

1-1 By: Keffer, et al. (Senate Sponsor - Estes) H.B. No. 3031  
1-2 (In the Senate - Received from the House April 29, 2009;  
1-3 May 6, 2009, read first time and referred to Committee on  
1-4 Agriculture and Rural Affairs; May 12, 2009, reported favorably by  
1-5 the following vote: Yeas 4, Nays 0; May 12, 2009, sent to printer.)

1-6 A BILL TO BE ENTITLED  
1-7 AN ACT

1-8 relating to the sale by the Brazos River Authority of certain  
1-9 residential and commercial leased lots and other real property in  
1-10 the immediate vicinity of Possum Kingdom Lake.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Chapter 8502, Special District Local Laws Code,  
1-13 is amended by adding Section 8502.020 to read as follows:

1-14 Sec. 8502.020. SALE OF AUTHORITY PROPERTY. (a)  
1-15 Definitions. In this section:

1-16 (1) "Authority Land" means the FERC Project Area and  
1-17 all other real property owned by the Authority at the Lake as of the  
1-18 date before Closing, save and except for the Leased Tract.

1-19 (2) "Buffer Zone" means that twenty-five or fifty foot  
1-20 strip of land measured landward horizontally from the 1000' contour  
1-21 line that is included in the FERC Project Area as defined in the  
1-22 FERC License.

1-23 (3) "Close" or "Closing" means the date on which the  
1-24 Authority transfers its interest in the Leased Tract, in whole or in  
1-25 part, to a Purchaser. There may be multiple closing dates if the  
1-26 Leased Tract is sold in portions.

1-27 (4) "Commercial Leased Land" means that portion of the  
1-28 Leased Tract that is located wholly outside the FERC Project Area  
1-29 and that is leased for commercial purposes as of the date the  
1-30 Restrictions are placed of record.

1-31 (5) "Consumer Price Index" means the consumer price  
1-32 index for Housing, Dallas-Fort Worth, TX area, Series Id:  
1-33 CUURA316SAH, CUUSA316SAH, Base Period: 1982-84 = 100, as published  
1-34 by the Bureau of Labor Statistics of the United States Department of  
1-35 Labor, or its equivalent substitute should this series be  
1-36 discontinued.

1-37 (6) "Contract" means the Authority entering into a  
1-38 purchase and sale agreement with a Purchaser for the transfer of the  
1-39 Authority's interest in the Leased Tract, in whole or in part.

1-40 (7) "Driveways" means those certain private gravel  
1-41 and/or paved driveways that connect a Road or other street or  
1-42 thoroughfare to an individual Leased Tract or any improvements  
1-43 thereon; Driveways also includes those shared or common Driveways  
1-44 that serve more than one Leaseholder or individual Leased Tract.

1-45 (8) "Environmental Laws" means the Comprehensive  
1-46 Environmental Response, Compensation and Liability Act of 1980, the  
1-47 Toxic Substances Control Act, the Clean Water Act, the Resource  
1-48 Conservation and Recovery Act and any other similar federal, state  
1-49 or local law, rule or regulation respecting the environment or  
1-50 Hazardous Materials, together with all rules and regulations  
1-51 promulgated thereunder and all present or future amendments  
1-52 thereto.

1-53 (9) "FERC License" means the order of the Federal  
1-54 Energy Regulatory Commission issuing a license to the Authority for  
1-55 project number 1490-003-Texas on September 8, 1989, as such license  
1-56 has been renewed, extended, or amended and may be further renewed,  
1-57 extended, or amended at any time and from time to time, and also  
1-58 including the Amendment to the original FERC License, which  
1-59 amendment was issued on May 15, 1980, to the extent incorporated or  
1-60 referenced in the FERC License.

1-61 (10) "FERC Project Area" means that portion of  
1-62 Authority property that is subject to the FERC License, as  
1-63 identified and defined in the FERC License, as may be amended at any  
1-64 time and from time to time, and which FERC Project Area may move or

2-1 change over time due to natural forces.

2-2 (11) "Ground Lease" means each of those certain  
 2-3 residential and/or commercial ground leases between the Authority  
 2-4 and a Leaseholder, and the respective heirs, successors, and  
 2-5 assigns.

2-6 (12) "Hazardous Materials" means underground storage  
 2-7 tanks, petroleum and petroleum products, asbestos, PCB's,  
 2-8 urea-formaldehyde and any hazardous or toxic substances,  
 2-9 pollutants, contaminants, wastes, or materials as defined under any  
 2-10 Environmental Laws.

2-11 (13) "Lake" means Possum Kingdom Lake located in  
 2-12 Young, Palo Pinto, Stephens, and Jack Counties. The boundary of the  
 2-13 Lake is defined by the 1000' contour line, as that contour may  
 2-14 meander and change over time with natural forces, including erosion  
 2-15 and accretion. The "1000' contour line" means the line running  
 2-16 along the periphery of the Lake if the surface of the Lake is at an  
 2-17 elevation of 1000 feet above mean sea level, as measured from the  
 2-18 top of the spillway crest gates of the Morris Sheppard Dam, as such  
 2-19 line may move and shift from time to time due to natural forces.

2-20 (14) "Leased Tract" or "Tract" means all or any  
 2-21 portion of the Commercial Leased Land, the Residential Leased Land,  
 2-22 and Undeveloped Strips, whether owned by the Authority, Purchaser,  
 2-23 or Owner and whether or not subject to a lease or Ground Lease or  
 2-24 owned in fee simple.

2-25 (15) "Leaseholder" means a person or entity that has a  
 2-26 residential lease or a commercial lease with the Authority,  
 2-27 including the Leaseholder's heirs, successors, and assigns.

2-28 (16) "Lienholder" means any mortgagee under a  
 2-29 mortgage, or a trustee or beneficiary under a deed of trust,  
 2-30 constituting a lien on any portion of the Leased Tract.

2-31 (17) "Owner" means the record holder of fee simple  
 2-32 title to any portion of the Leased Tract sold pursuant to this  
 2-33 section, including its heirs, personal representatives,  
 2-34 successors, and assigns. This term does not include a Purchaser who  
 2-35 acquires the Leased Tract from the Authority in accordance with  
 2-36 Subsection (b).

2-37 (18) "Property" means the Leased Tract and the  
 2-38 Authority Land.

2-39 (19) "Purchaser" means any person or entity, including  
 2-40 its successors in interest, heirs, or assigns, that acquires the  
 2-41 Leased Tract (or any portion thereof) from the Authority in  
 2-42 accordance with Subsection (b). This term does not include those  
 2-43 Leaseholders that acquire individual Leased Tracts from the  
 2-44 Purchaser in accordance with Subsection (b).

2-45 (20) "Ranch" means that certain subdivision of record  
 2-46 in Palo Pinto County, Texas, according to the map or plat of record  
 2-47 in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as  
 2-48 it may be amended or modified from time to time, which subdivision  
 2-49 includes a portion of the Leased Tract and a portion of the  
 2-50 Authority Land.

2-51 (21) "Ranch Agreement" means that certain agreement by  
 2-52 and among the Authority, The Ranch on Possum Kingdom, L.P., and Hill  
 2-53 Country Harbor Village, L.P., effective as of August 1, 1997, and  
 2-54 dated December 12, 1997.

2-55 (22) "Ranch Declarations" means that certain  
 2-56 Declaration of Covenants, Conditions and Restrictions for The Ranch  
 2-57 on Possum Kingdom Palo Pinto County, Texas, dated December 8, 1997,  
 2-58 as recorded in Volume 944, Page 403, Official Public Records of Palo  
 2-59 Pinto County, Texas.

2-60 (23) "Residential Leased Land" means that portion of  
 2-61 the Leased Tract located outside the FERC Project Area that is  
 2-62 leased for single-family residential purposes only as of the date  
 2-63 the Restrictions are placed of record. This term does not include  
 2-64 land that is subject to a commercial lease, where such lessee is  
 2-65 authorized to sublease for residential purposes.

2-66 (24) "Restrictions" means the easements, covenants,  
 2-67 restrictions, liens, encumbrances, and requirements contained in  
 2-68 the Declaration of Restrictive Covenants, Easements, and  
 2-69 Conditions to be recorded by the Authority as set forth in

3-1 Subsection (d).  
3-2 (25) "Roads" means those paved or gravel streets,  
3-3 roads, and thoroughfares owned and maintained by the Authority that  
3-4 are located in Stephens, Jack, Young, or Palo Pinto County and that  
3-5 provide access, ingress, and egress to and from the Leased Tract,  
3-6 the Lake, and/or Authority Land; provided, however, that the  
3-7 definition of Roads, as used herein, does not include:  
3-8 (A) Driveways;  
3-9 (B) paved or gravel roads located wholly within  
3-10 Authority public use areas;  
3-11 (C) paved or gravel roads located within gated  
3-12 Authority operations areas; and  
3-13 (D) paved or gravel roads located wholly within  
3-14 an individual tract that is part of the Commercial Leased Land,  
3-15 which roads only serve that individual commercial Tract.  
3-16 (26) "Shoreline Management Plan" means that certain  
3-17 Possum Kingdom Shoreline Management Plan and Customer Guide,  
3-18 adopted May 22, 2006, and amended July 31, 2006, and as may be  
3-19 revised and/or further amended by the Authority at any time and from  
3-20 time to time.  
3-21 (27) "Undeveloped Strips" means small strips of  
3-22 unleased land located between individual lots within the Leased  
3-23 Tract and small parcels of land between the Leased Tract and Roads  
3-24 that the Authority determines in its sole discretion to include in  
3-25 any sale of all or any portion of the Leased Tract.  
3-26 (b) Sale to Purchaser. Prior to January 1, 2011, the  
3-27 Authority may sell the Leased Tract in whole or in part, to a  
3-28 Purchaser in accordance with applicable law, this subsection, and  
3-29 Subsections (d), (e), (f), (g), (h), and (i). Any sale of the  
3-30 Leased Tract to a Purchaser under this subsection shall be subject  
3-31 to the following:  
3-32 (1) Each Leaseholder shall have the opportunity to buy  
3-33 such Leaseholder's individual Leased Tract from the Purchaser or to  
3-34 continue leasing the applicable Leased Tract from the Purchaser in  
3-35 accordance with the following purchase or lease options. The  
3-36 Purchaser shall:  
3-37 (A) Permit the Leaseholder to purchase such  
3-38 Leaseholder's individual Leased Tract in cash or through lender  
3-39 financing for 90% of land only assessed value without any  
3-40 exemptions (as determined by the appraisal district) for the year  
3-41 2008, such option to be available at Closing as set forth in  
3-42 Subdivision (2) and for a period of at least one year from Closing.  
3-43 (B) Permit the Leaseholder to purchase for the  
3-44 percent of assessed value only as set forth in Paragraph (A) such  
3-45 Leaseholder's individual Leased Tract via seller financing, with a  
3-46 down payment of ten percent (10%) and an interest rate of six  
3-47 percent (6%), with a 30-year amortization, such option to be  
3-48 available at Closing as set forth in Subdivision (2) and for a  
3-49 period of at least one year from Closing. The leaseholder shall not  
3-50 be charged any origination fees or points by purchaser as a part of  
3-51 the closing costs involved in the seller financing option.  
3-52 (C) Offer a new 99-year lease at a rental rate of  
3-53 6% of the land only assessed value without any exemptions (as  
3-54 determined by the appraisal district) for the year 2008, with  
3-55 annual Consumer Price Index increases or decreases, such option to  
3-56 be available for a period of at least one year from Closing. The  
3-57 99-year lease will include an option to purchase the applicable  
3-58 Leased Tract at the land only assessed value without any exemptions  
3-59 (as determined by the appraisal district) at the time of purchase  
3-60 (but not less than the 2008 land only assessed value without any  
3-61 exemptions).  
3-62 (D) Offer a new 20-year lease with a rental rate  
3-63 as determined by the current Authority lease rate methodology or  
3-64 other lease rate structure as set forth in the Ground Lease as  
3-65 applicable (and including increases and adjustments to such rates)  
3-66 with annual Consumer Price Index increases or decreases, to  
3-67 Leaseholders who are over the age of 65 and who receive an ad  
3-68 valorem tax exemption under Section 11.13, Tax Code, for a  
3-69 structure on the Leaseholder's individual Leased Tract, such option

