

By: Estes
(Kefffer)

S.B. No. 918

Substitute the following for S.B. No. 918:

By: Miller of Comal

C.S.S.B. No. 918

A BILL TO BE ENTITLED

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

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

6 SECTION 1. Section 8502.0132(a), Special District Local
7 Laws Code, is amended by amending Subdivisions (2) and (5) and
8 adding Subdivision (2-a) to read as follows:

9 (2) "Captive Property To Be Sold" means those portions
10 of the following tracts of real property owned by the Authority at
11 the Lake that as of May 27, 2009, were surrounded by the Lake and
12 property owned by a single freeholder and ~~[are]~~ located above the
13 1000' contour line, but does not include any portion of the
14 following tracts that was ~~[is]~~ part of Project Land or property that
15 was ~~[is]~~ leased for single-family residential purposes as of May
16 27, 2009 ~~[the effective date of the Act enacting this section]:~~

17 (A) two tracts of land totaling 2019.86 acres,
18 more or less, in Palo Pinto County, Texas, described in Brazos River
19 Authority Records as Tracts 8-1-93 and 9-3-9, as such Tracts are
20 more particularly described in an Award of Commissioners entered
21 June 28, 1940, in the County Court of Palo Pinto County, Texas, in
22 Cause No. 2539, styled Brazos River Conservation and Reclamation
23 District versus Orland R. Seaman, Et Al., as the same appears on
24 file and of record in Volume 5, Pages 414 and 419, et seq., Civil

1 Minutes of the County Court of Palo Pinto County, Texas; and

2 (B) a 2278.3 acre tract of land, more or less, in
3 Palo Pinto County, Texas, described in Brazos River Authority
4 records as Tract 11-2-46, as such tract is more particularly
5 described in deeds recorded at Book 181, Page 325, Book 182, Page
6 339, Book 183, Page 12, and Book 183, Page 16, in Palo Pinto County
7 Records, Palo Pinto County, Texas.

8 (2-a) "Close" or "Closing" means the transfer of the
9 Authority's interest in properties described in the Subsection
10 (d)(1) or (m)(6) survey.

11 (5) "Offeree" means any person to whom an offer to sell
12 Captive Property To Be Sold is to be made under this section. To
13 qualify as an Offeree, a person must own in fee simple as of May 27,
14 2009, the real property adjacent to the Captive Property To Be Sold,
15 and be able to provide an attorney's opinion or other satisfactory
16 legal documentation that such Offeree meets the qualifications of
17 an Offeree under this subdivision.

18 SECTION 2. Section 8502.0132, Special District Local Laws
19 Code, is amended by amending Subsection (b) and adding Subsections
20 (d-1), (m), and (n) to read as follows:

21 (b) Notwithstanding any other provision of this chapter,
22 the Authority is directed to sell all Captive Property To Be Sold in
23 accordance with the directives of this section, including the
24 following:

25 (1) Within 90 days of the effective date of the Act
26 enacting this section, the Authority shall publish a list of the
27 parcels at the Lake that qualify as Captive Property To Be Sold and

1 an "Application Of Intent To Purchase" form for use by the Offerees
2 as provided by this section.

3 (2) Each listed parcel of Captive Property To Be Sold
4 shall be offered for sale at its fair market value to the Offeree
5 who owns any Adjacent Land that is adjacent to that specific parcel
6 of Captive Property To Be Sold, and each Adjacent Land owner has the
7 right (but not the obligation) to purchase the parcel in equal
8 proportion among those wishing to acquire same.

9 (3) Any Offeree who desires to purchase Captive
10 Property To Be Sold must, within 180 days of the inclusion of that
11 property on the published list of Captive Property To Be Sold under
12 Subdivision (1), submit a completed Application Of Intent To
13 Purchase form to the Authority.

14 (4) If the Authority does not receive an Application
15 Of Intent To Purchase from an Offeree within the required time, the
16 Offeree shall be deemed to have waived any right to purchase the
17 subject property under this section and the Authority shall have
18 the right to retain or sell such property as directed by the board.

19 (5) The Authority shall accept and process all
20 Application Of Intent To Purchase forms in the order in which they
21 are received.

22 (6) Any sale of property under this section must be
23 handled as if it were a private sale for fair market value under
24 Section 49.226(a), Water Code.

25 (7) The fair market value of the Captive Property To Be
26 Sold must be determined as follows:

27 (A) Within forty-five (45) days of the

1 Authority's receipt of the Offeree's completed Application Of
2 Intent To Purchase and an acceptable survey as provided by
3 Subsection (d)(1), the Authority shall provide the Offeree with an
4 appraisal of the fair market value of the Captive Property To Be
5 Sold dated within one year of the date of the Authority's receipt of
6 the Application Of Intent To Purchase (the "First Appraisal"). The
7 Authority's appraiser must be an appraiser certified under Chapter
8 1103, Occupations Code. Within fifteen (15) days of receipt of the
9 First Appraisal, the Offeree shall notify the Authority in writing
10 as to whether the Offeree agrees with or disputes the fair market
11 value set forth in the First Appraisal. If the Offeree does not
12 dispute the fair market value as determined by the First Appraisal
13 within such 15-day time period, then the First Appraisal shall be
14 final and binding on all parties to establish the fair market value
15 for the Captive Property To Be Sold.

16 (B) If the Offeree disputes the fair market value
17 determined by the First Appraisal, the Offeree may withdraw its
18 application to purchase the Captive Property To Be Sold or employ a
19 disinterested appraiser certified under Chapter 1103, Occupations
20 Code, to conduct a second appraisal of the fair market value of the
21 Captive Property To Be Sold (the "Second Appraisal"). The Second
22 Appraisal must be completed and sent to the Authority not later than
23 the 45th day after the date the Offeree notifies the Authority that
24 the Offeree disputes the First Appraisal. If the Authority does not
25 receive the Second Appraisal within such 45-day time period, then
26 the Offeree's Application Of Intent To Purchase will be deemed
27 withdrawn.

1 (C) Within fifteen (15) days of receipt of the
2 Second Appraisal, the Authority shall notify the Prospective
3 Purchaser in writing as to whether the Authority agrees with or
4 disputes the fair market value determined by the Second Appraisal.
5 If the Authority does not dispute the fair market value as
6 determined by the Second Appraisal within this 15-day time period,
7 then the Second Appraisal shall be final and binding on all parties
8 to establish the purchase price for the Captive Property To Be Sold.
9 If the Authority timely disputes the fair market value determined
10 by the Second Appraisal, the two appraisers (or their designated
11 agents) shall meet and attempt to reach an agreement on the fair
12 market value of the Captive Property To Be Sold, such meeting to
13 occur not later than the 30th day after the date the Authority
14 notifies the Offeree that the Authority disputes the Second
15 Appraisal.

16 (D) If the two appraisers reach agreement on the
17 fair market value, within 20 days after their meeting they shall
18 issue a report of the agreed fair market value to the Authority and
19 to the Offeree, and this agreed fair market value shall be final and
20 binding on all parties to establish the purchase price. If the two
21 appraisers fail to reach agreement on or before the 20th day after
22 the date of the meeting, then not later than the 30th day after the
23 date of the meeting the two appraisers shall appoint a
24 disinterested third appraiser certified under Chapter 1103,
25 Occupations Code, to reconcile the two previous appraisals (the
26 "Third Appraisal"). The Third Appraisal must be completed on or
27 before the 30th day after the date of the third appraiser's

1 appointment, and the fair market value determined by the Third
2 Appraisal is final and binding on all parties to establish the
3 purchase price; provided, however, the final purchase price may not
4 be more than the fair market value determined by the First Appraisal
5 or less than the fair market value determined by the Second
6 Appraisal.

