

**CONTRACT FOR SALE**  
**OF REAL PROPERTY AT POSSUM KINGDOM LAKE**  
**PALO PINTO, STEPHENS, AND YOUNG COUNTIES**

THIS CONTRACT OF SALE (the “Contract”) is made and entered into by and between **BRAZOS RIVER AUTHORITY**, a river authority of the State of Texas, created pursuant to Article XVI, Section 59 of the Texas Constitution (“Seller”), and **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership (“Purchaser”), to be effective as of the date set forth below.

**LIST OF DEFINED TERMS**

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**RECITALS**

A. Seller owns approximately 30,000 acres (approximately 14,000 acres of which is located above the 1000' contour line [as defined below]) (the "Authority Land")<sup>1</sup> at Possum Kingdom Lake (the "Lake") in Palo Pinto, Stephens, Young, and Jack Counties, in the State of Texas.

B. The boundary of the Lake is defined by the 1000' contour line, which is the line running along the periphery of the Lake if the surface of the Lake is at an elevation of 1000 feet above mean sea level, as measured from the top of the spillway crest gates of the Morris Sheppard Dam, as such line may move and shift from time to time due to natural forces, including erosion and accretion (the "1000' contour line").

C. The Lake is formed by Morris Sheppard Dam, which was constructed as part of a hydroelectric project (the "Project", as further described in the FERC License) pursuant to that certain license ("FERC License") issued by the United States of America Federal Energy Regulatory Commission ("FERC") to Brazos River Authority for FERC Project No. 1490-003-Texas on September 8, 1989, as such FERC License has been (and may be further) extended, renewed, and amended at any time and from time to time. References to the FERC License include that certain Amendment to the original FERC License issued in 1975, which Amendment was issued May 15, 1980, to the extent such Amendment is incorporated and referenced in the current FERC License.

D. The FERC License governs and regulates that portion of the Authority Land which is subject to the FERC License (the "FERC Project Area"), as further identified and defined in the FERC License, as may be amended at any time and from time to time, and which FERC Project Area may move or change over time due to natural forces.

E. The FERC Project Area includes a buffer strip (the "FERC Buffer") that is 25 or 50 feet in width (depending on the location) and is measured landward horizontally from the 1000' contour line, as such 1000' contour line and the FERC Buffer may move and shift from time to time due to natural forces, such as erosion and accretion. All or a portion of the FERC Buffer, which consists of approximately 300 acres of land, is covered by the residential Leases, and may or may not be included in the Residential Leased Land, as defined below (see Paragraph 8.a below).

F. On January 8, 2009, Seller issued that certain Request for Bids known as RFB No. 09-04-391 (the "RFB") for the sale of a portion of the Authority Land at the Lake (such land to be conveyed being defined herein as the "Property").

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<sup>1</sup> In HB3031, the land owned by Seller as of the date before Closing is referred to as the 'Property' instead of as 'Authority Land.' Further, in HB3031, 'Authority Land' is defined as the portion of the property being retained by Seller, whereas this Contract refers to the property being retained by Seller as 'Retained Land.'

G. Two bids were received by Seller in response to the RFB, including that certain bid dated April 8, 2009 submitted by Purchaser (“Purchaser’s Bid”).

H. On April 27, 2009, the Board of Directors of the Brazos River Authority (the “Board”) declared the Property to be surplus, selected Purchaser’s Bid, and authorized the General Manager/CEO of the Seller to negotiate a contract and other documents necessary for the conveyance of the Property to Purchaser in accordance with the RFB, subject to ratification of such contract and documents by the Board.

I. By the acts of the 81<sup>st</sup> Texas Legislature, that certain legislation known as House Bill No. 3031 (“HB3031”), which amends Chapter 8502 of the Special District Local Laws Code and sets forth certain requirements regarding the sale of the Property as contemplated herein, became effective as of May 27, 2009.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants set forth in this Contract, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Purchaser and Seller hereby agree as set forth below.

1. **Agreement for Sale of the Property.** On and subject to the terms and conditions of this Contract, Seller agrees to sell and convey to Purchaser and Purchaser agrees to purchase the following described portion of the Authority Land located in Palo Pinto, Stephens, and Young Counties, Texas (collectively referred to as the “Property”):

a. **Residential Leased Land.** The “Residential Leased Land” consists of those tracts of land consisting of approximately 900 acres located outside the FERC Project Area which are subject to a single-family residential lease, as generally depicted on Exhibit A attached hereto, as of the date the Declaration (as hereinafter defined) is filed of record. The Residential Leased Land does not include the FERC Buffer or any part of the FERC Project Area; provided, however, that if the FERC Buffer is removed from the FERC Project Area (see Paragraph 8.a below) prior to Closing, then the Residential Leased Land shall include the FERC Buffer and shall consist of approximately 1,200 acres of land. The Residential Leased Land shall not include that portion of the Authority Land which is subject to a residential lease where the leased premises are located wholly within the FERC Project Area but outside the FERC Buffer.

b. **Commercial Leased Land.** The “Commercial Leased Land” consists of those tracts of land consisting of approximately 50 acres located wholly outside the FERC Project Area which are subject to a commercial lease, including a commercial lease where such commercial Leaseholder (as defined below) is authorized to sublease for residential purposes, as generally depicted on Exhibit A attached hereto, as of the date the Declaration (as hereinafter defined) is filed of record. The Commercial Leased Land does not include that portion of the Authority Land which is subject to a commercial lease where the leased premises are located wholly or partially within the FERC Project Area, including any portion of the FERC Buffer. The Residential Leased Land and Commercial Leased Land are collectively referred to herein as the “Leased Tract.”<sup>2</sup> The Leased Tract also includes a portion of that land located outside the FERC Project Area which is subject to that

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2 In HB3031, the defined term ‘Leased Tract’ also includes the Undeveloped Strips being conveyed by Seller, whether or not subject to a Lease. In this Contract, Undeveloped Strips are not included within the definition of ‘Leased Tract’.

certain Agreement by and among Seller, The Ranch on Possum Kingdom, L.P., and Hill Country Harbor Village, L.P. (the "Ranch Agreement", a copy of which was attached to the RFB as Exhibit "M", and which is incorporated herein by reference as if fully set forth herein) effective as of August 1, 1997 and dated December 12, 1997, some of which land may be used for residential purposes and some of which may be used for commercial purposes; provided however that such portion of the land subject to the Ranch Agreement shall be part of the Leased Tract only to the extent Seller is released from its obligations under the Ranch Agreement as such obligations pertain to such land.

c. Roads. The "Roads" consist of those certain approximately 49 miles of paved or gravel streets, roads, and thoroughfares owned and maintained by Seller that provide access, ingress, and egress to and from the Leased Tract, the Lake, and/or Authority Land, as generally depicted on Exhibit A attached hereto; provided however that Roads shall not include (i) Driveways (as hereinafter defined), (ii) paved or gravel roads located wholly within Seller's public use and recreation areas or, in Seller's discretion, which solely serve Seller's facilities (as described on the attached Schedule I) as of the Effective Date (as hereinafter defined), (iii) paved or gravel roads located within Seller's gated operations areas as of the Effective Date, or (iv) paved or gravel roads located wholly within an individual leased lot that is part of the Commercial Leased Land and that serve only that individual commercial leased lot. In those areas where the Roads are not wide enough to meet county standards, to the extent there is undeveloped land available on either side of that portion of such Roads, which undeveloped land is not part of the FERC Project Area or otherwise needed by Seller for its current or future operations, Seller may, at its discretion, include as part of the Roads, such additional land to permit that portion of the non-conforming Roads to be widened to meet county standards. In addition, to the extent any of such Roads are located within the FERC Project Area, the conveyance of such Roads shall be subject to the FERC License, which may restrict the ability of Seller to convey such Roads to Purchaser, or which may require that such portion of the Roads be conveyed in the form of a grant of a right-of-way or an easement instead of in a deed conveying fee simple title. "Driveways" means those certain private gravel and/or paved driveways that connect a Road or other street or thoroughfare to an individual leased lot or any improvements thereon; and includes those shared or common driveways that serve more than one Leaseholder or individual leased lot.

d. Undeveloped Strips. The "Undeveloped Strips" consist of those certain strips of undeveloped and un-leased land located (i) between individual leased lots within the Leased Tract (i.e., a strip of land which is not covered by the individual leases on either side of such strip of land) or (ii) between the Leased Tract and the Roads, which Seller determines, in its sole discretion, to include as part of the Property. Seller will, in its discretion, determine prior to Closing which undeveloped strips of land will be included within the definition of Undeveloped Strips for purposes of this Contract. Portions of the Undeveloped Strips may be included as part of the Roads and/or portions of the Undeveloped Strips may be conveyed to the adjacent Leaseholders by Purchaser, or otherwise be included as part of the adjacent Leaseholders individual leased lot, as determined and agreed to by Purchaser and the adjoining Leaseholder. Those portions of the Undeveloped Strips which do not become part of the Roads or Leased Tract may be subject to restrictions on use, such restrictions to be set forth in the Declaration (as hereinafter defined). The Leased Tract, Roads, and Undeveloped Strips are collectively referred to as the "Land".

e. Improvements. The "Improvements" consist of all improvements and fixtures

owned by Seller and located on the Land; provided however, that (i) certain dam measurement station and related structures and improvements located on a portion of the Land (see Paragraph 8.g below) is not being conveyed pursuant to this Contract and is not part of the Improvements; (ii) any equipment, fixtures, pipelines, gates, control structures or other appurtenances or facilities owned, installed, or used by Seller in connection with its operations are not being conveyed pursuant to this Contract and are not part of the Improvements; and (iii) Purchaser acknowledges that the improvements, Driveways, paved or gravel roads located wholly within an individual commercial leased lot that is part of the Commercial Leased Land and that serve only that individual commercial leased lot, buildings, houses, and related structures, located on the Leased Tract that are the property of the Leaseholders under any Leases (as defined below) are not part of the Improvements being conveyed pursuant to this Contract.

f. Other Property. The "Other Property" consists of:

i. The interest of the Seller, as lessor or landlord under all those certain commercial and/or residential ground leases, use, and occupancy agreements covering a portion of the Land (hereinafter called the "Leases") by and between Seller and a Leaseholder and their respective heirs, successors, and assigns, together with all prepaid rents, security deposits, utility deposits, and other deposits made by the Leaseholders under the Leases. "Leaseholder" means a person or entity that has a Lease with Seller including such Leaseholder's heirs, successors, and assigns. The Leases on the Leased Tract shall remain subject to the terms, conditions, and covenants of the FERC License and the Possum Kingdom Shoreline Management Plan and Customer Guide ("Shoreline Management Plan") promulgated by Seller and adopted May 22, 2006 and amended July 31, 2006 (and as may be further revised and/or amended by Seller at any time and from time to time), copies of which were attached to the RFB as Exhibits "E" and "F," respectively, and which are incorporated herein by reference;

ii. All of Seller's interest at the time of Closing in contracts or agreements such as maintenance, service, or utility contracts to the extent they relate to the ownership, use, leasing, maintenance, service, or operation of the Land or Improvements, to the extent they are assignable; and

iii. All and singular the rights and appurtenances pertaining to any of the foregoing, including without limitation, the right of the Seller, if any, in and to adjacent streets, alleys, easements, rights-of-way and rights of ingress and egress thereto.

The Land to be sold is generally depicted on Exhibit A attached hereto and constitutes approximately 900 acres of Residential Leased Land (or 1200 acres of Residential Leased Land if the FERC Buffer is included), 50 acres of Commercial Leased Land, the Undeveloped Strips, and approximately 49 miles of Roads. The Parties acknowledge and agree that Exhibit A is not guaranteed to be complete and accurate, and at such time as the Updated Survey (as defined below) is completed and approved, the Parties shall replace Exhibit A attached hereto with the metes and bounds description of the Land set forth in the Updated Survey. The Property shall be conveyed subject to (i) the Permitted Exceptions (as defined below); (ii) standby fees, taxes and assessments by any taxing authority for the year of Closing and subsequent years, and subsequent taxes and assessments by any taxing authority

for prior years due to change in land usage or ownership, the payment of all of which shall be assumed by Purchaser; (iii) all regulations, restrictions, laws, statutes, ordinances, obligations or other matters which affect the Property and which are imposed by or existing by reason of any regulatory, governmental or quasi-governmental districts, entities, agencies, authorities or other bodies of any kind or nature, including, without limitation, Seller ("Governmental Authorities"); (iv) all riparian rights, water rights, public access rights or other rights of any kind or nature which affect the Property and which are held by or relate to any Governmental Authorities or the public generally; and (v) all reservations, exceptions, covenants, conditions, restrictions and other matters expressly set forth in this Contract and/or the Deed (as defined below), including, without limitation, the Restrictions (as defined below). The term Property shall not include the real property, improvements, or other rights and reservations which are defined in Paragraph 8 as "Retained Land".

2. **Purchase Price.** The purchase price for the Property shall be the difference between (a) Fifty One Million Eight Hundred Thousand and No/100 Dollars (\$51,800,000.00) and (b) the cost incurred by Purchaser in obtaining the Updated Survey as set forth in Paragraph 5.b.(iii) below, which cost shall not exceed One Million Two Hundred Thousand and No/100 Dollars (\$1,200,000) for purposes of calculating the purchase price (the "Purchase Price"). For example, if the cost of the Updated Survey is \$600,000, then the Purchase Price would be \$51,200,000 [\$51,800,000 - \$600,000]; and if the cost of the Updated Survey is \$1,500,000, then the Purchase Price would be \$50,600,000 [\$51,800,000 - \$1,200,000, which is the maximum cost for the Updated Survey for purposes of determining the Purchase Price].

3. **Payment of Purchase Price.** The Purchase Price for the Property shall be paid by Purchaser to Seller in the following manner:

a. *Initial Escrow Deposit; Title Company.* Purchaser, simultaneously with its delivery of Purchaser's Bid pursuant to the RFB, delivered to Seller a cashier's check or money order in the amount of Five Hundred Twenty Thousand and No/100 Dollars (\$520,000.00) (the "Initial Escrow Deposit"), which amount Seller has deposited into a non-interest bearing account in Seller's name, pursuant to the terms of the RFB. Within five (5) business days after the later of (i) Purchaser's delivery of the Additional Escrow Deposit (as set forth in Paragraph 3.b below) to Heritage Title Company of Austin at its offices at 401 Congress Avenue, Suite 1500, Austin, TX 78701, Attention: John Bruce (the "Title Company") or (ii) the date on which the Board ratifies this Contract, Seller shall deliver the Initial Escrow Deposit to the Title Company, which shall serve as Purchaser's initial escrow deposit for Purchaser's full and faithful performance of its obligations under this Contract.

b. *Additional Escrow Deposit.* Upon Purchaser's execution of this Contract, Purchaser shall deposit with the Title Company an additional sum in the amount of Two Million Sixty Thousand and No/100 Dollars (\$2,060,000) (the "Additional Escrow Deposit"). The Initial Escrow Deposit and the Additional Escrow Deposit shall be referred to herein collectively as the "Escrow Deposit". In the event that Purchaser fails to deposit the Additional Escrow Deposit with the Title Company as and when required above, then such failure shall constitute a default by Purchaser for the purposes of Paragraph 17.b below. The Title Company shall deposit the Escrow Deposit in one or more interest bearing accounts with a bank or other financial institution reasonably acceptable to Purchaser and Seller. Interest earned on the Escrow Deposit shall be added to and become part of

the Escrow Deposit. The Escrow Deposit shall be paid to Seller at the Closing (as defined herein) as a part of the payment of the Purchase Price or, if the Closing does not occur, shall be otherwise disbursed in accordance with this Contract.

c. Cash Payment at Closing. Subject to the adjustments under Paragraph 15 of this Contract, the balance of the Purchase Price shall be paid to Seller in good funds at the Closing by cashier's check or wired funds, which, in either case, will allow the Title Company to disburse those funds to Seller at the Closing.

#### 4. **Feasibility Period.**

a. Feasibility Period. Purchaser and Purchaser's representatives shall have a period of sixty (60) days beginning on the Effective Date (as defined below) of this Contract (the "Feasibility Period") during which to inspect the condition of the Property, and to conduct such tests and examinations thereof as Purchaser, in its sole discretion, deems necessary or desirable.

b. Purchaser's Inspections. During the Feasibility Period, Purchaser, its agents and contractors, shall have access to the Property at all reasonable times to conduct its tests and examinations thereof; provided, however, that Purchaser shall notify Seller at least twenty four (24) hours in advance of any times Purchaser, its agents or contractors, shall desire access to the Property, and Seller or its agent or representative shall be permitted to accompany Purchaser or its agents on any such inspection. Purchaser hereby indemnifies and shall defend and hold harmless Seller and the Property from and against any and all costs, expenses, liabilities, claims, demands and causes of action (including any mechanics' liens) arising as a result of or in connection with any tests or other examinations on the Property undertaken by or on behalf of Purchaser, which indemnity shall survive the Closing or any termination of this Contract. Upon completion of any tests or other examinations on the Property by or on behalf of Purchaser, Purchaser shall restore the Property to substantially the same condition in which the Property existed prior to the conducting of such tests or other examinations, which obligation of restoration shall survive any termination of this Contract. Prior to Purchaser's initial entry upon the Land after the Effective Date, Purchaser shall deliver to Seller a certificate of insurance evidencing Purchaser's maintenance of commercial general liability insurance with combined single limits of not less than \$5,000,000.00 and naming Seller as an additional insured thereunder. Purchaser does further hereby waive any rights of subrogation any insurer or other third party may have by, through or under Purchaser against Seller or its agents, contractors, employees, representatives or Board members, and Purchaser shall obtain an endorsement on its insurance policy acknowledging such waiver. Inspection of any portion of the Property which is subject to a Lease must be with the consent of the Leaseholder under such Lease, which Seller shall use its commercially reasonable efforts to obtain after Purchaser's request therefor. Purchaser shall agree not to unreasonably interfere with a Leaseholder's use and occupancy of its individual leased lot during any such entry. Notwithstanding any provision of this Contract, the provisions of this Paragraph 4.b shall survive any termination of this Contract and the limitations on Seller's remedies under Paragraph 17.b shall not in any way limit Seller's enforcement of the provisions of this Paragraph 4.b.

c. Termination During Feasibility Period. If Purchaser, in its sole and absolute discretion, discovers any aspect of the Property to be unsatisfactory, then Purchaser may terminate this Contract by giving Seller written notice of such termination, along with the sum of One Thousand

Dollars (\$1,000.00) (the “Option Payment”), which sum Purchaser shall pay to Seller as consideration for this option, prior to the expiration of the Feasibility Period, in which case this Contract shall be deemed terminated, the parties shall have no further obligations one to the other hereunder (except those which expressly survive the termination hereof). After such termination, the Escrow Deposit (less the Option Payment, if not already paid to Seller) shall be refunded to Purchaser within five (5) business days after Purchaser’s delivery to Seller of the Due Diligence Materials (as hereinafter defined). If Purchaser fails to give Seller written notice terminating this Contract prior to the expiration of the Feasibility Period, then Purchaser shall be deemed to have waived its right to terminate this Contract pursuant to this Paragraph 4. The Escrow Deposit shall be non-refundable after the expiration of the Feasibility Period, except in the event of a Seller default which is not timely cured or as may be otherwise specifically set forth herein. If the transaction contemplated in this Contract is not closed for any reason, then Purchaser shall turn over to Seller all Seller’s Information (as defined below) and any and all documents, reports, surveys, engineering and other studies generated or acquired by Purchaser in connection with its feasibility review hereunder (collectively, the “Due Diligence Materials”). The Due Diligence Materials shall be delivered to Seller within five (5) business days after the termination of the Contract, and to the extent that Purchaser is entitled to a return of the Escrow Deposit, then such return shall be conditioned upon Purchaser delivering the Due Diligence Materials to Seller.