4-1 to be available for a period of at least one year from the date of  
 4-2 Closing. The Leaseholder must have received the ad valorem tax  
 4-3 exemption for a structure on the Leaseholder's individual Leased  
 4-4 Tract by January 1, 2009. The 20-year lease will include an option  
 4-5 to purchase the applicable Leased Tract at the land only assessed  
 4-6 value without any exemptions (as determined by the appraisal  
 4-7 district) at the time of purchase (but not less than the 2008 land  
 4-8 only assessed value without any exemptions).

4-9 (E) Ratify the existing Ground Lease of any  
 4-10 Leaseholder who does not timely exercise one of the foregoing  
 4-11 options, such ratification to include:

4-12 (i) adoption of the current Authority lease  
 4-13 rate methodology or other lease rate structure as set forth in the  
 4-14 Ground Lease, as applicable (and including increases and  
 4-15 adjustments to such rates) for a period of 8 years from Closing;

4-16 (ii) an option permitting the Leaseholder  
 4-17 to purchase such Leaseholder's individual Leased Tract for the land  
 4-18 only assessed value without any exemptions (as determined by the  
 4-19 appraisal district) at the time of purchase, or for the year 2008,  
 4-20 whichever is greater, for a period of 8 years from Closing; and

4-21 (iii) an agreement to extend Ground Leases  
 4-22 as necessary to allow for this full 8-year purchase option period.  
 4-23 Nothing in this subsection shall preclude the Purchaser from  
 4-24 offering additional purchase or lease options to the Leaseholders,  
 4-25 provided any additional options are made available to all  
 4-26 Leaseholders on an equal basis.

4-27 (2) A Leaseholder who desires to buy such  
 4-28 Leaseholder's individual Leased Tract from the Purchaser pursuant  
 4-29 to the option set forth in either Subdivision (1)(A) or (B)  
 4-30 concurrently with the Purchaser's Closing must exercise the desired  
 4-31 option as follows:

4-32 (A) notify the Authority and Purchaser in writing  
 4-33 within 90 days after the effective date of the Contract between the  
 4-34 Authority and Purchaser of Leaseholder's intent to purchase the  
 4-35 applicable Leased Tract;

4-36 (B) Leaseholder and Purchaser will enter into a  
 4-37 purchase and sale agreement in substantially the form as agreed to  
 4-38 between the Authority and Purchaser, which form will be attached to  
 4-39 the Contract, and which individual purchase and sale agreements  
 4-40 will be ratified by Purchaser at the Closing; the purchase and sale  
 4-41 agreement shall contain, at a minimum, the following terms and  
 4-42 conditions:

4-43 (i) the purchase price for the individual  
 4-44 Leased Tract in accordance with the applicable purchase option;

4-45 (ii) earnest money in the amount of \$1,000  
 4-46 to be delivered to the title company agreed to by Leaseholder and  
 4-47 Purchaser and approved by the Authority along with the executed  
 4-48 purchase and sale agreement;

4-49 (iii) the Leaseholder's obligation to  
 4-50 provide a survey as set forth in this subsection and a title  
 4-51 commitment from the agreed upon title company;

4-52 (iv) a 60-day period commencing on the date  
 4-53 of the purchase and sale agreement for the Leaseholder to obtain  
 4-54 financing (if exercising its option pursuant to Subdivision (1)(A)  
 4-55 above);

4-56 (v) the Leaseholder must notify Purchaser  
 4-57 of any objections to any items on the title commitment and/or survey  
 4-58 within fifteen (15) days after receipt of same, but in no event less  
 4-59 than 45 days prior to the anticipated date of Closing, provided  
 4-60 however that neither the Purchaser nor the Authority shall have any  
 4-61 obligation to cure any such items or to incur any expenses in curing  
 4-62 any items, except that Purchaser and/or the Authority, as  
 4-63 applicable, shall use good faith efforts to address and/or remove  
 4-64 those requirements or exceptions shown on Schedule C of the title  
 4-65 commitment that are applicable to or created by the Purchaser  
 4-66 and/or Authority, as applicable, and, notwithstanding the  
 4-67 foregoing, neither the Purchaser nor the Authority shall have any  
 4-68 obligation to cure any exceptions on the attached Schedule C  
 4-69 regarding legal right of access to or from the applicable Leased

5-1 Tract;  
5-2 (vi) Leaseholder is purchasing the  
5-3 applicable individual Leased Tract in its "as-is" condition and  
5-4 Purchaser shall have no obligation to make any improvements or  
5-5 modifications thereto, nor will Purchaser make any representations  
5-6 or warranties as to the condition or use of the applicable Leased  
5-7 Tract;  
5-8 (vii) Purchaser shall not be responsible  
5-9 for any broker fees or commissions due to any broker or agent  
5-10 engaged or claiming to have been engaged by Leaseholder for the  
5-11 purchase and sale of the applicable Leased Tract;  
5-12 (viii) Purchaser shall be responsible for  
5-13 costs related to the release of any existing liens placed on the  
5-14 applicable portion of the Leased Tract by Purchaser, including  
5-15 prepayment penalties and recording fees, release of Purchaser's  
5-16 loan liability to the extent applicable to the individual Leased  
5-17 Tract, tax statements or certificates, preparation of the deed, and  
5-18 one-half of any escrow fee;  
5-19 (ix) Leaseholder shall be responsible for  
5-20 any costs associated with a loan or financing for the applicable  
5-21 portion of the Leased Tract, including, without limitation, loan  
5-22 origination, discount, buy-down, and commitment fees, appraisal  
5-23 fees, loan application fees, credit reports, preparation of loan  
5-24 documents, loan-related inspection fees, and interest on the notes  
5-25 from the date of disbursement to date of first monthly payment; the  
5-26 cost of the survey; recording fees; copies of easements and  
5-27 restrictions; mortgagee title policy with endorsements required by  
5-28 lender, if any; one-half of any escrow fee; any prepaid items,  
5-29 including without limitation, insurance premiums and reserves and  
5-30 taxes; underwriting fee; and any title policy (including  
5-31 endorsements) obtained by Leaseholder;  
5-32 (x) Taxes will be prorated as of the date of  
5-33 Closing; if taxes are not paid as of the date of Closing, then  
5-34 Leaseholder shall be responsible for the payment of taxes; and  
5-35 (xi) the agreement between Leaseholder and  
5-36 Purchaser shall be contingent on Closing occurring within the  
5-37 timeframes set forth in this subsection.  
5-38 (C) Leaseholder shall deliver to Authority and  
5-39 Purchaser no less than forty-five days prior to Closing, at the  
5-40 Leaseholder's expense, an accurate survey of the individual Leased  
5-41 Tract (including any Undeveloped Strips being included in such  
5-42 Leased Tract), which survey is acceptable to the Authority and  
5-43 Purchaser. To be acceptable to the Authority and Purchaser, the  
5-44 survey must:  
5-45 (i) be acceptable to the title company  
5-46 selected by the Purchaser and Leaseholder and approved by the  
5-47 Authority for purposes of issuing any policy of title insurance on  
5-48 the applicable portion of the Leased Tract;  
5-49 (ii) be prepared by a licensed state land  
5-50 surveyor or a registered professional land surveyor acceptable to  
5-51 the Authority;  
5-52 (iii) include the boundary of the  
5-53 Leaseholder's Leased Tract and any Undeveloped Strips being  
5-54 conveyed, which boundaries must be consistent with the master  
5-55 survey prepared on behalf of the Authority in conjunction with the  
5-56 sale of the Leased Tract to the Purchaser;  
5-57 (iv) include all improvements on the Leased  
5-58 Tract and indicate any encroachments across the applicable boundary  
5-59 lines or into the FERC Project Area or Buffer Zone; Leaseholder must  
5-60 provide evidence that any such encroachments across boundary lines  
5-61 or into the FERC Project Area or Buffer Zone have been cured by the  
5-62 Leaseholder (either by removal of such encroachment or by written  
5-63 agreement between the affected parties permitting such  
5-64 encroachment to continue) prior to the survey being deemed  
5-65 acceptable; and  
5-66 (v) be reviewed and approved by the  
5-67 Authority and Purchaser; the Authority, Purchaser, and their  
5-68 representatives or agents may perform an inspection of the  
5-69 applicable Leased Tract to verify the accuracy of the Survey and any

6-1 encroachments thereon;

6-2 (D) On or before Closing, the purchase and sale  
 6-3 agreement between the Leaseholder and Purchaser and any earnest  
 6-4 money that may be required pursuant to such agreement shall be  
 6-5 timely delivered to a title company or escrow agent acceptable to  
 6-6 the Authority and agreed to by Leaseholder and Purchaser in such  
 6-7 agreement;

6-8 (E) On or before Closing, Purchaser and  
 6-9 Leaseholder shall complete all documentation necessary to  
 6-10 effectuate transfer of the applicable Leased Tract from the  
 6-11 Purchaser to the Leaseholder and deliver such completed and  
 6-12 executed documents to the applicable escrow agent; and

6-13 (F) Promptly after Closing, the deed and any  
 6-14 other applicable documents effectuating transfer of such Leased  
 6-15 Tract to the Leaseholder shall be recorded in the county records  
 6-16 where the Leased Tract is located promptly after such escrow agent  
 6-17 receives written notice from the Authority or title company or  
 6-18 escrow agent facilitating the Closing of the Leased Tract from the  
 6-19 Authority to Purchaser that such Closing has been completed and the  
 6-20 necessary documents have been recorded pursuant to such Closing. In  
 6-21 no event shall the deed or any other documents transferring the  
 6-22 applicable portion of the Leased Tract to the Leaseholder be  
 6-23 recorded prior to Closing.