7 (E) The appraisal costs must be paid by the
8 person who requests the appraisal, except that the Offeree and the
9 Authority shall each pay one-half of the cost of the Third Appraisal
10 if a Third Appraisal is necessary. If the Offeree fails to pay its
11 share of the Third Appraisal, then the Offeree's Application Of
12 Intent To Purchase will be deemed withdrawn.

13 (F) The timelines established in the appraisal
14 process set forth in this subdivision may be extended on joint
15 agreement of Authority and Offeree.

16 (8) Closing must occur not later than the first
17 anniversary of the effective date of the Act of the 83rd
18 Legislature, Regular Session, 2013, amending this subsection.

19 (d-1) Not later than 15 business days after the delivery of
20 an Offeree's survey to the Authority required under Subsection
21 (d)(1) or (m)(6), the Authority shall notify the Offeree that the
22 survey is acceptable or submit in writing to the Offeree a list
23 detailing any error in the survey that the Authority believes
24 requires correction. If required, the survey must be corrected at
25 the earliest convenience of the surveyor and a corrected survey
26 delivered to the Authority. The correction process repeats until
27 both surveys are acceptable, at which time the timetable for the

1 appraisal process in Subsection (b)(7)(A) begins for the properties
2 described in the Subsection (d)(1) and (m)(6) surveys. So long as
3 the Subsection (m)(6) survey is timely delivered to the Authority,
4 if the surveys are not both accepted by the Authority within 180
5 days after the effective date of the Act enacting this subsection,
6 then the closing deadline established by Subsection (b)(8) is
7 extended on a day-for-day basis for each day after the 180th day
8 until both surveys are accepted by the Authority.

9 (m) Notwithstanding any provision of this section to the
10 contrary, a sale under this section is subject to the following
11 requirements:

12 (1) If on the date Closing occurs the Project Land or
13 any portion of the Project Land has been removed from the FERC
14 License, the Captive Property To Be Sold must include all Project
15 Land that would have otherwise qualified as Captive Property To Be
16 Sold except for its status as Project Land.

17 (2) If on the date Closing occurs the Project Land or
18 any portion of the Project Land has not been removed from the FERC
19 License, the Authority shall convey to the Offeree a residual
20 interest in that portion of the Project Land that would have
21 otherwise qualified as Captive Property To Be Sold except for its
22 status as Project Land. The residual interest automatically vests
23 on the date that:

24 (A) the Federal Energy Regulatory Commission
25 approves an amendment to the FERC License removing the Project Land
26 from the boundaries under the FERC License so that the Project Land
27 is no longer subject to regulation by the Federal Energy Regulatory

1 Commission; or

2 (B) the FERC License expires and is not renewed
3 or extended, or is otherwise terminated, and thus the Project Land
4 is no longer subject to regulation by the Federal Energy Regulatory
5 Commission.

6 (3) Notwithstanding Subdivision (2), if the residual
7 interest described by Subdivision (2) has not vested on or before
8 August 31, 2040, then the residual interest is terminated and of no
9 further force and effect, and the Authority shall repay to the
10 Offeree any amount originally paid for that residual interest on or
11 before December 1, 2040. On satisfaction of a condition described
12 by Subdivision (2)(A) or (B) before August 31, 2040, the residual
13 interest conveyed under Subdivision (2) is automatically effective
14 without necessity of further documentation. As of the date the
15 conveyance is effective, the applicable portion of the Project Land
16 is considered to be a part of the Captive Property To Be Sold
17 conveyed under this section and the Offeree or then-current Owner
18 of the applicable portion of the Captive Property To Be Sold is the
19 beneficiary of the residual interest applicable to the portion of
20 the Project Land adjacent to such Owner's land and considered to be
21 a part of the Captive Property To Be Sold conveyed under this
22 section. The residual interest immediately vests in the Offeree or
23 then-current Owner of the adjacent Captive Property To Be Sold
24 conveyed under this section without the necessity of any additional
25 written conveyance.

26 (4) In the event that a sale under this subsection does
27 not include any portion of the Project Land, or only includes a

1 residual interest in a portion or all of the Project Land, then the
2 Authority shall at Closing, subject to the approval of the Federal
3 Energy Regulatory Commission, grant the Offeree an easement,
4 subject to the FERC License, for the use of that portion of the
5 Project Land for which the Offeree has purchased a residual
6 interest. The Authority shall retain ownership of that portion of
7 the Project Land and exercise control over that portion of the
8 Project Land consistent with the FERC License and this subsection.
9 The easement granted to the Offeree is limited to uses permitted
10 under the terms of the FERC License, the Authority's Shoreline
11 Management Plan, and any other Authority rules and regulations that
12 may be adopted from time to time.

13 (5) An appraisal of the fair market value of the
14 Project Land, whether the Project Land has been removed from the
15 FERC License or not, must be determined as if the applicable Project
16 Land is not subject to the FERC License, is not part of the Federal
17 Energy Regulatory Commission project area, is not subject to any
18 lease agreement, is available for immediate possession and use, and
19 may be used for any lawful purpose.

20 (6) For each parcel of Project Land that an eligible
21 Offeree elects to purchase under Subdivision (1), or for each
22 parcel of Project Land in which the Offeree purchases a residual
23 interest under Subdivision (2), the Offeree shall, not later than
24 the 90th day after the effective date of the Act enacting this
25 subsection, provide to the Authority a survey and calculation of
26 the area of the parcel prepared by a licensed state land surveyor or
27 a registered professional land surveyor in accordance with this

1 subsection. The survey is separate from any survey prepared under
2 Subsection (d) of Captive Property To Be Sold.

3 (n) On or before Closing, the Authority shall deliver
4 completed and executed documentation necessary to transfer the
5 property conveyed from the Authority to the Offeree, and the
6 Offeree shall deliver the purchase price and closing costs and the
7 countersignatures on all necessary documentation. Promptly after
8 Closing, the Offeree shall record the documents required for
9 transferring the property in the county records where the property
10 is located. The closing documents and funds may be held in escrow
11 at the election of the Authority or the Offeree until all documents
12 have been fully executed and all required funds have been
13 delivered.

14 SECTION 3. Chapter 8502, Special District Local Laws Code,
15 is amended by adding Section 8502.0133 to read as follows:

16 Sec. 8502.0133. SALE OF AUTHORITY PROPERTY ON AND
17 ASSOCIATED WITH COSTELLO ISLAND. (a) In this section:

18 (1) "Boat landing" means a 0.841 acre tract of land,
19 more or less, located above the 1000' contour line as defined in
20 Subdivision (8), described in authority records as Tract Costello
21 Island, situated in the A. J. Smith Survey, Abstract 393, Palo Pinto
22 County, Texas, and being a part of a tract of land purchased by the
23 Brazos River Conservation and Reclamation District from Mrs. Hugh
24 C. Thomas, as recorded in Volume 182, Page 142, Deed Records of Palo
25 Pinto County. The boat landing is located wholly within the FERC
26 Project Area.

