed acceptable; and

26 (E) be reviewed and approved by the
27 Authority and Purchaser; the Authority, Purchaser, and their

1 representatives or agents may perform an inspection of the
2 applicable Leased Tract to verify the accuracy of the Survey and any
3 encroachments thereon;

4 (iv) On or before Closing, the purchase and sale
5 agreement between the Leaseholder and Purchaser and any earnest
6 money which may be required pursuant to such agreement shall be
7 timely delivered to a title company or escrow agent acceptable to
8 the Authority and agreed to by Leaseholder and Purchaser in such
9 agreement;

10 (v) on or before Closing, Purchaser and
11 Leaseholder shall complete all documentation necessary to
12 effectuate transfer of the applicable Leased Tract from the
13 Purchaser to the Leaseholder and deliver such completed and
14 executed documents to the applicable escrow agent; and

15 (vi) Promptly after Closing, the deed and any
16 other applicable documents effectuating transfer of such Leased
17 Tract to the Leaseholder shall be recorded in the county records
18 where the Leased Tract is located promptly after such escrow agent
19 receives written notice from the Authority or title company or
20 escrow agent facilitating the Closing of the Leased Tract from the
21 Authority to Purchaser that such Closing has been completed and the
22 necessary documents have been recorded pursuant to such Closing. In
23 no event shall the deed or any other documents transferring the
24 applicable portion of the Leased Tract to the Leaseholder be
25 recorded prior to Closing.

26 (3) Closing shall occur no later than December 31,
27 2010. The Authority shall post on its website no later than thirty

1 days after entering into a Contract for sale with Purchaser the
2 effective date of such Contract and the anticipated date of
3 Closing, which date shall be at least six (6) months from the
4 effective date of the Contract. Any changes to the anticipated date
5 of Closing shall also be posted on the Authority's website. These
6 dates shall be used to establish the time periods provided in
7 Subsection (b)(2).

8 (c) Sale to Leaseholders. This subsection shall only apply
9 to, and be effective for, those portions of the Leased Tract (if
10 any) for which Closing has not occurred on or before December 31,
11 2010 pursuant to Subsection (b) above, in which case the effective
12 date of this Subsection (c) shall be January 1, 2011. Upon the
13 effective date of this subsection, the Authority shall suspend any
14 applicable sale efforts under Subsection (b) for a period of two
15 years beginning on the effective date of this subsection and
16 initiate a tract by tract sale of the Leased Tract to the
17 then-current Leaseholders as follows:

18 (1) For a period of two years beginning on the
19 effective date of this subsection and in accordance with the
20 procedures set forth in this subsection (c), and subject to
21 subsections (d), (e), (f), (g), (h), and (i) the Authority shall
22 provide Leaseholders the opportunity to purchase their individual
23 Leased Tracts directly from the Authority. Leaseholders shall have
24 until the expiration of such two year period to submit a completed
25 application of intent to purchase their individual Leased Tracts as
26 provided in Subsection (c)(4).

27 (2) The Authority shall determine if, and how, any

1 Undeveloped Strips will be divided between adjacent Leaseholders
2 and incorporated into any individual Leased Tract; provided,
3 however, Leaseholders shall not be required to accept any such
4 Undeveloped Strips.

5 (3) On or before the effective date of this
6 subsection, the Authority shall make available to the Leaseholders
7 a form for an application of intent to purchase the Leaseholder's
8 individual Leased Tract. Such application shall be deemed a
9 contract subject to the provisions set out herein. The application
10 of intent shall provide the Leaseholder a 30-day feasibility period
11 beginning on the date such application is submitted in which
12 Leaseholder can determine the feasibility of purchasing the
13 applicable individual Leased Tract, including the ability of such
14 Leaseholder to obtain financing for such purchase.

15 (4) A Leaseholder who desires to purchase such
16 Leaseholder's individual Leased Tract must submit a completed
17 application to the Authority on or before December 31, 2012. An
18 application will be deemed "complete" upon the following:

19 (i) Leaseholder delivers to the Authority an
20 executed application of intent to purchase with all required
21 information included in the application;

22 (ii) Leaseholder delivers an earnest money
23 deposit, in good funds acceptable to the title company or escrow
24 agent selected by the Authority, in the amount of \$1,000 to such
25 title company or escrow agent, which earnest money shall be
26 nonrefundable after the expiration of the feasibility period except
27 in the event closing does not occur due to the fault of the

1 Authority;

2 (iii) any and all rent and other fees or amounts
3 due to the Authority pursuant to such Leaseholder's Ground Lease
4 have been paid and there are no amounts then outstanding which are
5 past due;

6 (iv) Leaseholder has delivered to the Authority a
7 survey which is acceptable to the Authority of the applicable
8 Leased Tract (and any Undeveloped Strips being included in such
9 Leased Tract). To be acceptable to the Authority, the survey must:

10 (A) be acceptable to the title company
11 selected by the Authority for purposes of issuing any policy of
12 title insurance on the applicable portion of the Leased Tract

13 (B) be prepared by a licensed state land
14 surveyor or a registered professional land surveyor acceptable to
15 the Authority;

16 (C) include the boundary of the
17 Leaseholder's Leased Tract and any Undeveloped Strips being
18 conveyed, which boundaries must be consistent with the master
19 survey of the Leased Tract prepared on behalf of the Authority;

20 (D) include all improvements on the Leased
21 Tract and indicate any encroachments across the applicable boundary
22 lines or into the FERC Project Area or Buffer Zone; Leaseholder must
23 provide evidence that any such encroachments across boundary lines
24 or into the FERC Project Area or Buffer Zone have been cured by the
25 Leaseholder (either by removal of such encroachment or by written
26 agreement between the affected parties permitting such
27 encroachment to continue) prior to the survey being deemed

1 acceptable; and

2 (E) be reviewed and approved by the
3 Authority; the Authority or its representatives or agents may
4 perform an inspection of the Leased Tract to verify the accuracy of
5 the Survey and any encroachments thereon.

6 (v) Leaseholder has delivered to the Authority a
7 title commitment and, if requested by the Authority, any exception
8 documents referenced therein, prepared by the applicable title
9 company or escrow agent selected by the Authority; and

10 (vi) Leaseholder has delivered to the Authority
11 written evidence from Leaseholder's lender or financial
12 institution that Leaseholder has the financing or funds available,
13 as applicable, to complete the purchase of Leaseholder's Leased
14 Tract.