6-24 (3) Closing shall occur no later than December 31,  
 6-25 2010. The Authority shall post on its website no later than thirty  
 6-26 days after entering into a Contract for sale with Purchaser the  
 6-27 effective date of such Contract and the anticipated date of  
 6-28 Closing, which date shall be at least six (6) months from the  
 6-29 effective date of the Contract. Any changes to the anticipated date  
 6-30 of Closing shall also be posted on the Authority's website. These  
 6-31 dates shall be used to establish the time periods provided in  
 6-32 Subdivision (2).

6-33 (c) Sale to Leaseholders. This subsection shall only apply  
 6-34 to, and be effective for, those portions of the Leased Tract (if  
 6-35 any) for which Closing has not occurred on or before December 31,  
 6-36 2010, pursuant to Subsection (b), in which case the effective date  
 6-37 of this subsection shall be January 1, 2011. Upon the effective  
 6-38 date of this subsection, the Authority shall suspend any applicable  
 6-39 sale efforts under Subsection (b) for a period of two years  
 6-40 beginning on the effective date of this subsection and initiate a  
 6-41 tract by tract sale of the Leased Tract to the then-current  
 6-42 Leaseholders as follows:

6-43 (1) For a period of two years beginning on the  
 6-44 effective date of this subsection and in accordance with the  
 6-45 procedures set forth in this subsection, and subject to Subsections  
 6-46 (d), (e), (f), (g), (h), and (i), the Authority shall provide  
 6-47 Leaseholders the opportunity to purchase their individual Leased  
 6-48 Tracts directly from the Authority. Leaseholders shall have until  
 6-49 the expiration of such two-year period to submit a completed  
 6-50 application of intent to purchase their individual Leased Tracts as  
 6-51 provided by Subdivision (4).

6-52 (2) The Authority shall determine if, and how, any  
 6-53 Undeveloped Strips will be divided between adjacent Leaseholders  
 6-54 and incorporated into any individual Leased Tract; provided,  
 6-55 however, Leaseholders shall not be required to accept any such  
 6-56 Undeveloped Strips.

6-57 (3) On or before the effective date of this  
 6-58 subsection, the Authority shall make available to the Leaseholders  
 6-59 a form for an application of intent to purchase the Leaseholder's  
 6-60 individual Leased Tract. Such application shall be deemed a  
 6-61 contract subject to the provisions set out herein. The application  
 6-62 of intent shall provide the Leaseholder a 30-day feasibility period  
 6-63 beginning on the date such application is submitted in which the  
 6-64 Leaseholder can determine the feasibility of purchasing the  
 6-65 applicable individual Leased Tract, including the ability of such  
 6-66 Leaseholder to obtain financing for such purchase.

6-67 (4) A Leaseholder who desires to purchase such  
 6-68 Leaseholder's individual Leased Tract must submit a completed  
 6-69 application to the Authority on or before December 31, 2012. An

7-1 application will be deemed "complete" upon the following:

7-2 (A) Leaseholder delivers to the Authority an  
7-3 executed application of intent to purchase with all required  
7-4 information included in the application;

7-5 (B) Leaseholder delivers an earnest money  
7-6 deposit, in good funds acceptable to the title company or escrow  
7-7 agent selected by the Authority, in the amount of \$1,000 to such  
7-8 title company or escrow agent, which earnest money shall be  
7-9 nonrefundable after the expiration of the feasibility period except  
7-10 in the event closing does not occur due to the fault of the  
7-11 Authority;

7-12 (C) any and all rent and other fees or amounts due  
7-13 to the Authority pursuant to such Leaseholder's Ground Lease have  
7-14 been paid and there are no amounts then outstanding which are past  
7-15 due;

7-16 (D) Leaseholder has delivered to the Authority a  
7-17 survey that is acceptable to the Authority of the applicable Leased  
7-18 Tract (and any Undeveloped Strips being included in such Leased  
7-19 Tract). To be acceptable to the Authority, the survey must:

7-20 (i) be acceptable to the title company  
7-21 selected by the Authority for purposes of issuing any policy of  
7-22 title insurance on the applicable portion of the Leased Tract;

7-23 (ii) be prepared by a licensed state land  
7-24 surveyor or a registered professional land surveyor acceptable to  
7-25 the Authority;

7-26 (iii) include the boundary of the  
7-27 Leaseholder's Leased Tract and any Undeveloped Strips being  
7-28 conveyed, which boundaries must be consistent with the master  
7-29 survey of the Leased Tract prepared on behalf of the Authority;

7-30 (iv) include all improvements on the Leased  
7-31 Tract and indicate any encroachments across the applicable boundary  
7-32 lines or into the FERC Project Area or Buffer Zone; Leaseholder must  
7-33 provide evidence that any such encroachments across boundary lines  
7-34 or into the FERC Project Area or Buffer Zone have been cured by the  
7-35 Leaseholder (either by removal of such encroachment or by written  
7-36 agreement between the affected parties permitting such  
7-37 encroachment to continue) prior to the survey being deemed  
7-38 acceptable; and

7-39 (v) be reviewed and approved by the  
7-40 Authority; the Authority or its representatives or agents may  
7-41 perform an inspection of the Leased Tract to verify the accuracy of  
7-42 the Survey and any encroachments thereon.

7-43 (E) Leaseholder has delivered to the Authority a  
7-44 title commitment and, if requested by the Authority, any exception  
7-45 documents referenced therein, prepared by the applicable title  
7-46 company or escrow agent selected by the Authority; and

7-47 (F) Leaseholder has delivered to the Authority  
7-48 written evidence from Leaseholder's lender or financial  
7-49 institution that Leaseholder has the financing or funds available,  
7-50 as applicable, to complete the purchase of Leaseholder's Leased  
7-51 Tract.

7-52 (5) Completed applications that are timely delivered  
7-53 will be accepted and processed by the Authority in the order in  
7-54 which they are received; except that the Authority shall give  
7-55 preference in processing applications to Leaseholders who receive  
7-56 an ad valorem tax exemption under Section 11.13, Tax Code, for a  
7-57 structure on the Leaseholder's Leased Tract.

7-58 (6) A Leased Tract sold under this subsection shall be  
7-59 sold for 90% of the land only assessed value without any exemptions,  
7-60 as determined by the appraisal district, for the year in which the  
7-61 Leaseholder's application of intent to purchase is submitted to the  
7-62 Authority, or for the year 2008, whichever is greater.

7-63 (7) The Leaseholder purchasing such Leaseholder's  
7-64 Leased Tract is responsible for:

7-65 (A) timely paying all rent and other fees or  
7-66 amounts due to the Authority pursuant to such Leaseholder's Ground  
7-67 Lease through the date of closing on the Leaseholder's portion of  
7-68 the Leased Tract;

7-69 (B) obtaining and delivering to the Authority a

8-1 survey of the applicable Leased Tract in accordance with  
 8-2 Subdivision (4)(D) and curing any encroachments shown thereon, all  
 8-3 at Leaseholder's expense;

8-4 (C) obtaining and delivering to the Authority, at  
 8-5 such Leaseholder's expense, a title commitment in accordance with  
 8-6 Subdivision (4)(E); the Authority may, but shall have no obligation  
 8-7 to, cure any objections that Leaseholder may have to the  
 8-8 exceptions, covenants, easements, reservations or any other items  
 8-9 reflected on the title commitment; provided, however, that the  
 8-10 Authority shall use good faith efforts to address and/or remove  
 8-11 those requirements or exceptions shown on Schedule C of the title  
 8-12 commitment that are applicable to or created by the Authority, and,  
 8-13 notwithstanding the foregoing, the Authority shall have no  
 8-14 obligation to cure any exceptions on the attached Schedule C  
 8-15 regarding legal right of access to or from the applicable Leased  
 8-16 Tract;

8-17 (D) delivering to the applicable title company or  
 8-18 escrow agent on or before closing on the Leaseholder's Leased  
 8-19 Tract, in good funds, the purchase price and all reasonable,  
 8-20 normal, customary, and documented costs associated with the  
 8-21 transfer of the individual Leased Tract to the Leaseholder  
 8-22 including, without limitation, all escrow fees, recording fees,  
 8-23 taxes on the land after the date of such closing, document  
 8-24 preparation fees, the cost of any Title Policy (including any  
 8-25 endorsements thereon) obtained by Leaseholder, and any costs  
 8-26 associated with removing any liens on the applicable Leased Tract;  
 8-27 and

8-28 (E) timely delivering to the escrow agent any  
 8-29 notices, statements, affidavits, or other documents required by the  
 8-30 application, escrow agent, or at law to effectuate the transfer of  
 8-31 the applicable Leased Tract to the Leaseholder.

8-32 (8) For those completed applications of intent to  
 8-33 purchase timely delivered to the Authority under this subsection,  
 8-34 the purchase must be completed no later than June 30, 2013. For any  
 8-35 individual Leased Tracts for which closing has not occurred by such  
 8-36 date, the application shall be deemed terminated. The Authority  
 8-37 shall not accept any applications of intent to purchase after  
 8-38 December 31, 2012; and any applications of intent to purchase that  
 8-39 are delivered to the Authority prior to such date but that are not  
 8-40 "complete" as of such date in accordance with Subdivision (4) shall  
 8-41 be rejected by the Authority. Leaseholders submitting an  
 8-42 application of intent to purchase their individual Leased Tracts  
 8-43 are responsible for ensuring that such application is deemed  
 8-44 "complete" on or before December 31, 2012.

8-45 (9) Any Ground Lease that would otherwise expire shall  
 8-46 be automatically extended as necessary for one year terms to permit  
 8-47 such Leaseholder the full two-year period to deliver such  
 8-48 application of intent to purchase such Leaseholder's individual  
 8-49 Leased Tract and to complete such transaction no later than June 30,  
 8-50 2013.