5. **Survey.**

a. *Initial Survey.* Seller, at Seller’s expense, shall obtain and deliver to Purchaser a current survey of the 1000’ contour line, the back and side boundary lines of the Leased Tract, and the boundary of the FERC Buffer (the “Initial Survey”). The Initial Survey shall be prepared by AECOM Group, or an engineer or surveyor selected by Seller and reasonably acceptable to Purchaser (“Surveyor”). The Initial Survey may also include a portion of the Roads and the Undeveloped Strips. The Initial Survey will not include the interior leased lot lines and may not encompass all or any of the Roads or Undeveloped Strips. The scope of work and estimated completion schedule for the Initial Survey is attached hereto as Exhibit K. Notwithstanding the attached scope of work and schedule, Seller shall not be in default if the Surveyor does not complete the Initial Survey in the timeframes provided for in the attached schedule unless such delays are solely caused by the gross negligence or willful misconduct of Seller and such delays materially and adversely impact the Closing. Additionally, Seller reserves the right to amend, alter, or otherwise modify the attached scope of work and schedule with the Surveyor, and Purchaser acknowledges that Purchaser is not a party to Seller’s contract with the Surveyor and is not a third-party beneficiary thereof.

b. *Updated Survey.* Purchaser, at Purchaser’s expense, shall obtain and deliver to Seller, an updated survey (the “Updated Survey”), prepared by Surveyor or a licensed surveyor selected by Purchaser and reasonably acceptable to Seller and the Title Company, which Updated Survey shall, at a minimum, (i) depict the Leased Tract, Roads, and Undeveloped Strips being conveyed pursuant to this Contract, (ii) set forth an accurate metes and bounds description of the Leased Tract, Roads, and Undeveloped Strips being conveyed pursuant to this Contract; (iii) locate any buildings, structures, or other improvements (including Improvements) which are wholly or partially located within the FERC Buffer and/or FERC Project Area in sufficient form to permit Seller to submit such survey of encroachments to FERC in the event Seller seeks FERC approval for any or all of such encroachments (see Paragraph 9.d); and (iv) meet or exceed the requirements of a



Category 1B, Condition II, Standard Land Survey according to the standards prescribed by the Manual of Practice for Land Surveying in the State of Texas, 2006 Revised Eleventh Edition, as promulgated by the Texas Society of Professional Surveyors. The Updated Survey is not required to include the interior leased lot lines. Seller shall have the right to review and approve Purchaser's contract with its selected surveyor, including without limitation the scope of work, cost associated with each task, and schedule set forth therein.

c. *Cooperation of Parties.* Seller and Purchaser hereby agree to cooperate and work together in good faith to have the Initial Survey and Updated Survey completed as promptly and efficiently as possible. Upon completion of the Updated Survey, Purchaser will deliver the Updated Survey to Seller for its review and approval, which shall not be unreasonably withheld, conditioned, or delayed. The Updated Survey shall be delivered to Seller at least ninety (90) days prior to Closing, but in no event later than July 31, 2010, unless otherwise agreed to by Seller and Purchaser in writing. Seller shall promptly review such Updated Survey and notify Purchaser in writing of any objections thereto. Purchaser shall deliver a revised Updated Survey which addresses such objections within fifteen (15) days (or such other time period as may be agreed to in writing) after receipt of such objections. At such time as the Updated Survey is completed and approved by Seller, Seller and Purchaser shall execute an amendment to this Contract that will substitute the metes and bounds legal description of the Land contained in the survey for the Land description and/or depiction attached hereto as Exhibit A and that will confirm the final Purchase Price in accordance with Paragraph 2 above, based on the actual cost of such Updated Survey. The Initial Survey and Updated Survey are collectively referred to herein as the "Survey".

6. **Owner Policy of Title Insurance; Title Commitment; Title Review.**

a. *Title Commitment.* Seller shall cause the Title Company to furnish to Purchaser, within thirty (30) days after the Effective Date hereof, a written title report(s) or commitment(s) (the "Title Commitment") to issue a Texas Owner's Policy of Title Insurance on the standard form of policy prescribed by the Texas State Board of Insurance of the State of Texas, which Title Commitment shall specify all exceptions to title, including, without limitation, easements, liens, encumbrances, restrictions, conditions, or covenants affecting the Property, and, at Purchaser's cost and expense, accompanied by complete and legible copies of all recorded documents (collectively, the "Title Documents") affecting title to the Property and referred to in the Title Commitment.

b. *Owner Policy.* Purchaser, at Purchaser's expense, shall obtain an Owner Policy of Title Insurance (on a form prescribed by the State Board of Insurance of the State of Texas), insuring title to the Land and Improvements in Purchaser in the full amount of the total Purchase Price, and containing those exceptions set forth on the Title Commitment (the "Permitted Exceptions"), including without limitation: (i) the standard printed exception for taxes for the year of the Closing (if not paid before the Closing) and subsequent years; (ii) the standard printed exception for shortages in area (and the balance of the standard printed exception pertaining to boundaries and encroachments unless deleted, at Purchaser's option and expense, to the extent permitted by applicable regulations); (iii) the terms and conditions of any access easements or other rights reserved by or granted to Seller in connection with the Closing; (iv) the easements, covenants, and restrictions contained in the Declaration (as defined below) or Deed, (v) any and all leases on the Property and rights of parties in

possession and any memoranda of any such leases; (vi) any and all easements, rights-of-way, and other matters whether or not of record, and those visible and apparent on the Property, affecting or related to it (including, without limitation, any easements or agreements, whether or not recorded, between Seller and the Water Supply Corporation for the installation, maintenance, repair, or replacement of water lines located beneath the Property); (vii) any other matters that become Permitted Exceptions pursuant to the terms of this Contract including, without limitations, those matters set forth in Paragraphs 8 and 9 below.

c. **Title Objections.** Purchaser shall, within fifteen (15) days after receipt of the Title Commitment and Title Documents, notify Seller in writing of any objections to any exceptions (other than Permitted Exceptions) shown on the Title Commitment. To the extent Purchaser does not make any such objections to title by giving Seller timely written notice thereof as provided above, or if Purchaser does not terminate this Contract pursuant to Paragraph 4.c above, then in either event Purchaser shall be deemed to have approved the condition of title as shown in the Title Commitment and Title Documents and waived its right to object, and all matters shown on the Title Commitment shall be deemed Permitted Exceptions. Seller shall have the right, but not the obligation, to cure or remove any such title objections, and Seller shall have no obligation to incur any expenses in curing any such objections; provided however, Seller agrees to use good faith efforts to address and/or remove those requirements or exceptions shown on Schedule C of the Title Commitment that are created by Seller to the extent they apply to any leased lot which is to be sold to a Leaseholder concurrently with the Closing hereunder. Notwithstanding the foregoing, Seller shall have no obligation to cure any exceptions on Schedule C of such Title Commitment regarding legal right of access to or from the Property.

7. **Seller's Information.** Within ninety (90) days after the Effective Date, Seller shall deliver to Purchaser the following items (collectively, "**Seller's Information**"), to the extent in Seller's possession, which shall be considered part of the Due Diligence Materials:

- a. Copies of all existing Leases on the Property and any amendments thereto; and
- b. A current rent roll for the Property.

Seller shall deliver to Purchaser such Seller's Information on a CD or other electronic format at Seller's expense. If Purchaser desires to obtain a hard copy or paper copy of any or all of Seller's Information, then Seller will deliver such items at Purchaser's sole cost and expense. To the extent Seller has additional information in its possession regarding the Leases on the Property, and Purchaser desires to see such information, Seller agrees to reasonably cooperate with Purchaser in providing such information and allowing Purchaser to view such files, at Purchaser's sole cost and expense. It is acknowledged and agreed by Purchaser that by providing such Seller's Information, Seller is not making and has not made any representation or warranty regarding the completeness or accuracy of the Seller's Information or the information contained therein, and Purchaser shall not be entitled to rely upon the accuracy or completeness of such information, but agrees to rely solely on its own analysis or inspections as Purchaser deems necessary regarding such information.

8. **Seller's Retained Property.** The following described property is being retained by Seller (the "**Retained Land**") and is expressly excluded from the Property (except as may be

specifically set forth below):

a. FERC Project Area. Except as set forth below regarding the FERC Buffer, the FERC Project Area is not included in the Property and will be retained by Seller. If the FERC License is not terminated, expired, or otherwise amended to remove the FERC Buffer from the FERC Project Area prior to Closing, the individual residential Leases will remain in effect as between Seller and each Leaseholder for the FERC Buffer to the extent each such residential Lease covers the FERC Buffer; thus during the remaining term of such residential Leases, the Leaseholders will continue to have the same access and use of the FERC Buffer as provided in their existing Leases but all rent payable under such Leases will be assigned to Purchaser. In accordance with HB 3031, unless the FERC License is earlier terminated, expired or amended to remove the FERC Buffer from the FERC Project Area, then on or before January 2, 2012, Seller intends to file an application with FERC to request approval to provide each such residential Leaseholder an easement for the use of such portion of the FERC Buffer covered by the applicable Lease, which easement shall be subject to the FERC License (the "Easement Application"). For any such Leases expiring before FERC grants or denies the Easement Application, Seller agrees to extend such Leases covering the FERC Buffer on a year-to-year basis until such time as Seller receives FERC's grant or denial of the Easement Application. The Easement Application may be filed at the same time as the Encroachments Application (defined below) or included as part of the Encroachments Application.

i. Seller previously submitted an Application to Amend the FERC License with FERC, requesting the removal of the FERC Buffer located adjacent to the Residential Leased Land from the FERC Project Area and replacing such removed land with a portion of the Retained Land. FERC issued an Order dated June 25, 2009 denying Seller's request and stating that the FERC Buffer must remain as part of the FERC Project Area. Notwithstanding the foregoing, in the event the FERC License is terminated, expired, or otherwise amended to remove the FERC Buffer from the FERC Project Area prior to the Closing Date (as defined below), the FERC Buffer located adjacent to the Residential Leased Land shall be included as part of the Residential Leased Land and conveyed with the Property covered by this Contract, and the residential Leases covering the FERC Buffer will be assigned to Purchaser at Closing as part of the Property.

ii. In the event such FERC License is not terminated, expired, or otherwise so amended on or before Closing, then, to the extent not needed for Seller's future operations, Seller, in the Deed (the form of which is attached hereto as Exhibit B), may grant an executory interest in that portion of the FERC Buffer located immediately adjacent to the Residential Leased Land to Purchaser, which executory interest will run with the land and inure to the benefit of the successors-in-interest to Purchaser. For example, in the event an individual Leaseholder exercises its purchase option (as described in Paragraph 12 below), then such individual Leaseholder will be the holder of such executory interest, as it applies to that portion of the FERC Buffer located immediately adjacent to the Leaseholder's purchased lot, measured by extending the common boundary lines on both sides of the leased lot being purchased in a straight line to the then current 1000' contour line (which is and will remain a meander line that changes over time, due to natural forces, such as accretion and erosion), or, if such portion cannot reasonably be measured as set forth above, then as otherwise determined by Seller. It is the intent of the parties hereto that the executory interest in any

specific portion of the FERC Buffer be held by and benefit the owner of the fee simple interest in the immediately adjacent portion of the Residential Leased Land, and that upon the executory interest being triggered, the FERC Buffer shall become part of the Residential Leased Land (or applicable portion thereof) held by such owner. The executory interest shall be triggered at such time as the FERC License (including any renewals or extensions thereof) terminates, expires or otherwise no longer applies to such FERC Buffer; provided however, if such executory interest is not triggered on or before the earlier of August 31, 2040 (such date being the 21<sup>st</sup> anniversary after the expiration of the existing FERC License before any extensions or renewals), or ten days after the expiration (including any extensions or renewals) or termination of the existing FERC License, then such executory interest shall be terminated and of no further force or effect. Upon timely satisfaction of the condition set forth above, this conveyance shall be automatically effective without necessity of further documentation and such conveyance shall include an automatic assignment of the Lease covering the FERC Buffer to the applicable holders of such executory interest.

iii. At any such time as the FERC Buffer is conveyed to Purchaser (or its successor-in-interest), whether at Closing or pursuant to the executory interest being triggered, the recipient of such FERC Buffer shall grant Seller access to the FERC Project Area and Lake to allow Seller to fulfill its obligations as a River Authority, licensee under the FERC License, or any other obligations pursuant to state water rights or governmental regulations. This obligation shall be included in the Deed at Closing.

b. Undeveloped Land. That portion of the Authority Land that is not within the Leased Tract, the Roads or the Undeveloped Strips is excluded from the definition of Property and is not being conveyed hereunder.

c. Airport. The Possum Kingdom Airport and the land on which it is located is being retained by Seller and is not part of the Property.

d. Mineral Reservation. Seller, in the Deed, will reserve all of Seller's right, title and interest in and to all oil, gas, coal, lignite, sulphur and other mineral substances from which sulphur may be derived or produced, salt, potash, uranium, thorium, gypsum, mercury, zeolite, fluorspar, carbonaceous shale, bentonite and other varieties of clay, and all other minerals in, on, or under the Property wherever located and by whatever method recovered, as well as the rights to lease and to grant ingress and egress rights to explore for and produce such minerals on the Property to the extent allowed by law.

e. Access Easement. The Property will be sold subject to Purchaser granting to Seller an Access Easement to permit access to and from the FERC Project Area and the Retained Land such that Seller can conduct its operations and for public health, safety, and welfare purposes and, in accordance with HB 3031. The form of such Access Easement is attached hereto as Exhibit C. The Access Easement shall permit Seller, its agents, employees, designees, tenants, lessees, invitees, customers, contractors, suppliers, licensees, successors and assigns the right of ingress and egress over, through and across the Property, including Roads (and any other roads which may be constructed on the Property in replacement of or in addition to the Roads) for access to and from the Retained Land and the FERC Project Area. In addition, as set forth in the Declaration (as hereinafter

defined), Purchaser will be required to ensure that no Leaseholder or other user of the Property is permitted to obstruct, prevent, or otherwise restrict access over and across any portion of the Roads (or any other roads which may be constructed on the Property in replacement of the Roads), so that all Leaseholders and other users of the Property shall have the right of ingress and egress through, over and across such Roads and such Leaseholders shall at all times have access to and from their individual leased lots over and across such Roads, to the extent such access exists at Closing (or materially the same degree of access in the event that other roads are constructed in replacement of or in addition to the Roads).

f. *Declaration of Restrictive Covenants, Easements and Conditions.* The Property will be sold subject to the restrictions described in the Declaration of Restrictive Covenants, Easements and Conditions, which will be filed on or before Closing in the property records of the counties in which the Property is located (the “Declaration”)<sup>3</sup>. A draft of the Declaration is attached hereto as Exhibit D. The Declaration shall provide, among other things, for a 25’ setback from the 1000’ contour line (subject to the FERC application referenced in Paragraph 8.a.i above) and that no owner or Leaseholder which shares a Driveway with other owners or Leaseholders shall be permitted to obstruct, prevent, or otherwise restrict access over or across any portion of such shared Driveway by such other owners or Leaseholders, or their guests or invitees, so that all owners and/or Leaseholders sharing a Driveway shall at all times have access to and from their portion of the Property. In addition, the Declaration will contain additional restrictions on the use and development of those portions of the Undeveloped Strips which do not become part of the Leased Tract or Roads.

g. *Measurement Station, Easement and Right of Way.* Seller owns that certain dam measurement station and all related improvements and structures associated with such measurement station, which measurement station is located on a portion of the Land being offered for conveyance hereunder. The measurement station and related improvements are not part of the Improvements being conveyed and will continue to be owned by Seller. The Property will be sold subject to Purchaser granting Seller an easement and right of way to permit Seller to access its measurement station located on a portion of the Land for purposes of operating such station and performing any maintenance, repairs, construction, alterations, additions, or replacements thereto. The form of such easement and right of way is attached hereto as Exhibit E.

h. *Flowage Easement.* Seller, in the Deed, will reserve the perpetual right, power, privilege and easement to occasionally overflow, flood, and submerge that portion of the Property located at or below the elevation contour of 1015’ above mean sea level in connection with Seller’s operation and maintenance of the Lake and the Project, and Seller shall have no liability to Purchaser (or its successors, assigns, lessees [including Leaseholders], or any other person) for any damages, claims, costs, injuries, or liabilities to any person or the Property or any Improvements or other building, structures, or improvements thereon caused by or arising from such overflow or any act or omission by Seller in connection with the right and easement reserved in the Deed.

i. *Other.* Any portion of the Authority Land which Seller determines, in its sole discretion, is reasonably needed by Seller for its current or future operations.

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<sup>3</sup> ‘Declaration’ as used herein is defined as ‘Restrictions’ in HB3031.

9. **Property Condition.** As set forth in Paragraph 10 below, the Property is being sold “as is”, and without warranties of any kind whatsoever, expressed or implied, except for the warranty of title set forth in the Deed. Purchaser is responsible for determining that the Property meets Purchaser’s requirements regarding access, size, shape, location, zoning, use, environmental standards and easements. Purchaser agrees to take the Property in its current condition, including the conditions set forth below, and Seller shall have no obligation to cure any of the conditions set forth below, nor shall Seller have any liability for any such conditions.

a. **Legal Access.** Purchaser acknowledges that portions of the Property have no legal access and can only be reached by crossing privately owned property. Purchaser shall be responsible, at its option and expense, for obtaining an access agreement with such adjoining landowners. In addition, Purchaser acknowledges that there are portions of the Property that are only accessible by water and have no access from land.

b. **Roads.** Purchaser acknowledges that the Roads are private and may not be continuous (i.e., the Roads may be separated by gravel and/or paved roads located on land not owned by Seller and not being conveyed hereunder [see Subparagraph 9.a above]). In addition, Purchaser acknowledges that portions of the Roads may be located wholly or partially within the boundaries of individual leased lots. Further, Purchaser acknowledges that the Roads, in many instances, are not sufficient to meet county standards and the Roads are not currently maintained by the counties in which the Roads are located. Upon Closing, Purchaser shall be responsible for maintaining such Roads or ensuring that such Roads are maintained in accordance with the requirements set forth in HB3031 by the counties or some other governmental or non-governmental entity, or a homeowners or property owners association where applicable [e.g., for those Roads which are subject to the Ranch Agreement, cause such Roads to be maintained by the applicable association as set forth in such Ranch Agreement]. Purchaser, at its option and expense, shall be responsible for working with the appropriate governmental entities to dedicate such Roads to the public. Purchaser acknowledges that HB3031 provides for the dedication of the Roads to the applicable county over a five (5) year time period and Purchaser agrees that it shall assume responsibility for (i) making any payments to the applicable county in connection with the dedication of all or any portion of the Roads as set forth in HB3031, (ii) for maintaining the Roads in accordance with the requirements set forth in HB3031 after Closing and prior to such dedication, and (iii) for continuing to maintain those portions of the Roads in accordance with the requirements set forth in HB3031 which cannot be dedicated to the applicable county because such roads are “inaccessible” as defined in HB3031, until such time as the Road becomes accessible and can be transferred. These obligations shall survive Closing.

c. **Meandering Boundary and Lot Lines.** Purchaser acknowledges that the boundary of the Property is, in part, a meander line that changes over time due to natural forces, such as accretion and erosion. Therefore, the Property will increase or decrease over time as the 1000’ contour line and the FERC Buffer, which is 25 or 50 feet landward measured horizontally from the 1000’ contour line, changes due to natural forces. Purchaser acknowledges that Purchaser shall not construct, nor permit the construction of, any structures or improvements that impact or artificially amend or alter the FERC Project Area, shoreline of the Lake (including the 1000’ contour line), or the lakebed, without the prior written approval of Seller in its sole discretion. The foregoing obligation shall survive Closing and be contained in the Deed. In addition, Purchaser acknowledges that the metes and bounds description for individual leases may overlap with the metes and bounds

descriptions for an adjacent leased lot (i.e., two leases purportedly convey rights in the same strip of land).

d. Encroachments. Purchaser acknowledges that some improvements constructed by Leaseholders on the Residential Leased Land encroach into the FERC Project Area and/or FERC Buffer or across individual leased lot lines and onto a neighboring leased lot.

i. Pursuant to Paragraph 5.b above, the Updated Survey is required to show all encroachments into the FERC Project Area and/or FERC Buffer. As to the encroachments into the FERC Project Area and/or FERC Buffer as shown on the Updated Survey, Purchaser acknowledges that some of the encroachments:

(A) are non-residential improvements (which includes, without limitation, improvements attached to a residential structure, such as a porch or deck) which have not been approved by Seller in writing ("Unapproved Encroachments");

(B) are enclosed, habitable, residential structures which have not been approved by Seller in writing ("Residential Encroachments");

(C) were approved, in their current location and size, by Seller in writing pursuant to a construction application or other permit prior to Closing, but have not been approved by FERC ("Seller Approved Encroachments");

(D) are subject to a Property Use Agreement between the Leaseholder and Seller, are in the same location and size as when the Property Use Agreement was executed, and remain subject to FERC approval ("PUA Encroachments"); or

(E) were approved by FERC under the 1980 Amendment to the FERC License, but the location of such encroachments was not documented by FERC or Seller at that time ("Pre-1980 Encroachments").