27 (2) "Date of decommissioning" means the effective date

1 of the surrender of the FERC License for the Morris Sheppard Dam
2 Project No. 1490-052 under the Order Accepting the Surrender of the
3 License (issued December 23, 2011), 137 FERC 62,252.

4 (3) "Costello Island" means a 260 acre tract of land,
5 more or less, located above the 1000' contour line as defined in
6 Subdivision (8), described in authority records as Tract Costello
7 Island, situated in the J.W. Bunton Survey, Abstract 52, Palo Pinto
8 County, Texas, and being a part of that parcel that is located
9 wholly within the boundary of the lake, and being a part of a tract
10 of land acquired by the Brazos River Conservation and Reclamation
11 District from E.P. Costello by Court Judgment dated July 21, 1943.
12 The portions of Costello Island owned by the authority are located
13 wholly within the FERC Project Area.

14 (4) "Costello Island Property" means Costello Island
15 and the boat landing, but does not include any portion of Costello
16 Island owned in fee simple by a person other than the authority.

17 (5) "Fair market value" means the price that the
18 Costello Island Property would bring in an arms-length transaction
19 when offered for sale by one who wishes, but is not obliged, to sell
20 and when bought by one who is under no necessity of buying it. This
21 value shall be determined as if the Costello Island Property were
22 not subject to the FERC License, were not located within the FERC
23 Project Area, were not subject to any lease agreement, were
24 available for immediate possession and use, and could be used for
25 any reasonable purpose, subject only to the restrictions in
26 Subsection (e).

27 (6) "FERC License" means the order of the Federal

1 Energy Regulatory Commission issuing a license to the authority for
2 project number 1490-003-Texas on September 8, 1989, as such license
3 has been renewed, extended, or amended and may be further renewed,
4 extended, or amended at any time and from time to time, and also
5 including the amendment to the original FERC License, which
6 amendment was issued on May 15, 1980, to the extent incorporated or
7 referenced in the FERC License.

8 (7) "FERC Project Area" means that portion of
9 authority land that is subject to the FERC License before the date
10 of decommissioning, as the land is identified and defined in the
11 FERC License, as may be amended at any time and from time to time,
12 and which FERC Project Area may move or change over time due to
13 natural forces.

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

23 (9) "Offeree" means the individuals or corporation,
24 other than the authority, owning a portion of Costello Island in fee
25 simple.

26 (b) After the date of decommissioning, the authority shall
27 offer for sale to the offeree the Costello Island Property. The

1 sale shall be:

2 (1) for not less than the fair market value as
3 determined under Subsection (c); and

4 (2) contingent upon the termination of any leases
5 encumbering all or any portion of the Costello Island Property at
6 the time of sale.

7 (c)(1) The fair market value of the Costello Island Property
8 shall be determined as described in this subsection.

9 (2) Not later than 45 days after the date the authority
10 receives the offeree's completed application of intent to purchase
11 and an acceptable survey as provided by Subsection (d)(1), the
12 authority shall provide the offeree with an appraisal of the fair
13 market value of the Costello Island Property. The authority may use
14 an existing appraisal if it is dated not more than one year before
15 the date the authority receives the application of intent to
16 purchase. The authority's appraiser must be certified under
17 Chapter 1103, Occupations Code. Not later than the 15th day after
18 the date the offeree receives the first appraisal, the offeree
19 shall notify the authority in writing as to whether the offeree
20 agrees with or disputes the fair market value provided in the first
21 appraisal. If the offeree does not dispute the fair market value as
22 determined by the first appraisal before the expiration of the
23 15-day period, the first appraisal is final and binding on all
24 parties and establishes the fair market value for the Costello
25 Island Property.

26 (3) If the offeree disputes the fair market value
27 determined by the first appraisal, the offeree may withdraw its

1 application to purchase the Costello Island Property or may employ
2 a disinterested appraiser certified under Chapter 1103,
3 Occupations Code, to conduct a second appraisal of the fair market
4 value of the Costello Island Property. The second appraisal must be
5 completed and sent to the authority not later than the 45th day
6 after the date the offeree notifies the authority that the offeree
7 disputes the first appraisal. If the authority does not receive the
8 second appraisal before the expiration of the 45-day period, the
9 offeree's application of intent to purchase will be deemed
10 withdrawn.

11 (4) Not later than the 15th day after the date of
12 receiving the second appraisal, the authority shall notify the
13 offeree in writing as to whether the authority agrees with or
14 disputes the fair market value determined by the second appraisal.
15 If the authority does not dispute the fair market value as
16 determined by the second appraisal before the expiration of the
17 15-day period, the second appraisal is final and binding on all
18 parties and establishes the purchase price for the Costello Island
19 Property. If the authority timely disputes the fair market value
20 determined by the second appraisal, the two appraisers, or their
21 designated agents, shall meet and attempt to reach an agreement on
22 the fair market value of the Costello Island Property. The meeting
23 shall occur not later than the 30th day after the date the authority
24 notifies the offeree that the authority disputes the second
25 appraisal.

26 (5) If the two appraisers reach an agreement on the
27 fair market value, they shall issue a report, not later than the

1 20th day after the date of their meeting, relating the agreed fair
2 market value to the authority and to the offeree, and this agreed
3 fair market value shall be final and binding on all parties and
4 establishes the purchase price. If the two appraisers fail to reach
5 an agreement on or before the 20th day after the date of the
6 meeting, then, not later than the 30th day after the date of the
7 meeting, the two appraisers shall appoint a disinterested third
8 appraiser certified under Chapter 1103, Occupations Code, to
9 reconcile the two previous appraisals in a third appraisal. The
10 third appraisal must be completed on or before the 30th day after
11 the date of the third appraiser's appointment, and the fair market
12 value determined by the third appraisal is final and binding on all
13 parties and establishes the purchase price; provided, however, that
14 the final purchase price may not be more than the fair market value
15 determined by the first appraisal or less than the fair market value
16 determined by the second appraisal.

17 (6) The appraisal costs shall be paid by the person who
18 requests the appraisal, except that the offeree and the authority
19 shall each pay one-half of the cost of the third appraisal if a
20 third appraisal is necessary. If the offeree fails to pay its share
21 of the third appraisal, the offeree's application of intent to
22 purchase will be deemed withdrawn.

23 (7) The timelines for the appraisal process under this
24 subsection may be extended upon joint agreement of the authority
25 and the offeree.

26 (d) To purchase the Costello Island Property, the offeree
27 must:

1 (1) provide to the authority a survey of the Costello
2 Island Property that is:

3 (A) prepared by a licensed state land surveyor or
4 a registered professional land surveyor;

5 (B) dated not earlier than one year before the
6 effective date of the Act enacting this section; and

7 (C) acceptable to the authority and any title
8 company providing title insurance for the offeree; and

9 (2) pay all closing costs associated with the sale of
10 the property.