8-51 (10) The Owner of a Tract sold under this subsection  
 8-52 shall pay the Authority any reasonable fees set by the Authority for  
 8-53 any services the Owner accepts from the Authority. However, the  
 8-54 Owner of a Tract is under no obligation to accept services from the  
 8-55 Authority.

8-56 (11) Any Tract subject to the Ranch Agreement shall  
 8-57 only be subject to sale under this subsection if the Authority is  
 8-58 released from its obligations under the Ranch Agreement relating to  
 8-59 such Tract.

8-60 (12) The following laws do not apply to sale of an  
 8-61 individual Leased Tract under this subsection:

- 8-62 (A) Chapter 272, Local Government Code;
- 8-63 (B) Section 49.226, Water Code; and
- 8-64 (C) Section 8502.013 of this code.

8-65 (13) A provision that applies to the Leaseholder of a  
 8-66 Leased Tract under this section applies to any subsequent Owner of  
 8-67 the Leased Tract.

8-68 (14) At closing on the individual Leased Tract, the  
 8-69 Leaseholder shall pay any indebtedness secured by a lien on the



9-1 Leaseholder's leasehold estate (including the Buffer Zone, whether  
9-2 or not included as part of the Leased Tract pursuant to Subsection  
9-3 (e)) or deliver the express written consent of the Lienholder on the  
9-4 leasehold estate in the Leased Tract permitting the Leaseholder to  
9-5 grant a purchase money lien on the fee simple estate in the Leased  
9-6 Tract.

9-7 (15) At the closing of the applicable Leased Tract,  
9-8 the Authority will deliver a special warranty deed.

9-9 (16) For any portion of the Leased Tract that has not  
9-10 been sold pursuant to this subsection on or before June 30, 2013,  
9-11 the Board shall sell any such remaining portion of the Leased Tract  
9-12 pursuant to terms and conditions determined by such Board.

9-13 (d) Restrictions on Leased Tract. The Leased Tract (or any  
9-14 portion thereof) sold in accordance with Subsection (b) or (c)  
9-15 shall be subject to the following Restrictions, which shall be  
9-16 included, in substance, in a Declaration of Restrictive Covenants,  
9-17 Easements, and Conditions to be prepared by the Authority  
9-18 substantively in accordance with the following and recorded by the  
9-19 Authority, as declarant, in the applicable county records prior to  
9-20 any sale pursuant to Subsection (b) or (c):

9-21 (1) Subject to Subdivision (10), no Owner, Purchaser,  
9-22 or Leaseholder may forbid, restrict, or take any action which  
9-23 effectively forbids or restricts the public from using the FERC  
9-24 Project Area and the adjacent areas of the Lake in accordance with  
9-25 the terms of the FERC License.

9-26 (2) Each Owner, Purchaser, and Leaseholder shall agree  
9-27 to not block, restrict, or otherwise prohibit access over, through,  
9-28 or across any Road and further agrees that such Roads or portion  
9-29 thereof shall remain open for use by the Authority, other Owners or  
9-30 Purchasers, lessees of any portion of the Property (including  
9-31 Leaseholders) and the general public. Except for (i) those portions  
9-32 of the Property that are accessible by water only as of the  
9-33 effective date of the Restrictions, and/or (ii) restrictions of  
9-34 access existing as of the effective date of the Restrictions (e.g.,  
9-35 access to and from public roads that requires traversing real  
9-36 property not owned by the Authority, Owners, or Purchasers  
9-37 hereunder), and/or (iii) the covenants and restrictions of the  
9-38 Ranch Declarations (to the extent applicable to the Roads) or other  
9-39 restrictive covenants existing prior to the date the Restrictions  
9-40 are recorded of record, no Owner, Purchaser, or Leaseholder shall  
9-41 be permitted to block, restrict, or otherwise prohibit access on,  
9-42 over, or across the Roads.

9-43 (3) The Driveways are not part of the Roads and shall  
9-44 be maintained by the Owner, Purchaser, or Leaseholder of the  
9-45 applicable Driveways. No Owner, Purchaser, or Leaseholder shall  
9-46 obstruct, prevent, or otherwise restrict access on, over or across  
9-47 any portion of a common Driveway by any such other Owner, Purchaser,  
9-48 or Leaseholder, or their guests or invitees, whose portion of the  
9-49 Property is served by such common Driveway. Owners, Purchasers,  
9-50 and/or Leaseholders whose portion of the Property is served by a  
9-51 common Driveway shall at all times have a nonexclusive right of  
9-52 ingress and egress over and across such common Driveway to access  
9-53 their portion of the Property.

9-54 (4) All grants and dedications of easements,  
9-55 rights-of-way, restrictions, and related rights affecting the  
9-56 Leased Tract, made prior to the Leased Tract becoming subject to the  
9-57 Restrictions that are of record, or visible or apparent, shall be  
9-58 incorporated into such Restrictions by reference and made a part of  
9-59 the Restrictions for all purposes as if fully set forth therein and  
9-60 shall be construed as being adopted in each and every contract,  
9-61 deed, or conveyance executed or to be executed by or on behalf of  
9-62 the Authority conveying any part of the Leased Tract. The foregoing  
9-63 adoption of such easements includes, without limitation, any and  
9-64 all written easements or agreements, whether or not recorded,  
9-65 between the Authority and any other party for the installation,  
9-66 maintenance, repair, or replacement of utility lines located on,  
9-67 above, over, under, or beneath the Property.

9-68 (5) The Authority shall reserve for itself and its  
9-69 successors, assigns, and designees the nonexclusive right and

10-1 easement, but not the obligation, to enter upon the Property, the  
10-2 Lake and other bodies of water, if any, located within the Property  
10-3 (a) to install, keep, maintain, and replace pumps in order to obtain  
10-4 water for the irrigation of any portion of the Authority Land, (b)  
10-5 to construct, maintain, replace, and repair any wall, dam, or other  
10-6 structure retaining water therein, (c) to access, construct,  
10-7 maintain, replace, and repair any measurement stations, monuments,  
10-8 or other similar improvements, (d) to remove trash and other  
10-9 debris, and (e) to fulfill the Authority's obligations as a river  
10-10 authority and any obligations set forth in the FERC License, state  
10-11 water rights, or other governmental regulations. The Authority and  
10-12 its designees shall have an access easement through, over, and  
10-13 across any portion of the Leased Tract to the extent reasonably  
10-14 necessary to exercise the rights and responsibilities under this  
10-15 subdivision; provided, however, that (i) the Authority shall  
10-16 provide written notice at least 48 hours in advance of such entry to  
10-17 the Purchaser or Owner of such portion of the Leased Tract (except  
10-18 in the event of an emergency, in which case advance notice shall not  
10-19 be required, but the Authority shall provide such written notice as  
10-20 soon as practicable thereafter); (ii) the Authority shall promptly  
10-21 repair any damage to the portion of the Leased Tract caused by the  
10-22 Authority's entrance onto such Owner's or Purchaser's portion of the  
10-23 Leased Tract; and (iii) the Authority shall use reasonable efforts  
10-24 to avoid interfering with the Owner's or Purchaser's use of the  
10-25 portion of the Leased Tract.

10-26 (6) The Authority shall reserve for itself and its  
10-27 successors, assigns, and designees a perpetual right, power,  
10-28 privilege, and easement to occasionally overflow, flood, and  
10-29 submerge that portion of the Property located at or below the  
10-30 elevation contour of 1015' above mean sea level in connection with  
10-31 the Authority's operation and maintenance of the Lake. The  
10-32 Authority shall have no liability to any Owner, Purchaser,  
10-33 Leaseholder, or any other person for any damages, claims, costs,  
10-34 injuries, or liabilities to any person or the Property or any  
10-35 improvements thereon that are caused by or arise from any act or  
10-36 omission by the Authority in connection with the foregoing right  
10-37 and easement.

10-38 (7) Additional land may be included in the Property or  
10-39 Leased Tract at any time by the Authority, as long as the Authority  
10-40 owns any portion of the Property, by recording an amendment to these  
10-41 Restrictions in each of the counties in which the Property is  
10-42 located. Upon such additions, the Restrictions shall apply to the  
10-43 added land and the rights, privileges, duties, and liabilities of  
10-44 the Owners or Purchasers subject to the Restrictions shall be the  
10-45 same with respect to the added land as with respect to the Property  
10-46 originally covered by the Restrictions. As additional lands are  
10-47 added hereto, the Authority shall, with respect to said land,  
10-48 record amendments that may incorporate the Restrictions therein by  
10-49 reference and that may supplement or modify the Restrictions with  
10-50 such additional covenants, restrictions, and conditions that may be  
10-51 appropriate for those added lands.

10-52 (8) The Restrictions may not be modified in any  
10-53 respect whatsoever or terminated, in whole or in part, except with  
10-54 the consent of (i) the Owners or Purchasers of at least sixty  
10-55 percent (60%) of the individual lots that comprise the Residential  
10-56 Leased Land and Commercial Leased Land, and (ii) the Owners or  
10-57 Purchasers of at least sixty percent (60%) of the land area of the  
10-58 Authority Land, and (iii) the Authority, for so long as the  
10-59 Authority has any interest in the Property, whether as an Owner or  
10-60 holder of the FERC License or otherwise. Notwithstanding the  
10-61 foregoing, the Authority, without the joinder of any other party,  
10-62 shall have the absolute right to make minor changes or amendments to  
10-63 the Restrictions to correct or clarify errors, omissions, mistakes,  
10-64 or ambiguities contained therein. No amendment shall be effective  
10-65 until such amendment has been recorded in the Official Public  
10-66 Records of each of the counties in which the Property is located.

10-67 (9) No improvements (except as specifically set forth  
10-68 in Subdivision (11)) shall be constructed or located on the Leased  
10-69 Tract within twenty-five feet (25') landward measured horizontally

11-1 from the 1000' contour line of the Lake, a meander line that changes  
 11-2 over time due to natural forces, such as erosion and accretion;  
 11-3 provided, however, this restriction shall not include improvements  
 11-4 inside this setback that are existing at the time the Restrictions  
 11-5 are filed that (i) have been approved in writing by the Authority,  
 11-6 and (ii) if such improvements are located within the FERC Project  
 11-7 Area, have been approved by the Federal Energy Regulatory  
 11-8 Commission (and to the extent not already approved by the Federal  
 11-9 Energy Regulatory Commission, the Authority intends to file an  
 11-10 application to obtain permission for the existing encroachments  
 11-11 into the FERC Project Area to remain in place). In addition, no  
 11-12 improvements on the Leased Tract (or any portion thereof) shall be  
 11-13 constructed or located within five feet (5') of any other boundary  
 11-14 line (i.e., the side and back boundary lines), other than fences;  
 11-15 provided, however, this restriction shall not include improvements  
 11-16 located within this 5' setback that are existing at the time the  
 11-17 Restrictions are filed and that have been approved in writing by the  
 11-18 Authority.