**Regardless, Purchaser acknowledges that any further encroachments into the FERC Project Area are strictly prohibited.**

ii. Seller agrees to notify Leaseholders within thirty (30) days after the receipt of the Updated Survey of any such encroachments on the Leaseholder's individual leased lot into the FERC Project Area and/or FERC Buffer and granting Leaseholders the right to provide to Seller and Purchaser, within thirty (30) days after Seller delivers such notification of encroachments to Leaseholders, acceptable written documentation that such encroachments, in their current size and location, are either Residential Encroachments, Seller Approved Encroachments, PUA Encroachments, or Pre-1980 Encroachments. Purchaser acknowledges that if the applicable Leaseholder fails to provide such acceptable documentation, then Seller may treat such encroachments as Unapproved Encroachments.

iii. Unless the FERC License is earlier terminated, expired, or amended to remove the FERC Buffer from the FERC Project Area (see Paragraph 8.a above), then on or before January 2, 2012, Seller intends to file an application with FERC to request permission for the Residential Encroachments, Seller Approved Encroachments, and PUA Encroachments to remain in place (the "Encroachments Application"). In addition, Seller will include in the Encroachments Application a list of the Pre-1980 Encroachments which, based on the documentation provided by Leaseholders pursuant to Paragraph 9.d.ii above, Seller believes were approved by FERC under the 1980 Amendment to the FERC License. Except in the sole discretion of Seller, Seller will not seek permission for the Unapproved Encroachments or encroachments for which no written evidence is timely provided by Leaseholders to remain in place, but Seller intends to provide a list of such Unapproved Encroachments in the Encroachments Application. Purchaser acknowledges that Seller's approval of Lease transfers or Seller renewing or entering into a new Lease does not constitute Seller's written approval of any Leaseholder improvements located on the applicable leased lot or any encroachments into the FERC Project Area and/or FERC Buffer.

iv. Purchaser acknowledges that the Unapproved Encroachments, as well as the Residential Encroachments, Seller Approved Encroachments, PUA Encroachments, and Pre-1980 Encroachments, to the extent not approved by FERC, are subject to removal (or modification). Purchaser shall be responsible for causing the removal (or modification, if applicable) of the applicable Encroachments to conform with FERC's requirements in its response to the Encroachments Application within a reasonable time after (A) Purchaser receives written notice from Seller of such FERC requirements, whether pursuant to FERC's response to the Encroachments Application referenced above or otherwise or (B) December 31, 2012, or such other date as may be agreed to in writing by Seller or required by FERC, whichever is earlier. If Purchaser does not act promptly to comply with these obligations after receiving such notice from Seller, Seller may, after reasonable notice to Purchaser, take such actions as are necessary to remove all unapproved encroachments or otherwise modify such encroachments to conform to the requirements of FERC. Purchaser agrees to grant to Seller the right (but not the obligation) to use any funds placed in escrow by the applicable Leaseholders (if any) upon such Leaseholder's purchase or lease of the individual leased lot from Purchaser to the extent such funds are for the removal or modification of any such encroachments. In the event Seller performs such work, Seller shall have the right to recover the reasonable costs of same from Purchaser, with interest, and if litigation is filed to recover such costs and interest from Purchaser, Seller shall have the additional right to recover from Purchaser Seller's reasonable and necessary attorney's fees and expenses incurred to pursue such litigation and to collect such costs and interest from Purchaser.

v. As to Leaseholder encroachments across leased lot lines, Purchaser shall be responsible for resolving any and all boundary or title issues or disputes related to same as between individual Leaseholders of the Leased Tract, and Seller shall have no responsibility for resolving such matters.

vi. Purchaser hereby indemnifies Seller against and holds Seller harmless from, all claims, liabilities, demands or causes of action, including attorney's fees and costs incurred by Seller, which arise from or are caused by the removal or modification of any such



encroachments, whether into the FERC Project Area and/or FERC Buffer or across leased lot lines, or any boundary disputes. The obligations stated in this Paragraph 9.d. shall survive Closing.

e. Leaseholder Compliance and Enforcement. On and after Closing, Purchaser shall assume responsibility for enforcing the terms of the Leases and shall cooperate with Seller to ensure the Leaseholders' compliance with the Leases, the Shoreline Management Plan and other rules and regulations of Seller, the Declaration, and the FERC License both inside and outside the FERC Project Area. The Assignment (as defined below, and a copy of which is attached hereto as Exhibit F) shall include such obligations of Purchaser.

f. Platting and Subdivision. Purchaser and Seller acknowledge that HB3031 exempts the Property from any and all county platting requirements. Purchaser acknowledges that any additional surveying and other related requirements shall be the sole responsibility of Purchaser, and Seller shall have no obligation therefor. These obligations shall survive Closing.

g. Leaseholder Improvements. Purchaser acknowledges that the improvements, Driveways, paved or gravel roads located wholly within an individual commercial leased lot that is part of the Commercial Leased Land and that serve only that individual commercial leased lot, buildings, houses, and related structures located on the Leased Tract are the property of the Leaseholders unless specifically stated otherwise herein or in the Leaseholder's Lease and, as such, are not being conveyed hereunder. Such Leaseholder improvements do not include the Improvements, or other improvements owned, installed, or used by Seller in connection with its operations referenced in Paragraph 1.e above.

h. The Ranch. A portion of the Property to be conveyed hereunder is a part of that certain subdivision (the "Ranch") of record in Palo Pinto County, Texas according to the map or plat of record in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as it may be amended or modified from time to time. The Ranch subdivision includes a portion of the Land being conveyed hereunder and a portion of the Retained Land. The portion of the Property which is part of the Ranch is conveyed subject to the terms and conditions set forth in the Ranch Agreement, as well as that certain Declaration of Covenants, Conditions and Restrictions for The Ranch on Possum Kingdom Palo Pinto County, Texas (the "Ranch Declarations", a copy of which were attached to the RFB as Exhibit "N", and which are incorporated herein by reference) dated December 8, 1997, as recorded in Vol. 944, Page 403 of the Official Public Records of Palo Pinto County, Texas. On and after Closing, Purchaser and its successors and assigns shall be responsible for enforcing the terms and conditions of the Ranch Agreement and Ranch Declarations and shall cooperate with Seller to ensure the Leaseholders' compliance with the same. The Assignment of the Ranch Agreement to be executed at Closing (a copy of which is attached hereto as Exhibit H) shall include such obligations of Purchaser.

i. Green Acres. A portion of the Property to be conveyed hereunder is a part of that certain subdivision ("Green Acres") of record in Palo Pinto County, Texas according to the map or plat of record in Vol. 5, Page 17, as it may be amended or modified from time to time. Green Acres includes a portion of the Residential Leased Land being conveyed hereunder and a portion of the Retained Land. The portion of the Property which is part of Green Acres is conveyed subject to the terms and conditions set forth in that certain Cottage Site Lease Agreement by and between

Seller, as lessor, and Jane Nail, as lessee, dated February 9, 1979 for those certain individual leased lots number 1-18, which leases are collectively referred to herein as the "Green Acres Lease". In addition, the portion of the Property which is part of Green Acres is conveyed subject to the terms and conditions set forth in that certain Green Acres Subdivision Declaration of Covenants, Conditions and Restrictions (the "Green Acres Declarations"), dated March 26, 1979, as recorded with the plat in Vol. 5, Page 17 of the Plat Records of Palo Pinto County, Texas. Purchaser acknowledges that the land covered by that certain Lease of Land to Be Used by Cottage Site Lessees as Common Area by and between Seller, as lessor, and Green Acres Homeowners Association, as lessee, dated December 13, 1978 for the common areas of such Green Acres Subdivision is not included as part of the Land being conveyed hereunder. On and after Closing, Purchaser and its successors and assigns shall be responsible for enforcing the terms and conditions of the Green Acres Lease and Green Acres Declarations and shall cooperate with Seller to ensure the Leaseholders' compliance with the same. The assignment of the Green Acres Lease shall be included with the Assignment (as defined below) and shall include such obligations of Purchaser.

10. **Property Sold "As-Is".**

a. *General.* **PURCHASER HEREBY EXPRESSLY ACKNOWLEDGES THAT PURCHASER IS RELYING SOLELY UPON ITS INVESTIGATION AND EXAMINATION OF THE PROPERTY AND PURCHASER HAS OR WILL HAVE, PRIOR TO THE END OF THE FEASIBILITY PERIOD, THOROUGHLY INSPECTED AND EXAMINED THE PROPERTY TO THE EXTENT DEEMED NECESSARY BY THE PURCHASER IN ORDER TO ENABLE THE PURCHASER TO EVALUATE THE PURCHASE OF THE PROPERTY. PURCHASER REPRESENTS THAT IT IS A KNOWLEDGEABLE PURCHASER OF REAL PROPERTY AND THAT IT IS RELYING SOLELY ON ITS OWN EXPERTISE AND THAT OF PURCHASER'S CONSULTANTS, AND THAT PURCHASER WILL CONDUCT SUCH INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AND SHALL RELY UPON SAME, AND, UPON CLOSING, SHALL ASSUME THE RISK OF ANY ADVERSE MATTERS, INCLUDING, BUT NOT LIMITED TO ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, THAT MAY NOT HAVE BEEN REVEALED BY PURCHASER'S INSPECTIONS AND INVESTIGATIONS. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT PURCHASER IS ACQUIRING THE PROPERTY ON AN "AS IS, WHERE IS" AND "WITH ALL FAULTS" BASIS, WITH ANY AND ALL LATENT AND PATENT DEFECTS, WITHOUT REPRESENTATION, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT FOR THE WARRANTY OF TITLE SPECIFICALLY SET FORTH IN THE DEED (AS HEREINAFTER DEFINED) TO BE DELIVERED AT CLOSING. PURCHASER HEREBY WAIVES AND RELINQUISHES ALL RIGHTS AND PRIVILEGES ARISING OUT OF, OR WITH RESPECT OR IN RELATION TO, ANY REPRESENTATIONS, WARRANTIES OR COVENANTS, WHETHER EXPRESS OR IMPLIED, WHICH MAY HAVE BEEN MADE OR GIVEN, OR WHICH MAY HAVE BEEN DEEMED TO HAVE BEEN MADE OR GIVEN BY SELLER, EXCEPT AS EXPRESSLY SET FORTH HEREIN. FURTHER, PURCHASER AGREES THAT SELLER SHALL NOT BE LIABLE TO PURCHASER FOR, AND UPON CLOSING, PURCHASER HEREBY FULLY AND**

**FINALLY RELEASES AND DISCHARGES SELLER, ITS PRINCIPALS, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, REPRESENTATIVES AND ATTORNEYS FROM, AND PURCHASER ASSUMES ALL RISK AND LIABILITY FOR, AND INDEMNIFIES, AND HOLDS SELLER HARMLESS FROM, ANY AND ALL CLAIMS FOR COSTS, EXPENSES, PENALTIES, LOSSES, LIABILITIES, DAMAGES, DEMANDS, ACTIONS OR CAUSES OF ACTION ARISING FROM OR RELATED TO THE OWNERSHIP, USE, PHYSICAL CONDITION, LOCATION, MAINTENANCE, REPAIR, OR OPERATION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS OR ENVIRONMENTAL CONDITIONS AFFECTING THE PROPERTY, WHETHER OR NOT SUCH CLAIM IS ALLEGED TO ARISE FROM THE NEGLIGENCE OF SELLER.**

b. *Specific.* **WITHOUT LIMITING THE GENERAL PROVISIONS OF PARAGRAPH 10.a HEREIN ABOVE, IT IS UNDERSTOOD AND AGREED THAT SELLER IS NOT MAKING AND SPECIFICALLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, AS TO (I) MATTERS OF TITLE OTHER THAN AS EXPRESSLY PROVIDED IN THE DEED, (II) ZONING, (III) TAX CONSEQUENCES, (IV) PHYSICAL OR ENVIRONMENTAL CONDITIONS, INCLUDING THE CONDITION OF THE SOIL OR WATER, GEOLOGY, THE EXISTENCE OF HAZARDOUS OR TOXIC MATERIALS IN OR ON THE LAND, (V) AVAILABILITY OF UTILITIES OR OTHER SERVICES TO THE LAND, (VI) AVAILABILITY OF ACCESS, INGRESS OR EGRESS, (VII) OPERATING HISTORY OR PROJECTIONS, (VIII) VALUATION OR THE PRESENT OR FUTURE INCOME THAT MAY BE GENERATED FROM THE PROPERTY, (IX) GOVERNMENTAL APPROVALS, (X) GOVERNMENTAL REGULATIONS OR ANY OTHER MATTER OR THING RELATING TO OR AFFECTING THE PROPERTY, INCLUDING, WITHOUT LIMITATION: (A) THE VALUE, CONDITION, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, HABITABILITY, SUITABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OF THE PROPERTY, (B) THE MANNER OR QUALITY OF THE CONSTRUCTION OR THE WORKMANSHIP OR MATERIALS INCORPORATED INTO ANY OF THE PROPERTY, (C) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTY, AND (D) THE EXISTENCE OF KNOWN OR UNKNOWN FAULTS. PURCHASER FURTHER EXPRESSLY ACKNOWLEDGES AND AGREES THAT SELLER IS NOT REPRESENTING OR WARRANTING THAT ANYTHING CAN OR WILL BE ACCOMPLISHED THROUGH PURCHASER'S EFFORTS WITH REGARD TO THE PLANNING, OR PLATTING PROCESS OF ANY MUNICIPALITY, PALO PINTO, STEPHENS, OR YOUNG COUNTIES, OR ANY OTHER GOVERNMENTAL OR MUNICIPAL AUTHORITIES, BOARDS OR ENTITIES. PURCHASER FURTHER ACKNOWLEDGES THAT ALL OR A PORTION OF THE PROPERTY MAY NOT CURRENTLY MEET OR COMPLY WITH, AND SELLER HAS NOT WARRANTED, AND DOES NOT HEREBY WARRANT, THAT THE PROPERTY NOW MEETS OR COMPLIES WITH, OR IN THE FUTURE WILL MEET OR COMPLY WITH, THE REQUIREMENTS OF ANY SAFETY CODE, ENVIRONMENTAL LAW OR REGULATION OF THE STATE OF TEXAS, ANY MUNICIPALITY, THE COUNTIES OF PALO PINTO, STEPHENS, OR**

**YOUNG, OR ANY OTHER AUTHORITY (INCLUDING SELLER) OR JURISDICTION. PURCHASER FURTHER ACKNOWLEDGES THAT PURCHASER, AT PURCHASER'S EXPENSE, SHALL BE RESPONSIBLE FOR BRINGING SUCH PROPERTY INTO COMPLIANCE WITH ANY SUCH CODES OR REGULATIONS.**

c. *Excluded Items.* **NOTWITHSTANDING ANY SEEMING CONTRADICTION, IT IS AGREED AND UNDERSTOOD THAT THE PROVISIONS OF THIS PARAGRAPH 10 ARE LIMITED SO AS TO NOT BE CONSTRUED AS DIMINISHING OR NEGATING (I) SELLER'S RESPONSIBILITY FOR ANY REPRESENTATIONS PROVIDED IN THIS CONTRACT (BUT ONLY TO THE EXTENT EXPRESSLY PROVIDED AND FOR THE DURATION STATED), AND (II) ANY WARRANTY OF TITLE SET FORTH IN THE DEED TO BE DELIVERED BY SELLER TO PURCHASER AT CLOSING.**

d. *Incorporation Into Deed.* **IT IS AGREED AND UNDERSTOOD THAT THE TERMS AND PROVISIONS OF THIS PARAGRAPH 10 SHALL EXPRESSLY SURVIVE THE CLOSING AND NOT MERGE THEREIN AND SHALL BE INCORPORATED INTO THE DEED TO BE DELIVERED BY SELLER TO PURCHASER AT CLOSING.**

11. **Use of Property.** Purchaser, in the Deed, shall acknowledge and agree that (i) Purchaser's use of the Property will not endanger health, create a nuisance, or otherwise be incompatible with the scenic, recreational, and environmental uses and values of the Lake or Project, and (ii) Purchaser shall take all reasonable precautions to ensure that the construction, operation, and maintenance of any structures, improvements, or facilities currently located or to be located on the Land will occur in a manner that will protect the scenic, recreational, and environmental uses and values of the Lake and Project (collectively, the "Restrictions"). Purchaser acknowledges that Seller, as the fee simple owner of the Property, has established the above Restrictions as covenants, conditions and restrictions, whether mandatory, prohibitive, permissive or administrative, to regulate the uses of the Property and the improvements placed on it. Purchaser and Seller agree to stipulate in the Deed that (a) the Restrictions touch and concern the Property and are for the benefit of both the Property and Retained Land; (b) privity of estate exists by reason of Seller's ownership of the Property; (c) notice shall be given by filing the Deed in the real property records of the counties in which the Property is situated; and (d) the Restrictions are reasonable, their purposes being for the common benefit of Purchaser and Seller. The Restrictions will run with the land making up the Property, shall be binding on Purchaser and Purchaser's successors and assigns forever, shall be enforceable by Seller, and shall inure to the benefit of Seller and Purchaser, and their respective successors and assigns forever. The Restrictions may not be modified or terminated, in whole or in part, except with the consent of Seller and the owner of the Property, and then only by written instrument duly executed and acknowledged by Seller and the owner of the Property and recorded in the office of the recorder of the counties in which the Property is situated.

12. **Leaseholder Protections.** Purchaser agrees to provide the following Leaseholder protections to each residential and commercial Leaseholder of any portion of the Leased Tract (subject to the terms and conditions of the Ranch Agreement, where applicable). These Leaseholder protections do not apply to the FERC Buffer, unless and except to the extent the FERC Buffer is

included in the Property at Closing or the executory interest in such FERC Buffer is conveyed to Purchaser prior to expiration of the applicable Leaseholder protection below. These Leaseholder protections shall run with the land and burden any successor-in-interest to the Purchaser for the time periods specified below. These Leaseholder protections shall be set forth in the Assignment (as defined below) and the Memorandum of Assignment, Assumption, and Ratification of Leases and Rents, a form of which is attached hereto as Exhibit G.

a. Leaseholder Protections. Purchaser agrees to offer to each Leaseholder the following purchase and lease options:

i. Permit the Leaseholder to purchase its leased lot in cash or through lender financing for 90% of land only assessed value without any exemptions (as determined by the county appraisal district) (the "Assessed Value") for the year 2008, such option to be available concurrently with Closing (as set forth below) and for a period of one year from Closing.

ii. Permit the Leaseholder to purchase its leased lot via seller financing for 90% of Assessed Value for the year 2008, with a down payment of ten percent (10%) and an interest rate of six percent (6%), with a 30-year amortization, and with no origination fees or points being charged to such Leaseholder by Purchaser, such option to be available concurrently with Closing (as set forth below) and for a period of one year from Closing.

iii. Offer a new 99-year lease at a rental rate of 6% of the Assessed Value for the year 2008, with annual CPI (as defined below) increases or decreases, such option to be available for a period of one year from Closing. The 99-year lease will include an option to purchase the leased lot at the Assessed Value at the time of purchase (but not less than the 2008 Assessed Value). "CPI" means the consumer price index for Housing, Dallas-Fort Worth, TX area, Series ID: CUURA316SAH, CUUSA316SAH, Base Period: 1982-84 = 100, as published by the Bureau of Labor Statistics of the United States Department of Labor, or its equivalent substitute should this series be discontinued.

iv. For the "over-65" homestead Leaseholders, offer a new 20-year lease with a rental rate as determined by the current lease rate methodology adopted by the Board or other lease rate structure as set forth in the applicable Leaseholder's existing Lease (and including increases and adjustments to such rates), with annual CPI increases or decreases, such option to be available for a period of one year from Closing. The 20-year lease will include an option to purchase the leased lot at the Assessed Value at the time of purchase (but not less than the 2008 Assessed Value). This 20-year lease option is available to those Leaseholders who are over the age of 65 and who received an ad valorem tax exemption under Section 11.13, Tax Code, for a structure on the Leaseholder's individual leased lot by January 1, 2009. The current lease rate methodology adopted by the Board is attached hereto as Exhibit I. Purchaser acknowledges that, prior to Closing, the Board may consider and adopt a new lease rate methodology based upon assessed values rather than appraised values. In the event the Board adopts such new methodology on or before Closing, the parties hereto agree to substitute Exhibit I attached hereto with a new Exhibit I-1 reflecting the new lease rate methodology adopted by the Board, and to acknowledge such substitution in writing.

v. As to any Leaseholder who does not timely exercise one of the foregoing options, Purchaser shall ratify the existing Leases, with (a) adoption of the current lease rate methodology adopted by Seller or other lease rate structure as set forth in the Lease, as applicable (and including increases and adjustments to such rates) for 8 years from Closing, (b) an option permitting Leaseholders to purchase their leased lot for the greater of (1) the Assessed Value at the time of purchase or (2) the 2008 Assessed Value, for a period of 8 years from Closing, and (c) an agreement to extend Leases as necessary to allow for this full 8-year purchase option period.