15 (5) Completed applications which are timely delivered
16 will be accepted and processed by the Authority in the order in
17 which they are received; except that the Authority shall give
18 preference in processing applications to Leaseholders who receive
19 an ad valorem tax exemption under Section 11.13, Tax Code, for a
20 structure on the Leaseholders' Leased Tract.

21 (6) A Leased Tract sold under this subsection shall be
22 sold for 65% of the land only assessed value without any exemptions,
23 as determined by the county appraisal district, for the year in
24 which the Leaseholder's application of intent to purchase is
25 submitted to the Authority, or for the year 2008, whichever is
26 greater.

27 (7) The Leaseholder purchasing such Leaseholder's

1 Leased Tract is responsible for:

2 (i) timely paying all rent and other fees or
3 amounts due to the Authority pursuant to such Leaseholder's Ground
4 Lease through the date of closing on the Leaseholder's portion of
5 the Leased Tract; and

6 (ii) obtaining and delivering to the Authority a
7 survey of the applicable Leased Tract in accordance with Subsection
8 (c)(4)(iv) above and curing any encroachments shown thereon, all at
9 Leaseholder's expense; and

10 (iii) obtaining and delivering to the Authority,
11 at such Leaseholder's expense, a title commitment in accordance
12 with Subsection (c)(4)(v) above; the Authority shall cure any
13 objections which Leaseholder may have to the exceptions, covenants,
14 easements, reservations or any other items reflected on the title
15 commitment; and

16 (iv) delivering to the applicable title company
17 or escrow agent on or before closing on the Leaseholder's Leased
18 Tract, in good funds, the purchase price and all reasonable,
19 normal, customary and documented costs associated with the transfer
20 of the individual Leased Tract to the Leaseholder including,
21 without limitation, all escrow fees, recording fees, taxes on the
22 land after the date of such closing, document preparation fees, the
23 cost of any Title Policy (including any endorsements thereon)
24 obtained by Leaseholder, and any costs associated with removing any
25 liens on the applicable Leased Tract; and

26 (v) timely delivering to the escrow agent any
27 notices, statements, affidavits or other documents required by the

1 application, escrow agent, or at law to effectuate the transfer of
2 the applicable Leased Tract to the Leaseholder.

3 (8) For those completed applications of intent to
4 purchase timely delivered to the Authority under this subsection,
5 the purchase must be completed no later than June 30, 2013. For any
6 individual Leased Tracts for which closing has not occurred by such
7 date, the application shall be deemed terminated. The Authority
8 shall not accept any applications of intent to purchase after
9 December 31, 2012; and any applications of intent to purchase which
10 are delivered to the Authority prior to such date but which are not
11 "complete" as of such date in accordance with Subsection (c)(4)
12 above shall be rejected by the Authority. Leaseholders submitting
13 an application of intent to purchase their individual Leased Tracts
14 are responsible for ensuring that such application is deemed
15 "complete" on or before December 31, 2012.

16 (9) Any Ground Lease which would otherwise expire
17 shall be automatically extended as necessary for one year terms to
18 permit such Leaseholder the full two year period to deliver such
19 application of intent to purchase such Leaseholder's individual
20 Leased Tract and to complete such transaction no later than June 30,
21 2013.

22 (10) The Owner of a Tract sold under this subsection
23 shall pay the Authority any reasonable fees set by the Authority for
24 any services the Owner accepts from the Authority. However, the
25 Owner of a Tract is under no obligation to accept services from the
26 Authority.

27 (11) Any Tract subject to the Ranch Agreement shall

1 only be subject to sale under this subsection if the Authority is
2 released from its obligations under the Ranch Agreement relating to
3 such Tract.

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

- 6 (i) Chapter 272, Local Government Code;
7 (ii) Section 49.226, Water Code; and
8 (iii) Section 8502.013, Special District Local
9 Laws Code.

10 (13) A provision that applies to the Leaseholder of a
11 Leased Tract under this section applies to any subsequent Owner of
12 the Leased Tract.

13 (14) At closing on the individual Leased Tract, the
14 Leaseholder shall pay any indebtedness secured by a lien on the
15 Leaseholder's leasehold estate (including the Buffer Zone, whether
16 or not included as part of the Leased Tract pursuant to subsection
17 (e) below) or deliver the express written consent of the Lienholder
18 on the leasehold estate in the Leased Tract permitting the
19 Leaseholder to grant a purchase money lien on the fee simple estate
20 in the Leased Tract.

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

23 (16) For any portion of the Leased Tract which has not
24 been sold pursuant to subsection (c) on or before June 30, 2013, the
25 Authority's Board of Directors shall sell any such remaining
26 portion of the Leased Tract pursuant to terms and conditions
27 determined by such Board of Directors.

1 (d) Restrictions on Leased Tract. The Leased Tract (or any
2 portion thereof) sold in accordance with subsection (b) or (c)
3 shall be subject to the following Restrictions, which shall be
4 included, in substance, in a Declaration of Restrictive Covenants,
5 Easements, and Conditions to be prepared by the Authority
6 substantively in accordance with the following and recorded by the
7 Authority, as declarant, in the applicable county records prior to
8 any sale pursuant to subsection (b) or (c):

9 (1) Subject to subsection (d)(10) below, no Owner,
10 Purchaser, or Leaseholder may forbid, restrict, or take any action
11 which effectively forbids or restricts, the public from using the
12 FERC Project Area and the adjacent areas of the Lake in accordance
13 with the terms of the FERC License.

14 (2) Each Owner, Purchaser, and Leaseholder shall agree
15 to not block, restrict, or otherwise prohibit access over, through
16 or across any Road and further agrees that such Roads or portion
17 thereof shall remain open for use by the Authority, other Owners or
18 Purchasers, lessees of any portion of the Property (including
19 Leaseholders) and the general public. Except for (i) those portions
20 of the Property which are accessible by water only as of the
21 effective date of the Restrictions, and/or (ii) restrictions of
22 access existing as of the effective date of the Restrictions (e.g.,
23 access to and from public roads that requires traversing real
24 property not owned by the Authority, Owners, or Purchasers
25 hereunder), and/or (iii) the covenants and restrictions of the
26 Ranch Declarations (to the extent applicable to the Roads) or other
27 restrictive covenants existing prior to the date the Restrictions

1 are recorded of record, no Owner, Purchaser, or Leaseholder shall
2 be permitted to block, restrict, or otherwise prohibit access on,
3 over, or across the Roads.