11-19 (10) No Owner, Purchaser, or Leaseholder shall have  
 11-20 any rights to construct any improvements or fencing that block or  
 11-21 restrict access to the FERC Project Area, except with the written  
 11-22 consent of the Authority, to be granted or withheld in its sole  
 11-23 discretion, and except in compliance with the FERC License. This  
 11-24 limitation does not apply to fences located within the Leased Tract  
 11-25 and outside the FERC Project Area.

11-26 (11) Erosion control improvements (such as retaining  
 11-27 walls, rip rap, etc.) and landscape planting may not be constructed  
 11-28 or located within the FERC Project Area or at or below the 1000'  
 11-29 contour line without the prior written approval of the Authority.  
 11-30 Such improvements shall be subject to the terms and conditions set  
 11-31 forth in the Restrictions, in the FERC License, in any other Federal  
 11-32 Energy Regulatory Commission rules and regulations, and in the  
 11-33 Authority's regulations, including without limitation, the  
 11-34 Shoreline Management Plan.

11-35 (12) No Owner, Purchaser, or Leaseholder shall have  
 11-36 the right to place, or permit to be placed, any advertisements,  
 11-37 private notices, signs, or billboards on the Leased Tract except  
 11-38 that temporary signage customarily found on residential property  
 11-39 may be placed on the Residential Leased Land at the reasonable  
 11-40 discretion of the Owner, Purchaser, and/or Leaseholder of that  
 11-41 portion of the Residential Leased Land.

11-42 (13) No activities shall be conducted on the Leased  
 11-43 Tract and no improvements constructed on the Leased Tract that are  
 11-44 or might be unsafe or hazardous to any person or property.

11-45 (14) No Owner, Purchaser, Leaseholder, or occupant of  
 11-46 any portion of the Leased Tract shall use or permit the use,  
 11-47 handling, generation, storage, release, disposal, or  
 11-48 transportation of Hazardous Materials on, about, or under the  
 11-49 Leased Tract except for such quantities that are routinely utilized  
 11-50 in connection with residential use (for all portions of the Leased  
 11-51 Tract except the Commercial Leased Land) or for commercial uses  
 11-52 that are in compliance with the Restrictions (for the Commercial  
 11-53 Leased Land), and that are stored, used, and disposed of in  
 11-54 compliance with all Environmental Laws. Each Owner, Purchaser, and  
 11-55 Leaseholder shall indemnify, defend, protect, and save the  
 11-56 Authority, its successors and assigns, trustees, directors,  
 11-57 employees, and officers and each other Owner, Purchaser, and  
 11-58 Leaseholder, harmless from and against, and shall reimburse such  
 11-59 indemnified parties for, all liabilities, obligations, losses,  
 11-60 claims, damages, fines, penalties, costs, charges, judgments, and  
 11-61 expenses, including, without limitation, reasonable attorneys'  
 11-62 fees and expenses that may be imposed upon or incurred or paid by or  
 11-63 asserted against such indemnified parties by reason of or in  
 11-64 connection with such Owner's, Purchaser's, or Leaseholder's failure  
 11-65 to comply with this subdivision.

11-66 (15) No Owner or Purchaser shall conduct, or permit to  
 11-67 be conducted, any activity on the Leased Tract that is improper,  
 11-68 immoral, noxious, annoying, creates a nuisance, or is otherwise  
 11-69 objectionable to other Owners or Purchasers or incompatible with

12-1 the recreational use of the Lake and the FERC Project Area.

12-2 (16) The Residential Leased Land (and any Undeveloped  
12-3 Strips that are conveyed to an Owner or Purchaser as part of the  
12-4 Residential Leased Land pursuant to Subsection (b) or (c)) shall be  
12-5 improved and used solely for single-family residential use,  
12-6 inclusive of a garage, fencing, and other such related improvements  
12-7 as are necessary or customarily incident to normal residential use  
12-8 and enjoyment and for no other use. No portion of the Residential  
12-9 Leased Land (and any Undeveloped Strips that are conveyed to an  
12-10 Owner or Purchaser as part of the Residential Leased Land pursuant  
12-11 to Subsection (b) or (c)) shall be used for manufacturing,  
12-12 industrial, business, commercial, institutional, or other  
12-13 nonresidential purpose, save and except as set forth in Subdivision  
12-14 (17). Notwithstanding the foregoing, Owners, Purchasers, and/or  
12-15 Leaseholders shall be permitted to conduct a "garage sale" on their  
12-16 respective portion of the Residential Leased Land (and any  
12-17 Undeveloped Strips that are conveyed to an Owner or Purchaser as  
12-18 part of the Residential Leased Land pursuant to either Subsection  
12-19 (b) or (c)) not more than one time per calendar year.

12-20 (17) No professional, business, or commercial  
12-21 activity to which the general public is invited shall be conducted  
12-22 on the Residential Leased Land (and any Undeveloped Strips that are  
12-23 conveyed to an Owner or Purchaser as part of the Residential Leased  
12-24 Land pursuant to Subsection (b) or (c)); except an Owner,  
12-25 Purchaser, Leaseholder, or occupant of a residence may conduct  
12-26 business activities within a residence so long as: (a) the  
12-27 existence or operation of the business activity is not apparent or  
12-28 detectable by sight, sound, or smell from outside the residence;  
12-29 (b) the business activity conforms to all zoning requirements; (c)  
12-30 the business activity does not involve door-to-door solicitation of  
12-31 residents, lessees, Leaseholders, Owners, or Purchasers within the  
12-32 Property; (d) the business does not generate a level of vehicular or  
12-33 pedestrian traffic or a number of vehicles parked within the  
12-34 Property that is noticeably greater than that which is typical of  
12-35 residences in which no business activity is being conducted; and  
12-36 (e) the business activity is consistent with the residential  
12-37 character of the Residential Leased Land and does not constitute a  
12-38 nuisance, or a hazardous or offensive use, or threaten the security  
12-39 or safety of other residents, lessees, Owners, Purchasers, or  
12-40 Leaseholders of the Property. The terms "business" and "trade", as  
12-41 used in this provision, shall be construed to have their ordinary,  
12-42 generally accepted meanings and shall include, without limitation,  
12-43 any occupation, work, or activity undertaken on an ongoing basis  
12-44 that involves the provision of goods or services to persons other  
12-45 than the provider's family and for which the provider receives a  
12-46 fee, compensation, or other form of consideration, regardless of  
12-47 whether: (x) such activity is engaged in full or part-time; (y) such  
12-48 activity is intended to or does generate a profit; or (z) a license  
12-49 is required. Leasing of a residence shall not be considered a  
12-50 business or trade within the meaning of this subsection. This  
12-51 subdivision shall not apply to any activity conducted by the  
12-52 Authority.

12-53 (18) Except as may be otherwise provided in the  
12-54 Restrictions, Commercial Leased Land (and any Undeveloped Strips  
12-55 that are conveyed to an Owner or Purchaser as part of the Commercial  
12-56 Leased Land pursuant to Subsection (b) or (c)) may be improved and  
12-57 used for any lawful commercial purpose, including without  
12-58 limitation, nonprofit organizations or governmental or  
12-59 quasi-governmental agencies.

12-60 (19) No portion of the Leased Tract may be used for the  
12-61 commercial testing or development of wind power, or to produce,  
12-62 lease, store, and/or transmit electrical power generated thereby  
12-63 for commercial or resale purposes.

12-64 (20) Each Owner or Purchaser shall keep, or cause to be  
12-65 kept, all improvements located on its respective portion of the  
12-66 Leased Tract maintained in good condition and repair, clean and  
12-67 free of rubbish and other hazards, and otherwise in full accordance  
12-68 with the Restrictions and all governmental rules, regulations,  
12-69 codes, and zoning requirements. Such maintenance shall include, but

13-1 not be limited to, the following: regular and timely removal of all  
 13-2 litter, garbage, trash, and waste; regular lawn mowing; tree,  
 13-3 shrub, and plant pruning and trimming; watering of landscaped  
 13-4 areas; weed control; pest control; maintaining exterior lighting  
 13-5 and mechanical facilities in good working order; keeping walks and  
 13-6 driveways clean and in good repair; and the repairing and  
 13-7 repainting of the exterior improvements visible to neighboring  
 13-8 properties and/or public view.

13-9 (21) In the event of any damage to or destruction of  
 13-10 any building or improvement on any portion of the Leased Tract from  
 13-11 any cause whatsoever, the Owner, Purchaser, or Leaseholder upon  
 13-12 whose portion of the Leased Tract the casualty occurred shall, at  
 13-13 such Owner's, Purchaser's, or Leaseholder's sole option, either (i)  
 13-14 repair, restore, or rebuild and complete the same with reasonable  
 13-15 diligence, (ii) clear the affected area of all hazardous or  
 13-16 dangerous debris and structures and lawfully dispose of same within  
 13-17 one year from the date of casualty, or (iii) effectuate any  
 13-18 combination of clauses (i) and (ii) of this subdivision as such  
 13-19 Owner, Purchaser, or Leaseholder may deem reasonably appropriate.  
 13-20 Notwithstanding the foregoing, in the event the Owner, Purchaser,  
 13-21 or Leaseholder elects to rebuild buildings or improvements that  
 13-22 were located within the FERC Project Area or within twenty-five  
 13-23 feet (25') landward measured horizontally from the 1000' contour  
 13-24 line that were approved in accordance with Subdivision (9), such  
 13-25 buildings or improvements shall be rebuilt in accordance with  
 13-26 Subdivision (24).

13-27 (22) The Texas Commission on Environmental Quality has  
 13-28 adopted rules governing on-site sewage facilities (also called  
 13-29 septic systems). The Authority is the commission's authorized  
 13-30 agent for the septic system licensing program, including the  
 13-31 enforcement of the commission's septic system rules and regulations  
 13-32 for the Property. The Authority, as the agent for the commission,  
 13-33 shall have the authority to access the Property for the purpose of  
 13-34 issuing such licenses, inspecting such septic systems, and  
 13-35 enforcing any and all rules and regulations related thereto. Each  
 13-36 Owner, Purchaser, and Leaseholder agrees to comply with all  
 13-37 sanitary regulations and the licensing process adopted by the  
 13-38 commission and enforced by the Authority, as its agent, from time to  
 13-39 time.