Purchaser may elect to offer additional purchase and/or lease options to Leaseholders, in Purchaser's discretion, and nothing herein shall be construed as prohibiting such offers, so long as (a) such additional options are made available to all Leaseholders on an equal basis and (b) the foregoing options in Paragraphs 12.a.i - 12.a.v are made available to such Leaseholders for the time periods provided above.

b. Determining Assessed Value if County Does Not Provide Such Value. Purchaser agrees that in the event a county does not provide an assessed value for leased lot(s) at the time the Leaseholder exercises its purchase or lease option described above, then the "Assessed Value" of the subject leased lot in 2008 or at the time the option is exercised, as applicable, for the purposes of the purchase option price or lease rental rate referenced in subsection 12.a above, shall be calculated based on the assessed value per square foot of comparable lots with similar physical characteristics in the applicable county or adjoining counties.

c. Concurrent Closing. Purchaser shall permit Leaseholders to exercise their purchase options set forth in Subparagraphs 12.a.i and 12.a.ii above concurrently with the Closing under this Contract, in accordance with the terms and conditions set forth below and as otherwise set forth in HB3031. Purchaser and Seller agree to comply with the terms set forth in HB3031 regarding such concurrent closing, including without limitation, the following terms and conditions:

i. No later than thirty (30) days after the Effective Date of this Contract, Seller agrees to post on its website the Effective Date of this Contract and the anticipated date of Closing, which date shall be at least six (6) months from the Effective Date of the Contract. Furthermore, Seller agrees to post on its website, any changes to the anticipated date of Closing. These dates shall be used to establish the time periods provided in this Paragraph 12.c and as provided in HB3031.

ii. Purchaser agrees to enter into a purchase and sale agreement which complies with HB 3031 (in substantially the form attached hereto as Exhibit J) with those Leaseholders who notify both Seller and Purchaser, in writing, within ninety (90) days after the Effective Date of this Contract of such Leaseholder's intent to purchase its leased lot(s) concurrently with Closing.

iii. On or before Closing, Purchaser agrees to deliver each purchase and sale agreement and the applicable earnest money delivered by Leaseholder to the title company or escrow agent selected by Leaseholder and Purchaser and approved by Seller; and at Closing, Purchaser shall ratify the purchase and sale agreement.

iv. Neither Purchaser nor Seller shall have any obligation to cure any of Leaseholder's title or survey objections or to incur any expenses in curing any such items, except that Purchaser and/or Seller, as applicable, agree to use good faith efforts to address and/or remove those requirements or exceptions shown on Schedule C of the title commitment that are applicable to or created by the Purchaser and/or Seller, as applicable; provided, however, neither the Purchaser nor Seller shall have any obligation to cure any exceptions on the attached Schedule C regarding legal right of access to or from the applicable leased lot.

v. Purchaser and Seller agree to review those surveys of individual leased lots (including any Undeveloped Strips which are to become part of such leased lot) provided to Purchaser and Seller by the applicable Leaseholder at least forty-five (45) days prior to Closing. Seller agrees to notify Purchaser of any objections to the surveys and Purchaser and Seller (and their respective representatives or agents) may perform an inspection of the applicable leased lot to verify the accuracy of such survey and any encroachments thereon. Purchaser acknowledges that, prior to being approved by Seller, the Leaseholder's survey must:

(A) Be acceptable to the title company selected by Purchaser and Leaseholder (and reasonably approved by Seller) for purposes of issuing any policy of title insurance on the applicable leased lot;

(B) Be prepared by a licensed state land surveyor or a registered professional land surveyor reasonably acceptable to Seller;

(C) Include the boundary of the Leaseholder's leased lot (and any portion of the Undeveloped Strips becoming part of such leased lot), which boundaries must be consistent with the Survey prepared pursuant to this Contract; and

(D) Include all improvements on the leased lot, including any encroachments across the boundary lines of the leased lot, any setbacks, or into the FERC Project Area or FERC Buffer; and evidence that any such encroachments have been cured by Leaseholder (either by removal of such encroachment or by written agreement between the affected parties permitting such encroachment to continue on terms and for the time period agreed to by such parties).

vi. Purchaser agrees to cooperate with the purchasing Leaseholder to timely complete all documentation necessary to effectuate transfer of the applicable leased lot from Purchaser to Leaseholder and to deliver such completed and executed documents to the applicable title company. Promptly after Closing, Seller shall deliver (or cause to be delivered) written notice to the applicable title company or escrow agent confirming that the Closing of the Property from Seller to Purchaser has been completed and the Deed and other documents have been recorded.

vii. Purchaser agrees and acknowledges that in no event shall the deed or any other documents transferring the applicable leased lot from Purchaser to Leaseholder be recorded prior to Closing having occurred on the Property pursuant to this Contract, including without limitation the execution and recordation of the Deed and all other documents referenced in this Contract which are to be executed and/or recorded at Closing.

d. **Indemnification.** Seller shall have no obligations regarding the concurrent closing or conveyance or leasing of the Property from Purchaser to Leaseholder (or any other person or entity) pursuant to the Leaseholder protections set forth above or otherwise except as may be specifically set forth herein or in HB3031. Seller shall not be a party to the purchase and sale agreement between Purchaser and Leaseholder and shall have no obligations thereunder, nor shall Seller have any liability for any acts or omissions by the parties to such agreement. The rights of Seller to review or approve any matters related to the conveyance of an individual leased lot to a Leaseholder shall be in Seller's sole discretion and any approvals, objections, or failure to approve shall not be deemed a default under this Contract, nor shall Seller be liable to Leaseholder or Purchaser for any such approvals, objections, or failures to approve. Purchaser agrees to notify the Leaseholders in the purchase and sale agreement with each such Leaseholder of the foregoing. Purchaser hereby indemnifies and shall defend and hold harmless Seller and the Authority Land from and against any and all costs, expenses, liabilities, claims, demands and causes of action (including any mechanics' liens) arising as a result of or in connection with (i) the conveyance or leasing of any of the individual leased lots to Leaseholders or any other person or entity, (ii) the default or other termination of any conveyance or lease of individual leased lots to Leaseholders or any other person or entity, and/or (iii) Seller's approval, objection, or failure to approve any matters related to such conveyance or lease. This indemnity shall survive the Closing or any termination of this Contract.

13. **Charitable Uses/Contributions.** Purchaser agrees that, at Purchaser's expense, within one (1) year after Closing, Purchaser shall gift, by deed, the following nine (9) lots (to the extent such lots are part of the Commercial Leased Land), to an entity designated by the applicable Leaseholder. The gift deed conveying such properties will restrict and condition such gift for so long as the grantee and its successors and assigns continue the then-current non-profit use of the applicable property. This obligation shall survive closing and shall be included in the Assignment, which Assignment shall provide for the right of the Leaseholders listed below (or their successors or assigns) to enforce such obligation of Purchaser. Seller shall have the right, but not the obligation, to enforce this requirement. The time frames set forth herein may be extended by Seller and Purchaser in writing.

<u>Cust#</u>	<u>Leaseholder</u>	<u>Address</u>	<u>Parcel-ID</u>	<u>2008 Assessed Value</u>
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$54,507.00



8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$51,638.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$59,288.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$210,377.00
8882	YMCA of Dallas	3500 Hog Bend #183	R022887	\$15,250.00
8882	YMCA of Dallas	3500 Hog Bend #184	R030059	\$21,780.00
1709	Episcopal Diocese of Ft. Worth	Special Purpose Lease	R022673	\$152,460.00
6259	Possum Kingdom Community Church	Special Purpose Lease	R023656	\$98,010.00
6205	Possum Kingdom Volunteer Fire	Special Purpose Lease	R022357	\$27,440.00

14. **Closing; Closing Documents.**

a. *Possession and Closing.* Possession of the Property shall be delivered by Seller to Purchaser at the Closing, subject to the Leases and Permitted Exceptions. Subject to all of the terms and conditions of this Contract, the Closing shall take place at the offices of the Title Company on or before the first anniversary of the Effective Date of this Contract (herein called the “Closing”), or such later date as may be agreed to in writing by the Seller and Purchaser. After receipt and approval of the Survey, Seller and Purchaser shall agree on a date for Closing. Notwithstanding the foregoing, in the event Closing has not occurred on or before December 31, 2010 (as set forth in HB3031), then this Contract shall be automatically terminated and of no further force and effect and the parties shall have no further obligations except those that expressly survive termination of such Contract. In such event, the Escrow Deposit shall be returned to Seller as consideration for the right given to Purchaser in this Contract to purchase the Property (it being agreed that it would be extremely difficult, if not impossible, to calculate the actual damages to Seller); provided however, if the reason such Closing has not occurred by December 31, 2010 is due solely to the gross negligence or willful misconduct of Seller, then the Escrow Deposit shall be returned to Purchaser within five (5) days after Purchaser delivers the Due Diligence Materials to Seller. In either case, Purchaser and Seller shall have no other or further liability or obligation to each other hereunder except as specifically provided in this Contract. Time is of the essence with respect to the Closing and the delivery at the Closing of the Purchase Price. The date the Closing actually occurs shall be herein referred to as the “Closing Date.”

b. *Seller’s Closing Documents.* At the Closing, Seller, at Seller’s expense, shall deliver or cause to be delivered to Purchaser each of the following:

i. Special Warranty Deed. A duly executed and acknowledged Special Warranty Deed (“Deed”), in the proper form for recording and otherwise in a form similar to the form attached hereto as Exhibit B, containing a description of the Land and conveying title to the Land and Improvements to Purchaser, free and clear of any and all liens, reservations, restrictions, easements, security agreements, pledges and other encumbrances, except as otherwise set forth in such Deed and except for the Permitted Exceptions, to which this sale and the conveyance of the Property shall be made and accepted subject to. Purchaser must accept the Property with any and all defects. Neither Seller nor the Board will make any warranty of any kind, express or implied with respect to the Property, except for the warranty of title set forth in the Deed. The Property being conveyed pursuant to the Deed will be described in part by a meander line, which meander line is an elevation contour line that is subject to change over time.

ii. Bill of Sale. A bill of sale and assignment of any personal property comprising the Property (including any warranties and guaranties relating to any Improvements on the Land), and other property of Seller which Seller agrees herein to assign to Purchaser, if any.

iii. Assignment, Assumption and Ratification of Leases and Rents. A duly executed Assignment, Assumption, and Ratification of Leases and Rents (the “Assignment”) wherein Seller will assign, and Purchaser will assume and ratify, the Leases to the extent they cover the Property, as of the date of the Closing, in a form similar to the form attached hereto as Exhibit F. Purchaser will agree to enforce the terms of the Leases, the Shoreline Management Plan, and the Declaration to the extent they cover the Property and to cooperate with Seller in enforcing the same to the extent they cover or affect the FERC Buffer (if applicable).

iv. Assignment and Assumption of Contracts. To the extent there are any service contracts affecting the Property which cannot or will not be terminated as of the date of Closing, a duly executed Assignment and Assumption of Contracts wherein Purchaser will assume such service contracts to the extent they cover the Property.

v. Assignment and Assumption of Ranch Agreement. A duly executed Assignment and Assumption of Ranch Agreement, in a form similar to the form attached hereto as Exhibit H, wherein Seller assigns, and Purchaser assumes and ratifies, the Ranch Agreement (and leases contained therein) to the extent they cover the Property, as of the date of the Closing. Purchaser will agree to enforce the terms of the Ranch Agreement to the extent it covers the Property and to cooperate with Seller in enforcing the same to the extent it covers or affects the Retained Land or FERC Project Area.

vi. Letter to Leaseholders. A letter from Seller to all Leaseholders advising them of the sale of the Property and that all future rents are to be paid to Purchaser, and that all security deposits and lease obligations have been assumed by the Purchaser and that the Purchaser is responsible for their refund. Purchaser covenants and agrees to countersign the letters and to post a copy of such letter on its website. Seller shall be responsible for delivering copies of the letters to each Leaseholder.

vii. Evidence of Seller's Authority. Evidence reasonably satisfactory to Purchaser and the Title Company reflecting the valid authorization of the person who has signed this Contract and all of Seller's closing documents on Seller's behalf.

viii. Other. Any other documents required by this Contract to be delivered by Seller at Closing, and any documents reasonably required by HB3031, Purchaser and/or Title Company to convey the Property.

c. Purchaser's Closing Documents. At the Closing Purchaser, at Purchaser's expense, shall deliver to Seller the following:

i. Payment of Purchase Price. The Purchase Price in the form required in Paragraph 3 above.

ii. Evidence of Purchaser's Authority. Evidence reasonably satisfactory to Seller and the Title Company reflecting the valid authorization of the person who has signed this Contract and all of Purchaser's closing documents on Purchaser's behalf.

iii. Access Easement. A duly executed and acknowledged Access Easement (as more particularly described in Paragraph 8.e above), in favor of Seller and its agents, tenants, lessees, licensees, successors and assigns so that such parties will have access to and from the Retained Land and the FERC Project Area, in the proper form for recording and otherwise in a form similar to the form attached hereto as Exhibit C.

iv. Measurement Station Easement and Right of Way. A duly executed and acknowledged Easement and Right of Way for the Measurement Station (as more particularly described in Paragraph 8.g above), and in the proper form for recording and otherwise in a form similar to the form attached hereto as Exhibit E.

v. Other Documents. Purchaser will execute any other documents required by this Contract, and any documents reasonably required by HB3031, Seller and/or Title Company to convey the Property and/or protect Seller's rights and interests in the Retained Land, the FERC Project Area and the Lake.

15. Adjustments at Closing. The following prorations and adjustments shall be made at the Closing and, as the case may be, deducted from or added to the amount Purchaser is required to pay at the Closing under Paragraph 3 above:

a. Rents. Rents from the Leases are collected annually in advance and shall be prorated between Seller and Purchaser based on the actual rents collected as of the date of Closing.

b. Taxes. Seller is a tax exempt entity and, therefore, does not pay ad valorem taxes on Land owned by Seller. Purchaser acknowledges that any ad valorem taxes, special assessments and rollback taxes assessed on the Land or any portion of the Property for the year of Closing and subsequent years shall be the responsibility of Purchaser, and Purchaser shall assume such responsibility at Closing. In addition, any assessments or taxes (including rollback taxes) that may be levied or assessed against the Property for periods prior to or after Closing resulting from Purchaser's

acquisition of the Property, the change in use of the Property by Purchaser after Closing, or for any other reason shall be the responsibility of Purchaser. In the event such taxes are reimbursable pursuant to the terms of the Leases, then Purchaser shall have the rights to receive such reimbursements for any such taxes assessed during the year of Closing and subsequent years. The provisions of this Paragraph 15.a shall survive Closing.

c. *Title Insurance and Other Closing Expenses.* Purchaser shall be responsible for all closing costs and expenses (including any escrow fee charged by the Title Company, which escrow fee is expected to be \$500), the cost of the Updated Survey, and its own attorney's fees. Purchaser shall also be responsible for the premium for any Owner Policy of Title Insurance, including any additional premium for modification to the survey exception or any other amendments in the Owner Policy of Title Insurance if elected by Purchaser. Seller shall be responsible for the cost of the Initial Survey and its own attorney's fees. Seller shall not be responsible for payment of any closing costs or for the Owner Policy of Title Insurance.

16. **Status Reports.** Due to the requirements set forth in HB3031 and Purchaser's and Seller's desire to ensure that this transaction proceeds to Closing in a timely manner, Purchaser agrees to provide to Seller, at Purchaser's sole cost and expense, written status reports outlining Purchaser's status and progress on Purchaser's obligations under this Contract, including without limitation, (i) Purchaser's attempts to secure financing and/or investors for the purchase of the Property, (ii) the completion of the Updated Survey, (iii) Purchaser's review and correction of any Title issues, (iv) Purchaser's concurrent closings with Leaseholders, and (v) any other matters reasonably requested by Seller at least fifteen (15) days prior to the delivery of the next such monthly report. Purchaser shall provide such reports to Seller on or before the 15<sup>th</sup> day of each month following the Effective Date (it being agreed that such report may be delivered to Seller's attorney via electronic mail). Purchaser shall not be considered in default of this Contract for failure to timely deliver any such report, unless such failure continues for five (5) days after receipt of written notice of such failure from Seller. Upon Seller's review of each such monthly report, Seller shall have the right to request additional information and documentation from Purchaser as Seller reasonably deems necessary, and Purchaser hereby agrees to promptly provide such additional information and documentation to Seller.

17. **Remedies Upon Default.**

a. *Seller Default.* If, after receipt of written notice and a reasonable time to cure such failure, Seller fails to complete this sale in accordance with the terms and provisions of this Contract for any reason except Purchaser's default, Purchaser shall have, as Purchaser's sole and exclusive remedy against Seller, the right to terminate this Contract by giving written notice to Seller at or prior to the Closing, whereupon the Escrow Deposit shall be returned to Purchaser by the Title Company and Purchaser and Seller shall have no other or further liability or obligation to each other except as specifically provided in this Contract and this Contract shall be deemed to have been terminated on the date Purchaser notifies Seller of Purchaser's election of this right to terminate this Contract. Without limiting the generality of the foregoing, Purchaser acknowledges and agrees that in no event shall Purchaser be entitled to monetary damages from Seller under any circumstances. In the event Seller is involved in any litigation arising out of this Contract brought by, through or under Purchaser, Seller shall be entitled to recover from Purchaser Seller's reasonable attorney's fees and expenses incurred in connection with such litigation.

b. Purchaser Default. If Purchaser fails to complete this sale in accordance with the terms and provisions of this Contract for any reason except Seller's default, Seller shall have, as Seller's only remedies against Purchaser, the options of (i) enforcing specific performance of the Contract, or (ii) terminating this Contract by giving notice to Purchaser and to the Title Company, whereupon the Escrow Deposit shall immediately be paid to Seller as consideration for the right given to Purchaser in this Contract to purchase the Property (it being agreed that it would be extremely difficult, if not impossible, to calculate the actual damages to Seller), after which Purchaser and Seller shall have no other or further liability or obligation to each other hereunder except as specifically provided in this Contract, and this Contract shall be deemed to have been terminated on the date Seller notifies Purchaser of Seller's election of this right to terminate this Contract. Without limiting the generality of the foregoing, Seller acknowledges and agrees that in no event shall Seller be entitled to monetary damages other than the Escrow Deposit as provided above; provided, however, nothing contained herein shall be deemed to limit Purchaser's indemnity obligations hereunder.

c. Waiver. The requirements imposed upon Seller in this Contract are for Purchaser's benefit, and those requirements or other provisions for Purchaser's benefit may be waived in writing by Purchaser. Likewise, the requirements imposed upon Purchaser in this Contract are for the Seller's benefit, and those requirements or other provisions for the Seller's benefit may be waived in writing by Seller.

18. **HB3031**. Purchaser and Seller hereby agree to comply with the requirements set forth in HB3031, including without limitation, the timeframes, purchase options, restrictions, and notice requirements set forth therein. Purchaser and Seller agree to amend this Contract and the forms attached hereto, if necessary, to comply with HB3031.

19. **Real Estate Commissions**. Seller and Purchaser represent and warrant to each other that they have dealt with no broker, finder or similar agent in connection with the transaction provided for in this Contract. Seller and Purchaser agree to hold each other harmless from and against any claim for a commission or other fee made by any other person claiming to have dealt with the indemnifying party in connection with this transaction, including reasonable attorney's fees incurred in the defense of such a claim. Notwithstanding the foregoing, Purchaser acknowledges Seller has retained Integra Realty Resources ("Consultant") as a consultant for this transaction on an hourly fee basis and not a commission basis. Seller is responsible for payment of Consultant's hourly fees pursuant to a separate agreement between Seller and Consultant.

20. **Notices**. Any notices required or permitted to be given under this Contract shall be in writing and shall be deemed to be given (a) when actually received by that person, or (b) three (3) days after being deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to Seller or Purchaser, as the case may be, at the address indicated below, or to a different address as previously given in a notice to the other party.

If to Seller: Brazos River Authority  
Administrative Services  
P.O. Box 7555  
Waco, Texas 76714-7555

With a Copy To: Drenner & Golden Stuart Wolff, LLP  
301 Congress Avenue, Suite 1200  
Austin, Texas 78701  
Attn: Nicole D. Castro

If to Purchaser: Patterson PK Land Partnership, LTD.  
Attn: Michael H. Patterson  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017

21. **Title Company as Escrow Agent.** The parties hereto hereby appoint the Title Company to act as escrow agent in retaining any closing documents and deposits of funds in accordance with the terms of this Contract. In handling any escrowed funds, the Title Company shall be governed by the terms contained herein and shall not be responsible for the validity, sufficiency or enforceability of any of the terms of this Contract. The Title Company shall not be charged with any notice, fact or information not specifically set forth herein. The Title Company shall be entitled to rely on any written notice, demand or document which in good faith is believed to be genuine, and it shall not be required to inquire as to identity, authority or rights of the undersigned. The Title Company shall not be liable for any act or omission by or on behalf of the Title Company with respect to this Contract, except in cases of gross negligence or willful misconduct, provided, however, the Title Company shall be liable for the funds actually deposited in its possession. The Title Company shall not be authorized to apply any escrowed funds to any indebtedness of any party hereto or withhold the disbursement of such funds for reasons except as provided in this Contract. In the event either party hereto becomes entitled to any escrowed funds deposited with the Title Company in accordance with the terms of this Contract, the Title Company is hereby authorized to immediately pay said deposit to the party so entitled thereto. In the event the Title Company requires same, Purchaser and Seller agree to deliver a letter of instruction to the Title Company directing the disbursement of the deposit to the party entitled thereto and indemnifying the Title Company against any and all claims. In the event either party hereto fails or refuses to sign or deliver such an instruction letter when the other party is entitled to such disbursement, then the party so failing or refusing to sign or deliver such letter shall pay, upon final order of the court with appropriate jurisdiction that such other party is entitled to such disbursement, all reasonable attorney's fees and expenses incurred by the party so entitled to such disbursement in connection with its recovery thereof and interest on such amount disbursed at the lesser of eighteen percent (18%) per annum or the maximum rate allowed by state or federal law from the date of refusal to sign such requested release of funds.