4 (3) The Driveways are not part of the Roads and shall
5 be maintained by the Owner, Purchaser, or Leaseholder of the
6 applicable Driveways. No Owner, Purchaser, or Leaseholder shall
7 obstruct, prevent, or otherwise restrict access on, over or across
8 any portion of a common Driveway by any such other Owner, Purchaser,
9 or Leaseholder, or their guests or invitees, whose portion of the
10 Property is served by such common Driveway. Owners, Purchasers,
11 and/or Leaseholders whose portion of the Property is served by a
12 common Driveway shall at all times have a non-exclusive right of
13 ingress and egress over and across such common Driveway to access
14 their portion of the Property.

15 (4) All grants and dedications of easements,
16 rights-of-way, restrictions, and related rights affecting the
17 Leased Tract, made prior to the Leased Tract becoming subject to the
18 Restrictions which are of record, or visible or apparent, shall be
19 incorporated into such Restrictions by reference and made a part of
20 the Restrictions for all purposes as if fully set forth therein and
21 shall be construed as being adopted in each and every contract,
22 deed, or conveyance executed or to be executed by or on behalf of
23 the Authority conveying any part of the Leased Tract. The foregoing
24 adoption of such easements includes, without limitation, any and
25 all written easements or agreements, whether or not recorded,
26 between the Authority and any other party for the installation,
27 maintenance, repair or replacement of utility lines located on,

1 above, over, under, or beneath the Property.

2 (5) The Authority shall reserve for itself and its
3 successors, assigns, and designees the non-exclusive right and
4 easement, but not the obligation, to enter upon the Property, the
5 Lake and other bodies of water, if any, located within the Property
6 (a) to install, keep, maintain and replace pumps in order to obtain
7 water for the irrigation of any portion of the Authority Land, (b)
8 to construct, maintain, replace, and repair any wall, dam, or other
9 structure retaining water therein, (c) to access, construct,
10 maintain, replace, and repair any measurement stations, monuments,
11 or other similar improvements, (d) to remove trash and other debris
12 and (e) to fulfill the Authority's obligations as a river authority
13 and any obligations set forth in the FERC License, state water
14 rights, or other governmental regulations. The Authority and its
15 designees shall have an access easement through, over and across
16 any portion of the Leased Tract to the extent reasonably necessary
17 to exercise the rights and responsibilities under this subsection
18 (d)(5); provided however, that (i) the Authority shall provide
19 written notice at least 48 hours in advance of such entry to the
20 Purchaser or Owner of such portion of the Leased Tract (except in
21 the event of an emergency in which case advance notice shall not be
22 required, but the Authority shall provide such written notice as
23 soon as practicable thereafter), (ii) the Authority shall promptly
24 repair any damage to the portion of the Leased Tract caused by the
25 Authority's entrance onto such Owner's or Purchaser's portion of the
26 Leased Tract; and (iii) the Authority shall use reasonable efforts
27 to avoid interfering with the Owner's or Purchaser's use of the

1 portion of the Leased Tract.

2 (6) The Authority shall reserve for itself and its
3 successors, assigns, and designees a perpetual right, power,
4 privilege, and easement to occasionally overflow, flood, and
5 submerge that portion of the Property located at or below the
6 elevation contour of 1015' above mean sea level in connection with
7 the Authority's operation and maintenance of the Lake. The
8 Authority shall have no liability to any Owner, Purchaser,
9 Leaseholder, or any other person for any damages, claims, costs,
10 injuries, or liabilities to any person or the Property or any
11 improvements thereon which are caused by or arise from any act or
12 omission by the Authority in connection with the foregoing right
13 and easement.

14 (7) Additional land may be included in the Property or
15 Leased Tract at any time by the Authority, as long as the Authority
16 owns any portion of the Property by recording an amendment to these
17 Restrictions in each of the counties in which the Property is
18 located. Upon such additions, the Restrictions shall apply to the
19 added land and the rights, privileges, duties, and liabilities of
20 the Owners or Purchasers subject to the Restrictions shall be the
21 same with respect to the added land as with respect to the Property
22 originally covered by the Restrictions. As additional lands are
23 added hereto, the Authority shall, with respect to said land,
24 record amendments which may incorporate the Restrictions therein by
25 reference and which may supplement or modify the Restrictions with
26 such additional covenants, restrictions and conditions which may be
27 appropriate for those added lands.

1 (8) The Restrictions may not be modified in any
2 respect whatsoever or terminated, in whole or in part, except with
3 the consent of (i) the Owners or Purchasers of at least
4 seventy-five percent (75%) of the individual lots which comprise
5 the Residential Leased Land and Commercial Leased Land, and (ii)
6 the Owners or Purchasers of at least seventy-five percent (75%) of
7 the land area of the Authority Land; and (iii) the Authority, for so
8 long as the Authority has any interest in the Property, whether as
9 an Owner or holder of the FERC License or otherwise.
10 Notwithstanding the foregoing, the Authority, without the joinder
11 of any other party, shall have the absolute right to make minor
12 changes or amendments to the Restrictions to correct or clarify
13 errors, omissions, mistakes or ambiguities contained therein. No
14 amendment shall be effective until such amendment has been
15 recorded in the Official Public Records of each of the counties in
16 which the Property is located.

17 (9) No improvements (except as specifically set forth
18 in subsection (d)(11)) shall be constructed or located on the
19 Leased Tract within twenty-five feet (25') landward measured
20 horizontally from the 1000' contour line of the Lake, a meander line
21 that changes over time due to natural forces, such as erosion and
22 accretion; provided, however, this restriction shall not include
23 improvements inside this setback that are existing at the time the
24 Restrictions are filed which (i) have been approved in writing by
25 the Authority, and (ii) if such improvements are located within the
26 FERC Project Area, have been approved by the Federal Energy
27 Regulatory Commission (and to the extent not already approved by

1 the Federal Energy Regulatory Commission, the Authority intends to
2 file an application to obtain permission for the existing
3 encroachments into the FERC Project Area to remain in place). In
4 addition, no improvements on the Leased Tract (or any portion
5 thereof) shall be constructed or located within five feet (5') of
6 any other boundary line (i.e., the side and back boundary lines),
7 other than fences; provided, however, this restriction shall not
8 include improvements located within this 5' setback that are
9 existing at the time the Restrictions are filed and which have been
10 approved in writing by the Authority.

