

By: Keffer

H.B. No. 2591

A BILL TO BE ENTITLED

AN ACT

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

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

6 SECTION 1. Section 8502.020, Special District Local Laws
7 Code, is amended 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 in
19 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 all or any ~~[that]~~
22 portion of the Initial Commercial Leased Land and the Remaining
23 Commercial Leased Land ~~[Tract that is located wholly outside the~~
24 ~~FERC Project Area and that is leased for commercial purposes as of~~

1 ~~the date the Restrictions are placed of record].~~

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

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

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

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

25 (9) "FERC License" means the order of the Federal
26 Energy Regulatory Commission issuing a license to the Authority for
27 project number 1490-003-Texas on September 8, 1989, as such license

1 has been renewed, extended, or amended and may be further renewed,
2 extended, or amended at any time and from time to time, and also
3 including the Amendment to the original FERC License, which
4 amendment was issued on May 15, 1980, to the extent incorporated or
5 referenced in the FERC License.

6 (10) "FERC Project Area" means that portion of
7 Authority Land [~~property~~] that is subject to the FERC License
8 before the Date of Decommissioning, as identified and defined in
9 the FERC License, as may be amended at any time and from time to
10 time, and which FERC Project Area may move or change over time due
11 to natural forces.

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

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

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

1 top of the spillway crest gates of the Morris Sheppard Dam, as such
2 line may move and shift from time to time due to natural forces.

3 (14) "Leased Tract" or "Tract" means all or any
4 portion of the Initial Leased Tract or the Remaining Leased Tract
5 [~~Commercial Leased Land, the Residential Leased Land, and~~
6 ~~Undeveloped Strips~~], whether owned by the Authority, Purchaser, or
7 Owner and whether or not subject to a lease or Ground Lease or owned
8 in fee simple.

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

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

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

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

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

1 Purchaser in accordance with Subsection (b).

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

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

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

17 (23) "Residential Leased Land" means all or any ~~[that]~~
18 portion of the Initial Residential Leased Land and the Remaining
19 Residential Leased Land ~~[Leased Tract located outside the FERC~~
20 ~~Project Area that is leased for single-family residential purposes~~
21 ~~only as of the date the Restrictions are placed of record. This~~
22 ~~term does not include land that is subject to a commercial lease,~~
23 ~~where such lessee is authorized to sublease for residential~~
24 ~~purposes]~~.

25 (24) "Restrictions" means the easements, covenants,
26 restrictions, liens, encumbrances, and requirements contained in
27 the Declaration of Restrictive Covenants, Easements, and

1 Conditions to be recorded by the Authority as set forth in
2 Subsection (d), as amended from time to time.

3 (25) "Roads" means those paved or gravel streets,
4 roads, and thoroughfares owned and maintained by the Authority that
5 are located in Stephens, Jack, Young, or Palo Pinto County and that
6 provide access, ingress, and egress to and from the Leased Tract,
7 the Lake, and/or Authority Land; provided, however, that the
8 definition of Roads, as used herein, does not include:

9 (A) Driveways;

10 (B) paved or gravel roads located wholly within
11 Authority public use areas;

12 (C) paved or gravel roads located within gated
13 Authority operations areas; and

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

17 (26) "Shoreline Management Plan" means that certain
18 Possum Kingdom Shoreline Management Plan and Customer Guide,
19 adopted May 22, 2006, and amended July 31, 2006, and as may be
20 revised and/or further amended by the Authority at any time and from
21 time to time.

22 (27) "Undeveloped Strips" means all or any portion of
23 the Initial Undeveloped Strips and the Remaining Undeveloped Strips
24 ~~[small strips of unleased land located between individual lots~~
25 ~~within the Leased Tract and small parcels of land between the Leased~~
26 ~~Tract and Roads that the Authority determines in its sole~~
27 ~~discretion to include in any sale of all or any portion of the~~

1 ~~Leased Tract]~~.

2 (28) "Amendments to the Restrictions" means the
3 amendments to the Restrictions under Subsection (d).

4 (29) "Date of Decommissioning" means the effective
5 date of the surrender of the FERC License for the Morris Sheppard
6 Dam Project No. 1490-052 under the Order Accepting the Surrender of
7 the License (issued December 23, 2011), 137 FERC 62,252.

8 (30) "Initial Commercial Leased Land" means the
9 portion of the Initial Leased Tract located wholly outside the FERC
10 Project Area that is leased for commercial purposes as of the date
11 the Restrictions are recorded in the applicable county records.

12 (31) "Initial Leased Tract" means all or any portion
13 of the Initial Commercial Leased Land, the Initial Residential
14 Leased Land, and the Initial Undeveloped Strips, whether owned by
15 the Authority, Purchaser, or Owner and whether or not subject to a
16 lease or Ground Lease or owned in fee simple.

17 (32) "Initial Residential Leased Land" means the
18 portion of the Initial Leased Tract located outside the FERC
19 Project Area that is leased only for single-family residential
20 purposes as of the date the Restrictions are recorded in the
21 applicable county records. The term does not include land that is
22 subject to a commercial lease that may be subleased for residential
23 purposes.

24 (33) "Initial Undeveloped Strips" means small strips
25 of unleased land located between individual lots in the Initial
26 Leased Tract and small parcels of land between the Initial Leased
27 Tract and Roads that the Authority determines in its sole

1 discretion to include in a sale of all or any portion of the Initial
2 Leased Tract.

3 (34) "Remaining Commercial Leased Land" means the
4 portion of the Remaining Leased Tract that is located wholly or
5 partly within the FERC Project Area as of the date preceding the
6 Date of Decommissioning and that is leased for commercial purposes
7 as of the date the Amendments to the Restrictions are recorded in
8 the applicable county records. The term does not include a special
9 use lease, hangar lease, grass lease, hunting lease, or mineral
10 lease, any other lease for noncommercial purposes, or any portion
11 of the Initial Commercial Leased Land.

12 (35) "Remaining Leased Tract" means all or any portion
13 of the Remaining Commercial Leased Land, the Remaining Residential
14 Leased Land, and the Remaining Undeveloped Strips, whether owned by
15 the Authority, Purchaser, or Owner and whether or not subject to a
16 lease or Ground Lease or owned in fee simple.