22. **Miscellaneous.**

a. **Assignment; Binding Effect; Authority.** Purchaser cannot assign this Contract to any other person or entity without the prior written consent of Seller. Subject to this restriction on assignment, this Contract and all of its terms and provisions shall be binding upon and inure to the benefit of Seller, and the successors and assigns of Seller, and Purchaser, and the successors and assigns of Purchaser. Purchaser represents that it is duly organized, validly existing and in good standing under the laws of the state of its organization, that Purchaser has the legal power to enter into this Contract and to perform all the terms of this Contract, and that the persons signing this

Contract on Purchaser's behalf are fully authorized to sign for and to bind Purchaser. Seller represents that it has the legal power to enter into this Contract and to perform all the terms of this Contract (subject to ratification of such Contract by the Board), and that the persons signing this Contract on Seller's behalf are fully authorized to sign for and to bind Seller (subject to ratification of such Contract by the Board).

b. Complete Agreement; Headings; Waiver. This Contract contains the complete agreement of the parties and cannot be amended or modified except by written agreement signed by Seller and Purchaser. The paragraph headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the scope, content or extent of this Contract or any part of it. If any portion of this Contract is held by a court of proper jurisdiction to be invalid or inoperative, then so far as is reasonable and possible the remainder of the Contract shall be deemed valid and operative, and effect shall be given to the intent manifested by the portion held invalid or inoperative. The failure by either party to enforce against the other any term or provisions of this Contract shall not be deemed to be a waiver of that party's right to enforce against the other party the same or any other term or provision. The terms and provisions of this Contract shall not merge with, or be extinguished or otherwise affected by, any subsequent conveyance or instrument between the parties, unless the instrument specifically so states and is signed by both parties. Except for those limited third-party beneficiary rights specifically set forth in the Assignment, this Contract and the rights and obligations set forth herein are for the benefit of Purchaser and Seller and there are no intended third party beneficiaries to this Contract.

c. Governing Law. This Contract and the obligations under this Contract shall be construed in accordance with, governed by, and shall be subject to, the laws of the State of Texas, and exclusive venue for any dispute arising hereunder shall lie in McLennan County, Texas.

d. Attorneys' Fees. Any party to this Contract bringing suit against the other in respect to any matters stated herein may, if successful in such suit, recover from the nonprevailing party its costs of court and reasonable attorneys' fees and associated legal expenses in such suit.

e. Execution in Counterparts. The Contract can be executed in counterparts, each of which shall be an original and, upon the delivery to the Title Company of one or more of the Contracts signed by all parties, together with written notice of the ratification of the Contract by the Board, will constitute a fully executed and binding contract. As soon as possible, the parties agree to exchange Contracts so that each party will have a fully executed Contract.

f. Time Periods. Unless otherwise expressly provided herein, all periods for performance, delivery, review or approval and the like shall be determined on a "calendar" day basis. If any day for performance, delivery, review or approval shall fall on a Saturday, Sunday or legal holiday (state or federal) in Austin, Texas, the time therefor shall be extended to the next business day. Time is of the essence of this Agreement.

g. Effective Date of Contract. For purposes of this Contract it is agreed that the effective date of this Contract shall be the date on which the Board ratifies this Contract or the date on which the Contract is fully executed, whichever is later (the "Effective Date"). A copy of a resolution by the Board indicating its acceptance and ratification of the Contract and the date of such

ratification, along with a copy of the fully executed and dated Contract, shall be conclusive evidence of the Effective Date. This Contract shall not be effective or binding on the parties unless and until such time as the Board ratifies such Contract and the Contract is fully executed by the parties hereto.

h. *River Authority*. Purchaser acknowledges and agrees that Seller is a river authority created and existing pursuant to Article XVI, Section 59 of the Texas Constitution and other applicable law and as such is a political subdivision of the State of Texas. Nothing herein shall be construed to waive, impair, or diminish Seller's sovereign immunity arising from its status as a governmental entity.

IN WITNESS WHEREOF, the parties hereto have executed this Contract to be effective as of the Effective Date.

[SIGNATURE PAGE FOLLOWS]



*[Signature Page for Contract for Sale]*

**SELLER:**

BRAZOS RIVER AUTHORITY

By: Phil Ford  
Phil Ford, General Manager/CEO

Date signed by Seller:

27 July 2009, 2009

*[Signature Page for Contract for Sale, Continued]*


**PURCHASER:**

PATTERSON PK LAND PARTNERSHIP, LTD.,  
a Texas limited partnership

By: Patterson PK Land Management GP, LLC,  
a Texas limited liability company, its General  
Partner

By:   
Michael H. Patterson, Manager

Date signed by Purchaser:

, 2009

**Exhibits:**

- Exhibit A – Depiction of Land
- Exhibit B – Form of Special Warranty Deed
- Exhibit C – Form of Access Easement
- Exhibit D – Draft of Declaration
- Exhibit E – Form of Easement and Right of Way for the Measurement Station
- Exhibit F – Form of Assignment, Assumption and Ratification of Leases and Rents
- Exhibit G – Form of Memorandum of Assignment, Assumption, and Ratification of Leases and Rents
- Exhibit H – Form of Assignment and Assumption of Ranch Agreement
- Exhibit I – Current Lease Rate Methodology
- Exhibit J – Form of Purchase and Sale Agreement between Purchaser and Leaseholder
- Exhibit K – Survey Scope of Work and Schedule
- Schedule I – Public Use and Recreation Areas and Authority Access Roads

ACCEPTANCE BY THE TITLE COMPANY

The undersigned Title Company hereby acknowledges receipt of the Escrow Deposit and a fully executed counterpart of this Contract and agrees to accept, hold, return and/or disburse the Escrow Deposit referred to in such Contract strictly in accordance with the provisions hereof. The undersigned Title Company further covenants and agrees with Seller and Purchaser to timely issue the Title Commitment to Purchaser in accordance with the provisions of Paragraph 6 hereof.

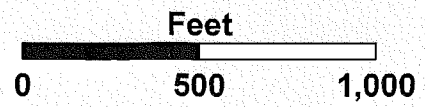
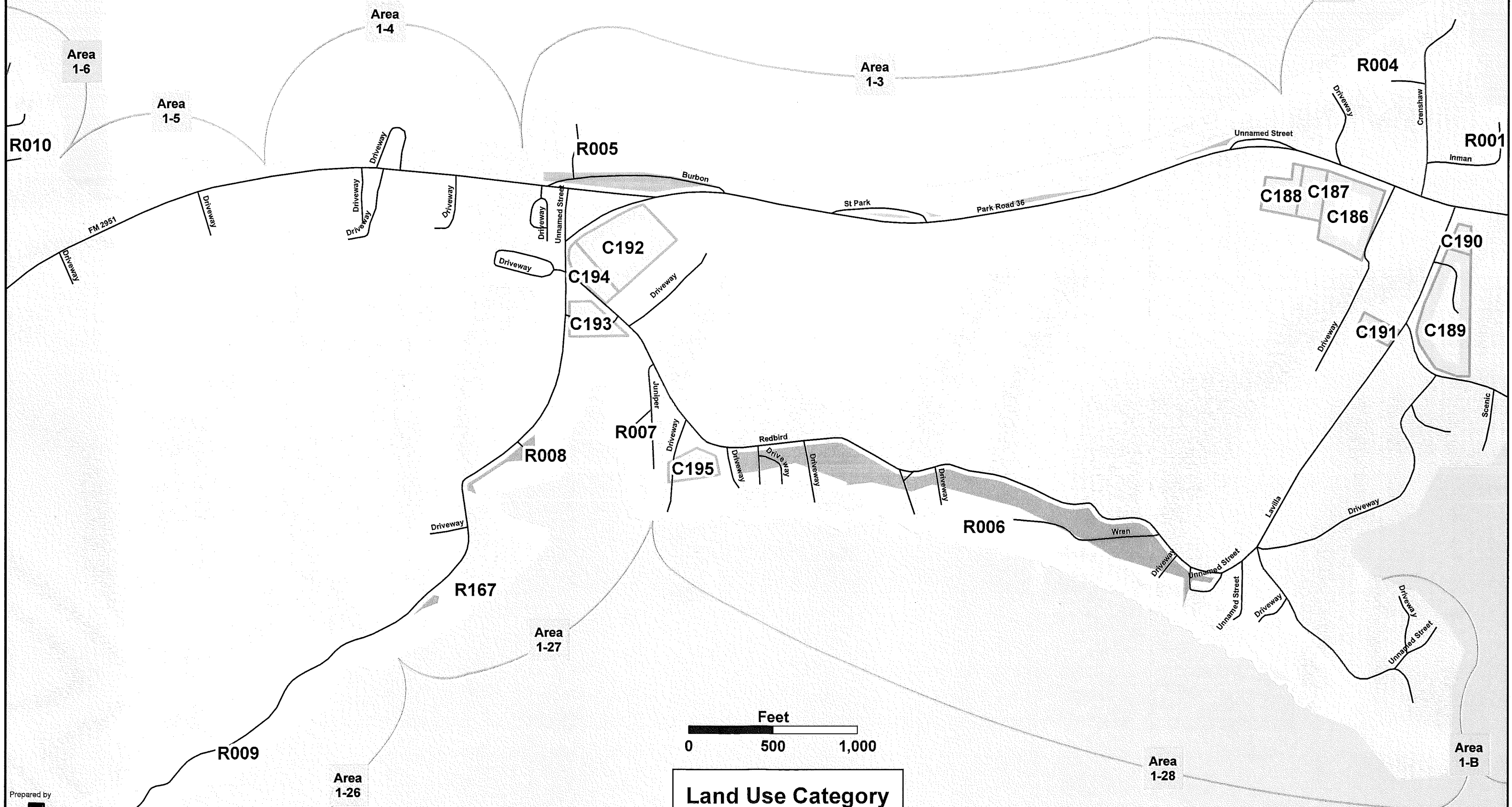
TITLE COMPANY:

HERITAGE TITLE COMPANY OF AUSTIN, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



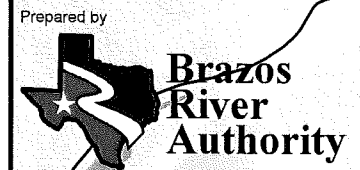
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No claims to accuracy are made or implied.  
Subject to survey and grantor approval.



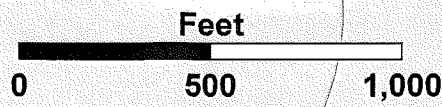
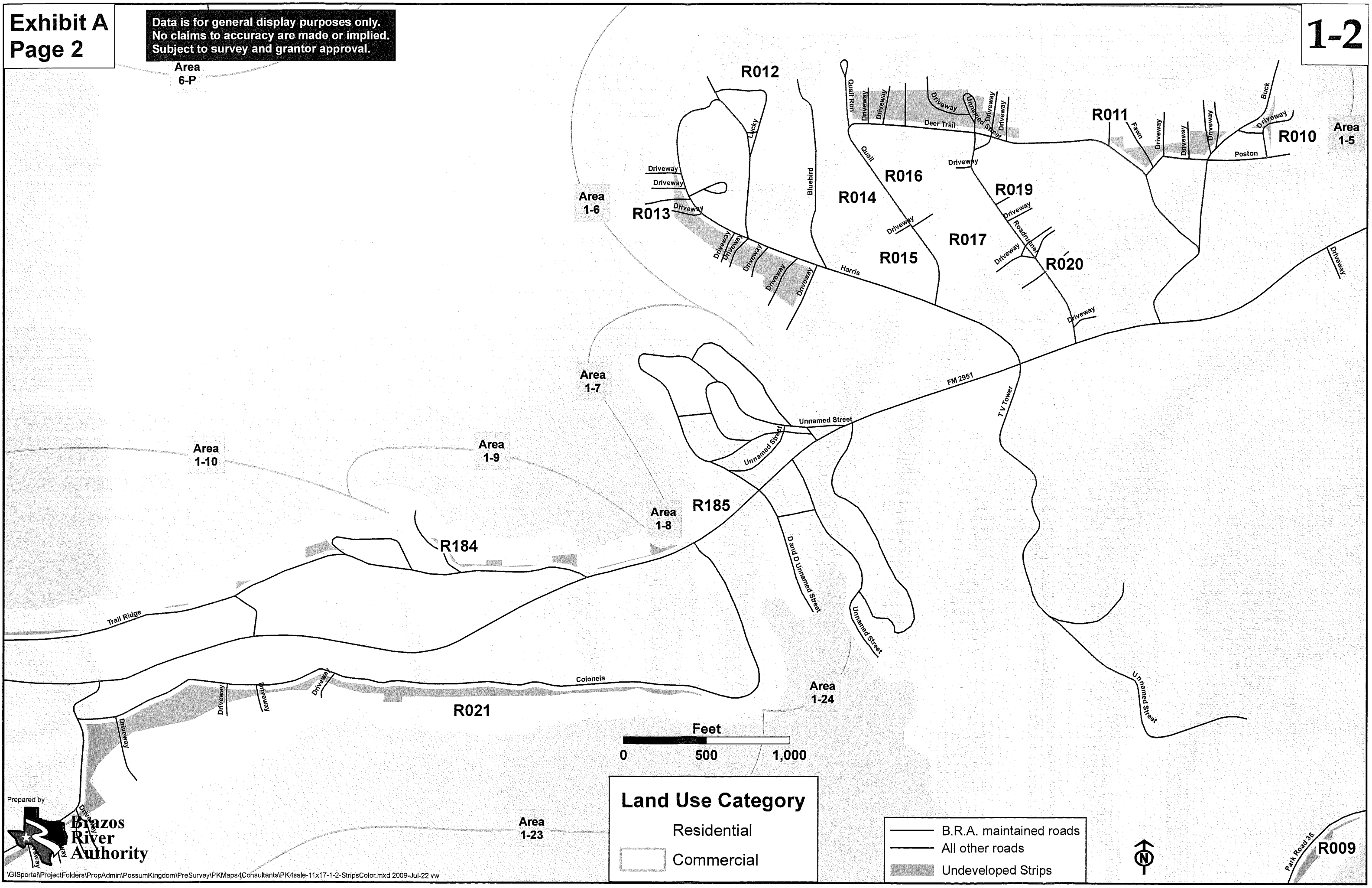
**Land Use Category**

- Residential
- Commercial

- B.R.A. maintained roads
- All other roads
- Undeveloped Strips



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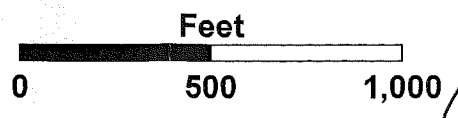
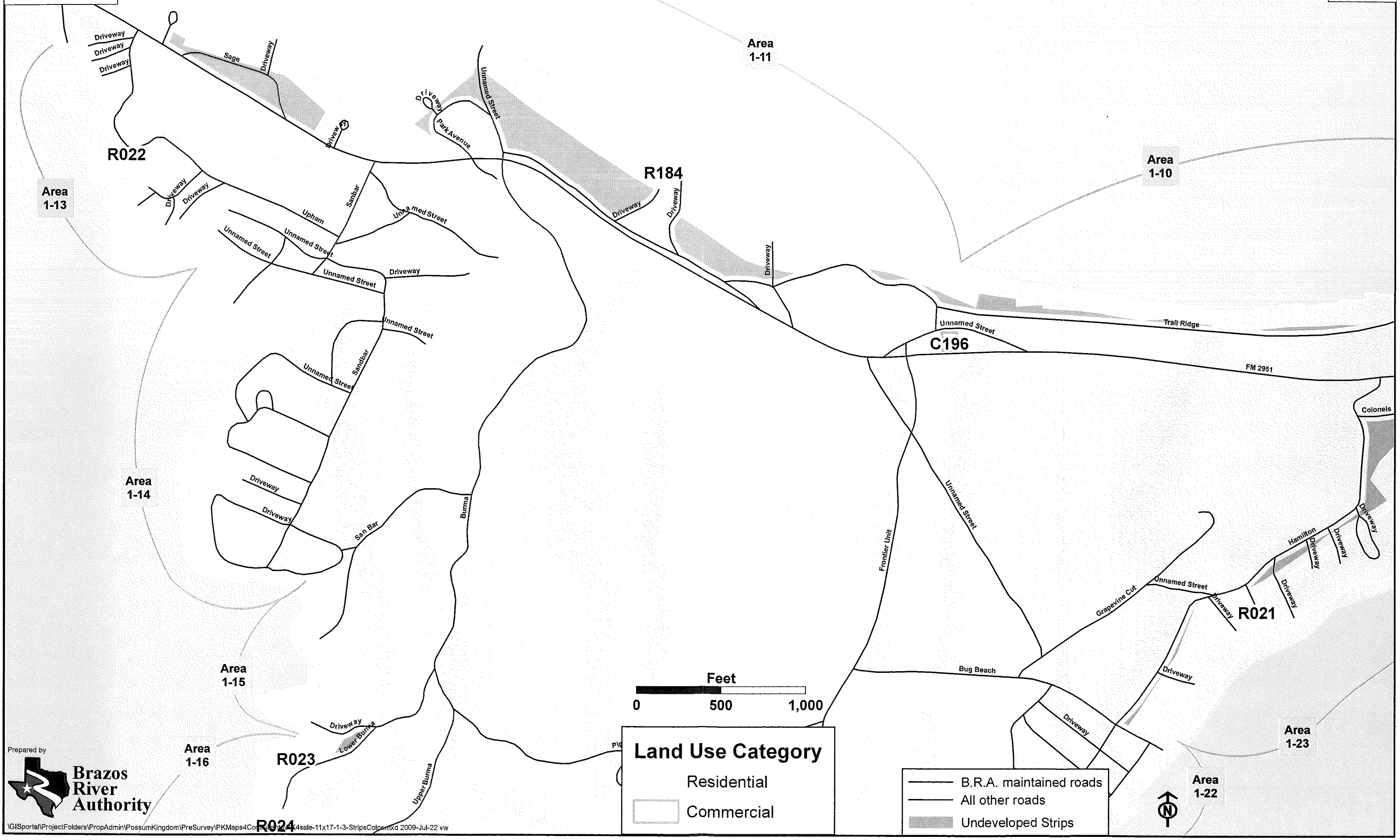