13-40 (23) The Owner or Purchaser shall be responsible, at  
 13-41 such Owner's or Purchaser's expense, for providing for the  
 13-42 collection, removal, and disposal of all solid waste on the Leased  
 13-43 Tract; or the Owner or Purchaser of any portion of the Leased Tract  
 13-44 shall be responsible for ensuring that the Leaseholders provide for  
 13-45 such collection, removal, and disposal of all solid waste on the  
 13-46 applicable portion of the Leased Tract. In the event the Ranch fails  
 13-47 to provide for the collection, removal, and disposal of all solid  
 13-48 waste related to the Ranch, the Owner or Purchaser shall be  
 13-49 responsible for providing for the same.

13-50 (24) (i) An Owner, Purchaser, or Leaseholder, subject  
 13-51 to approval by the Federal Energy Regulatory Commission, may  
 13-52 repair, alter, or rebuild improvements located within the FERC  
 13-53 Project Area, which improvements were previously approved in  
 13-54 accordance with Subdivision (9); provided, however, such repairs,  
 13-55 alterations, and/or rebuilding shall not extend beyond the  
 13-56 footprint of the existing or previously existing improvement.

13-57 (ii) An Owner, Purchaser, or Leaseholder may  
 13-58 repair, alter, or rebuild improvements located outside the FERC  
 13-59 Project Area but within 25' landward measured horizontally from the  
 13-60 1000' contour line, and/or improvements located within the 5'  
 13-61 boundary setback, which improvements were previously approved in  
 13-62 accordance with Subdivision (9). Such repairs, alterations, or  
 13-63 rebuilding may extend such improvements outside the previously  
 13-64 existing footprint towards the side boundaries and back boundary of  
 13-65 the applicable Leased Tract, but such improvements may not be  
 13-66 extended towards the shoreline or encroach closer to the 1000'  
 13-67 contour line of the Lake than the existing or previously existing  
 13-68 improvements.

13-69 (25) The Authority shall reserve its rights, title,

14-1 and interest in all oil, gas, and other minerals in and under any  
14-2 and all Property, including the Leased Tract.

14-3 (26) No land within the FERC Project Area shall be  
14-4 improved, used, or occupied, except in such manner as shall have  
14-5 been approved by the Authority and, to the extent required, by the  
14-6 Federal Energy Regulatory Commission. No docks, piers, on-water  
14-7 facilities, retaining walls, or any other structures or facilities  
14-8 shall be built, installed, or maintained in, on, or over the waters  
14-9 of the Lake or within the FERC Project Area except as authorized by  
14-10 the Authority. All such structures or facilities shall be subject  
14-11 to all rules and regulations applicable to the Lake and the FERC  
14-12 Project Area, as the same may be adopted or amended from time to  
14-13 time. Owner, Purchaser, and/or the Leaseholder shall be responsible  
14-14 for any fees or annual charges assessed by the Authority and/or the  
14-15 Federal Energy Regulatory Commission for such permit or  
14-16 improvements and shall be responsible for ensuring that any such  
14-17 improvements are consistent with the FERC License, Shoreline  
14-18 Management Plan, and all other rules and regulations applicable to  
14-19 the FERC Project Area. Owner or Purchaser shall not, at any time,  
14-20 permit any liens to encumber the FERC Project Area.

14-21 (27) No use of the Lake or other bodies of water within  
14-22 the Property, if any, shall be made except in accordance with the  
14-23 FERC License, the Shoreline Management Plan, the Authority's  
14-24 regulations, and any other rules and regulations that may be  
14-25 promulgated by the Federal Energy Regulatory Commission and/or the  
14-26 Authority at any time and as amended from time to time. Any such use  
14-27 shall be subject to the Authority's and the Federal Energy  
14-28 Regulatory Commission's superior use rights. The Authority shall  
14-29 not be responsible for any loss, damage, or injury to any person or  
14-30 property arising out of the authorized or unauthorized use of the  
14-31 Lake or other bodies of water within or adjacent to the Property.

14-32 (28) The Authority may use and regulate the Lake or  
14-33 other bodies of water within the Property for the irrigation of the  
14-34 Authority Land, or for any other purpose deemed appropriate by the  
14-35 Authority, subject to the rights and authority of the Federal  
14-36 Energy Regulatory Commission or other governmental entity having  
14-37 jurisdiction of such areas, and subject to the water rights granted  
14-38 (or which may be granted) to the Authority by the State of Texas.  
14-39 The Authority's rights under this subdivision shall be superior to  
14-40 any rights of any Owner, Purchaser, or Leaseholder. This  
14-41 subdivision shall not be construed to limit or restrict the rights  
14-42 and authority of the Federal Energy Regulatory Commission or other  
14-43 governmental entity having jurisdiction of the Property.

14-44 (29) Owners or Purchasers must obtain written  
14-45 permission from the Authority in accordance with the Authority's  
14-46 regulations to use or divert water from the Lake on any portion of  
14-47 the Leased Tract for domestic or commercial purposes.

14-48 (30) No Owner, Purchaser, or Leaseholder shall be  
14-49 permitted to divert or alter the natural drainage of the terrain or  
14-50 clear vegetation on any portion of the Property in such a manner  
14-51 that would cause unnatural erosion or silting of the Lake.

14-52 (31) Owners, Purchasers, and Leaseholders shall take  
14-53 all reasonable precautions to ensure that all use of and activities  
14-54 on the Leased Tract and the FERC Project Area, including without  
14-55 limitation, the construction, operation, and maintenance of any  
14-56 improvements on the Leased Tract, and/or FERC Project Area occur in  
14-57 a manner that is in compliance with the FERC License and that will  
14-58 protect the scenic, recreational, and environmental values of the  
14-59 Lake. The Authority, as a licensee of the Federal Energy Regulatory  
14-60 Commission, has specific approval authority on any proposed  
14-61 construction that impacts the FERC Project Area or lakebed, and  
14-62 Owner, Purchaser, and Leaseholder shall comply with the approval  
14-63 process as may be established by the Authority and/or the Federal  
14-64 Energy Regulatory Commission from time to time.

14-65 (32) Structures in place within the FERC Project Area  
14-66 shall be subject to the FERC License, as the same may be amended  
14-67 and/or renewed from time to time. Any structures erected in the FERC  
14-68 Project Area after May 15, 1980 (the date of the amendment to the  
14-69 previous FERC License) may be required to be removed at the expense

15-1 of the owner of the improvement, unless such improvements are  
 15-2 approved in writing by the Authority in accordance with the FERC  
 15-3 License. In no event shall this subdivision grant any  
 15-4 authorization for a violation of any rules or regulations of the  
 15-5 Authority, the FERC License, or any state, federal, or local law.

15-6 (33) The Owner, Purchaser, and Leaseholder of any  
 15-7 portion of the Leased Tract shall comply with all of the following  
 15-8 rules and regulations:

15-9 (A) the Shoreline Management Plan and any  
 15-10 amendments or revisions to that document to the extent such  
 15-11 Shoreline Management Plan applies to the Owner's, Purchaser's,  
 15-12 and/or Leaseholder's portion of the Leased Tract;

15-13 (B) the applicable rules, regulations, and order  
 15-14 of the Federal Energy Regulatory Commission including, without  
 15-15 limitation the FERC License;

15-16 (C) the Authority's "Regulations for Governance  
 15-17 for Brazos River Authority Lakes and Associated Lands," as  
 15-18 published on the Authority's Internet website; and

15-19 (D) other rules and regulations adopted by the  
 15-20 Authority regarding conduct on and use of the Lake or the Property.

15-21 (34) By Texas statute, the Authority is empowered to  
 15-22 adopt and has adopted certain regulations governing conduct on and  
 15-23 use of the Property within the FERC Project Area and Lake. Owners,  
 15-24 Purchasers, Leaseholders, and persons using the Leased Tract with  
 15-25 such Owners' or Purchasers' consent shall abide by all such rules  
 15-26 and regulations adopted from time to time by the Authority and any  
 15-27 future revisions and amendments thereto.

15-28 (35) Owners, Purchasers, and Leaseholders of that  
 15-29 portion of the Leased Tract that is part of the Ranch shall comply  
 15-30 with the terms and conditions of the Ranch Agreement and the  
 15-31 covenants and restrictions set forth in the Ranch Declarations, to  
 15-32 the extent applicable to such portion of the Leased Tract. As to  
 15-33 that portion of the Property that is part of the Ranch, the Ranch  
 15-34 Declarations shall control in the event of any conflict between the  
 15-35 covenants, restrictions, and conditions set forth in the Ranch  
 15-36 Declarations and the Restrictions.

15-37 (36) In order to maintain the quality of the Lake's  
 15-38 water, the stability of the shoreline, and of the environment in the  
 15-39 Lake's vicinity, each Owner, Purchaser, and Leaseholder of all or  
 15-40 any portion of the Leased Tract agrees to:

15-41 (A) comply with any local, state, or federal laws  
 15-42 related to water quality or the environment, including laws  
 15-43 governing toxic wastes and hazardous substances;

15-44 (B) if the Owner's or Purchaser's private on-site  
 15-45 sewerage facility is not licensed by the Texas Commission on  
 15-46 Environmental Quality (or any successor to such Commission) then  
 15-47 the Owner, Purchaser, or Leaseholder shall connect to and use, at  
 15-48 the Owner's, Purchaser's, or Leaseholder's expense, as applicable,  
 15-49 any wastewater treatment system or service that becomes available  
 15-50 to the Owner's or Purchaser's portion of the Leased Tract, not later  
 15-51 than twelve (12) months after the system or service becomes  
 15-52 available to such portion of the Leased Tract and thereafter  
 15-53 discontinue use of any private on-site sewerage facility; and if,  
 15-54 at any time after a wastewater treatment system or service becomes  
 15-55 available to the Owner's or Purchaser's portion of the Leased Tract,  
 15-56 the Owner's or Purchaser's private on-site sewerage facility  
 15-57 (whether licensed or not) requires either replacement or an  
 15-58 alteration or change in the on-site sewerage facility resulting in  
 15-59 (i) an increase in the volume of permitted flow, (ii) a change in  
 15-60 the nature of permitted influent, (iii) a change from the planning  
 15-61 materials approved by the permitting authority, (iv) a change in  
 15-62 construction, and/or (v) an increase, lengthening, or expansion of  
 15-63 the treatment or disposal system, then such Owner or Purchaser  
 15-64 shall promptly connect to and use, at the Owner's, Purchaser's, or  
 15-65 Leaseholder's expense, as applicable, such wastewater treatment  
 15-66 system or service and thereafter discontinue use of any private  
 15-67 on-site sewerage facility. Notwithstanding the foregoing, in the  
 15-68 event a property owners association or municipality requires the  
 15-69 Owners or Purchasers of the portion of the Leased Tract that is



16-1 included in such association or municipality to connect to a  
16-2 wastewater system or service, then such association or municipality  
16-3 rules shall control;

16-4 (C) obtain written consent of the Authority prior  
16-5 to diverting or pumping water from the Lake or any body of water  
16-6 within or adjacent to the Property, constructing or erecting any  
16-7 embankment or retaining wall, or commencing any dredging activity;  
16-8 and

16-9 (D) pay to the Authority any reasonable fee  
16-10 related thereto (e.g., water usage, recreational user, dredging, or  
16-11 retaining wall fees) as may be adopted from time to time by the  
16-12 Authority.