11 (10) No Owner, Purchaser, or Leaseholder shall have
12 any rights to construct any improvements or fencing which block or
13 restrict access to the FERC Project Area, except with the written
14 consent of the Authority, to be granted or withheld in its sole
15 discretion, and except in compliance with the FERC License. This
16 limitation does not apply to fences located within the Leased Tract
17 and outside the FERC Project Area.

18 (11) Erosion control improvements (such as retaining
19 walls, rip rap, etc.) and landscape planting may not be constructed
20 or located within the FERC Project Area or at or below the 1000'
21 contour line without the prior written approval of the Authority.
22 Such improvements shall be subject to the terms and conditions set
23 forth in the Restrictions, in the FERC License, in any other Federal
24 Energy Regulatory Commission rules and regulations, and in the
25 Authority's regulations, including without limitation, the
26 Shoreline Management Plan.

27 (12) No Owner, Purchaser, or Leaseholder shall have

1 the right to place, or permit to be placed, any advertisements,
2 private notices, signs, or billboards on the Leased Tract except
3 that temporary signage customarily found on residential property
4 may be placed on the Residential Leased Land at the reasonable
5 discretion of the Owner, Purchaser, and/or Leaseholder of that
6 portion of the Residential Leased Land.

7 (13) No activities shall be conducted on the Leased
8 Tract and no improvements constructed on the Leased Tract which are
9 or might be unsafe or hazardous to any person or property.

10 (14) No Owner, Purchaser, Leaseholder, or occupant of
11 any portion of the Leased Tract shall use or permit the use,
12 handling, generation, storage, release, disposal or transportation
13 of Hazardous Materials on, about or under the Leased Tract except
14 for such quantities which are routinely utilized in connection with
15 residential use (for all portions of the Leased Tract except the
16 Commercial Leased Land) or for commercial uses which are in
17 compliance with the Restrictions (for the Commercial Leased Land),
18 and which are stored, used, and disposed of in compliance with all
19 Environmental Laws. Each Owner, Purchaser, and Leaseholder shall
20 indemnify, defend, protect and save the Authority, its successors
21 and assigns, trustees, directors, employees and officers and each
22 other Owner, Purchaser, and Leaseholder, harmless from and against,
23 and shall reimburse such indemnified parties for, all liabilities,
24 obligations, losses, claims, damages, fines, penalties, costs,
25 charges, judgments and expenses, including, without limitation,
26 reasonable attorneys' fees and expenses which may be imposed upon
27 or incurred or paid by or asserted against such indemnified parties

1 by reason of or in connection with such Owner's, Purchaser's, or
2 Leaseholder's or failure to comply with subsection (d)(14).

3 (15) No Owner or Purchaser shall conduct, or permit to
4 be conducted, any activity on the Leased Tract which is improper,
5 immoral, noxious, annoying, creates a nuisance or is otherwise
6 objectionable to other Owners or Purchasers or incompatible with
7 the recreational use of the Lake and the FERC Project Area.

8 (16) The Residential Leased Land (and any Undeveloped
9 Strips which are conveyed to an Owner or Purchaser as part of the
10 Residential Leased Land pursuant to either subsection (b) or (c)
11 above) shall be improved and used solely for single-family
12 residential use, inclusive of a garage, fencing and other such
13 related improvements as are necessary or customarily incident to
14 normal residential use and enjoyment and for no other use. No
15 portion of the Residential Leased Land (and any Undeveloped Strips
16 which are conveyed to an Owner or Purchaser as part of the
17 Residential Leased Land pursuant to either subsection (b) or (c)
18 above) shall be used for manufacturing, industrial, business,
19 commercial, institutional or other nonresidential purpose, save
20 and except as set forth in subsection (d)(18) below.
21 Notwithstanding the foregoing, Owners, Purchasers, and/or
22 Leaseholders shall be permitted to conduct a "garage sale" on their
23 respective portion of the Residential Leased Land (and any
24 Undeveloped Strips which are conveyed to an Owner or Purchaser as
25 part of the Residential Leased Land pursuant to either subsection
26 (b) or (c) above) not more than one time per calendar year.

27 (17) No professional, business, or commercial

1 activity to which the general public is invited shall be conducted
2 on the Residential Leased Land (and any Undeveloped Strips which
3 are conveyed to an Owner or Purchaser as part of the Residential
4 Leased Land pursuant to either subsection (b) or (c) above); except
5 an Owner, Purchaser, Leaseholder, or occupant of a residence may
6 conduct business activities within a residence so long as: (a) the
7 existence or operation of the business activity is not apparent or
8 detectable by sight, sound, or smell from outside the residence;
9 (b) the business activity conforms to all zoning requirements; (c)
10 the business activity does not involve door-to-door solicitation of
11 residents, lessees, Leaseholders, Owners, or Purchasers within the
12 Property; (d) the business does not generate a level of vehicular or
13 pedestrian traffic or a number of vehicles parked within the
14 Property which is noticeably greater than that which is typical of
15 residences in which no business activity is being conducted; and
16 (e) the business activity is consistent with the residential
17 character of the Residential Leased Land and does not constitute a
18 nuisance, or a hazardous or offensive use, or threaten the security
19 or safety of other residents, lessees, Owners, Purchasers, or
20 Leaseholders of the Property. The terms "business" and "trade", as
21 used in this provision, shall be construed to have their ordinary,
22 generally accepted meanings and shall include, without limitation,
23 any occupation, work, or activity undertaken on an ongoing basis
24 which involves the provision of goods or services to persons other
25 than the provider's family and for which the provider receives a
26 fee, compensation, or other form of consideration, regardless of
27 whether: (x) such activity is engaged in full or part-time; (y) such

1 activity is intended to or does generate a profit; or (z) a license
2 is required. Leasing of a residence shall not be considered a
3 business or trade within the meaning of this subsection. This
4 subsection (d)(18) shall not apply to any activity conducted by the
5 Authority.

6 (18) Except as may be otherwise provided in the
7 Restrictions, Commercial Leased Land (and any Undeveloped Strips
8 which are conveyed to an Owner or Purchaser as part of the
9 Commercial Leased Land pursuant to either subsection (b) or (c)
10 above) may be improved and used for any lawful commercial purpose,
11 including without limitation, non-profit organizations or
12 governmental or quasi-governmental agencies.