17 (36) "Remaining Residential Leased Land" means the
18 portion of the Remaining Leased Tract that is located wholly within
19 the FERC Project Area as of the date preceding the Date of
20 Decommissioning and that is leased only for single-family
21 residential purposes as of the date the Amendments to the
22 Restrictions are recorded in the applicable county records. The
23 term does not include land that is subject to a commercial lease
24 that may be subleased for residential purposes. The term does not
25 include a special use lease, hangar lease, grass lease, hunting
26 lease, or mineral lease, any other lease for nonresidential
27 purposes, or any portion of the Initial Residential Leased Land.

1 The term does not include a lease of land in the Buffer Zone that is
2 subject to a residual interest that will automatically vest on the
3 Date of Decommissioning or other expiration or termination of the
4 FERC License.

5 (37) "Remaining Undeveloped Strips" means small
6 strips of unleased land located between individual lots in the
7 Remaining Leased Tract and small parcels of land between the
8 Remaining Leased Tract and Roads that the Authority determines in
9 its sole discretion to include in a sale of all or any portion of the
10 Remaining Leased Tract.

11 (b) Sale to Purchaser. Prior to January 1, 2011, the
12 Authority may sell the Initial Leased Tract in whole or in part, to
13 a Purchaser in accordance with applicable law, this subsection, and
14 Subsections (d), (e), (f), (g), (h), and (i). For a period of two
15 years after the Date of Decommissioning, the Authority may sell the
16 Remaining Leased Tract in whole or in part, to a Purchaser in
17 accordance with applicable law, this subsection, and Subsections
18 (d), (e), (f), (g), (h), and (i). Any sale of the Initial Leased
19 Tract or the Remaining Leased Tract to a Purchaser under this
20 subsection shall be subject to the following:

21 (1) Each Leaseholder shall have the opportunity to buy
22 such Leaseholder's individual portion of the Leased Tract from the
23 Purchaser or to continue leasing the applicable portion of the
24 Leased Tract from the Purchaser in accordance with the following
25 purchase or lease options. The Purchaser shall:

26 (A) Permit the Leaseholder to purchase such
27 Leaseholder's individual Leased Tract in cash or through lender

1 financing for 90% of land only assessed value without any
2 exemptions (as determined by the appraisal district) for the year
3 2008 if the tract is part of the Initial Leased Tract, or for the
4 year 2012 if the tract is part of the Remaining Leased Tract, such
5 options [~~option~~] to be available at Closing as set forth in
6 Subdivision (2) and for a period of at least one year from Closing.

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

17 (C) Offer a new 99-year lease at a rental rate of
18 6% of the land only assessed value without any exemptions (as
19 determined by the appraisal district) for the year 2008 if the tract
20 is part of the Initial Leased Tract, or the 2012 land only assessed
21 value without any exemptions if the tract is part of the Remaining
22 Leased Tract, with annual Consumer Price Index increases or
23 decreases, such options [~~option~~] to be available for a period of at
24 least one year from Closing. The 99-year lease will include an
25 option for the Leaseholder to purchase the applicable portion of
26 the Leased Tract at the land only assessed value without any
27 exemptions (as determined by the appraisal district) at the time of

1 purchase (but not less than the 2008 land only assessed value
2 without any exemptions if the tract is part of the Initial Leased
3 Tract, or the 2012 land only assessed value without any exemptions
4 if the tract is part of the Remaining Leased Tract).

5 (D) Offer a new 20-year lease with a rental rate
6 as determined by the current Authority lease rate methodology or
7 other lease rate structure as set forth in the Ground Lease as
8 applicable (and including increases and adjustments to such rates)
9 with annual Consumer Price Index increases or decreases, to
10 Leaseholders who are over the age of 65 and who receive an ad
11 valorem tax exemption under Section 11.13, Tax Code, for a
12 structure on the Leaseholder's individual Leased Tract, such option
13 to be available for a period of at least one year from the date of
14 Closing. The Leaseholder must have received the ad valorem tax
15 exemption for a structure on the Leaseholder's individual Leased
16 Tract by January 1, 2009, if the tract is part of the Initial Leased
17 Tract or January 1, 2013, if the tract is part of the Remaining
18 Leased Tract. The 20-year lease will include an option for the
19 Leaseholder to purchase the applicable portion of the Leased Tract
20 at the land only assessed value without any exemptions (as
21 determined by the appraisal district) at the time of purchase (but
22 not less than the 2008 land only assessed value without any
23 exemptions if the tract is part of the Initial Leased Tract or the
24 2012 land only assessed value without any exemptions if the tract is
25 part of the Remaining Leased Tract).

26 (E) Ratify the existing Ground Lease of any
27 Leaseholder who does not timely exercise one of the foregoing

1 options, such ratification to include:

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

6 (ii) an option permitting the Leaseholder
7 to purchase such Leaseholder's individual portion of the Leased
8 Tract for the land only assessed value without any exemptions (as
9 determined by the appraisal district) at the time of purchase, or
10 for the year 2008 if the tract is part of the Initial Leased Tract,
11 or for the year 2012 if the tract is part of the Remaining Leased
12 Tract, whichever is greater, for a period of 8 years from Closing;
13 and

14 (iii) an agreement to extend Ground Leases
15 as necessary to allow for this full 8-year purchase option period.
16 Nothing in this subsection shall preclude the Purchaser from
17 offering additional purchase or lease options to the Leaseholders,
18 provided any additional options are made available to all similarly
19 situated Leaseholders on an equal basis.