11 (e) For any property sold under this section:

12 (1) the authority shall provide a special warranty
13 deed that encompasses and includes all interests in the Costello
14 Island Property held by the authority, subject only to:

15 (A) the restrictions, covenants, and
16 prohibitions contained in the deed of conveyance under which the
17 authority originally acquired title to the property, including
18 without limitation any releases of the authority for the
19 inundation, overflowing, or flooding of the lake;

20 (B) the restrictions, covenants, and
21 prohibitions described in Section 8502.020(d);

22 (C) all encumbrances and other matters filed of
23 record in the public records of the county in which the property is
24 located;

25 (D) any other matters or conditions that are
26 apparent on the ground or that would be reasonably disclosed or
27 discovered by an inspection of the property; and

1 (E) any other rules, regulations, or policies of
2 the authority in effect as of January 1, 2013, prohibiting or
3 limiting commercial, private, or other on-water facilities for new
4 development, and as such rules, regulations, or policies may be
5 amended, modified, or discontinued from time to time; and

6 (2) the offeree shall release and agree to hold the
7 authority harmless from, and the authority may not be held liable
8 for, damages, claims, costs, injuries, or any other harm to any
9 offeree or any other person or the Costello Island Property, or to
10 any improvements on the property, caused by or arising from any
11 temporary flooding of any portion of the Costello Island Property.

12 (f) Any sale of the Costello Island Property under this
13 section must allow the authority the right to enter onto the
14 Costello Island Property and the lake and other bodies of water, if
15 any, located within the Costello Island Property with essential
16 equipment for all purposes reasonably necessary for the authority
17 to fulfill its obligations as a river authority and any obligations
18 set forth in the FERC License, state water rights, or other
19 governmental regulations, or for any purpose that the authority
20 considers necessary for public safety, health, and welfare. Any
21 exercise by the authority of rights described by this subsection
22 may be conducted only after written notice is given to the offeree
23 at least 48 hours in advance of entry onto the property, except in
24 the event of an emergency, in which case advance notice is not
25 required, but the authority shall provide written notice as soon as
26 practicable. The authority shall use reasonable efforts to avoid
27 interfering with the offeree's use of the Costello Island Property

1 and shall promptly repair any damage to the property caused by the
2 authority's entrance. Any claim to governmental immunity on behalf
3 of the authority is waived with respect to the recovery of any
4 damage caused by the authority's breach of this subsection.

5 (g) Chapters 232 and 272, Local Government Code, Section
6 49.226, Water Code, and Section 8502.013 of this code do not apply
7 to a sale of property under this section.

8 (h) The authority may use proceeds from the sale of property
9 under this section for any authority purpose.

10 (i) The authority shall reserve its interest in all oil,
11 gas, and other minerals in and under the property to be sold, or any
12 portion thereof, to the extent the authority owns an interest in
13 those minerals.

14 (j) If the conveyance described by this section is not
15 completed before the second anniversary of the effective date of
16 this Act, this section shall no longer be effective and expires on
17 the date of the second anniversary.

18 (k) To the extent of any conflict with other laws of this
19 state, this section prevails.

20 SECTION 4. Section 8502.020, Special District Local Laws
21 Code, is amended to read as follows:

22 Sec. 8502.020. SALE OF AUTHORITY PROPERTY.

23 (a) Definitions. In this section:

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

27 (2) "Buffer Zone" means that twenty-five or fifty foot

1 strip of land measured landward horizontally from the 1000' contour
2 line that is included in the FERC Project Area as defined in the
3 FERC License.

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

8 (4) "Commercial Leased Land" means all or any ~~[that]~~
9 portion of the Initial Commercial Leased Land and the Remaining
10 Commercial Leased Land ~~[Tract that is located wholly outside the~~
11 ~~FERC Project Area and that is leased for commercial purposes as of~~
12 ~~the date the Restrictions are placed of record]~~.

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

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

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

1 (8) "Environmental Laws" means the Comprehensive
2 Environmental Response, Compensation and Liability Act of 1980, the
3 Toxic Substances Control Act, the Clean Water Act, the Resource
4 Conservation and Recovery Act and any other similar federal, state
5 or local law, rule or regulation respecting the environment or
6 Hazardous Materials, together with all rules and regulations
7 promulgated thereunder and all present or future amendments
8 thereto.

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

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

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

27 (12) "Hazardous Materials" means underground storage

1 tanks, petroleum and petroleum products, asbestos, PCB's,
2 urea-formaldehyde and any hazardous or toxic substances,
3 pollutants, contaminants, wastes, or materials as defined under any
4 Environmental Laws.

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

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

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

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

26 (17) "Owner" means the record holder of fee simple
27 title to any portion of the Leased Tract sold pursuant to this

1 section, including its heirs, personal representatives,
2 successors, and assigns. This term does not include a Purchaser
3 who acquires the Leased Tract from the Authority in accordance with
4 Subsection (b).

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

7 (19) "Purchaser" means any person or entity, including
8 its successors in interest, heirs, or assigns, that acquires the
9 Leased Tract (or any portion thereof) from the Authority in
10 accordance with Subsection (b). This term does not include those
11 Leaseholders that acquire individual Leased Tracts from the
12 Purchaser in accordance with Subsection (b).

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

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

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

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

9 (24) "Restrictions" means the easements, covenants,
10 restrictions, liens, encumbrances, and requirements contained in
11 the Declaration of Restrictive Covenants, Easements, and
12 Conditions to be recorded by the Authority as set forth in
13 Subsection (d), as amended from time to time.

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

20 (A) Driveways;

21 (B) paved or gravel roads located wholly within
22 Authority public use areas;

23 (C) paved or gravel roads located within gated
24 Authority operations areas; and

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

1 (26) "Shoreline Management Plan" means that certain
2 Possum Kingdom Shoreline Management Plan and Customer Guide,
3 adopted May 22, 2006, and amended July 31, 2006, and as may be
4 revised and/or further amended by the Authority at any time and from
5 time to time.

6 (27) "Undeveloped Strips" means all or any portion of
7 the Initial Undeveloped Strips and the Remaining Undeveloped Strips
8 ~~[small strips of unleased land located between individual lots~~
9 ~~within the Leased Tract and small parcels of land between the Leased~~
10 ~~Tract and Roads that the Authority determines in its sole~~
11 ~~discretion to include in any sale of all or any portion of the~~
12 ~~Leased Tract].~~

13 (28) "Amendments to the Restrictions" means the
14 amendments to the Restrictions under Subsection (d).

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

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

23 (31) "Initial Leased Tract" means all or any portion
24 of the Initial Commercial Leased Land, the Initial Residential
25 Leased Land, and the Initial Undeveloped Strips, whether owned by
26 the Authority, Purchaser, or Owner and whether or not subject to a
27 lease or Ground Lease or owned in fee simple.

1 (32) "Initial Residential Leased Land" means the
2 portion of the Initial Leased Tract located outside the FERC
3 Project Area that is leased only for single-family residential
4 purposes as of the date the Restrictions are recorded in the
5 applicable county records. The term does not include land that is
6 subject to a commercial lease that may be subleased for residential
7 purposes.

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

14 (34) "Remaining Commercial Leased Land" means the
15 portion of the Remaining Leased Tract that is located wholly or
16 partly within the FERC Project Area as of the date preceding the
17 Date of Decommissioning and that is leased for commercial purposes
18 as of the date the Amendments to the Restrictions are recorded in
19 the applicable county records. The term does not include a special
20 use lease, hangar lease, grass lease, hunting lease, or mineral
21 lease, any other lease for noncommercial purposes, or any portion
22 of the Initial Commercial Leased Land.