Land Use Category	
	Residential
	Commercial

	B.R.A. maintained roads
	All other roads
	Undeveloped Strips



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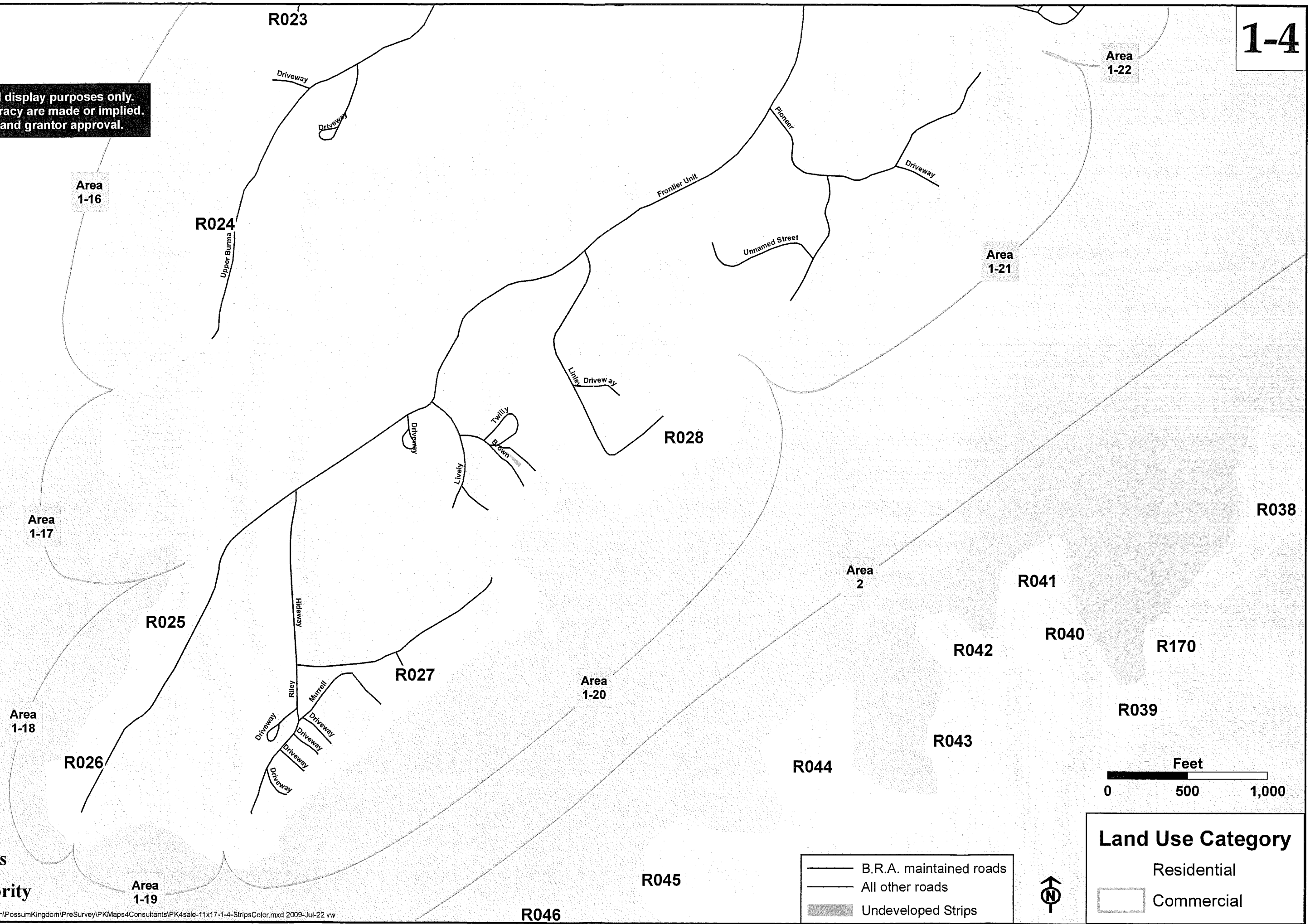


**Land Use Category**

- Residential
- Commercial

- B.R.A. maintained roads
- All other roads
- Undeveloped Strips

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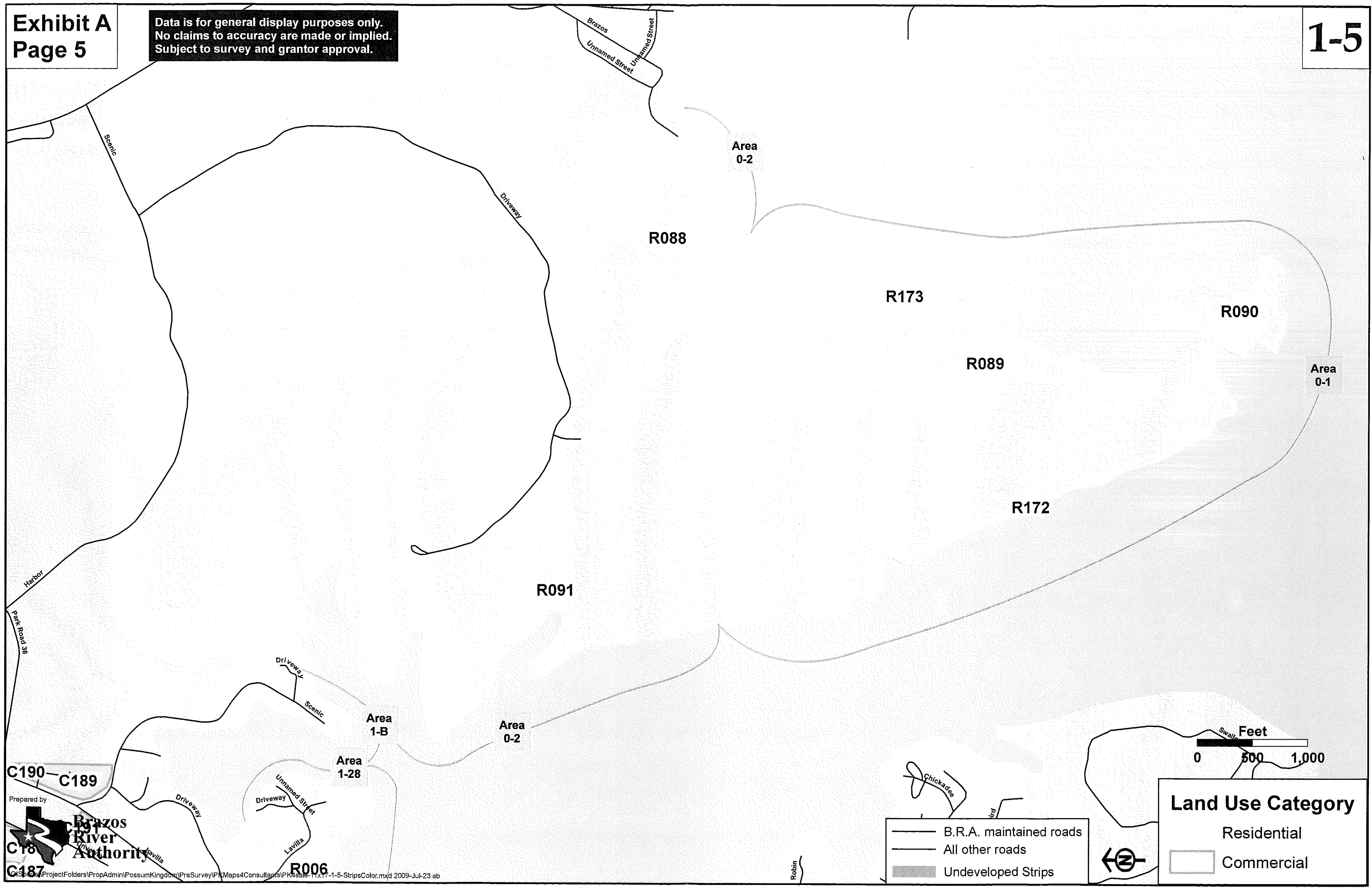


— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial



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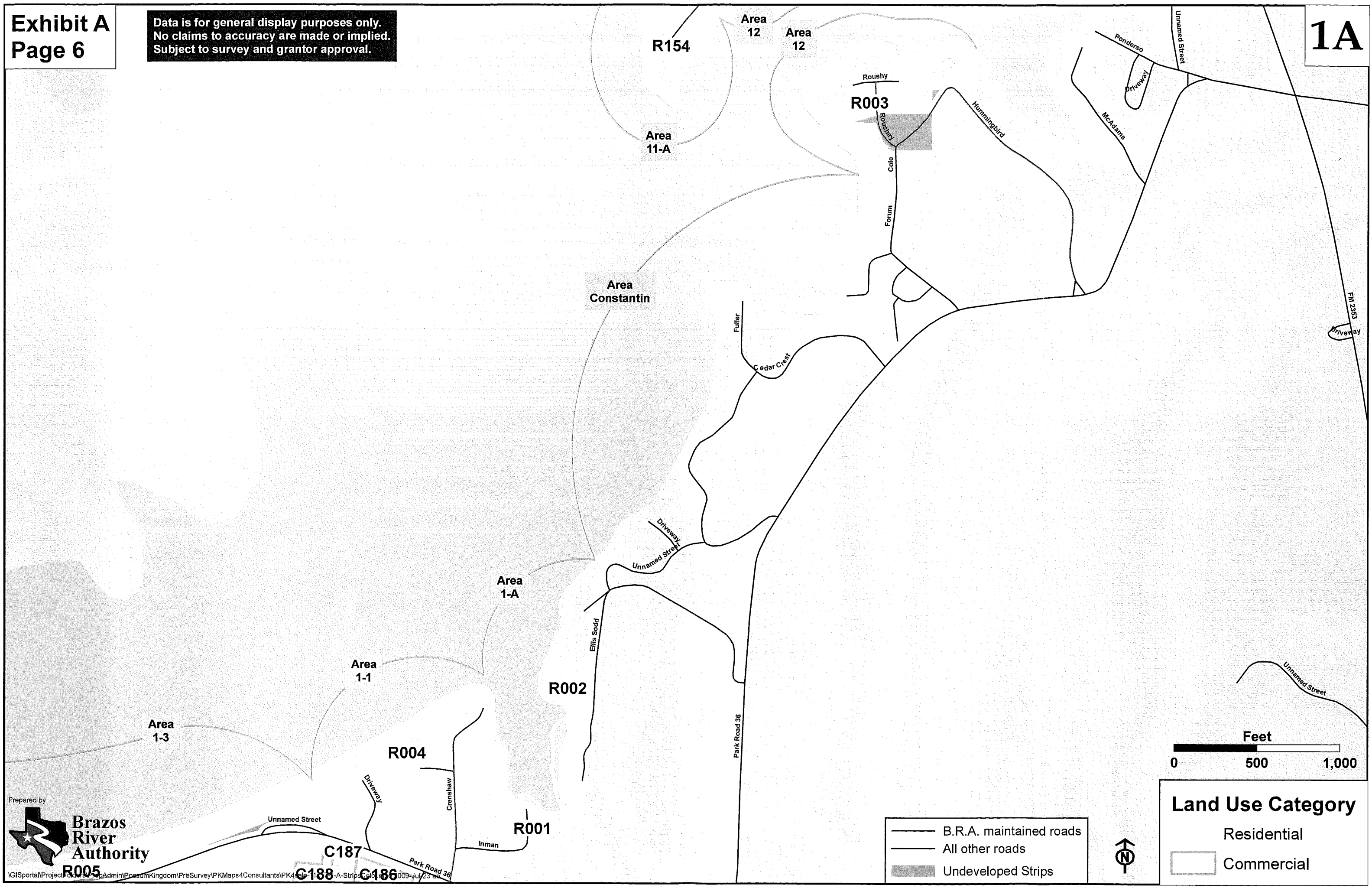


C190 - C189  
Prepared by  
**Brazos River Authority**  
C18  
G187

— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial

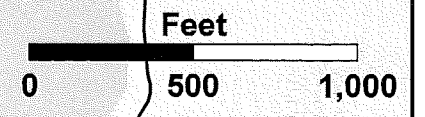
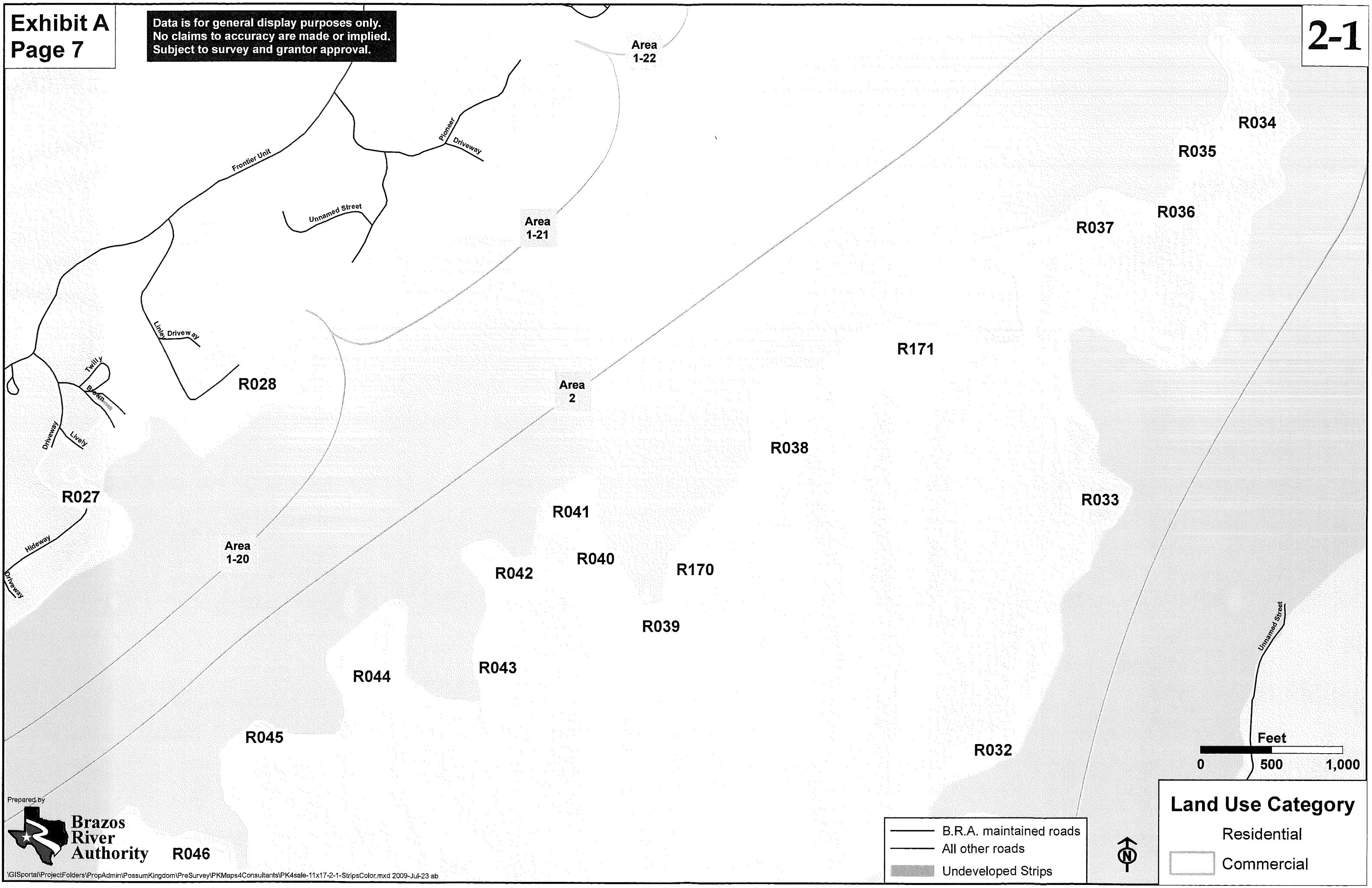
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— B.R.A. maintained roads  
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■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial

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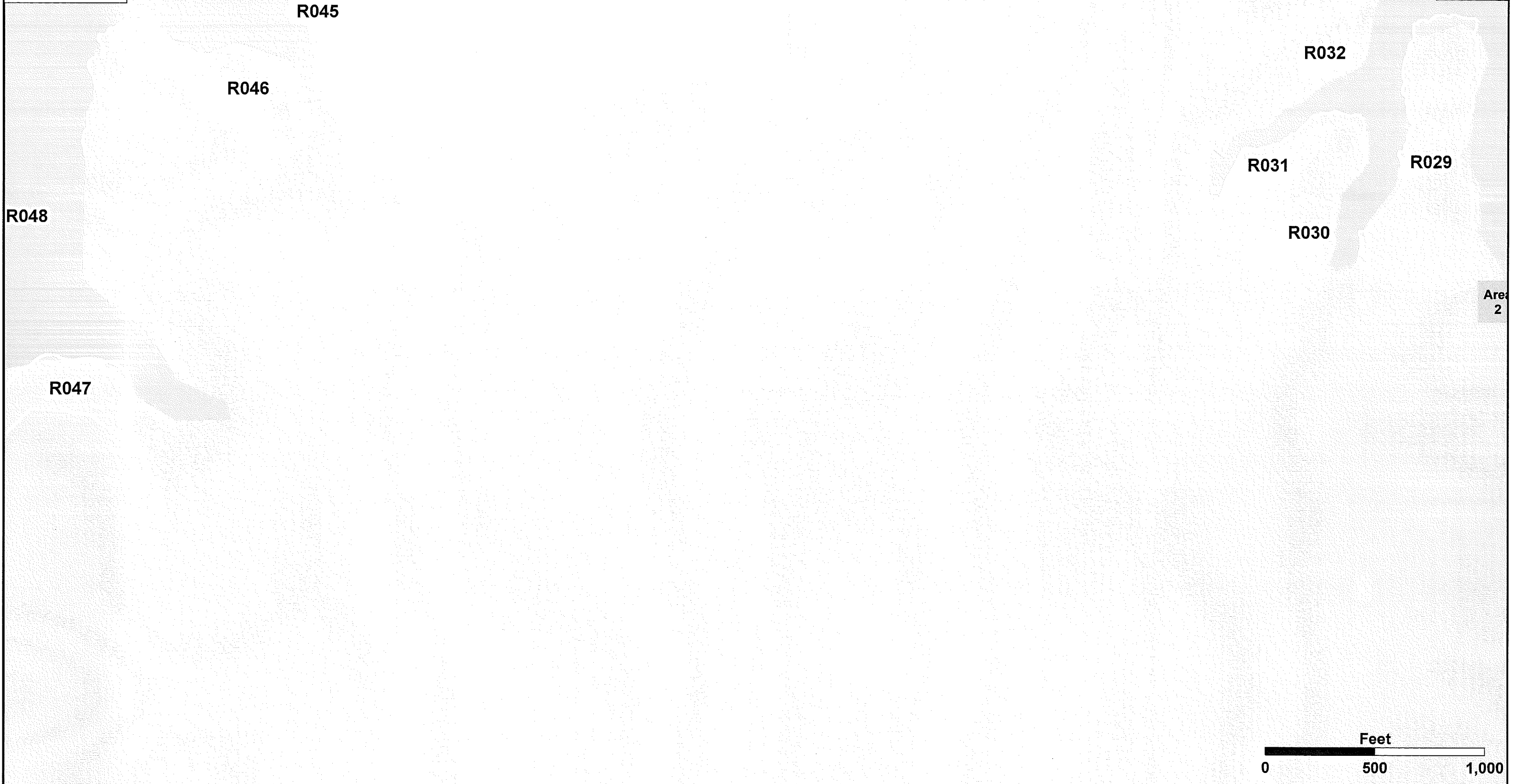
**Land Use Category**




- Residential
- Commercial

- B.R.A. maintained roads
- All other roads
- Undeveloped Strips





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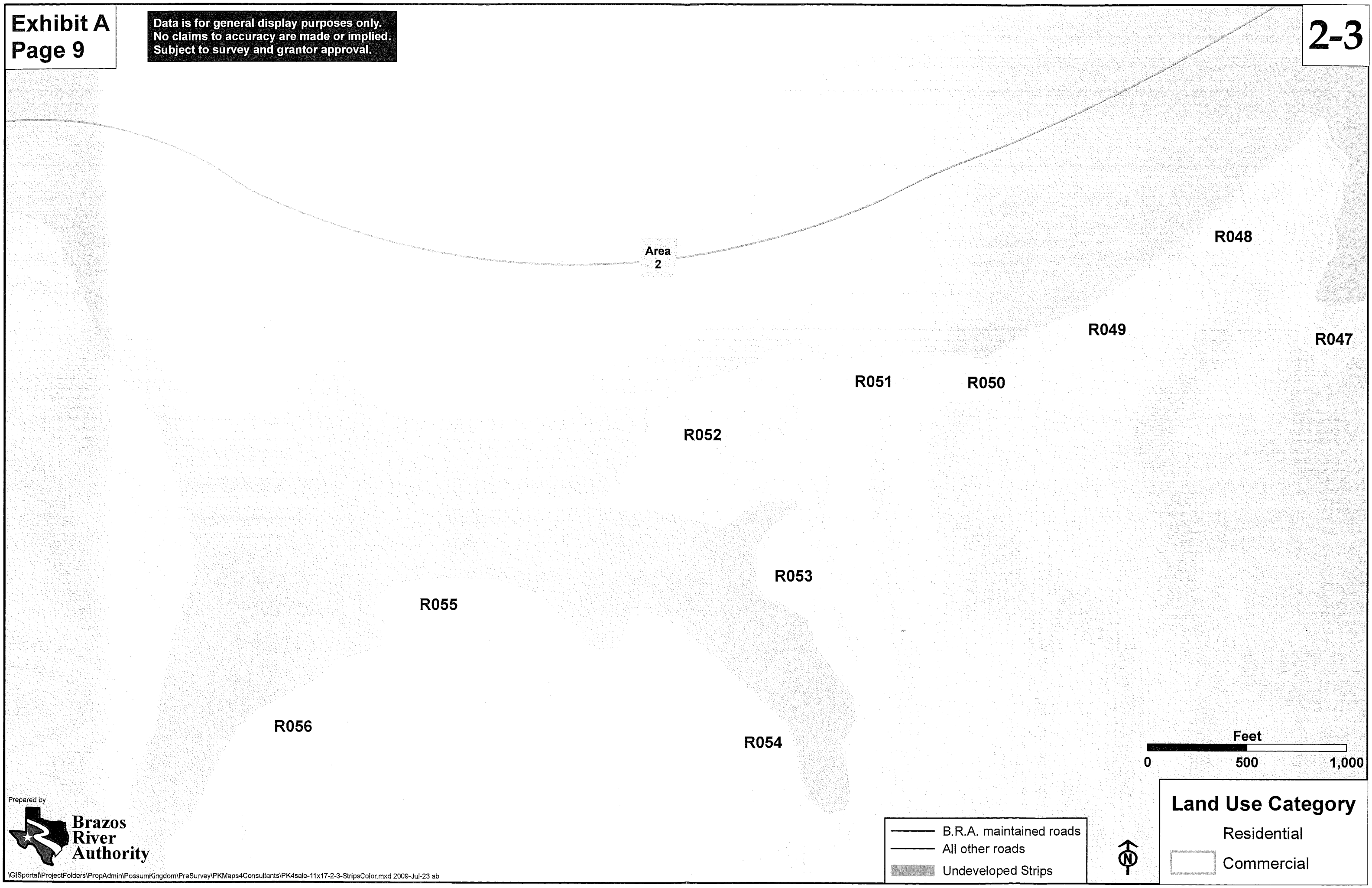