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

17 (20) Each Owner or Purchaser shall keep, or cause to be
18 kept, all improvements located on its respective portion of the
19 Leased Tract maintained in good condition and repair, clean and
20 free of rubbish and other hazards, and otherwise in full accordance
21 with the Restrictions and all governmental rules, regulations codes
22 and zoning requirements. Such maintenance shall include, but not be
23 limited to, the following: regular and timely removal of all
24 litter, garbage, trash and waste; regular lawn mowing; tree, shrub
25 and plant pruning and trimming; watering of landscaped areas; weed
26 control; pest control; maintaining exterior lighting and
27 mechanical facilities in good working order; keeping walks and

1 driveways clean and in good repair; and the repairing and
2 repainting of the exterior improvements visible to neighboring
3 properties and/or public view.

4 (21) In the event of any damage to or destruction of
5 any building or improvement on any portion of the Leased Tract from
6 any cause whatsoever, the Owner, Purchaser, or Leaseholder upon
7 whose portion of the Leased Tract the casualty occurred shall, at
8 such Owner's, Purchasers, or Leaseholder's sole option, either (i)
9 repair, restore, or rebuild and complete the same with reasonable
10 diligence, (ii) clear the affected area of all hazardous or
11 dangerous debris and structures and lawfully dispose of same within
12 one year from the date of casualty, or (iii) effectuate any
13 combination of clauses (i) and (ii) of this subsection (d)(22) as
14 such Owner, Purchaser, or Leaseholder may deem reasonably
15 appropriate. Notwithstanding the foregoing, in the event the Owner,
16 Purchaser, or Leaseholder elects to rebuild buildings or
17 improvements which were located within the FERC Project Area or
18 within twenty-five feet (25') landward measured horizontally from
19 the 1000' contour line that were approved in accordance with
20 subsection (d)(9) above, such buildings or improvements shall be
21 rebuilt in accordance with subsection (d)(25) below.

22 (22) The Texas Commission on Environmental Quality has
23 adopted rules governing on-site sewage facilities (also called
24 septic systems). The Authority is the commission's authorized agent
25 for the septic system licensing program, including the enforcement
26 of the commission's septic system rules and regulations for the
27 Property. The Authority, as the agent for the commission, shall

1 have the authority to access the Property for the purpose of issuing
2 such licenses, inspecting such septic systems, and enforcing any
3 and all rules and regulations related thereto. Each Owner,
4 Purchaser, and Leaseholder agrees to comply with all sanitary
5 regulations and the licensing process adopted by the commission and
6 enforced by the Authority, as its agent, from time to time.

7 (23) The Owner or Purchaser shall be responsible, at
8 such Owner's or Purchaser's expense, for providing for the
9 collection, removal and disposal of all solid waste on the Leased
10 Tract; or the Owner or Purchaser of any portion of the Leased Tract
11 shall be responsible for ensuring that the Leaseholders provide for
12 such collection, removal and disposal of all solid waste on the
13 applicable portion of the Leased Tract. In the event the Ranch fails
14 to provide for the collection, removal and disposal of all solid
15 waste related to the Ranch, the Owner or Purchaser shall be
16 responsible for providing for the same.

17 (24) (i) An Owner, Purchaser, or Leaseholder, subject
18 to approval by the Federal Energy Regulatory Commission, may
19 repair, alter or rebuild improvements located within the FERC
20 Project Area, which improvements were previously approved in
21 accordance with subsection (d)(9) above; provided, however, such
22 repairs, alterations, and/or rebuilding shall not extend beyond the
23 footprint of the existing or previously existing improvement.

24 (ii) An Owner, Purchaser, or Leaseholder may
25 repair, alter or rebuild improvements located outside the FERC
26 Project Area but within 25' landward measured horizontally from the
27 1000' contour line, and/or improvements located within the 5'

1 boundary setback, which improvements were previously approved in
2 accordance with subsection (d)(9) above. Such repairs,
3 alterations, or rebuilding may extend such improvements outside the
4 previously existing footprint towards the side boundaries and back
5 boundary of the applicable Leased Tract, but such improvements may
6 not be extended towards the shoreline or encroach closer to the
7 1000' contour line of the Lake than the existing or previously
8 existing improvements.

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

12 (26) No land within the FERC Project Area shall be
13 improved, used or occupied, except in such manner as shall have been
14 approved by the Authority and, to the extent required, by the
15 Federal Energy Regulatory Commission. No docks, piers, on-water
16 facilities, retaining walls, or any other structures or facilities
17 shall be built, installed or maintained in, on, or over the waters
18 of the Lake or within the FERC Project Area except as authorized by
19 the Authority. All such structures or facilities shall be subject
20 to all rules and regulations applicable to the Lake and the FERC
21 Project Area, as the same may be adopted or amended from time to
22 time. Owner, Purchaser, and/or the Leaseholder shall be responsible
23 for any fees or annual charges assessed by the Authority and/or the
24 Federal Energy Regulatory Commission for such permit or
25 improvements and shall be responsible for ensuring that any such
26 improvements are consistent with the FERC License, Shoreline
27 Management Plan, and all other rules and regulations applicable to

1 the FERC Project Area. Owner or Purchaser shall not, at any time,
2 permit any liens to encumber the FERC Project Area.

3 (27) No use of the Lake or other bodies of water within
4 the Property, if any, shall be made except in accordance with the
5 FERC License, the Shoreline Management Plan, the Authority's
6 regulations and any other rules and regulations that may be
7 promulgated by the Federal Energy Regulatory Commission and/or the
8 Authority at any time and as amended from time to time. Any such use
9 shall be subject to the Authority's and the Federal Energy
10 Regulatory Commission's superior use rights. The Authority shall
11 not be responsible for any loss, damage, or injury to any person or
12 property arising out of the authorized or unauthorized use of the
13 Lake or other bodies of water within or adjacent to the Property.