23 (35) "Remaining Leased Tract" means all or any portion
24 of the Remaining Commercial Leased Land, the Remaining Residential
25 Leased Land, and the Remaining Undeveloped Strips, whether owned by
26 the Authority, Purchaser, or Owner and whether or not subject to a
27 lease or Ground Lease or owned in fee simple.

1 (36) "Remaining Residential Leased Land" means the
2 portion of the Remaining Leased Tract that is located wholly within
3 the FERC Project Area as of the date preceding the Date of
4 Decommissioning and that is leased only for single-family
5 residential purposes as of the date the Amendments to the
6 Restrictions are recorded in the applicable county records. The
7 term does not include land that is subject to a commercial lease
8 that may be subleased for residential purposes. The term does not
9 include a special use lease, hangar lease, grass lease, hunting
10 lease, or mineral lease, any other lease for nonresidential
11 purposes, or any portion of the Initial Residential Leased Land.
12 The term does not include a lease of land in the Buffer Zone that is
13 subject to a residual interest that will automatically vest on the
14 Date of Decommissioning or other expiration or termination of the
15 FERC License.

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

22 (b) Sale to Purchaser. Prior to January 1, 2011, the
23 Authority may sell the Initial Leased Tract in whole or in part, to
24 a Purchaser in accordance with applicable law, this subsection, and
25 Subsections (d), (e), (f), (g), (h), and (i). For a period of two
26 years after the Date of Decommissioning, the Authority may sell the
27 Remaining Leased Tract in whole or in part, to a Purchaser in

1 accordance with applicable law, this subsection, and Subsections
2 (d), (e), (f), (g), (h), and (i). Any sale of the Initial Leased
3 Tract or the Remaining Leased Tract to a Purchaser under this
4 subsection shall be subject to the following:

5 (1) Each Leaseholder shall have the opportunity to buy
6 such Leaseholder's individual portion of the Leased Tract from the
7 Purchaser or to continue leasing the applicable portion of the
8 Leased Tract from the Purchaser in accordance with the following
9 purchase or lease options. The Purchaser shall:

10 (A) Permit the Leaseholder to purchase such
11 Leaseholder's individual Leased Tract in cash or through lender
12 financing for 90% of land only assessed value without any
13 exemptions (as determined by the appraisal district) for the year
14 2008 if the tract is part of the Initial Leased Tract, or for the
15 year 2012 if the tract is part of the Remaining Leased Tract, such
16 options [~~option~~] to be available at Closing as set forth in
17 Subdivision (2) and for a period of at least one year from Closing.

18 (B) Permit the Leaseholder to purchase for the
19 percent of assessed value only as set forth in Paragraph (A) such
20 Leaseholder's individual portion of the Leased Tract via seller
21 financing, with a down payment of ten percent (10%) and an interest
22 rate of six percent (6%), with a 30-year amortization, such seller
23 financing option to be available at Closing as set forth in
24 Subdivision (2) and for a period of at least one year from Closing
25 to the Leaseholder of any portion of the Commercial Leased Tract and
26 to the Leaseholder of any portion of the Residential Leased Tract to
27 the extent the Leaseholder of any portion of the Residential Leased

1 Tract qualifies for financing under the Dodd-Frank Wall Street
2 Reform and Consumer Protection Act (Pub. L. No. 111-203) and any
3 related regulations. The Leaseholder [~~leaseholder~~] shall not be
4 charged any origination fees or points by the Purchaser [~~purchaser~~]
5 as a part of the closing costs involved in the seller financing
6 option.

7 (C) Offer a new 99-year lease at a rental rate of
8 6% of the land only assessed value without any exemptions (as
9 determined by the appraisal district) for the year 2008 if the tract
10 is part of the Initial Leased Tract, or the 2012 land only assessed
11 value without any exemptions if the tract is part of the Remaining
12 Leased Tract, with annual Consumer Price Index increases or
13 decreases, such options [~~option~~] to be available for a period of at
14 least one year from Closing. The 99-year lease will include an
15 option for the Leaseholder to purchase the applicable portion of
16 the Leased Tract at the land only assessed value without any
17 exemptions (as determined by the appraisal district) at the time of
18 purchase (but not less than the 2008 land only assessed value
19 without any exemptions if the tract is part of the Initial Leased
20 Tract, or the 2012 land only assessed value without any exemptions
21 if the tract is part of the Remaining Leased Tract).

22 (D) Offer a new 20-year lease with a rental rate
23 as determined by the current Authority lease rate methodology or
24 other lease rate structure as set forth in the Ground Lease as
25 applicable (and including increases and adjustments to such rates)
26 with annual Consumer Price Index increases or decreases, to
27 Leaseholders who are over the age of 65 and who receive an ad

1 valorem tax exemption under Section 11.13, Tax Code, for a
2 structure on the Leaseholder's individual Leased Tract, such option
3 to be available for a period of at least one year from the date of
4 Closing. The Leaseholder must have received the ad valorem tax
5 exemption for a structure on the Leaseholder's individual Leased
6 Tract by January 1, 2009, if the tract is part of the Initial Leased
7 Tract or January 1, 2013, if the tract is part of the Remaining
8 Leased Tract. The 20-year lease will include an option for the
9 Leaseholder to purchase the applicable portion of the Leased Tract
10 at the land only assessed value without any exemptions (as
11 determined by the appraisal district) at the time of purchase (but
12 not less than the 2008 land only assessed value without any
13 exemptions if the tract is part of the Initial Leased Tract or the
14 2012 land only assessed value without any exemptions if the tract is
15 part of the Remaining Leased Tract).

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

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

23 (ii) an option permitting the Leaseholder
24 to purchase such Leaseholder's individual portion of the Leased
25 Tract for the land only assessed value without any exemptions (as
26 determined by the appraisal district) at the time of purchase, or
27 for the year 2008 if the tract is part of the Initial Leased Tract,

1 or for the year 2012 if the tract is part of the Remaining Leased
2 Tract, whichever is greater, for a period of 8 years from Closing;
3 and

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

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

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

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

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

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

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

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

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

27 (vi) Leaseholder is purchasing the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (3) Closing shall occur no later than December 31,
11 2010, for the Initial Leased Tract and not later than two years
12 after the Date of Decommissioning for the Remaining Leased Tract.
13 The Authority shall post on its website no later than thirty days
14 after entering into a Contract for sale with Purchaser the
15 effective date of such Contract and the anticipated date of
16 Closing, which date shall be at least six (6) months from the
17 effective date of the Contract. Any changes to the anticipated date
18 of Closing shall also be posted on the Authority's website. These
19 dates shall be used to establish the time periods provided in
20 Subdivision (2).