	B.R.A. maintained roads
	All other roads
	Undeveloped Strips



Land Use Category	
	Residential
	Commercial

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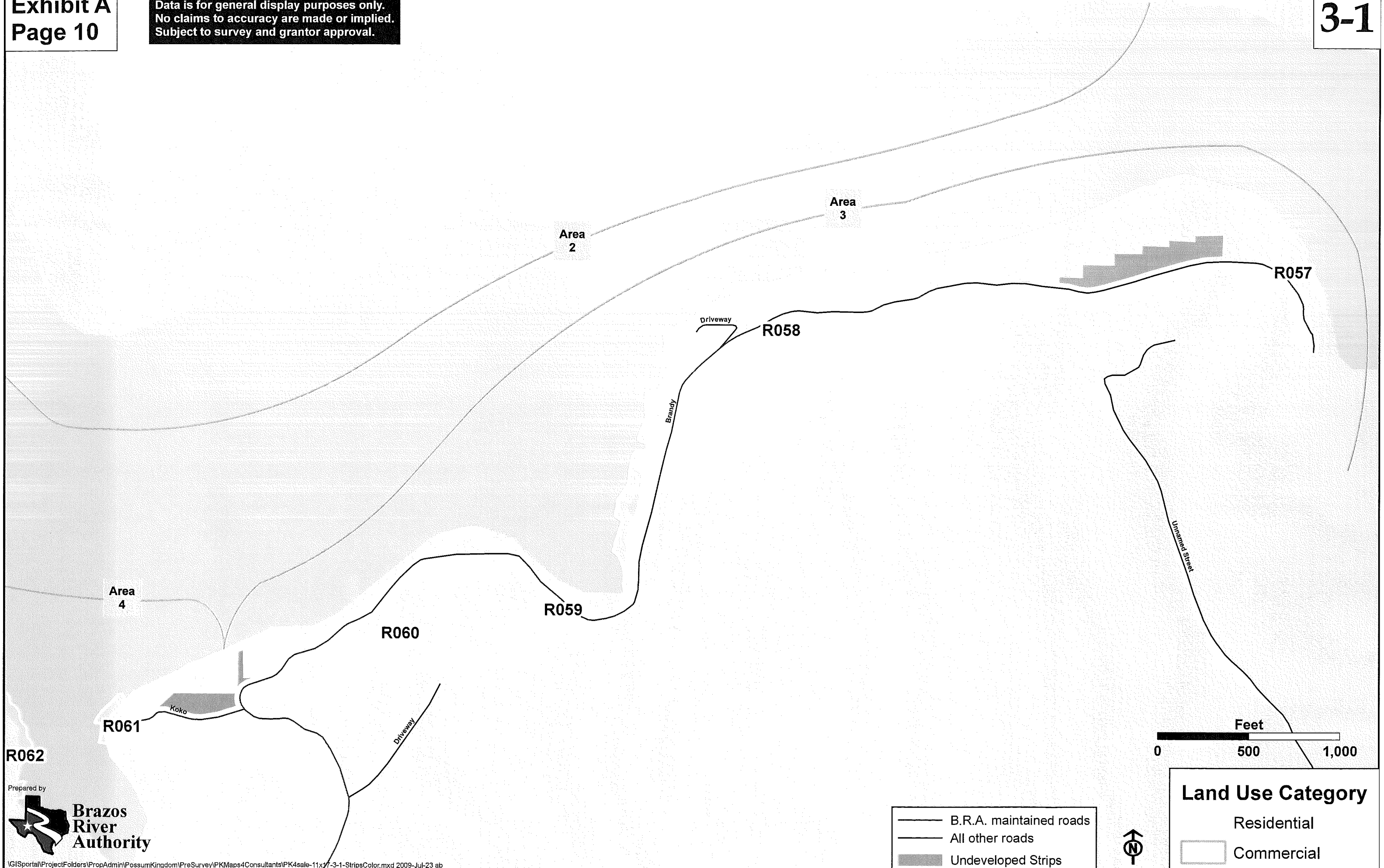


— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips



**Land Use Category**  
Residential  
Commercial

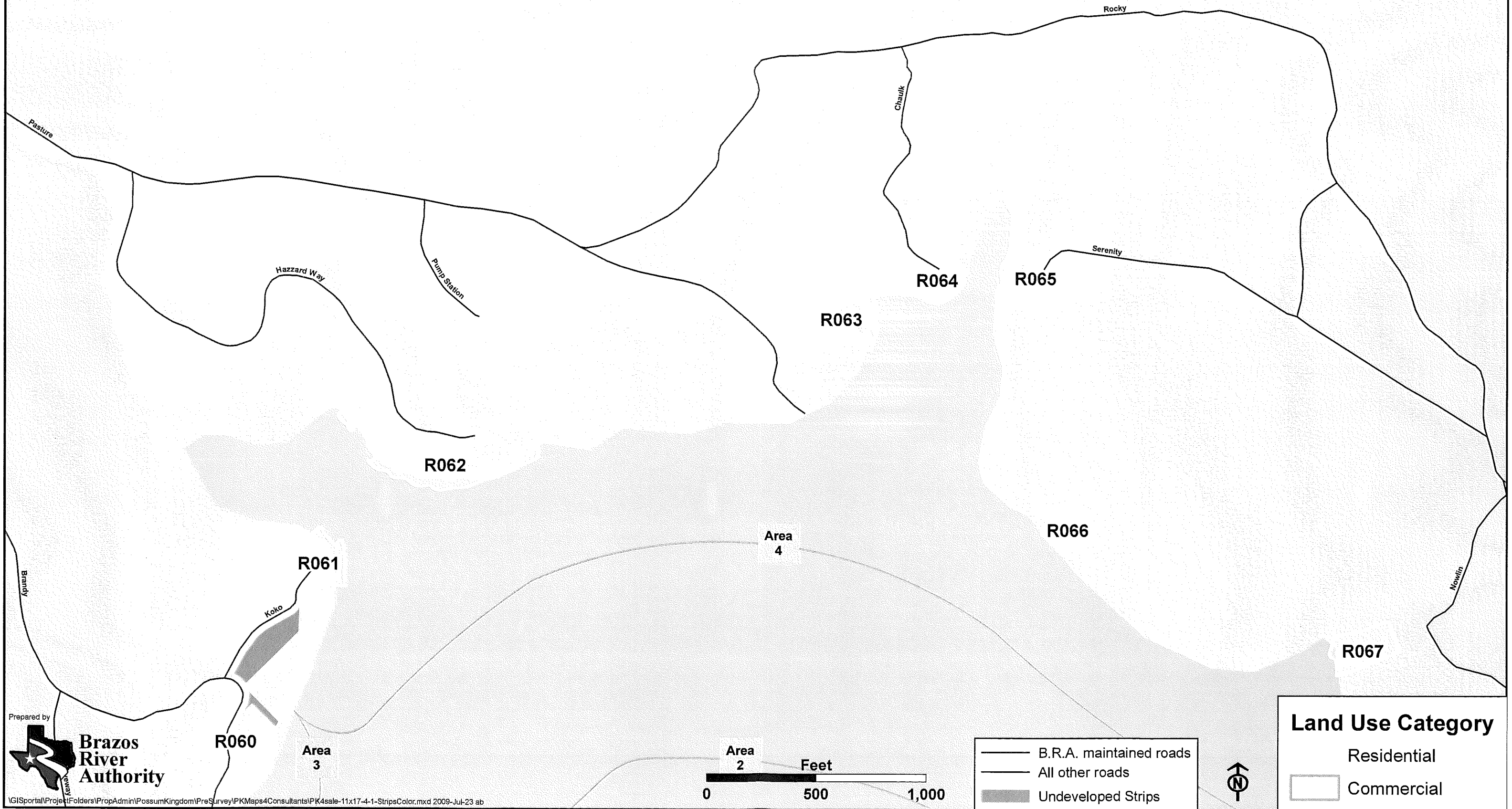
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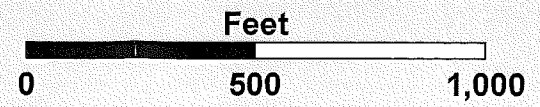
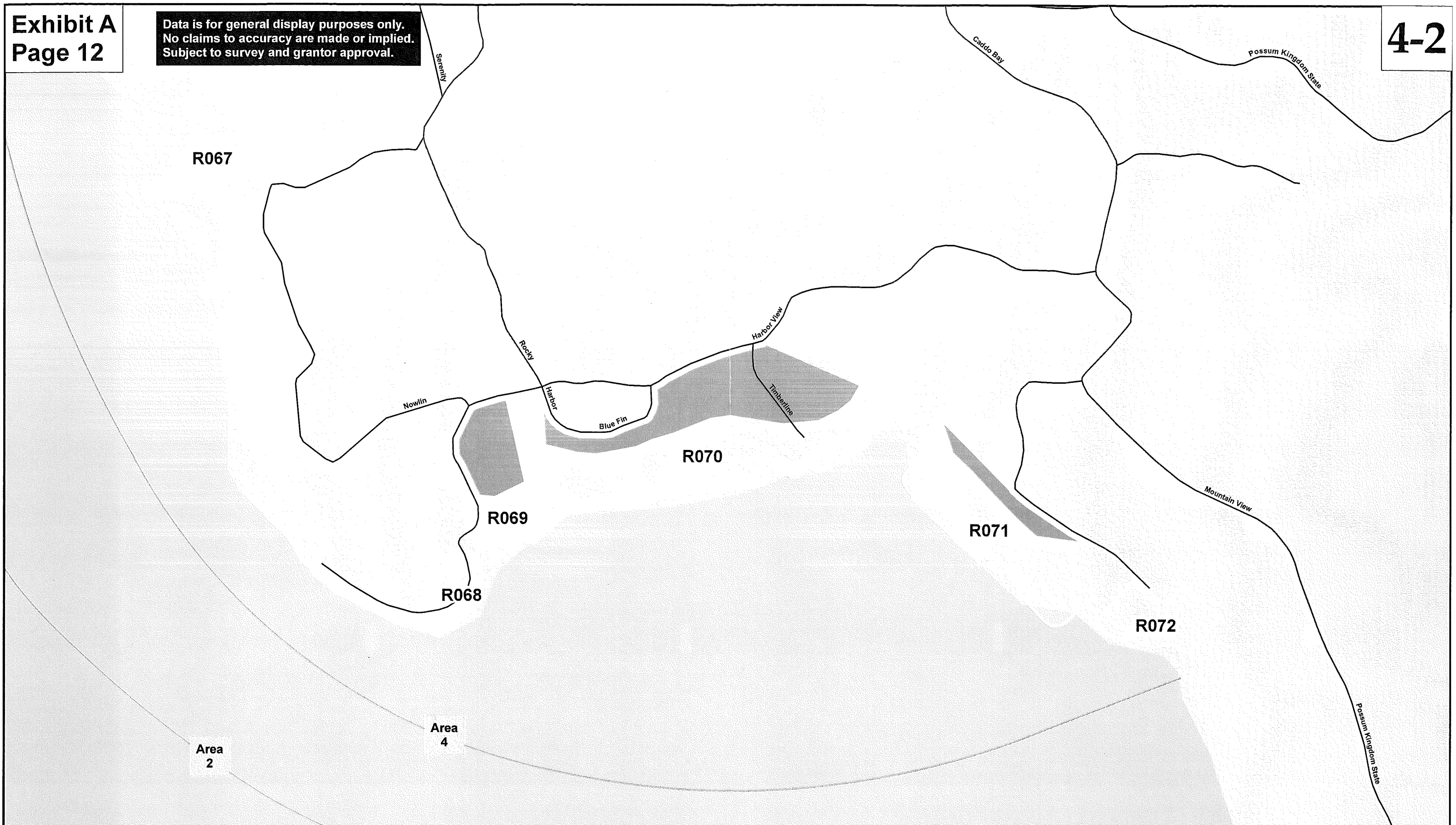
— B.R.A. maintained roads  
- - - All other roads  
■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial

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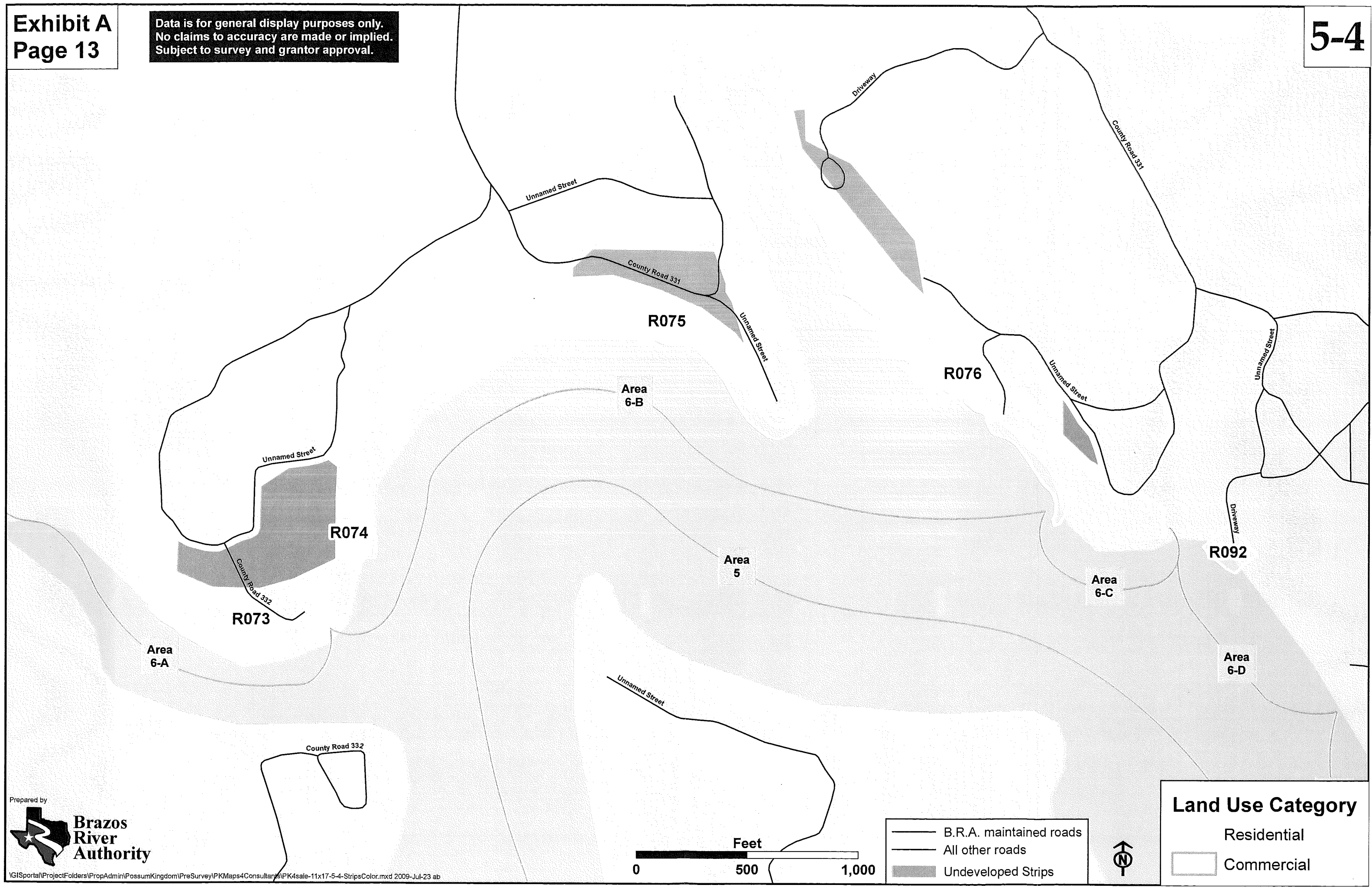
	B.R.A. maintained roads
	All other roads
	Undeveloped Strips








Land Use Category	
	Residential
	Commercial



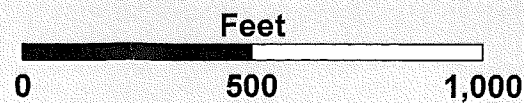
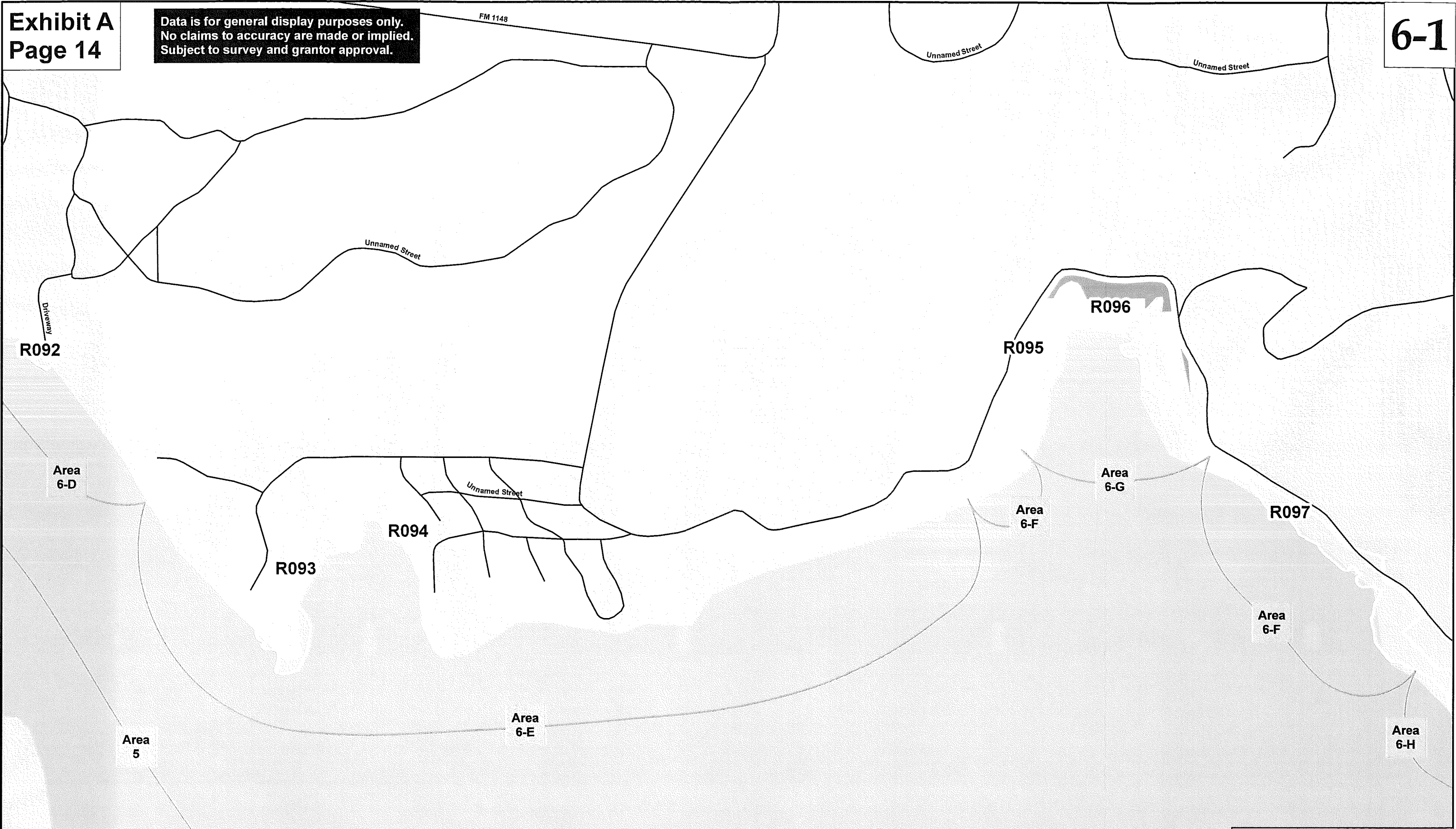
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	B.R.A. maintained roads
	All other roads
	Undeveloped Strips