20 (2) A Leaseholder who desires to buy such
21 Leaseholder's individual Leased Tract from the Purchaser pursuant
22 to the option set forth in either Subdivision (1)(A) or (B)
23 concurrently with the Purchaser's Closing must exercise the desired
24 option as follows:

25 (A) notify the Authority and Purchaser in writing
26 within 90 days after the effective date of the Contract between the
27 Authority and Purchaser of Leaseholder's intent to purchase the

1 applicable Leased Tract;

2 (B) Leaseholder and Purchaser will enter into a
3 purchase and sale agreement in substantially the form as agreed to
4 between the Authority and Purchaser, which form will be attached to
5 the Contract, and which individual purchase and sale agreements
6 will be ratified by Purchaser at the Closing; the purchase and sale
7 agreement shall contain, at a minimum, the following terms and
8 conditions:

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

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

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

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

22 (v) the Leaseholder must notify Purchaser
23 of any objections to any items on the title commitment and/or survey
24 within fifteen (15) days after receipt of same, but in no event less
25 than 45 days prior to the anticipated date of Closing, provided
26 however that neither the Purchaser nor the Authority shall have any
27 obligation to cure any such items or to incur any expenses in curing

1 any items, except that Purchaser and/or the Authority, as
2 applicable, shall use good faith efforts to address and/or remove
3 those requirements or exceptions shown on Schedule C of the title
4 commitment that are applicable to or created by the Purchaser
5 and/or Authority, as applicable, and, notwithstanding the
6 foregoing, neither the Purchaser nor the Authority shall have any
7 obligation to cure any exceptions on the attached Schedule C
8 regarding legal right of access to or from the applicable Leased
9 Tract;

10 (vi) Leaseholder is purchasing the
11 applicable individual Leased Tract in its "as-is" condition and
12 Purchaser shall have no obligation to make any improvements or
13 modifications thereto, nor will Purchaser make any representations
14 or warranties as to the condition or use of the applicable Leased
15 Tract;

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

20 (viii) Purchaser shall be responsible for
21 costs related to the release of any existing liens placed on the
22 applicable portion of the Leased Tract by Purchaser, including
23 prepayment penalties and recording fees, release of Purchaser's
24 loan liability to the extent applicable to the individual Leased
25 Tract, tax statements or certificates, preparation of the deed, and
26 one-half of any escrow fee;

27 (ix) Leaseholder shall be responsible for

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

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

16 (xi) the agreement between Leaseholder and
17 Purchaser shall be contingent on Closing occurring within the
18 timeframes set forth in this subsection.

19 (C) Leaseholder shall deliver to Authority and
20 Purchaser no less than forty-five days prior to Closing, at the
21 Leaseholder's expense, an accurate survey of the individual Leased
22 Tract (including any Undeveloped Strips being included in such
23 Leased Tract), which survey is acceptable to the Authority and
24 Purchaser. To be acceptable to the Authority and Purchaser, the
25 survey must:

26 (i) be acceptable to the title company
27 selected by the Purchaser and Leaseholder and approved by the

1 Authority for purposes of issuing any policy of title insurance on
2 the applicable portion of the Leased Tract;

3 (ii) be prepared by a licensed state land
4 surveyor or a registered professional land surveyor acceptable to
5 the Authority;

6 (iii) include the boundary of the
7 Leaseholder's Leased Tract and any Undeveloped Strips being
8 conveyed, which boundaries must be consistent with the master
9 survey prepared on behalf of the Authority in conjunction with the
10 sale of the Leased Tract to the Purchaser;

11 (iv) include all improvements on the Leased
12 Tract and indicate any encroachments across the applicable boundary
13 lines [~~or into the FERC Project Area or Buffer Zone~~]; Leaseholder
14 must provide evidence that any such encroachments across boundary
15 lines, including encroachments onto Authority Land, [~~or into the~~
16 ~~FERC Project Area or Buffer Zone~~] have been cured by the Leaseholder
17 (either by removal of such encroachment or by written agreement
18 between the affected parties permitting such encroachment to
19 continue) prior to the survey being deemed acceptable; and

20 (v) be reviewed and approved by the
21 Authority and Purchaser; the Authority, Purchaser, and their
22 representatives or agents may perform an inspection of the
23 applicable Leased Tract to verify the accuracy of the survey
24 [~~Survey~~] and any encroachments thereon;

25 (D) On or before Closing, the purchase and sale
26 agreement between the Leaseholder and Purchaser and any earnest
27 money that may be required pursuant to such agreement shall be

1 timely delivered to a title company or escrow agent acceptable to
2 the Authority and agreed to by Leaseholder and Purchaser in such
3 agreement;

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

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

20 (3) Closing shall occur no later than December 31,
21 2010, for the Initial Leased Tract and not later than two years
22 after the Date of Decommissioning for the Remaining Leased Tract.

23 The Authority shall post on its website no later than thirty days
24 after entering into a Contract for sale with Purchaser the
25 effective date of such Contract and the anticipated date of
26 Closing, which date shall be at least six (6) months from the
27 effective date of the Contract. Any changes to the anticipated date

1 of Closing shall also be posted on the Authority's website. These
2 dates shall be used to establish the time periods provided in
3 Subdivision (2).

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

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

26 (2) The Authority shall determine if, and how, any
27 Remaining Undeveloped Strips will be divided between adjacent

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

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

15 (4) A Leaseholder who desires to purchase such
16 Leaseholder's individual Remaining Leased Tract must submit a
17 completed application to the Authority on or before the second
18 anniversary of the effective date of this subsection [~~December 31,~~
19 ~~2012~~]. An application will be deemed "complete" upon the
20 following:

21 (A) Leaseholder delivers to the Authority an
22 executed application of intent to purchase with all required
23 information included in the application;

24 (B) Leaseholder delivers an earnest money
25 deposit, in good funds acceptable to the title company or escrow
26 agent selected by the Authority, in the amount of \$1,000 to such
27 title company or escrow agent, which earnest money shall be

1 nonrefundable after the expiration of the feasibility period except
2 in the event closing does not occur due to the fault of the
3 Authority;

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

8 (D) Leaseholder has delivered to the Authority a
9 survey that is acceptable to the Authority of the applicable
10 Remaining Leased Tract (and any Remaining Undeveloped Strips being
11 included in such Remaining Leased Tract). To be acceptable to the
12 Authority, the survey must:

13 (i) be acceptable to the title company
14 selected by the Authority for purposes of issuing any policy of
15 title insurance on the applicable portion of the Remaining Leased
16 Tract;

17 (ii) be prepared by a licensed state land
18 surveyor or a registered professional land surveyor acceptable to
19 the Authority;