21 (c) Sale to Leaseholders. This subsection shall only apply
22 to, and be effective for, those portions of the Remaining Leased
23 Tract (if any) for which Closing has not occurred on or before the
24 second anniversary of the Date of Decommissioning [~~December 31,~~
25 ~~2010~~], pursuant to Subsection (b), in which case the effective date
26 of this subsection shall be the second anniversary of the Date of
27 Decommissioning [~~January 1, 2011~~]. Upon the effective date of this

1 subsection, the Authority shall suspend any applicable sale efforts
2 under Subsection (b) for a period of two years beginning on the
3 effective date of this subsection and initiate a tract by tract sale
4 of the Remaining Leased Tract to the then-current Leaseholders as
5 follows:

6 (1) For a period of two years beginning on the
7 effective date of this subsection and in accordance with the
8 procedures set forth in this subsection, and subject to Subsections
9 (d), (e), (f), (g), (h), and (i), the Authority shall provide
10 Leaseholders the opportunity to purchase their individual portion
11 of the Remaining Leased Tract [~~Tracts~~] directly from the Authority.
12 Leaseholders shall have until the expiration of such two-year
13 period to submit a completed application of intent to purchase
14 their individual Remaining Leased Tracts as provided by Subdivision
15 (4).

16 (2) The Authority shall determine if, and how, any
17 Remaining Undeveloped Strips will be divided between adjacent
18 Leaseholders and incorporated into any individual Remaining Leased
19 Tract; provided, however, Leaseholders shall not be required to
20 accept any such Remaining Undeveloped Strips.

21 (3) On or before the effective date of this
22 subsection, the Authority shall make available to the Leaseholders
23 a form for an application of intent to purchase the Leaseholder's
24 individual Remaining Leased Tract. Such application shall be
25 deemed a contract subject to the provisions set out herein. The
26 application of intent shall provide the Leaseholder a 30-day
27 feasibility period beginning on the date such application is

1 submitted in which the Leaseholder can determine the feasibility of
2 purchasing the applicable individual Remaining Leased Tract,
3 including the ability of such Leaseholder to obtain financing for
4 such purchase.

5 (4) A Leaseholder who desires to purchase such
6 Leaseholder's individual Remaining Leased Tract must submit a
7 completed application to the Authority on or before the second
8 anniversary of the effective date of this subsection [~~December 31,~~
9 ~~2012~~]. An application will be deemed "complete" upon the
10 following:

11 (A) Leaseholder delivers to the Authority an
12 executed application of intent to purchase with all required
13 information included in the application;

14 (B) Leaseholder delivers an earnest money
15 deposit, in good funds acceptable to the title company or escrow
16 agent selected by the Authority, in the amount of \$1,000 to such
17 title company or escrow agent, which earnest money shall be
18 nonrefundable after the expiration of the feasibility period except
19 in the event closing does not occur due to the fault of the
20 Authority;

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

25 (D) Leaseholder has delivered to the Authority a
26 survey that is acceptable to the Authority of the applicable
27 Remaining Leased Tract (and any Remaining Undeveloped Strips being

1 included in such Remaining Leased Tract). To be acceptable to the
2 Authority, the survey must:

3 (i) be acceptable to the title company
4 selected by the Authority for purposes of issuing any policy of
5 title insurance on the applicable portion of the Remaining Leased
6 Tract;

7 (ii) be prepared by a licensed state land
8 surveyor or a registered professional land surveyor acceptable to
9 the Authority;

10 (iii) include the boundary of the
11 Leaseholder's Remaining Leased Tract and any Remaining Undeveloped
12 Strips being conveyed, which boundaries must be consistent with the
13 master survey of the Remaining Leased Tract prepared on behalf of
14 the Authority;

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

25 (v) be reviewed and approved by the
26 Authority; the Authority or its representatives or agents may
27 perform an inspection of the individual Remaining Leased Tract to

1 verify the accuracy of the survey [~~Survey~~] and any encroachments
2 thereon.

3 (E) Leaseholder has delivered to the Authority a
4 title commitment and, if requested by the Authority, any exception
5 documents referenced therein, prepared by the applicable title
6 company or escrow agent selected by the Authority; and

7 (F) Leaseholder has delivered to the Authority
8 written evidence from Leaseholder's lender or financial
9 institution that Leaseholder has the financing or funds available,
10 as applicable, to complete the purchase of Leaseholder's Remaining
11 Leased Tract.

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

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

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

26 (A) timely paying all rent and other fees or
27 amounts due to the Authority pursuant to such Leaseholder's Ground

1 Lease through the date of closing on the Leaseholder's portion of
2 the Remaining Leased Tract;

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

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

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

1 any endorsements thereon) obtained by Leaseholder, and any costs
2 associated with removing any liens on the applicable Remaining
3 Leased Tract; and

4 (E) timely delivering to the escrow agent any
5 notices, statements, affidavits, or other documents required by the
6 application, escrow agent, or at law to effectuate the transfer of
7 the applicable Remaining Leased Tract to the Leaseholder.

8 (8) For those completed applications of intent to
9 purchase timely delivered to the Authority under this subsection,
10 the purchase must be completed no later than the expiration of 30
11 months after the effective date of this subsection [~~June 30, 2013~~].
12 For any individual Remaining Leased Tract [~~Tracts~~] for which
13 closing has not occurred by such date, the application shall be
14 deemed terminated. The Authority shall not accept any applications
15 of intent to purchase after the second anniversary of the effective
16 date of this subsection [~~December 31, 2012~~]; and any applications
17 of intent to purchase that are delivered to the Authority prior to
18 such date but that are not "complete" as of such date in accordance
19 with Subdivision (4) shall be rejected by the Authority.
20 Leaseholders submitting an application of intent to purchase their
21 individual Remaining Leased Tracts are responsible for ensuring
22 that such application is deemed "complete" on or before the second
23 anniversary of the effective date of this subsection [~~December 31,~~
24 ~~2012~~].

25 (9) Any Ground Lease that would otherwise expire shall
26 be automatically extended as necessary for one year terms to permit
27 such Leaseholder the full two-year period to deliver such

1 application of intent to purchase such Leaseholder's individual
2 Remaining Leased Tract and to complete such transaction no later
3 than the expiration of 30 months after the effective date of this
4 subsection [~~June 30, 2013~~].

5 (10) The Owner of a Remaining Leased Tract sold under
6 this subsection shall pay the Authority any reasonable fees set by
7 the Authority for any services the Owner accepts from the
8 Authority. However, the Owner of a Remaining Leased Tract is under
9 no obligation to accept services from the Authority.

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

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

- 16 (A) Chapter 272, Local Government Code;
- 17 (B) Section 49.226, Water Code; and
- 18 (C) Section 8502.013 of this code.

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

22 (14) At closing on the individual Remaining Leased
23 Tract, the Leaseholder shall pay any indebtedness secured by a lien
24 on the Leaseholder's leasehold estate (including the applicable
25 portion of the Buffer Zone that is [~~, whether or not included as~~]
26 part of the leasehold estate [~~Leased Tract pursuant to Subsection~~
27 (~~e~~)] or deliver the express written consent of the Lienholder on

1 the leasehold estate in the Remaining Leased Tract permitting the
2 Leaseholder to grant a purchase money lien on the fee simple estate
3 in the Remaining Leased Tract.

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

6 (16) For any portion of the Remaining Leased Tract
7 that has not been sold pursuant to this subsection on or before the
8 expiration of 30 months after the effective date of this subsection
9 [June 30, 2013], the Board shall sell any such remaining portion of
10 the Remaining Leased Tract pursuant to terms and conditions
11 determined by such Board.