14 (28) The Authority may use and regulate the Lake or
15 other bodies of water within the Property for the irrigation of the
16 Authority Land, or for any other purpose deemed appropriate by the
17 Authority, subject to the rights and authority of the Federal
18 Energy Regulatory Commission or other governmental entity having
19 jurisdiction of such areas, and subject to the water rights granted
20 (or which may be granted) to the Authority by the State of Texas.
21 The Authority's rights under this subsection (d)(29) shall be
22 superior to any rights of any Owner, Purchaser, or Leaseholder.
23 This subsection (d)(29) shall not be construed to limit or restrict
24 the rights and authority of the Federal Energy Regulatory
25 Commission or other governmental entity having jurisdiction of the
26 Property.

27 (29) Owners or Purchasers must obtain written

1 permission from the Authority in accordance with the Authority's
2 regulations to use or divert water from the Lake on any portion of
3 the Leased Tract for domestic or commercial purposes.

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

8 (31) Owners, Purchasers, and Leaseholders shall take
9 all reasonable precautions to insure that all use of and activities
10 on the Leased Tract and the FERC Project Area, including without
11 limitation, the construction, operation and maintenance of any
12 improvements on the Leased Tract, and/or FERC Project Area occur in
13 a manner that is in compliance with the FERC License and that will
14 protect the scenic, recreational and environmental values of the
15 Lake. The Authority, as a licensee of the Federal Energy Regulatory
16 Commission has specific approval authority on any proposed
17 construction that impacts the FERC Project Area or lakebed, and
18 Owner, Purchaser, and Leaseholder shall comply with the approval
19 process as may be established by the Authority and/or the Federal
20 Energy Regulatory Commission from time to time.

21 (32) Structures in place within the FERC Project Area
22 shall be subject to the FERC License, as the same may be amended
23 and/or renewed from time to time. Any structures erected in the FERC
24 Project Area after May 15, 1980 (the date of the amendment to the
25 previous FERC License) may be required to be removed at the expense
26 of the owner of the improvement, unless such improvements are
27 approved in writing by the Authority in accordance with the FERC

1 License. In no event shall this subsection (d)(33) grant any
2 authorization for a violation of any rules or regulations of the
3 Authority, the FERC License or any state, federal, or local law.

4 (33) The Owner, Purchaser, and Leaseholder of any
5 portion of the Leased Tract shall comply with all of the following
6 rules and regulations: (i) the Shoreline Management Plan and any
7 amendments or revisions to that document to the extent such
8 Shoreline Management Plan applies to the Owner's, Purchaser's,
9 and/or Leaseholder's portion of the Leased Tract; (ii) the
10 applicable rules, regulations, and order of the Federal Energy
11 Regulatory Commission including, without limitation the FERC
12 License; (iii) the Authority's "Regulations for Governance for
13 Brazos River Authority Lakes and Associated Lands," as published on
14 the Authority's internet website; and (iv) other rules and
15 regulations adopted by the Authority regarding conduct on and use
16 of the Lake or the Property.

17 (34) By Texas Statute, the Authority is empowered to
18 adopt and has adopted certain regulations governing conduct on and
19 use of the Property within the FERC project area and Lake. Owners,
20 Purchasers, Leaseholders, and persons using the Leased Tract with
21 such Owners' or Purchasers' consent, shall abide by all such rules
22 and regulations adopted from time to time by the Authority and any
23 future revisions and amendments thereto.

24 (35) Owners, Purchasers, and Leaseholders of that
25 portion of the Leased Tract which are part of the Ranch shall comply
26 with the terms and conditions of the Ranch Agreement and the
27 covenants and restrictions set forth in the Ranch Declarations, to

1 the extent applicable to such portion of the Leased Tract. As to
2 that portion of the Property which is part of the Ranch, the Ranch
3 Declarations shall control in the event of any conflict between the
4 covenants, restrictions, and conditions set forth in the Ranch
5 Declarations and the Restrictions.

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

10 (i) comply with any local, state, or federal laws
11 related to water quality or the environment, including laws
12 governing toxic wastes and hazardous substances;

13 (ii) if the Owner's or Purchaser's private
14 on-site sewerage facility is not licensed by the Texas Commission
15 on Environmental Quality (or any successor to such Commission) then
16 the Owner, Purchaser, or Leaseholder shall connect to and use, at
17 the Owner's or Purchaser's or Leaseholder's expense, as applicable,
18 any wastewater treatment system or service that becomes available
19 to the Owner's or Purchaser's portion of the Leased Tract, not later
20 than twelve (12) months after the system or service becomes
21 available to such portion of the Leased Tract and thereafter
22 discontinue use of any private on-site sewerage facility; and if,
23 at any time after a wastewater treatment system or service becomes
24 available to the Owner's or Purchaser's portion of the Leased Tract,
25 the Owner's or Purchaser's private on-site sewerage facility
26 (whether licensed or not) requires either replacement or an
27 alteration or change in the on-site sewage facility resulting in

1 (A) an increase in the volume of permitted flow, (B) a change in the
2 nature of permitted influent, (C) a change from the planning
3 materials approved by the permitting authority, (D) a change in
4 construction, and/or (E) an increase, lengthening, or expansion of
5 the treatment or disposal system, then such Owner or Purchaser
6 shall promptly connect to and use, at the Owner's or Purchaser's or
7 Leaseholder's expense, as applicable, such wastewater treatment
8 system or service and thereafter discontinue use of any private
9 on-site sewerage facility. Notwithstanding the foregoing, in the
10 event a property owners association or municipality requires the
11 Owners or Purchasers of the portion of the Leased Tract which are
12 included in such association or municipality to connect to a
13 wastewater system or service, then such association or municipality
14 rules shall control;

15 (iii) obtain written consent of the Authority
16 prior to diverting or pumping water from the Lake or any body of
17 water within or adjacent to the Property, constructing or erecting
18 any embankment or retaining wall, or commencing any dredging
19 activity; and

20 (iv) pay to the Authority any reasonable fee
21 related thereto (e.g., water usage, recreational user, dredging, or
22 retaining wall fees) as may be adopted from time to time by the
23 Authority.

24 (37) Each Owner or Purchaser of all or any portion of
25 the Leased Tract agrees and acknowledges that the water level in the
26 Lake varies and that the Authority is not responsible for
27 maintaining the Lake at any certain level or above or below any

1 certain level.

2 (38) The Authority is not responsible or liable for
3 any personal injury or damage to any Owner, Purchaser, Leaseholder,
4 the Leased Tract, the Property, or to any improvements caused by any
5 increase or decrease in the water level (even if such increase or
6 decrease is due to modifications of the Morris Sheppard (Possum
7 Kingdom) Dam or other actions or omissions of the Authority) or
8 caused by natural flooding.