20 (iii) include the boundary of the
21 Leaseholder's Remaining Leased Tract and any Remaining Undeveloped
22 Strips being conveyed, which boundaries must be consistent with the
23 master survey of the Remaining Leased Tract prepared on behalf of
24 the Authority;

25 (iv) include all improvements on the
26 Remaining Leased Tract and indicate any encroachments across the
27 applicable boundary lines, including encroachments onto Authority

1 Land [~~or into the FERC Project Area or Buffer Zone~~]; Leaseholder
2 must provide evidence that any such encroachments across boundary
3 lines [~~or into the FERC Project Area or Buffer Zone~~] have been cured
4 by the Leaseholder (either by removal of such encroachment or by
5 written agreement between the affected parties permitting such
6 encroachment to continue) prior to the survey being deemed
7 acceptable; and

8 (v) be reviewed and approved by the
9 Authority; the Authority or its representatives or agents may
10 perform an inspection of the individual Remaining Leased Tract to
11 verify the accuracy of the survey [~~Survey~~] and any encroachments
12 thereon.

13 (E) Leaseholder has delivered to the Authority a
14 title commitment and, if requested by the Authority, any exception
15 documents referenced therein, prepared by the applicable title
16 company or escrow agent selected by the Authority; and

17 (F) Leaseholder has delivered to the Authority
18 written evidence from Leaseholder's lender or financial
19 institution that Leaseholder has the financing or funds available,
20 as applicable, to complete the purchase of Leaseholder's Remaining
21 Leased Tract.

22 (5) Completed applications that are timely delivered
23 will be accepted and processed by the Authority in the order in
24 which they are received; except that the Authority shall give
25 preference in processing applications to Leaseholders who receive
26 an ad valorem tax exemption under Section 11.13, Tax Code, for a
27 structure on the Leaseholder's Remaining Leased Tract.

1 (6) An individual Remaining [A] Leased Tract sold
2 under this subsection shall be sold for 90% of the land only
3 assessed value without any exemptions, as determined by the
4 appraisal district, for the year in which the Leaseholder's
5 application of intent to purchase is submitted to the Authority, or
6 for the year 2012 [~~2008~~], whichever is greater.

7 (7) The Leaseholder purchasing such Leaseholder's
8 Remaining Leased Tract is responsible for:

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

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

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

1 regarding legal right of access to or from the applicable Remaining
2 Leased Tract;

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

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

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

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

8 (9) Any Ground Lease that would otherwise expire shall
9 be automatically extended as necessary for one year terms to permit
10 such Leaseholder the full two-year period to deliver such
11 application of intent to purchase such Leaseholder's individual
12 Remaining Leased Tract and to complete such transaction no later
13 than the expiration of 30 months after the effective date of this
14 subsection [~~June 30, 2013~~].

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

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

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

26 (A) Chapter 272, Local Government Code;

27 (B) Section 49.226, Water Code; and

1 (C) Section 8502.013 of this code.

2 (13) A provision that applies to the Leaseholder of an
3 individual Remaining ~~[a]~~ Leased Tract under this section applies to
4 any subsequent Owner of the individual Remaining Leased Tract.

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

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

16 (16) For any portion of the Remaining Leased Tract
17 that has not been sold pursuant to this subsection on or before the
18 expiration of 30 months after the effective date of this subsection
19 ~~[June 30, 2013]~~, the Board shall sell any such remaining portion of
20 the Remaining Leased Tract pursuant to terms and conditions
21 determined by such Board.

22 (d) Restrictions on Property ~~[Leased Tract]~~. The Property
23 is ~~[Leased Tract (or any portion thereof) sold in accordance with~~
24 ~~Subsection (b) or (c) shall be]~~ subject to the ~~[following]~~
25 Restrictions recorded in Palo Pinto, Stephens, Young, and Jack
26 Counties, as amended from time to time. After the Date of
27 Decommissioning and before the date the Remaining Leased Tract is

1 conveyed under Subsection (b) or (c), the Authority shall further
2 amend the Restrictions and record the Amendments to the
3 Restrictions in the records of each applicable county, which
4 amendments must (i) add the Remaining Commercial Leased Land as
5 part of the Commercial Leased Land in the Restrictions; (ii) add the
6 Remaining Residential Leased Land as part of the Residential Leased
7 Land in the Restrictions; (iii) add the Remaining Undeveloped
8 Strips as part of the Undeveloped Strips in the Restrictions; (iv)
9 add the Remaining Leased Tract as part of the Leased Tract; and (v)
10 otherwise amend the Restrictions to be substantively in accordance
11 with the following~~[, which shall be included, in substance, in a~~
12 ~~Declaration of Restrictive Covenants, Easements, and Conditions to~~
13 ~~be prepared by the Authority substantively in accordance with the~~
14 ~~following and recorded by the Authority, as declarant, in the~~
15 ~~applicable county records prior to any sale pursuant to Subsection~~
16 ~~(b) or (c)]:~~

17 (1) No ~~[Subject to Subdivision (10), no]~~ Owner,
18 Purchaser, or Leaseholder may forbid, restrict, or take any action
19 which effectively forbids or restricts the public from using the
20 ~~[FERC Project Area and the adjacent]~~ areas adjacent to ~~[of]~~ the Lake
21 ~~[in accordance with the terms of the FERC License].~~

22 (2) Each Owner, Purchaser, and Leaseholder shall agree
23 to not block, restrict, or otherwise prohibit access over, through,
24 or across any Road and further agrees that such Roads or portion
25 thereof shall remain open for use by the Authority, other Owners or
26 Purchasers, lessees of any portion of the Property (including
27 Leaseholders) and the general public. Except for (i) those portions

1 of the Property that are accessible by water only as of the
2 effective date of the Restrictions, and/or (ii) restrictions of
3 access existing as of the effective date of the Restrictions (e.g.,
4 access to and from public roads that requires traversing real
5 property not owned by the Authority, Owners, or Purchasers
6 hereunder), and/or (iii) the covenants and restrictions of the
7 Ranch Declarations (to the extent applicable to the Roads) or other
8 restrictive covenants existing prior to the date the Restrictions
9 are recorded of record, no Owner, Purchaser, or Leaseholder shall
10 be permitted to block, restrict, or otherwise prohibit access on,
11 over, or across the Roads.