12 (d) Restrictions on Property [~~Leased Tract~~]. The Property
13 is [~~Leased Tract (or any portion thereof) sold in accordance with~~
14 ~~Subsection (b) or (c) shall be~~] subject to the [~~following~~]
15 Restrictions recorded in Palo Pinto, Stephens, Young, and Jack
16 Counties, as amended from time to time. After the Date of
17 Decommissioning and before the date the Remaining Leased Tract is
18 conveyed under Subsection (b) or (c), the Authority, without
19 requiring the consent of any Owner, shall further amend the
20 Restrictions and record the Amendments to the Restrictions in the
21 records of each applicable county, which amendments must (i) add
22 the Remaining Commercial Leased Land as part of the Commercial
23 Leased Land in the Restrictions; (ii) add the Remaining Residential
24 Leased Land as part of the Residential Leased Land in the
25 Restrictions; (iii) add the Remaining Undeveloped Strips as part of
26 the Undeveloped Strips in the Restrictions; (iv) add the Remaining
27 Leased Tract as part of the Leased Tract; and (v) otherwise amend

1 the Restrictions to be substantively in accordance with the
2 following [~~, which shall be included, in substance, in a Declaration~~
3 ~~of Restrictive Covenants, Easements, and Conditions to be prepared~~
4 ~~by the Authority substantively in accordance with the following and~~
5 ~~recorded by the Authority, as declarant, in the applicable county~~
6 ~~records prior to any sale pursuant to Subsection (b) or (c)]:~~

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

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

1 over, or across the Roads.

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

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

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

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

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

27 (8) The Restrictions may not be modified in any

1 respect whatsoever or terminated, in whole or in part, except with
2 the consent of (i) the Owners or Purchasers of at least sixty
3 percent (60%) of the individual lots that comprise the Residential
4 Leased Land and Commercial Leased Land, and (ii) the Owners or
5 Purchasers of at least sixty percent (60%) of the land area of the
6 Authority Land, and (iii) the Authority, for so long as the
7 Authority has any interest in the Property, whether as an Owner or
8 ~~[holder of the FERC License or]~~ otherwise. Notwithstanding the
9 foregoing, the Authority, without the joinder of any other party,
10 shall have the absolute right to make minor changes or amendments to
11 the Restrictions to correct or clarify errors, omissions, mistakes,
12 or ambiguities contained therein. No amendment shall be effective
13 until such amendment has been recorded in the Official Public
14 Records of each of the counties in which the Property is located.

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

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

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

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

25 (12) No Owner, Purchaser, or Leaseholder shall have
26 the right to place, or permit to be placed, any advertisements,
27 private notices, signs, or billboards on the Residential Leased

1 Land [~~Tract~~] except that temporary signage customarily found on
2 residential property may be placed on the Residential Leased Land
3 at the reasonable discretion of the Owner, Purchaser, and/or
4 Leaseholder of that portion of the Residential Leased Land.

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

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

1 to comply with this subdivision.

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

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

26 (17) No professional, business, or commercial
27 activity to which the general public is invited shall be conducted

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

1 is required. Leasing of a residence shall not be considered a
2 business or trade within the meaning of this subsection. This
3 subdivision shall not apply to any activity conducted by the
4 Authority.

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

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

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

1 repainting of the exterior improvements visible to neighboring
2 properties and/or public view.

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

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

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

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

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

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

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

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

12 (26) No land located at or below the 1000' contour line
13 ~~[within the FERC Project Area]~~ shall be improved, used, or
14 occupied, except in such manner as shall have been approved by the
15 Authority ~~[and, to the extent required, by the Federal Energy~~
16 ~~Regulatory Commission]~~. No docks, piers, on-water facilities,
17 retaining walls, or any other structures or facilities shall be
18 built, installed, or maintained in, on, or over the waters of the
19 Lake ~~[or within the FERC Project Area]~~ except as authorized by the
20 Authority. All such structures or facilities shall be subject to
21 all rules and regulations applicable to the Lake ~~[and the FERC~~
22 ~~Project Area]~~, as the same may be adopted or amended from time to
23 time. Owner, Purchaser, and/or the Leaseholder shall be
24 responsible for any fees or annual charges assessed by the
25 Authority ~~[and/or the Federal Energy Regulatory Commission]~~ for
26 such permit or improvements and shall be responsible for ensuring
27 that any such improvements are consistent with the ~~[FERC License,]~~

1 Shoreline Management Plan~~[7]~~ and all other rules and regulations
2 applicable to the Property [~~FERC Project Area~~]. Owner or Purchaser
3 shall not, at any time, permit any liens to encumber the Authority
4 Land [~~FERC Project Area~~].

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

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

1 jurisdiction of the Property.

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

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

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

23 [~~(32) Structures in place within the FERC Project Area~~
24 ~~shall be subject to the FERC License, as the same may be amended~~
25 ~~and/or renewed from time to time. Any structures erected in the~~
26 ~~FERC Project Area after May 15, 1980 (the date of the amendment to~~
27 ~~the previous FERC License) may be required to be removed at the~~

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

6 (33) The Owner, Purchaser, and Leaseholder of any
7 portion of the Property [~~Leased Tract~~] shall comply with all of the
8 following rules and regulations, as applicable:

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

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

16 [~~(C)~~] the Authority's "Regulations for
17 Governance for Brazos River Authority Lakes and Associated Lands,"
18 as published on the Authority's Internet website and as those
19 regulations may be amended from time to time; and

20 (B) [~~(D)~~] other rules and regulations adopted by
21 the Authority regarding conduct on and use of the Lake [~~or the~~
22 ~~Property~~].

23 (34) By Texas statute, the Authority is empowered to
24 adopt and has adopted certain regulations governing conduct on and
25 use of the Property [~~within the FERC Project Area~~] and Lake.
26 Owners, Purchasers, Leaseholders, and persons using the Leased
27 Tract with such Owners' or Purchasers' consent shall abide by all

1 such rules and regulations adopted from time to time by the
2 Authority and any future revisions and amendments thereto.

3 (35) Owners, Purchasers, and Leaseholders of that
4 portion of the Leased Tract that is part of the Ranch shall comply
5 with the terms and conditions of the Ranch Agreement and the
6 covenants and restrictions set forth in the Ranch Declarations, to
7 the extent applicable to such portion of the Leased Tract. As to
8 that portion of the Property that is part of the Ranch, the Ranch
9 Declarations shall control in the event of any conflict between the
10 covenants, restrictions, and conditions set forth in the Ranch
11 Declarations and the Restrictions. Owners, Purchasers, and
12 Leaseholders of a portion of the Leased Tract that is part of any
13 other subdivision shall comply with the terms and conditions of the
14 covenants and restrictions governing the subdivision that apply to
15 the portion of the Leased Tract. Any portion of the Property that
16 is part of the subdivision is governed by the restrictions and
17 covenants governing the subdivision which shall control in the
18 event of a conflict between the covenants, restrictions, and
19 conditions governing the subdivision and the Restrictions and
20 Amendments to the Restrictions.

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

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

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

1 wastewater system or service, then such association or municipality
2 rules shall control;

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

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

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

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

24 (39) The Authority shall reserve the right of ingress
25 and egress for the Authority and any person authorized by the
26 Authority, including an agent of the Authority or employees, over
27 and across the Leased Tract and any and all on-water facilities

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

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

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

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

22 (40) Each Owner, Purchaser, and Leaseholder shall
23 comply strictly with the Restrictions, as the same may be amended
24 from time to time. Failure to comply with the Restrictions shall
25 constitute a violation of the Restrictions, and shall give rise to a
26 cause of action to recover sums due for damages or injunctive relief
27 or both, maintainable by the Authority or other Owners or

1 Purchaser; provided however, no Owner, Purchaser, Leaseholder, or
2 other person shall have any right of action against the Authority
3 arising under the Restrictions.