16-13 (37) Each Owner or Purchaser of all or any portion of  
16-14 the Leased Tract agrees and acknowledges that the water level in the  
16-15 Lake varies and that the Authority is not responsible for  
16-16 maintaining the Lake at any certain level or above or below any  
16-17 certain level.

16-18 (38) The Authority is not responsible or liable for  
16-19 any personal injury or damage to any Owner, Purchaser, Leaseholder,  
16-20 the Leased Tract, the Property, or any improvements caused by any  
16-21 increase or decrease in the water level (even if such increase or  
16-22 decrease is due to modifications of the Morris Sheppard (Possum  
16-23 Kingdom) Dam or other actions or omissions of the Authority) or  
16-24 caused by natural flooding.

16-25 (39) The Authority shall reserve the right of ingress  
16-26 and egress for the Authority and any person authorized by the  
16-27 Authority, including an agent of the Authority or employees, over  
16-28 and across the Leased Tract and any and all on-water facilities  
16-29 whether located within the Leased Tract or FERC Project Area for all  
16-30 reasonable purposes of the Authority, including, without  
16-31 limitation, the construction, maintenance, repair, and/or  
16-32 replacements of any roads, drainage facilities, and power, water,  
16-33 wastewater, and other utility mains and lines that the Authority  
16-34 considers necessary or beneficial and for public safety, health,  
16-35 and welfare purposes; provided however, that:

16-36 (A) the Authority shall provide written notice at  
16-37 least 48 hours in advance of such entry to the Purchaser or Owner of  
16-38 such portion of the Leased Tract (except in the event of an  
16-39 emergency, in which case advance notice shall not be required, but  
16-40 the Authority shall provide such written notice as soon as  
16-41 practicable thereafter), which notice shall state with reasonable  
16-42 specificity the purpose for such entry;

16-43 (B) the Authority shall promptly repair any  
16-44 damage to the portion of the Leased Tract caused by the Authority's  
16-45 entrance onto such Owner's or Purchaser's portion of the Leased  
16-46 Tract; and

16-47 (C) the Authority shall use reasonable efforts to  
16-48 avoid interfering with the Owner's or Purchaser's use of the portion  
16-49 of the Leased Tract.

16-50 (40) Each Owner, Purchaser, and Leaseholder shall  
16-51 comply strictly with the Restrictions, as the same may be amended  
16-52 from time to time. Failure to comply with the Restrictions shall  
16-53 constitute a violation of the Restrictions, and shall give rise to a  
16-54 cause of action to recover sums due for damages or injunctive relief  
16-55 or both, maintainable by the Authority or other Owners or  
16-56 Purchaser; provided however, no Owner, Purchaser, Leaseholder, or  
16-57 other person shall have any right of action against the Authority  
16-58 arising under the Restrictions.

16-59 (41) The Authority shall make no warranty or  
16-60 representation as to the present or future validity or  
16-61 enforceability of any such restrictive covenants, terms, or  
16-62 provisions. Any Owner, Purchaser, or Leaseholder acquiring or  
16-63 leasing, as applicable, any portion of the Property in reliance on  
16-64 one or more of the Restrictions shall assume all risks of the  
16-65 validity and enforceability thereof and, by acquiring such portion  
16-66 of the Property, agrees to hold the Authority harmless therefrom.

16-67 (42) If the Owner, Purchaser, or Leaseholder of any  
16-68 portion of the Leased Tracts or on-water facilities related thereto  
16-69 (including retaining walls) shall fail to comply with the



17-1 requirements of the Restrictions, then the Authority shall have the  
 17-2 right, but not the obligation, following thirty (30) days prior  
 17-3 written notice to such defaulting owner to enter such defaulting  
 17-4 owner's portion of the Leased Tract (but only if such failure to  
 17-5 comply results in a public health, safety, or welfare concern)  
 17-6 and/or such defaulting owner's on-water facility and cure such  
 17-7 breach, the cost of which shall be reimbursed by such defaulting  
 17-8 owner to the Authority upon demand. Any such unpaid amounts,  
 17-9 together with interest thereon (at the rate of six percent (6%) per  
 17-10 annum) and the costs of collection (if any), shall be charged as a  
 17-11 continuing lien against such defaulting owner's portion of the  
 17-12 Leased Tract, which lien shall be subordinate to the lien of any  
 17-13 third-party deed of trust previously recorded against such  
 17-14 defaulting owner's portion of the Leased Tract.

17-15 (43) A person shall be deemed to be in default of the  
 17-16 Restrictions only upon the expiration of thirty (30) days (ten (10)  
 17-17 days in the event of failure to pay money) from receipt of written  
 17-18 notice from the Authority or other Owner or Purchaser specifying  
 17-19 the particulars in which such person has failed to perform the  
 17-20 obligations of the Restrictions unless such person, prior to the  
 17-21 expiration of said thirty (30) days (ten (10) days in the event of  
 17-22 failure to pay money), has rectified the particulars specified in  
 17-23 said notice of default. However, such person shall not be deemed to  
 17-24 be in default if such failure (except a failure to pay money) cannot  
 17-25 be rectified within said thirty (30) day period and such person  
 17-26 commences the cure of such default within such thirty (30) day  
 17-27 period and thereafter is continuously using good faith and its best  
 17-28 efforts to rectify the particulars specified in the notice of  
 17-29 default.

17-30 (44) The Authority shall have the right, but not the  
 17-31 obligation, to enforce all of the provisions of the Restrictions.  
 17-32 Any Owner or Purchaser shall have the right to enforce all of the  
 17-33 provisions of the Restrictions against any other Owner, Purchaser,  
 17-34 or Leaseholder, but not against the Authority. Such right of  
 17-35 enforcement shall include the right to sue for both damages for, and  
 17-36 injunctive relief against, the breach of any such provision.  
 17-37 Furthermore, the Authority shall have the right, when appropriate  
 17-38 in its sole judgment and discretion, to claim or impose a lien upon  
 17-39 any portion of the Leased Tract, or improvement constructed  
 17-40 thereon, in order to enforce any right or effect compliance with the  
 17-41 Restrictions.

17-42 (45) The failure of a person (including the Authority  
 17-43 or any Owner or Purchaser) to insist upon strict performance of any  
 17-44 of the Restrictions shall not be deemed a waiver of any rights or  
 17-45 remedies that said person may have, and shall not be deemed a waiver  
 17-46 of any subsequent breach or default in the performance of any of the  
 17-47 Restrictions by the same or any other person.

17-48 (46) The Authority shall not be liable to any Owner,  
 17-49 Purchaser, or Leaseholder, or to any other person for any loss,  
 17-50 damage, or injury arising out of or in any way connected with the  
 17-51 performance or nonperformance of the Authority's rights,  
 17-52 obligations, or privileges under the Restrictions. Without  
 17-53 limiting the foregoing, the Authority shall not be liable to any  
 17-54 Owner, Purchaser, or Leaseholder due to the construction of any  
 17-55 improvements within the Property.

17-56 (47) Each of the Restrictions on the Leased Tract  
 17-57 shall be a burden on each portion of the Leased Tract, shall be  
 17-58 appurtenant to and for the benefit of the other Property, other  
 17-59 portions of the Leased Tract, and each part thereof, and shall run  
 17-60 with the land.

17-61 (48) The Restrictions shall inure to the benefit of  
 17-62 and be binding upon the Owners or Purchasers, their heirs,  
 17-63 successors, assigns, and personal representatives, and upon any  
 17-64 person acquiring all or any portion of the Leased Tract, or any  
 17-65 interest therein, whether by operation of law or otherwise.  
 17-66 Notwithstanding the foregoing, if any Owner or Purchaser sells or  
 17-67 transfers all or any portion of such Owner's or Purchaser's interest  
 17-68 in all or any portion of the Leased Tract, such Owner or Purchaser  
 17-69 shall, upon the sale and conveyance of title, be released and

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

18-17 (49) Except as provided in this subsection, the term  
 18-18 of the Restrictions shall be for a period of fifty (50) years from  
 18-19 the date such Restrictions are executed by the Authority.  
 18-20 Notwithstanding the foregoing, upon the expiration of such period,  
 18-21 the term of the Restrictions shall automatically renew for  
 18-22 successive periods of five (5) years each unless, at least ninety  
 18-23 (90) days prior to the date of expiration of any period then in  
 18-24 effect, (i) the Owners or Purchasers of at least sixty percent (60%)  
 18-25 of the individual lots that comprise the Residential Leased Land  
 18-26 and the Commercial Leased Land, (ii) the Owners or Purchasers of at  
 18-27 least sixty percent (60%) of the land area of the Authority Land,  
 18-28 and (iii) the Authority, for so long as the Authority has any  
 18-29 interest in the Property, whether as an Owner or holder of the FERC  
 18-30 License or otherwise, duly execute, acknowledge and record in the  
 18-31 office of the recorder of the counties in which the Property is  
 18-32 located a written termination notice, in which event, the  
 18-33 Restrictions shall automatically expire at the end of the period  
 18-34 then in effect.

18-35 (e) Buffer Zone. Notwithstanding any provision in this  
 18-36 subsection to the contrary, a sale under Subsection (b) or (c) shall  
 18-37 be subject to the following:

18-38 (1) If at the time Closing occurs under Subsection (b)  
 18-39 or if at the time a Leaseholder completes the purchase of the  
 18-40 applicable Leased Tract from the Authority pursuant to Subsection  
 18-41 (c), as applicable, the Buffer Zone, or any portion thereof, has  
 18-42 been removed from the FERC Project Area, the Leased Tract being  
 18-43 conveyed shall include that portion of the Buffer Zone so removed;  
 18-44 provided, however, the Purchaser and/or Owner, as applicable, shall  
 18-45 grant the Authority access to the FERC Project Area and Lake to  
 18-46 allow the Authority to fulfill its obligations as a River Authority  
 18-47 and any obligations set forth in the FERC License, state water  
 18-48 rights, or other governmental regulations.