12 (3) The Driveways are not part of the Roads and shall
13 be maintained by the Owner, Purchaser, or Leaseholder of the
14 applicable Driveways. No Owner, Purchaser, or Leaseholder shall
15 obstruct, prevent, or otherwise restrict access on, over or across
16 any portion of a common Driveway by any such other Owner, Purchaser,
17 or Leaseholder, or their guests or invitees, whose portion of the
18 Property is served by such common Driveway. Owners, Purchasers,
19 and/or Leaseholders whose portion of the Property is served by a
20 common Driveway shall at all times have a nonexclusive right of
21 ingress and egress over and across such common Driveway to access
22 their portion of the Property.

23 (4) All grants and dedications of easements,
24 rights-of-way, restrictions, and related rights affecting the
25 Leased Tract, made prior to the Leased Tract becoming subject to the
26 Restrictions and any Amendments to the Restrictions that are of
27 record, or visible or apparent, shall be incorporated into such

1 Restrictions by reference and made a part of the Restrictions for
2 all purposes as if fully set forth therein and shall be construed as
3 being adopted in each and every contract, deed, or conveyance
4 executed or to be executed by or on behalf of the Authority
5 conveying any part of the Leased Tract. The foregoing adoption of
6 such easements includes, without limitation, any and all written
7 easements or agreements, whether or not recorded, between the
8 Authority and any other party for the installation, maintenance,
9 repair, or replacement of utility lines located on, above, over,
10 under, or beneath the Property.

11 (5) The Authority shall reserve for itself and its
12 successors, assigns, and designees the nonexclusive right and
13 easement, but not the obligation, to enter upon the Property, the
14 Lake and other bodies of water, if any, located within the Property
15 (a) to install, keep, maintain, and replace pumps in order to obtain
16 water for the irrigation of any portion of the Authority Land, (b)
17 to construct, maintain, replace, and repair any wall, dam, or other
18 structure retaining water therein, (c) to access, construct,
19 maintain, replace, and repair any measurement stations, monuments,
20 or other similar improvements, (d) to remove trash and other
21 debris, and (e) to fulfill the Authority's obligations as a river
22 authority and any obligations set forth in [~~the FERC License,~~
23 state water rights^[7] or other governmental regulations. The
24 Authority and its designees shall have an access easement through,
25 over, and across any portion of the Leased Tract to the extent
26 reasonably necessary to exercise the rights and responsibilities
27 under this subdivision; provided, however, that (i) the Authority

1 shall provide written notice at least 48 hours in advance of such
2 entry to the Purchaser or Owner of such portion of the Leased Tract
3 (except in the event of an emergency, in which case advance notice
4 shall not be required, but the Authority shall provide such written
5 notice as soon as practicable thereafter); (ii) the Authority shall
6 promptly repair any damage to the portion of the Leased Tract caused
7 by the Authority's entrance onto such Owner's or Purchaser's portion
8 of the Leased Tract; and (iii) the Authority shall use reasonable
9 efforts to avoid interfering with the Owner's or Purchaser's use of
10 the portion of the Leased Tract.

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

23 (7) Additional land may be included in the Property or
24 Leased Tract at any time by the Authority, as long as the Authority
25 owns any portion of the Property, by recording an amendment to these
26 Restrictions in each of the counties in which the Property is
27 located. Upon such additions, the Restrictions shall apply to the

1 added land and the rights, privileges, duties, and liabilities of
2 the Owners or Purchasers subject to the Restrictions shall be the
3 same with respect to the added land as with respect to the Property
4 originally covered by the Restrictions. As additional lands are
5 added hereto, the Authority shall, with respect to said land,
6 record amendments that may incorporate the Restrictions therein by
7 reference and that may supplement or modify the Restrictions with
8 such additional covenants, restrictions, and conditions that may be
9 appropriate for those added lands.

10 (8) The Restrictions may not be modified in any
11 respect whatsoever or terminated, in whole or in part, except with
12 the consent of (i) the Owners or Purchasers of at least sixty
13 percent (60%) of the individual lots that comprise the Residential
14 Leased Land and Commercial Leased Land, and (ii) the Owners or
15 Purchasers of at least sixty percent (60%) of the land area of the
16 Authority Land, and (iii) the Authority, for so long as the
17 Authority has any interest in the Property, whether as an Owner or
18 ~~[holder of the FERC License or]~~ otherwise. Notwithstanding the
19 foregoing, the Authority, without the joinder of any other party,
20 shall have the absolute right to make minor changes or amendments to
21 the Restrictions to correct or clarify errors, omissions, mistakes,
22 or ambiguities contained therein. No amendment shall be effective
23 until such amendment has been recorded in the Official Public
24 Records of each of the counties in which the Property is located.

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

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

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

26 (11) Erosion control improvements (such as retaining
27 walls, rip rap, etc.) and landscape planting may not be constructed

1 or located [~~within the FERC Project Area or~~] at or below the 1000'
2 contour line without the prior written approval of the Authority.
3 Such improvements shall be subject to the terms and conditions set
4 forth in the Restrictions [~~, in the FERC License, in any other~~
5 ~~Federal Energy Regulatory Commission rules and regulations,~~] and in
6 the Authority's regulations, including without limitation, the
7 Shoreline Management Plan.

8 (12) No Owner, Purchaser, or Leaseholder shall have
9 the right to place, or permit to be placed, any advertisements,
10 private notices, signs, or billboards on the Leased Tract except
11 that temporary signage customarily found on residential property
12 may be placed on the Residential Leased Land at the reasonable
13 discretion of the Owner, Purchaser, and/or Leaseholder of that
14 portion of the Residential Leased Land.