9 (39) The Authority shall reserve the right of ingress
10 and egress for the Authority and any person authorized by the
11 Authority, including an agent of the Authority or employees, over
12 and across the Leased Tract and any and all on-water facilities
13 whether located within the Leased Tract or FERC Project Area for all
14 reasonable purposes of the Authority, including, without
15 limitation, the construction, maintenance, repair, and/or
16 replacements of any roads, drainage facilities and power, water,
17 wastewater, and other utility mains and lines that the Authority
18 considers necessary or beneficial and for public safety, health,
19 and welfare purposes; provided however, that (i) the Authority
20 shall provide written notice at least 48 hours in advance of such
21 entry to the Purchaser or Owner of such portion of the Leased Tract
22 (except in the event of an emergency in which case advance notice
23 shall not be required, but the Authority shall provide such written
24 notice as soon as practicable thereafter), which notice shall state
25 with reasonable specificity the purpose for such entry, (ii) the
26 Authority shall promptly repair any damage to the portion of the
27 Leased Tract caused by the Authority's entrance onto such Owner's or

1 Purchaser's portion of the Leased Tract; and (iii) the Authority
2 shall use reasonable efforts to avoid interfering with the Owner's
3 or Purchaser's use of the portion of the Leased Tract.

4 (40) Each Owner, Purchaser, and Leaseholder shall
5 comply strictly with the Restrictions, as the same may be amended
6 from time to time. Failure to comply with the Restrictions shall
7 constitute a violation of the Restrictions, and shall give rise to a
8 cause of action to recover sums due for damages or injunctive relief
9 or both, maintainable by the Authority or other Owners or
10 Purchaser; provided however, no Owner, Purchaser, Leaseholder, or
11 other person shall have any right of action against the Authority
12 arising under the Restrictions.

13 (41) The Authority shall make no warranty or
14 representation as to the present or future validity or
15 enforceability of any such restrictive covenants, terms or
16 provisions. Any Owner, Purchaser, or Leaseholder acquiring or
17 leasing, as applicable, any portion of the Property in reliance on
18 one or more of the Restrictions shall assume all risks of the
19 validity and enforceability thereof and, by acquiring such portion
20 of the Property, agrees to hold the Authority harmless therefrom.

21 (42) If the Owner, Purchaser, or Leaseholder of any
22 portion of the Leased Tracts or on-water facilities related thereto
23 (including retaining walls) shall fail to comply with the
24 requirements of the Restrictions, then the Authority shall have the
25 right, but not the obligation, following thirty (30) days prior
26 written notice to such defaulting owner to enter the such
27 defaulting owner's portion of the Leased Tract (but only if such

1 failure to comply results in a public health, safety, or welfare
2 concern) and/or such defaulting owner's on-water facility and cure
3 such breach, the cost of which shall be reimbursed by such
4 defaulting owner to the Authority upon demand. Any such unpaid
5 amounts, together with interest thereon (at the rate of six percent
6 (6%) per annum) and the costs of collection (if any), shall be
7 charged as a continuing lien against such defaulting owner's
8 portion of the Leased Tract, which lien shall be subordinate to the
9 lien of any third party deed of trust previously recorded against
10 such defaulting owner's portion of the Leased Tract.

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

25 (44) The Authority shall have the right, but not the
26 obligation, to enforce all of the provisions of the Restrictions.
27 Any Owner or Purchaser shall have the right to enforce all of the

1 provisions of the Restrictions against any other Owner, Purchaser,
2 or Leaseholder, but not against the Authority. Such right of
3 enforcement shall include the right to sue for both damages for, and
4 injunctive relief against, the breach of any such provision.
5 Furthermore, the Authority shall have the right, when appropriate
6 in its sole judgment and discretion, to claim or impose a lien upon
7 any portion of the Leased Tract, or improvement constructed
8 thereon, in order to enforce any right or effect compliance with the
9 Restrictions.

10 (45) The failure of a person (including the Authority
11 or any Owner or Purchaser) to insist upon strict performance of any
12 of the Restrictions shall not be deemed a waiver of any rights or
13 remedies that said person may have, and shall not be deemed a waiver
14 of any subsequent breach or default in the performance of any of the
15 Restrictions by the same or any other person.

16 (46) The Authority shall not be liable to any Owner,
17 Purchaser, or Leaseholder, or to any other person for any loss,
18 damage, or injury arising out of or in any way connected with the
19 performance or non-performance of the Authority's rights,
20 obligations or privileges under the Restrictions. Without limiting
21 the foregoing, the Authority shall not be liable to any Owner,
22 Purchaser, or Leaseholder due to the construction of any
23 improvements within the Property.

24 (47) Each of the Restrictions on the Leased Tract
25 shall be a burden on each portion of the Leased Tract, shall be
26 appurtenant to and for the benefit of the other Property, other
27 portions of the Leased Tract, and each part thereof and shall run

1 with the land.

2 (48) The Restrictions shall inure to the benefit of
3 and be binding upon the Owners or Purchasers, their heirs,
4 successors, assigns and personal representatives, and upon any
5 person acquiring all or any portion of the Leased Tract, or any
6 interest therein, whether by operation of law or otherwise.
7 Notwithstanding the foregoing, if any Owner or Purchaser sells or
8 transfers all or any portion of such Owner's or Purchaser's interest
9 in all or any portion of the Leased Tract, such Owner or Purchaser
10 shall, upon the sale and conveyance of title, be released and
11 discharged from all of its obligations as Owner or Purchaser in
12 connection with the property sold by it arising under the
13 Restrictions after the sale and conveyance of title but shall
14 remain liable for all obligations arising under the Restrictions
15 prior to the sale and conveyance of title. The new Owner or
16 Purchaser of all or any such portion of the Leased Tract,
17 (including, without limitation, any Owner [or Lienholder] who
18 acquires its interest by foreclosure, trustee's sale or otherwise)
19 shall be liable for all obligations arising under the Restrictions
20 with respect to such portion of the Leased Tract on and/or after the
21 date of sale and conveyance of title. The Authority may assign, in
22 whole or in part, any of its privileges, exemptions, rights, and
23 obligations (if any) under the Restrictions to any other person and
24 may permit the participation, in whole or in part, by any other
25 person in any of its privileges, exemptions, rights, and
26 obligations (if any) hereunder.