18-49 (2) If at the time Closing occurs under Subsection  
 18-50 (b), or if at the time a Leaseholder closes on the purchase of the  
 18-51 applicable Leased Tract from the Authority pursuant to Subsection  
 18-52 (c), as applicable, the Buffer Zone, or any portion thereof, has not  
 18-53 been removed from the FERC Project Area and a portion of the Leased  
 18-54 Tract is located within the Buffer Zone, the Authority shall  
 18-55 provide such Purchaser and/or Owner, as applicable, a residual  
 18-56 interest in that portion of the Buffer Zone adjacent to the Leased  
 18-57 Tract and covered by the applicable residential Ground Lease, such  
 18-58 residual interest to automatically vest upon satisfaction of either  
 18-59 of the following conditions:

18-60 (A) the Federal Energy Regulatory Commission  
 18-61 approves an amendment to the FERC License removing the Buffer Zone  
 18-62 from the boundaries prescribed by the FERC License such that the  
 18-63 Buffer Zone is no longer subject to regulation by the Federal Energy  
 18-64 Regulatory Commission; or

18-65 (B) the FERC License expires (and is not renewed  
 18-66 or extended) or is otherwise terminated and thus the Buffer Zone is  
 18-67 no longer subject to regulation by the Federal Energy Regulatory  
 18-68 Commission.

18-69 (3) Notwithstanding the foregoing, if such residual

19-1 interest has not vested on or before August 31, 2040, then such  
 19-2 residual interest shall be terminated and of no further force and  
 19-3 effect. Upon satisfaction of either of the foregoing conditions  
 19-4 prior to August 31, 2040, this conveyance shall be automatically  
 19-5 effective without necessity of further documentation. From and  
 19-6 after the date such conveyance becomes effective, the Buffer Zone  
 19-7 shall be considered to be a part of the Leased Tract conveyed under  
 19-8 Subsection (b) or (c) and the Purchaser or then current Owner of the  
 19-9 applicable Leased Tract shall be the beneficiary of the residual  
 19-10 interest created herein, but only as to the portion of the Buffer  
 19-11 Zone located adjacent to the Purchaser's or Owner's property and all  
 19-12 right, title, and interest in such adjacent portion of the Buffer  
 19-13 Zone as measured by extending the boundary lines on both sides of  
 19-14 the applicable portion of the Leased Tract in a straight line across  
 19-15 the Buffer Zone to the then current 1000' contour line of the Lake,  
 19-16 or, if such portion cannot reasonably be measured as set forth  
 19-17 above, then as otherwise determined by the Authority. Such residual  
 19-18 interest shall immediately vest in the Purchaser or then-current  
 19-19 Owner of such adjacent Leased Tract without the necessity of any  
 19-20 additional written conveyance.

19-21 (4) In the event a sale under Subsection (b) or (c)  
 19-22 does not include the Buffer Zone or any portion thereof, or only  
 19-23 includes a residual interest in the Buffer Zone or any portion  
 19-24 thereof, then such Buffer Zone shall remain subject to the terms and  
 19-25 conditions of the residential Ground Lease in effect between the  
 19-26 Leaseholder and the Authority at the time Closing occurs under  
 19-27 Subsection (b) or at the time the Leaseholder purchases the  
 19-28 applicable Leased Tract under Subsection (c); provided, however, no  
 19-29 rent shall be due the Authority under such Ground Lease for the  
 19-30 Buffer Zone. At such time as the applicable Ground Lease expires or  
 19-31 is otherwise terminated, the Authority may, subject to approval of  
 19-32 the Federal Energy Regulatory Commission, grant the Purchaser or  
 19-33 the then-current Owner of the adjacent tract (as determined  
 19-34 pursuant to the method set forth in Subdivision (2)(B)), an  
 19-35 easement for use of such portion of the Buffer Zone, which easement  
 19-36 shall be subject to the FERC License. The Authority shall retain  
 19-37 ownership of such portion of the Buffer Zone and exercise control  
 19-38 over such portion of the Buffer Zone consistent with the FERC  
 19-39 License and this subsection. The easement granted to such Owner  
 19-40 shall be limited to uses permitted under the terms of the FERC  
 19-41 License and the Authority's Shoreline Management Plan, and any  
 19-42 other Authority rules and regulations as may be adopted from time to  
 19-43 time.

19-44 (f) Purchase Price. For purposes of determining the  
 19-45 purchase price and/or lease rate pursuant to the options set forth  
 19-46 in Subsection (b)(1) or the purchase price in Subsection (c), in the  
 19-47 event the appraisal district does not provide an assessed value for  
 19-48 the applicable portion of the Leased Tract for the applicable year,  
 19-49 then the land only assessed value without any exemptions for the  
 19-50 applicable portion of the Leased Tract shall be calculated based on  
 19-51 the assessed value per square foot of comparable lots with similar  
 19-52 physical characteristics in the applicable county or adjoining  
 19-53 counties, as determined by the Authority.

19-54 (g) Roads. Authority or Purchaser, whichever is  
 19-55 applicable, shall transfer its interest in the Roads to the  
 19-56 applicable county in which the Roads, or any portion thereof, are  
 19-57 situated as follows:

19-58 (1) All Roads located in Stephens County  
 19-59 (approximately three miles of Roads) shall be transferred to  
 19-60 Stephens County on or before December 31, 2011.

19-61 (2) All Roads located in Palo Pinto County  
 19-62 (approximately forty-six miles of Roads) shall be transferred to  
 19-63 Palo Pinto County in twenty percent increments of the total mileage  
 19-64 per year for five consecutive years. The first twenty percent  
 19-65 increment shall be transferred on or before December 31, 2011, and  
 19-66 each remaining twenty percent increment shall be transferred on or  
 19-67 before December 31 of each subsequent year, but not before January 1  
 19-68 of such year unless approved by an order or resolution of the Palo  
 19-69 Pinto County Commissioners Court, with the final twenty percent

20-1 increment being transferred on or before December 31, 2015, but not  
 20-2 before January 1, 2015, unless approved by an order or resolution of  
 20-3 the Palo Pinto County Commissioners Court.

20-4 (3) Authority or Purchaser, whichever is applicable,  
 20-5 in consultation with the Palo Pinto County Commissioner or  
 20-6 Commissioners who have jurisdiction over the Leased Tract, shall  
 20-7 determine which Roads or portions thereof shall be transferred each  
 20-8 year.

20-9 (4) The transfer of any portion of the Roads located  
 20-10 within the FERC Project Area shall be in accordance with the FERC  
 20-11 License and may be in the form of a grant of a right-of-way or  
 20-12 easement, unless otherwise authorized by the Federal Energy  
 20-13 Regulatory Commission.

20-14 (5) Beginning on the date of transfer, the Authority  
 20-15 or Purchaser, whichever is applicable, shall no longer have any  
 20-16 obligations regarding such Roads. The Roads shall be transferred  
 20-17 in their "as-is" condition and neither the Authority nor the  
 20-18 Purchaser shall have any obligation to ensure that the Roads, or any  
 20-19 portion thereof, comply with the standards in effect at the time of  
 20-20 transfer in the applicable county for like roads currently  
 20-21 maintained by that county.

20-22 (6) Concurrently with the transfer in each year of a  
 20-23 portion of the Roads, the Authority or Purchaser, as applicable,  
 20-24 shall transfer to Palo Pinto County the amount, rounded to the  
 20-25 nearest dollar, computed by multiplying \$200,000 by a fraction the  
 20-26 numerator of which is the number of miles of Roads located in and  
 20-27 transferred to Palo Pinto County in that year and the denominator of  
 20-28 which is the total number of miles of Roads located in and  
 20-29 transferred or to be transferred to Palo Pinto County. For every  
 20-30 other county in which a portion of the Roads is located, the  
 20-31 Authority or Purchaser, as applicable, shall transfer an amount  
 20-32 equal to (A) the per mile road payment (as defined below) multiplied  
 20-33 by (B) the number of miles of the Roads located in such county. As  
 20-34 used in this subdivision, "per mile road payment" means the amount,  
 20-35 rounded to the nearest dollar, computed by dividing \$200,000 by the  
 20-36 total number of miles of Roads located in and transferred or to be  
 20-37 transferred to Palo Pinto County pursuant to this subsection.

20-38 (7) Notwithstanding any provision in this subsection  
 20-39 to the contrary, the Authority or Purchaser, as applicable, shall  
 20-40 retain ownership of any portion of a Road that is inaccessible to  
 20-41 the public. For purposes of this subdivision, a portion of the Road  
 20-42 is considered inaccessible to the public if, as of the effective  
 20-43 date of the Act enacting this section, the public can only access  
 20-44 such portion of the Road by crossing property not owned by the  
 20-45 Authority or Purchaser, as applicable, and not subject to an  
 20-46 easement or other ownership interest that allows the public to  
 20-47 cross such property without restriction. If a retained portion of a  
 20-48 Road subsequently becomes accessible to the public, the Authority  
 20-49 or Purchaser, as applicable, shall transfer such retained portion,  
 20-50 including any interest the Authority or Purchaser has in any  
 20-51 additional Road constructed or acquired by the Authority or  
 20-52 Purchaser in order to make the retained portion of the Road  
 20-53 accessible to the public, to the applicable county in accordance  
 20-54 with the process set forth in this subsection, or in the event such  
 20-55 portion of the Road becomes accessible to the public after December  
 20-56 31, 2015, within one (1) year of such retained portion of the Road  
 20-57 becoming accessible.

20-58 (h) Platting. A sale of the Leased Tract under this section  
 20-59 shall not be subject to Chapter 232, Local Government Code, or any  
 20-60 other platting requirement.

20-61 (i) Mineral Interests. The Authority shall reserve its  
 20-62 interest in all oil, gas, and other minerals in and under the Leased  
 20-63 Tract (or any portion thereof) sold under this section.

20-64 SECTION 2. If the provisions of Section 8502.020, Special  
 20-65 District Local Laws Code, as added by this Act, conflict with any  
 20-66 other provisions of Chapter 8502 of that code, then the provisions  
 20-67 of Section 8502.020 shall prevail, notwithstanding all such  
 20-68 conflicting provisions.

20-69 SECTION 3. This Act takes effect immediately if it receives

21-1 a vote of two-thirds of all members elected to each house, as  
21-2 provided by Section 39, Article III, Texas Constitution. If this  
21-3 Act does not receive the vote necessary for immediate effect, this  
21-4 Act takes effect September 1, 2009.

21-5

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