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

18 (14) No Owner, Purchaser, Leaseholder, or occupant of
19 any portion of the Leased Tract shall use or permit the use,
20 handling, generation, storage, release, disposal, or
21 transportation of Hazardous Materials on, about, or under the
22 Leased Tract except for such quantities that are routinely utilized
23 in connection with residential use (for all portions of the Leased
24 Tract except the Commercial Leased Land) or for commercial uses
25 that are in compliance with the Restrictions (for the Commercial
26 Leased Land), and that are stored, used, and disposed of in
27 compliance with all Environmental Laws. Each Owner, Purchaser, and

1 Leaseholder shall indemnify, defend, protect, and save the
2 Authority, its successors and assigns, trustees, directors,
3 employees, and officers and each other Owner, Purchaser, and
4 Leaseholder, harmless from and against, and shall reimburse such
5 indemnified parties for, all liabilities, obligations, losses,
6 claims, damages, fines, penalties, costs, charges, judgments, and
7 expenses, including, without limitation, reasonable attorneys'
8 fees and expenses that may be imposed upon or incurred or paid by or
9 asserted against such indemnified parties by reason of or in
10 connection with such Owner's, Purchaser's, or Leaseholder's failure
11 to comply with this subdivision.

12 (15) No Owner or Purchaser shall conduct, or permit to
13 be conducted, any activity on the Leased Tract that is improper,
14 immoral, noxious, annoying, creates a nuisance, or is otherwise
15 objectionable to other Owners or Purchasers or incompatible with
16 the recreational use of the Lake and the Authority Land [~~FERC~~
17 ~~Project Area~~].

18 (16) The Residential Leased Land (and any Undeveloped
19 Strips that are conveyed to an Owner or Purchaser as part of the
20 Residential Leased Land pursuant to Subsection (b) or (c)) shall be
21 improved and used solely for single-family residential use,
22 inclusive of a garage, fencing, and other such related improvements
23 as are necessary or customarily incident to normal residential use
24 and enjoyment and for no other use. Individual lots that are part of
25 the Residential Leased Land (and any Undeveloped Strips that are
26 conveyed to an Owner or Purchaser as part of the Residential Leased
27 Land pursuant to Subsection (b) or (c)) may not be subdivided or

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

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

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

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

27 (19) No portion of the Leased Tract may be used for the

1 commercial testing or development of wind power, or to produce,
2 lease, store, and/or transmit electrical power generated thereby
3 for commercial or resale purposes.

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

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

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

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

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

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

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

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

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

27 (26) No land located at or below the 1000' contour line

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

20 (27) No use of the Lake or other bodies of water within
21 the Property, if any, shall be made except in accordance with the
22 ~~[FERC License, the]~~ Shoreline Management Plan, the Authority's
23 regulations, and any other rules and regulations that may be
24 promulgated by the ~~[Federal Energy Regulatory Commission and/or~~
25 ~~the]~~ Authority at any time and as amended from time to time. Any
26 such use shall be subject to the Authority's ~~[and the Federal Energy~~
27 ~~Regulatory Commission's]~~ superior use rights. The Authority shall

1 not be responsible for any loss, damage, or injury to any person or
2 property arising out of the authorized or unauthorized use of the
3 Lake or other bodies of water within or adjacent to the Property.

4 (28) The Authority may use and regulate the Lake or
5 other bodies of water within the Property for the irrigation of the
6 Authority Land, or for any other purpose deemed appropriate by the
7 Authority, subject to the rights and authority of any [~~the Federal~~
8 ~~Energy Regulatory Commission or~~] other governmental entity having
9 jurisdiction of such areas, and subject to the water rights granted
10 (or which may be granted) to the Authority by the State of
11 Texas. The Authority's rights under this subdivision shall be
12 superior to any rights of any Owner, Purchaser, or
13 Leaseholder. This subdivision shall not be construed to limit or
14 restrict the rights and authority of any [~~the Federal Energy~~
15 ~~Regulatory Commission or~~] other governmental entity having
16 jurisdiction of the Property.

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

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

25 (31) Owners, Purchasers, and Leaseholders shall take
26 all reasonable precautions to ensure that all use of and activities
27 on the Leased Tract [~~and the FERC Project Area~~], including without

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

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

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

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

1 (B) [~~the applicable rules, regulations, and~~
2 ~~order of the Federal Energy Regulatory Commission including,~~
3 ~~without limitation the FERC License,~~

4 [~~(C)~~] the Authority's "Regulations for
5 Governance for Brazos River Authority Lakes and Associated Lands,"
6 as published on the Authority's Internet website; and

7 (C) [~~(D)~~] other rules and regulations adopted by
8 the Authority regarding conduct on and use of the Lake or the
9 Property.

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

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

1 covenants and restrictions governing the subdivision that apply to
2 the portion of the Leased Tract. Any portion of the Property that
3 is part of the subdivision is governed by the restrictions and
4 covenants governing the subdivision which shall control in the
5 event of a conflict between the covenants, restrictions, and
6 conditions governing the subdivision and the Restrictions and
7 Amendments to the Restrictions.

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

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

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

1 (whether licensed or not) requires either replacement or an
2 alteration or change in the on-site sewerage facility resulting in
3 (i) an increase in the volume of permitted flow, (ii) a change in
4 the nature of permitted influent, (iii) a change from the planning
5 materials approved by the permitting authority, (iv) a change in
6 construction, and/or (v) an increase, lengthening, or expansion of
7 the treatment or disposal system, then such Owner or Purchaser
8 shall promptly connect to and use, at the Owner's, Purchaser's, or
9 Leaseholder's expense, as applicable, such wastewater treatment
10 system or service and thereafter discontinue use of any private
11 on-site sewerage facility. Notwithstanding the foregoing, in the
12 event a property owners association or municipality requires the
13 Owners or Purchasers of the portion of the Leased Tract that is
14 included in such association or municipality to connect to a
15 wastewater system or service, then such association or municipality
16 rules shall control;

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

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

26 (37) Each Owner or Purchaser of all or any portion of
27 the Leased Tract agrees and acknowledges that the water level in the

1 Lake varies and that the Authority is not responsible for
2 maintaining the Lake at any certain level or above or below any
3 certain level.