27 (49) Except as provided in this subsection, the term

1 of the Restrictions shall be for a period of fifty (50) years from
2 the date such Restrictions are executed by the Authority.
3 Notwithstanding the foregoing, upon the expiration of the such
4 period, the term of the Restrictions shall automatically renew for
5 successive periods of five (5) years each unless, at least ninety
6 (90) days prior to the date of expiration of any period then in
7 effect, (i) the Owners or Purchasers of at least seventy-five
8 percent (75%) of the individual lots which comprise the Residential
9 Leased Land and the Commercial Leased Land, and (ii) the Owners or
10 Purchasers of at least seventy-five percent (75%) of the land area
11 of the Authority Land; and (iii) the Authority, for so long as the
12 Authority has any interest in the Property, whether as an Owner or
13 holder of the FERC License or otherwise, duly execute, acknowledge
14 and record in the office of the recorder of the counties in which
15 the Property is located a written termination notice, in which
16 event, the Restrictions shall automatically expire at the end of
17 the period then in effect.

18 (e) Buffer Zone. Notwithstanding any provision in this
19 subsection to the contrary, a sale under subsection (b) or (c) shall
20 be subject to the following:

21 (1) If at the time Closing occurs under subsection (b)
22 or if at the time a Leaseholder completes the purchase of the
23 applicable Leased Tract from the Authority pursuant to subsection
24 (c), as applicable, the Buffer Zone, or any portion thereof, has
25 been removed from the FERC Project Area, the Leased Tract being
26 conveyed shall include that portion of the Buffer Zone so removed;
27 provided, however, the Purchaser and/or Owner, as applicable, shall

1 grant the Authority access to the FERC Project Area and Lake to
2 allow the Authority to fulfill its obligations as a River Authority
3 and any obligations set forth in the FERC License, state water
4 rights, or other governmental regulations.

5 (2) If at the time Closing occurs under subsection
6 (b), or if at the time a Leaseholder closes on the purchase of the
7 applicable Leased Tract from the Authority pursuant to subsection
8 (c), as applicable, the Buffer Zone, or any portion thereof, has not
9 been removed from the FERC Project Area and a portion of the Leased
10 Tract is located within the Buffer Zone, the Authority shall
11 provide such Purchaser and/or Owner, as applicable, a residual
12 interest in that portion of the Buffer Zone adjacent to the Leased
13 Tract and covered by the applicable residential Ground Lease, such
14 residual interest to automatically vest upon satisfaction of either
15 of the following conditions:

16 (i) the Federal Energy Regulatory Commission
17 approves an amendment to the FERC License removing the Buffer Zone
18 from the boundaries prescribed by the FERC License such that the
19 Buffer Zone is no longer subject to regulation by the Federal Energy
20 Regulatory Commission, or

21 (ii) the FERC License expires (and is not renewed
22 or extended) or is otherwise terminated and thus the Buffer Zone is
23 no longer subject to regulation by the Federal Energy Regulatory
24 Commission.

25 Notwithstanding the foregoing, if such residual interest has not
26 vested on or before August 31, 2040, then such residual interest
27 shall be terminated and of no further force and effect. Upon

1 satisfaction of either of the foregoing conditions prior to August
2 31, 2040, this conveyance shall be automatically effective without
3 necessity of further documentation. From and after the date such
4 conveyance becomes effective, the Buffer Zone shall be considered
5 to be a part of the Leased Tract conveyed under subsection (b) or
6 (c) and the Purchaser or then-current Owner of the applicable
7 Leased Tract shall be the beneficiary of the residual interest
8 created herein, but only as to the portion of the Buffer Zone
9 located adjacent to the Purchaser's or Owner's property, and all
10 right, title and interest in such adjacent portion of the Buffer
11 Zone, as measured by extending the boundary lines on both sides of
12 the applicable portion of the Leased Tract in a straight line across
13 the Buffer Zone to the then current 1000' contour line of the Lake,
14 or, if such portion cannot reasonably be measured as set forth
15 above, then as otherwise determined by the Authority. Such residual
16 interest shall immediately vest in the Purchaser or then current
17 Owner of such adjacent Leased Tract without the necessity of any
18 additional written conveyance.

19 (3) In the event a sale under subsection (b) or (c)
20 does not include the Buffer Zone, or any portion thereof, only
21 includes a residual interest in the Buffer Zone, or any portion
22 thereof, then such Buffer Zone shall remain subject to the terms and
23 conditions of the residential Ground Lease in effect between the
24 Leaseholder and the Authority at the time Closing occurs under
25 subsection (b) or at the time the Leaseholder purchases the
26 applicable Leased Tract under subsection (c); provided, however, no
27 rent shall be due the Authority under such Ground Lease for the

1 Buffer Zone. At such time as the applicable Ground Lease expires or
2 is otherwise terminated, the Authority may, subject to approval of
3 the Federal Energy Regulatory Commission, grant the Purchaser or
4 the then-current Owner of the adjacent tract (as determined
5 pursuant to the method set forth in subsection (e)(2)(ii) above),
6 an easement for use of such portion of the Buffer Zone, which
7 easement shall be subject to the FERC License. The Authority shall
8 retain ownership of such portion of the Buffer Zone and exercise
9 control over such portion of the Buffer Zone consistent with the
10 FERC License and this subsection. The easement granted to such
11 Owner shall be limited to uses permitted under the terms of the FERC
12 License and the Authority's Shoreline Management Plan, and any
13 other Authority rules and regulations as may be adopted from time
14 to time.

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

25 (g) Roads. The Authority shall, on or before December 31,
26 2010, transfer its interest in Roads to the county in which such
27 Road or portion thereof is situated; provided, however, the

1 transfer of any portion of a Road located within the FERC Project
2 Area shall be subject to approval of the Federal Energy Regulatory
3 Commission. Beginning on the date of such transfer, the Authority
4 or Purchaser shall no longer have any obligations regarding such
5 Roads. Prior to any transfer under this subsection, the Authority
6 shall ensure that the Road, or portion thereof, complies with the
7 standards in effect in the applicable county for like roads
8 currently maintained by that county.

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

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

16 SECTION 2. If the provisions of this section conflict with
17 any other provisions of this code, then the provisions of this
18 section shall prevail, notwithstanding all such conflicting
19 provisions.

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