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

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

1 recorded against such defaulting person's [~~owner's~~] portion of the
2 Leased Tract.

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

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

1 thereon, in order to enforce any right or effect compliance with the
2 Restrictions.

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

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

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

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

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

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

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

11 (50) Any subdivision by an Owner of the Owner's portion
12 of the Leased Tract is subject to all applicable laws, rules,
13 regulations, codes, and ordinances, including any applicable
14 platting requirements, and any rules and restrictions relating to
15 on-site sewage facilities.

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

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

1 and Lake to allow the Authority to fulfill its obligations as a
2 River Authority and any obligations set forth in [~~the FERC~~
3 ~~License,~~] state water rights[~~7~~] or other governmental regulations.

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

17 (A) the Federal Energy Regulatory Commission
18 approves an amendment to the FERC License removing the Buffer Zone
19 from the boundaries prescribed by the FERC License such that the
20 Buffer Zone is no longer subject to regulation by the Federal Energy
21 Regulatory Commission; [~~or~~]

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

26 (C) the Date of Decommissioning occurs.

27 (3) Notwithstanding the foregoing, if such residual

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

23 (4) Until the residual interest in the Buffer Zone
24 vests in the Purchaser or then-current Owner of the adjacent
25 portion of the Initial Leased Tract as set forth in Subdivision (3),
26 [~~In the event a sale under Subsection (b) or (c) does not include~~
27 ~~the Buffer Zone or any portion thereof, or only includes a residual~~

1 ~~interest in the Buffer Zone or any portion thereof, then]~~ such
2 Buffer Zone shall remain subject to the terms and conditions of the
3 residential Ground Lease in effect between the Leaseholder and the
4 Authority at the time Closing occurs under Subsection (b) [~~or at the~~
5 ~~time the Leaseholder purchases the applicable Leased Tract under~~
6 ~~Subsection (c)]~~; provided, however, no rent shall be due the
7 Authority under such Ground Lease for the Buffer Zone. At such time
8 as the applicable Ground Lease expires or is otherwise terminated,
9 the Authority may, subject to approval of the Federal Energy
10 Regulatory Commission, grant the Purchaser or the then-current
11 Owner of the adjacent tract (as determined pursuant to the method
12 set forth in Subdivision (2)(B)), an easement for use of such
13 portion of the Buffer Zone, which easement shall be subject to the
14 FERC License. The Authority shall retain ownership of such portion
15 of the Buffer Zone and exercise control over such portion of the
16 Buffer Zone consistent with the FERC License and this subsection.
17 The easement granted to such Owner shall be limited to uses
18 permitted under the terms of the FERC License and the Authority's
19 Shoreline Management Plan, and any other Authority rules and
20 regulations as may be adopted from time to time.

21 (f) Purchase Price. For purposes of determining the
22 purchase price and/or lease rate pursuant to the options set forth
23 in Subsection (b)(1) or the purchase price in Subsection (c), in the
24 event the appraisal district does not provide an assessed value for
25 the applicable portion of the Leased Tract for the applicable year,
26 then the land only assessed value without any exemptions for the
27 applicable portion of the Leased Tract shall be calculated based on

1 the assessed value per square foot of comparable lots with similar
2 physical characteristics in the applicable county or adjoining
3 counties, as determined by the Authority.

4 (g) Roads. Authority or Purchaser, whichever is
5 applicable, shall transfer its interest in the Roads to the
6 applicable county in which the Roads, or any portion thereof, are
7 situated as follows:

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

11 (2) All Roads located in Palo Pinto County
12 (approximately forty-six miles of Roads) shall be transferred to
13 Palo Pinto County in twenty percent increments of the total mileage
14 per year for five consecutive years. The first twenty percent
15 increment shall be transferred on or before December 31, 2011, and
16 each remaining twenty percent increment shall be transferred on or
17 before December 31 of each subsequent year, but not before January 1
18 of such year unless approved by an order or resolution of the Palo
19 Pinto County Commissioners Court, with the final twenty percent
20 increment being transferred on or before December 31, 2015, but not
21 before January 1, 2015, unless approved by an order or resolution of
22 the Palo Pinto County Commissioners Court.

23 (3) Authority or Purchaser, whichever is applicable,
24 in consultation with the Palo Pinto County Commissioner or
25 Commissioners who have jurisdiction over the Leased Tract, shall
26 determine which Roads or portions thereof shall be transferred each
27 year.

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

6 (5) Beginning on the date of transfer, the Authority
7 or Purchaser, whichever is applicable, shall no longer have any
8 obligations regarding such Roads. The Roads shall be transferred
9 in their "as-is" condition and neither the Authority nor the
10 Purchaser shall have any obligation to ensure that the Roads, or any
11 portion thereof, comply with the standards in effect at the time of
12 transfer in the applicable county for like roads currently
13 maintained by that county.

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

1 total number of miles of Roads located in and transferred or to be
2 transferred to Palo Pinto County pursuant to this subsection.

3 (7) Notwithstanding any provision in this subsection
4 to the contrary, the Authority or Purchaser, as applicable, shall
5 retain ownership of any portion of a Road that is inaccessible to
6 the public. For purposes of this subdivision, a portion of the Road
7 is considered inaccessible to the public if, as of the effective
8 date of the Act enacting this section, the public can only access
9 such portion of the Road by crossing property not owned by the
10 Authority or Purchaser, as applicable, and not subject to an
11 easement or other ownership interest that allows the public to
12 cross such property without restriction. If a retained portion of a
13 Road subsequently becomes accessible to the public, the Authority
14 or Purchaser, as applicable, shall transfer such retained portion,
15 including any interest the Authority or Purchaser has in any
16 additional Road constructed or acquired by the Authority or
17 Purchaser in order to make the retained portion of the Road
18 accessible to the public, to the applicable county in accordance
19 with the process set forth in this subsection, or in the event such
20 portion of the Road becomes accessible to the public after December
21 31, 2015, within one (1) year of such retained portion of the Road
22 becoming accessible.

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

26 (i) Mineral Interests. The Authority shall reserve its
27 interest in all oil, gas, and other minerals in and under the Leased

1 Tract (or any portion thereof) sold under this section.

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

6 SECTION 5. Section 8502.0132(h), Special District Local
7 Laws Code, is repealed.

8 SECTION 6. If the provisions of Section 8502.0132 or
9 8502.020, Special District Local Laws Code, as amended by this Act,
10 or Section 8502.0133, Special District Local Laws Code, as added by
11 this Act, conflict with any other provision of Chapter 8502 of that
12 code, then the provisions of Section 8502.0132, 8502.0133, or
13 8502.020, as applicable, prevail.

14 SECTION 7. This Act takes effect immediately if it receives
15 a vote of two-thirds of all the members elected to each house, as
16 provided by Section 39, Article III, Texas Constitution. If this
17 Act does not receive the vote necessary for immediate effect, this
18 Act takes effect September 1, 2013.