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

11 (39) The Authority shall reserve the right of ingress
12 and egress for the Authority and any person authorized by the
13 Authority, including an agent of the Authority or employees, over
14 and across the Leased Tract and any and all on-water facilities
15 whether located within the Leased Tract or Authority Land [~~FERC~~
16 ~~Project Area~~] for all reasonable purposes of the Authority,
17 including, without limitation, the construction, maintenance,
18 repair, and/or replacements of any roads, drainage facilities, and
19 power, water, wastewater, and other utility mains and lines that
20 the Authority considers necessary or beneficial and for public
21 safety, health, and welfare purposes; provided however, that:

22 (A) the Authority shall provide written notice at
23 least 48 hours in advance of such entry to the Purchaser or Owner of
24 such portion of the Leased Tract (except in the event of an
25 emergency, in which case advance notice shall not be required, but
26 the Authority shall provide such written notice as soon as
27 practicable thereafter), which notice shall state with reasonable

1 specificity the purpose for such entry;

2 (B) the Authority shall promptly repair any
3 damage to the portion of the Leased Tract caused by the Authority's
4 entrance onto such Owner's or Purchaser's portion of the Leased
5 Tract; and

6 (C) the Authority shall use reasonable efforts to
7 avoid interfering with the Owner's or Purchaser's use of the portion
8 of the Leased Tract.

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

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

26 (42) If the Owner, Purchaser, or Leaseholder of any
27 portion of the Leased Tracts or on-water facilities related thereto

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

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

1 commences the cure of such default within such thirty (30) day
2 period and thereafter is continuously using good faith and its best
3 efforts to rectify the particulars specified in the notice of
4 default.

5 (44) The Authority shall have the right, but not the
6 obligation, to enforce all of the provisions of the Restrictions.
7 Any Owner or Purchaser shall have the right to enforce all of the
8 provisions of the Restrictions against any other Owner, Purchaser,
9 or Leaseholder, but not against the Authority. Such right of
10 enforcement shall include the right to sue for both damages for, and
11 injunctive relief against, the breach of any such provision.
12 Furthermore, the Authority shall have the right, when appropriate
13 in its sole judgment and discretion, to claim or impose a lien upon
14 any portion of the Leased Tract, or improvement constructed
15 thereon, in order to enforce any right or effect compliance with the
16 Restrictions.

17 (45) The failure of a person (including the Authority
18 or any Owner or Purchaser) to insist upon strict performance of any
19 of the Restrictions shall not be deemed a waiver of any rights or
20 remedies that said person may have, and shall not be deemed a waiver
21 of any subsequent breach or default in the performance of any of the
22 Restrictions by the same or any other person.

23 (46) The Authority shall not be liable to any Owner,
24 Purchaser, or Leaseholder, or to any other person for any loss,
25 damage, or injury arising out of or in any way connected with the
26 performance or nonperformance of the Authority's rights,
27 obligations, or privileges under the Restrictions. Without

1 limiting the foregoing, the Authority shall not be liable to any
2 Owner, Purchaser, or Leaseholder due to the construction of any
3 improvements within the Property.

4 (47) Each of the Restrictions on the Leased Tract
5 shall be a burden on each portion of the Leased Tract, shall be
6 appurtenant to and for the benefit of the other portions of the
7 Property, other portions of the Leased Tract, and each part
8 thereof, and shall run with the land.

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

1 date of sale and conveyance of title. The Authority may assign, in
2 whole or in part, any of its privileges, exemptions, rights, and
3 obligations (if any) under the Restrictions to any other person and
4 may permit the participation, in whole or in part, by any other
5 person in any of its privileges, exemptions, rights, and
6 obligations (if any) hereunder.

7 (49) Except as provided in this subsection, the term
8 of the Restrictions shall be for a period of fifty (50) years from
9 the date such Restrictions are executed by the
10 Authority. Notwithstanding the foregoing, upon the expiration of
11 such period, the term of the Restrictions shall automatically renew
12 for successive periods of five (5) years each unless, at least
13 ninety (90) days prior to the date of expiration of any period then
14 in effect, (i) the Owners or Purchasers of at least sixty percent
15 (60%) of the individual lots that comprise the Residential Leased
16 Land and the Commercial Leased Land, (ii) the Owners or Purchasers
17 of at least sixty percent (60%) of the land area of the Authority
18 Land, and (iii) the Authority, for so long as the Authority has any
19 interest in the Property, whether as an Owner or [~~holder of the FERC~~
20 ~~License or~~] otherwise, duly execute, acknowledge and record in the
21 office of the recorder of the counties in which the Property is
22 located a written termination notice, in which event, the
23 Restrictions shall automatically expire at the end of the period
24 then in effect.

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

1 (1) The remaining [~~If at the time Closing occurs under~~
2 ~~Subsection (b) or if at the time a Leaseholder completes the~~
3 ~~purchase of the applicable Leased Tract from the Authority pursuant~~
4 ~~to Subsection (c), as applicable, the Buffer Zone, or any portion~~
5 ~~thereof, has been removed from the FERC Project Area, the]~~ Leased
6 Tract being conveyed under Subsection (b) or (c) shall include the
7 applicable [~~that~~] portion of the Buffer Zone [~~so removed~~];
8 provided, however, the Purchaser and/or Owner, as applicable, shall
9 grant the Authority access to the Buffer Zone [~~FERC Project Area~~]
10 and Lake to allow the Authority to fulfill its obligations as a
11 River Authority and any obligations set forth in [~~the FERC~~
12 ~~License,~~] state water rights[~~7~~] or other governmental regulations.

13 (2) At [~~If at~~] the time of Closing on the Initial
14 Leased Tract [~~occurs~~] under Subsection (b), [~~or if at the time a~~
15 ~~Leaseholder closes on the purchase of the applicable Leased Tract~~
16 ~~from the Authority pursuant to Subsection (c), as applicable, the~~
17 ~~Buffer Zone, or any portion thereof, has not been removed from the~~
18 ~~FERC Project Area and]~~ a portion of the Initial Leased Tract is
19 located within the Buffer Zone and is a part of the FERC Project
20 Area, and therefore the Authority shall provide such Purchaser
21 and/or Owner, as applicable, a residual interest in that portion of
22 the Buffer Zone adjacent to the Initial Leased Tract and covered by
23 the applicable residential Ground Lease, such residual interest to
24 automatically vest upon satisfaction of one [~~either~~] of the
25 following conditions:

26 (A) the Federal Energy Regulatory Commission
27 approves an amendment to the FERC License removing the Buffer Zone

1 from the boundaries prescribed by the FERC License such that the
2 Buffer Zone is no longer subject to regulation by the Federal Energy
3 Regulatory Commission; ~~[or]~~

4 (B) the FERC License expires (and is not renewed
5 or extended) or is otherwise terminated and thus the Buffer Zone is
6 no longer subject to regulation by the Federal Energy Regulatory
7 Commission; or

8 (C) the Date of Decommissioning occurs.

9 (3) Notwithstanding the foregoing, if such residual
10 interest has not vested on or before August 31, 2040, then such
11 residual interest shall be terminated and of no further force and
12 effect. Upon satisfaction of one ~~[either]~~ of the foregoing
13 conditions prior to August 31, 2040, this conveyance shall be
14 automatically effective without necessity of further
15 documentation. From and after the date such conveyance becomes
16 effective, the Buffer Zone shall be considered to be a part of the
17 Initial Leased Tract conveyed under Subsection (b) ~~[or (c)]~~ and the
18 Purchaser or then current Owner of the applicable Initial Leased
19 Tract shall be the beneficiary of the residual interest created
20 herein, but only as to the portion of the Buffer Zone located
21 adjacent to the Purchaser's or Owner's property and all right,
22 title, and interest in such adjacent portion of the Buffer Zone as
23 measured by extending the boundary lines on both sides of the
24 applicable portion of the Initial Leased Tract in a straight line
25 across the Buffer Zone to the then current 1000' contour line of the
26 Lake, or, if such portion cannot reasonably be measured as set forth
27 above, then as otherwise determined by the Purchaser and approved

1 by the Authority. Such residual interest shall immediately vest in
2 the Purchaser or then-current Owner of such adjacent portion of the
3 Initial Leased Tract without the necessity of any additional
4 written conveyance.

5 (4) Until the residual interest in the Buffer Zone
6 vests in the Purchaser or then-current Owner of the adjacent
7 portion of the Initial Leased Tract as set forth in Subdivision (3),
8 ~~[In the event a sale under Subsection (b) or (c) does not include~~
9 ~~the Buffer Zone or any portion thereof, or only includes a residual~~
10 ~~interest in the Buffer Zone or any portion thereof, then] such~~
11 Buffer Zone shall remain subject to the terms and conditions of the
12 residential Ground Lease in effect between the Leaseholder and the
13 Authority at the time Closing occurs under Subsection (b) ~~[or at the~~
14 ~~time the Leaseholder purchases the applicable Leased Tract under~~
15 ~~Subsection (c)]~~; provided, however, no rent shall be due the
16 Authority under such Ground Lease for the Buffer Zone. At such time
17 as the applicable Ground Lease expires or is otherwise terminated,
18 the Authority may, subject to approval of the Federal Energy
19 Regulatory Commission, grant the Purchaser or the then-current
20 Owner of the adjacent tract (as determined pursuant to the method
21 set forth in Subdivision (2)(B)), an easement for use of such
22 portion of the Buffer Zone, which easement shall be subject to the
23 FERC License. The Authority shall retain ownership of such portion
24 of the Buffer Zone and exercise control over such portion of the
25 Buffer Zone consistent with the FERC License and this subsection.
26 The easement granted to such Owner shall be limited to uses
27 permitted under the terms of the FERC License and the Authority's

1 Shoreline Management Plan, and any other Authority rules and
2 regulations as may be adopted from time to time.

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

13 (g) Roads. Authority or Purchaser, whichever is
14 applicable, shall transfer its interest in the Roads to the
15 applicable county in which the Roads, or any portion thereof, are
16 situated as follows:

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

20 (2) All Roads located in Palo Pinto County
21 (approximately forty-six miles of Roads) shall be transferred to
22 Palo Pinto County in twenty percent increments of the total mileage
23 per year for five consecutive years. The first twenty percent
24 increment shall be transferred on or before December 31, 2011, and
25 each remaining twenty percent increment shall be transferred on or
26 before December 31 of each subsequent year, but not before January 1
27 of such year unless approved by an order or resolution of the Palo

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

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

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

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

23 (6) Concurrently with the transfer in each year of a
24 portion of the Roads, the Authority or Purchaser, as applicable,
25 shall transfer to Palo Pinto County the amount, rounded to the
26 nearest dollar, computed by multiplying \$200,000 by a fraction the
27 numerator of which is the number of miles of Roads located in and

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

12 (7) Notwithstanding any provision in this subsection
13 to the contrary, the Authority or Purchaser, as applicable, shall
14 retain ownership of any portion of a Road that is inaccessible to
15 the public. For purposes of this subdivision, a portion of the Road
16 is considered inaccessible to the public if, as of the effective
17 date of the Act enacting this section, the public can only access
18 such portion of the Road by crossing property not owned by the
19 Authority or Purchaser, as applicable, and not subject to an
20 easement or other ownership interest that allows the public to
21 cross such property without restriction. If a retained portion of a
22 Road subsequently becomes accessible to the public, the Authority
23 or Purchaser, as applicable, shall transfer such retained portion,
24 including any interest the Authority or Purchaser has in any
25 additional Road constructed or acquired by the Authority or
26 Purchaser in order to make the retained portion of the Road
27 accessible to the public, to the applicable county in accordance

1 with the process set forth in this subsection, or in the event such
2 portion of the Road becomes accessible to the public after December
3 31, 2015, within one (1) year of such retained portion of the Road
4 becoming accessible.

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

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

11 (j) Expiration of Requirement to Sell. The requirement that
12 the Authority conduct a sale of the Remaining Leased Tract under
13 Subsection (b) or (c) expires on December 31, 2016, if the FERC
14 License is not terminated by decommissioning or otherwise.

15 SECTION 2. If the provisions of Section 8502.020, Special
16 District Local Laws Code, as amended by this Act, conflict with any
17 other provision of Chapter 8502 of that code, then the provisions of
18 Section 8502.020 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 the 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, 2013.