Land Use Category	
	Residential
	Commercial

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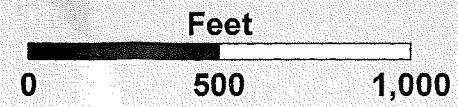
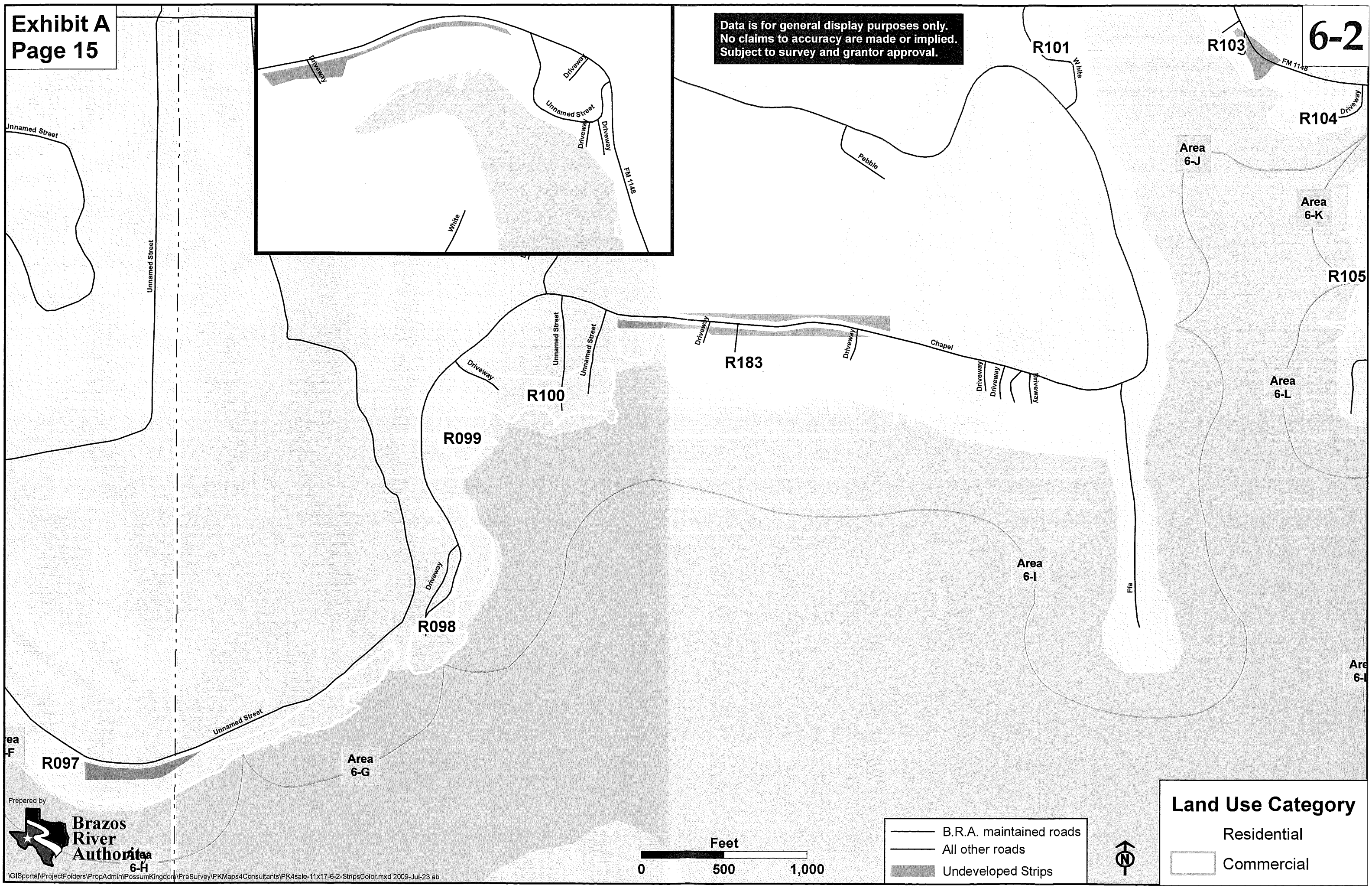





	B.R.A. maintained roads
	All other roads
	Undeveloped Strips





Land Use Category	
	Residential
	Commercial

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	B.R.A. maintained roads
	All other roads
	Undeveloped Strips

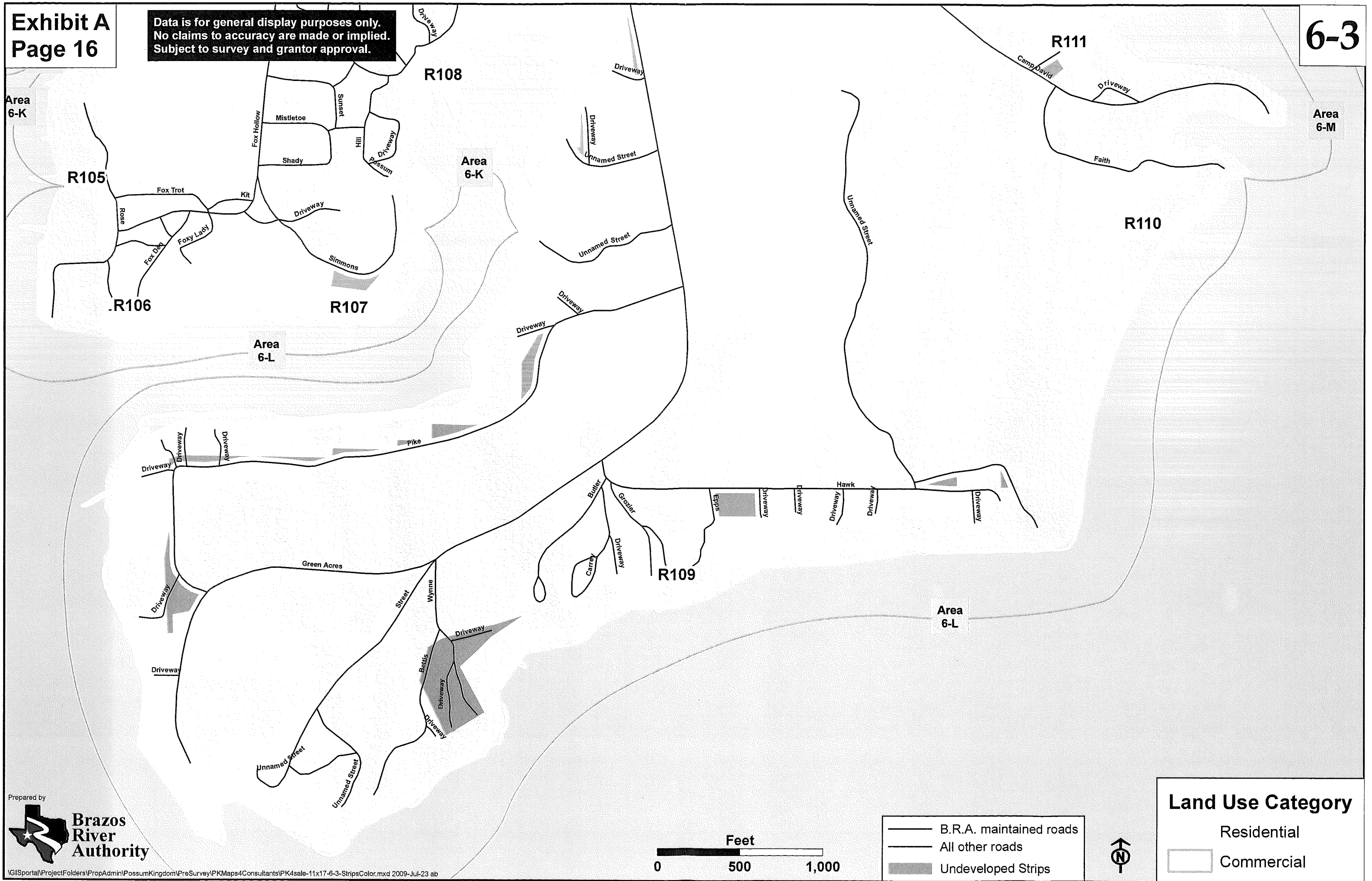


Land Use Category	
	Residential
	Commercial

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Subject to survey and grantor approval.

Area 6-K

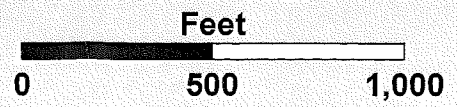
Area 6-M



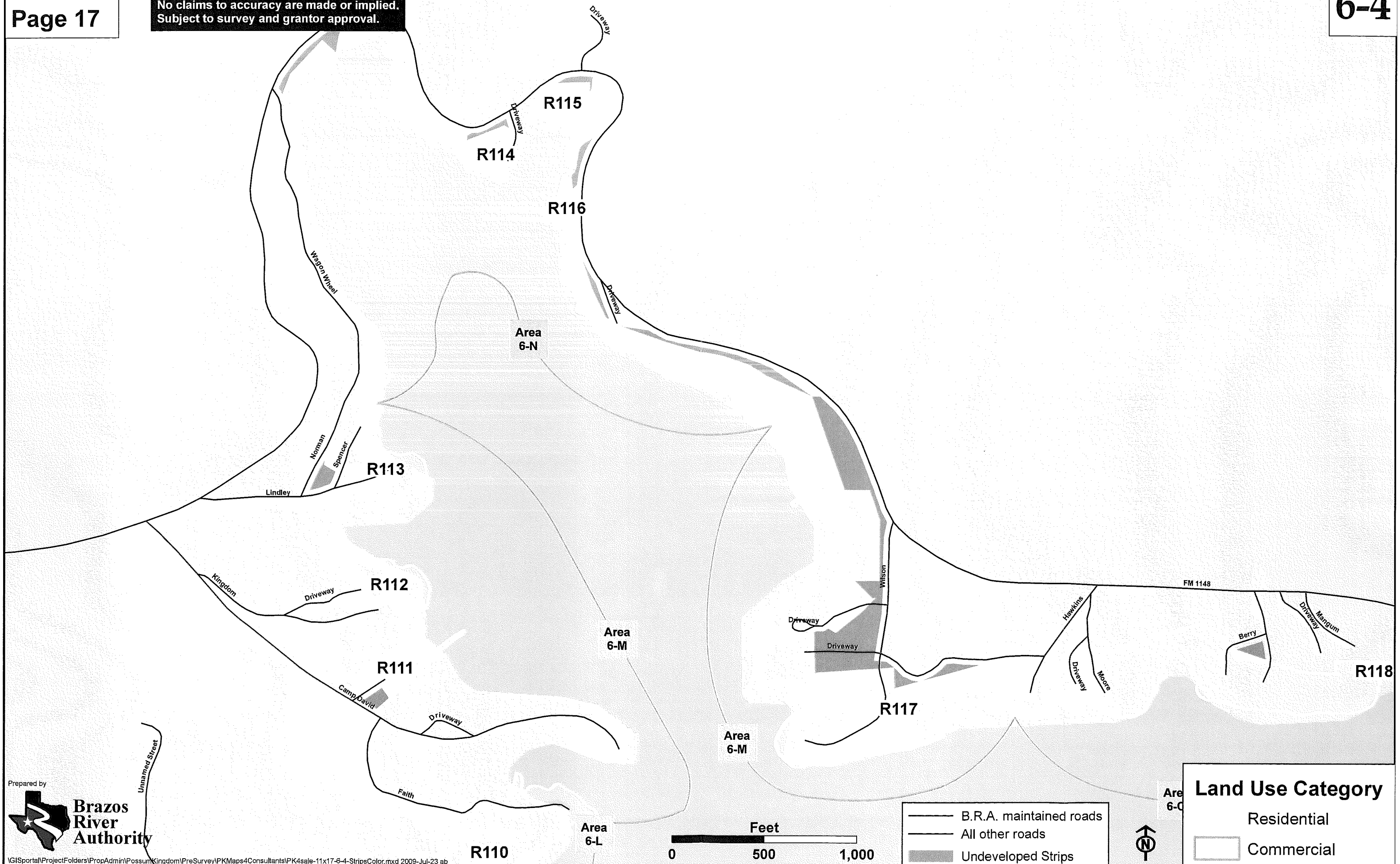
**Land Use Category**

- Residential
- Commercial

— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips



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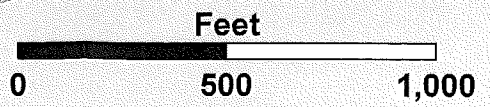


**Land Use Category**

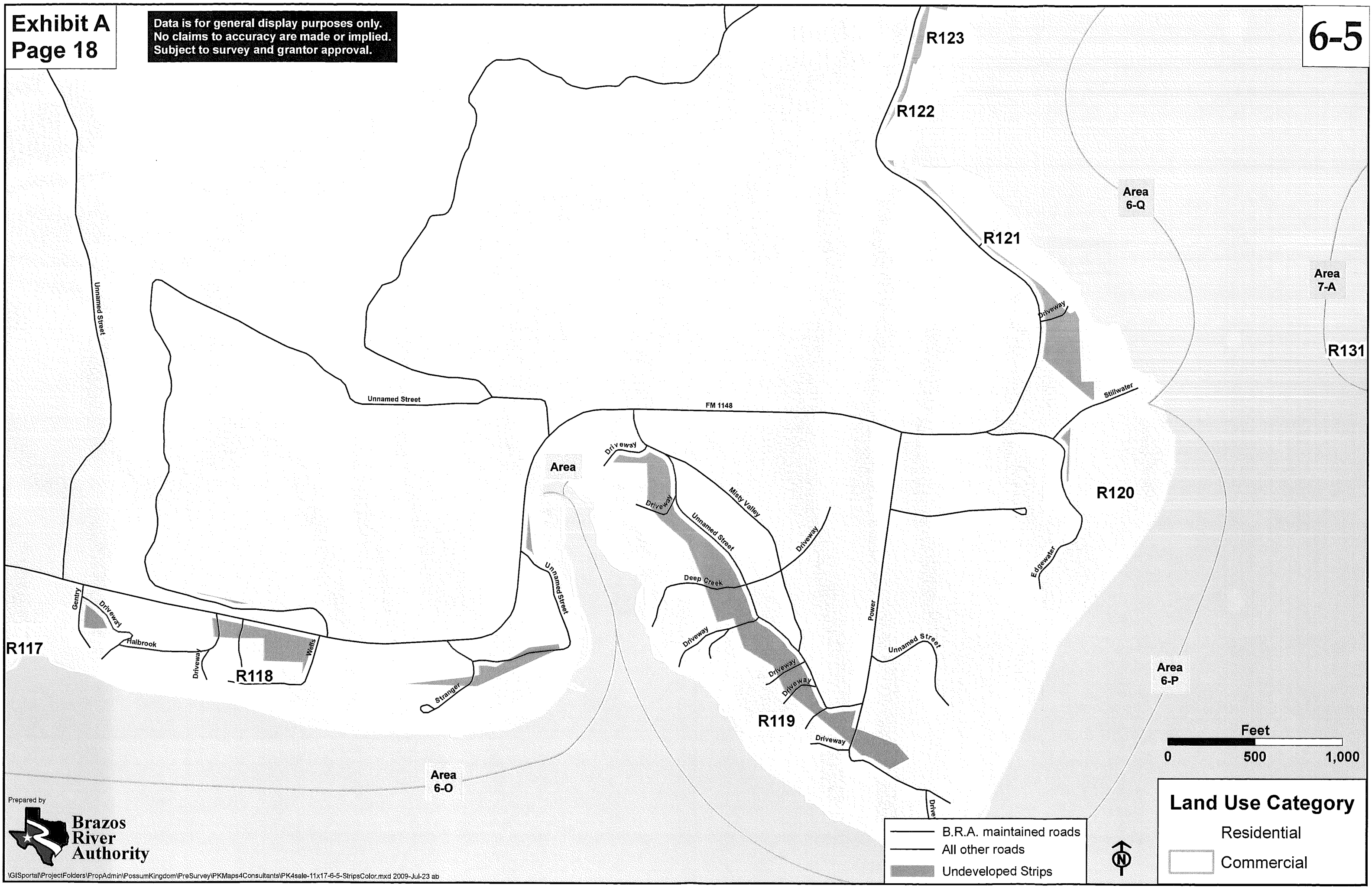
- Residential
- Commercial

**Legend**

- B.R.A. maintained roads
- All other roads
- Undeveloped Strips



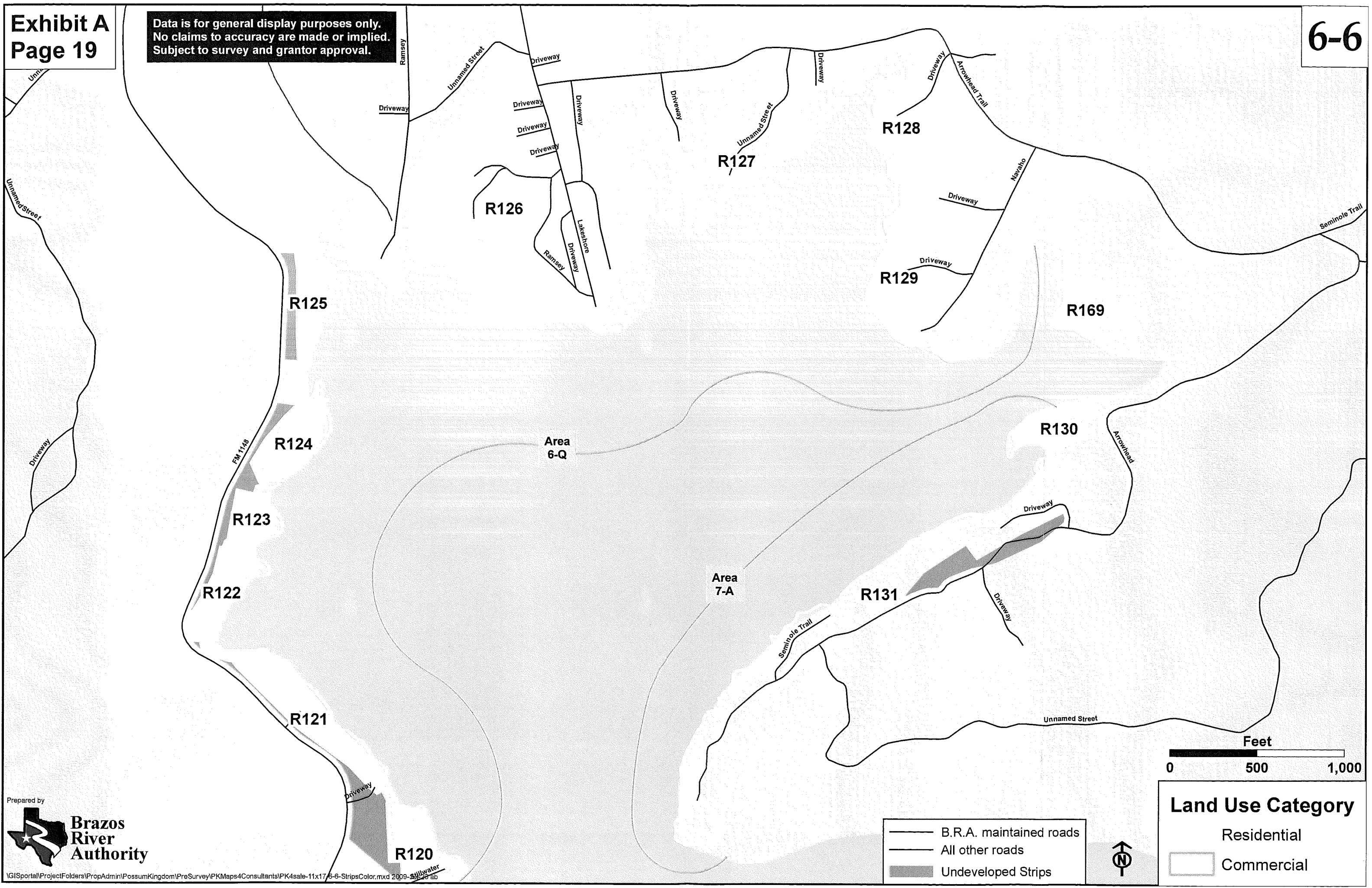
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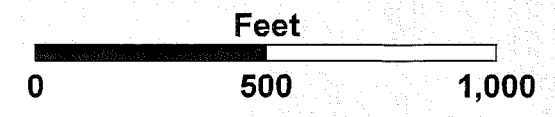
— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial

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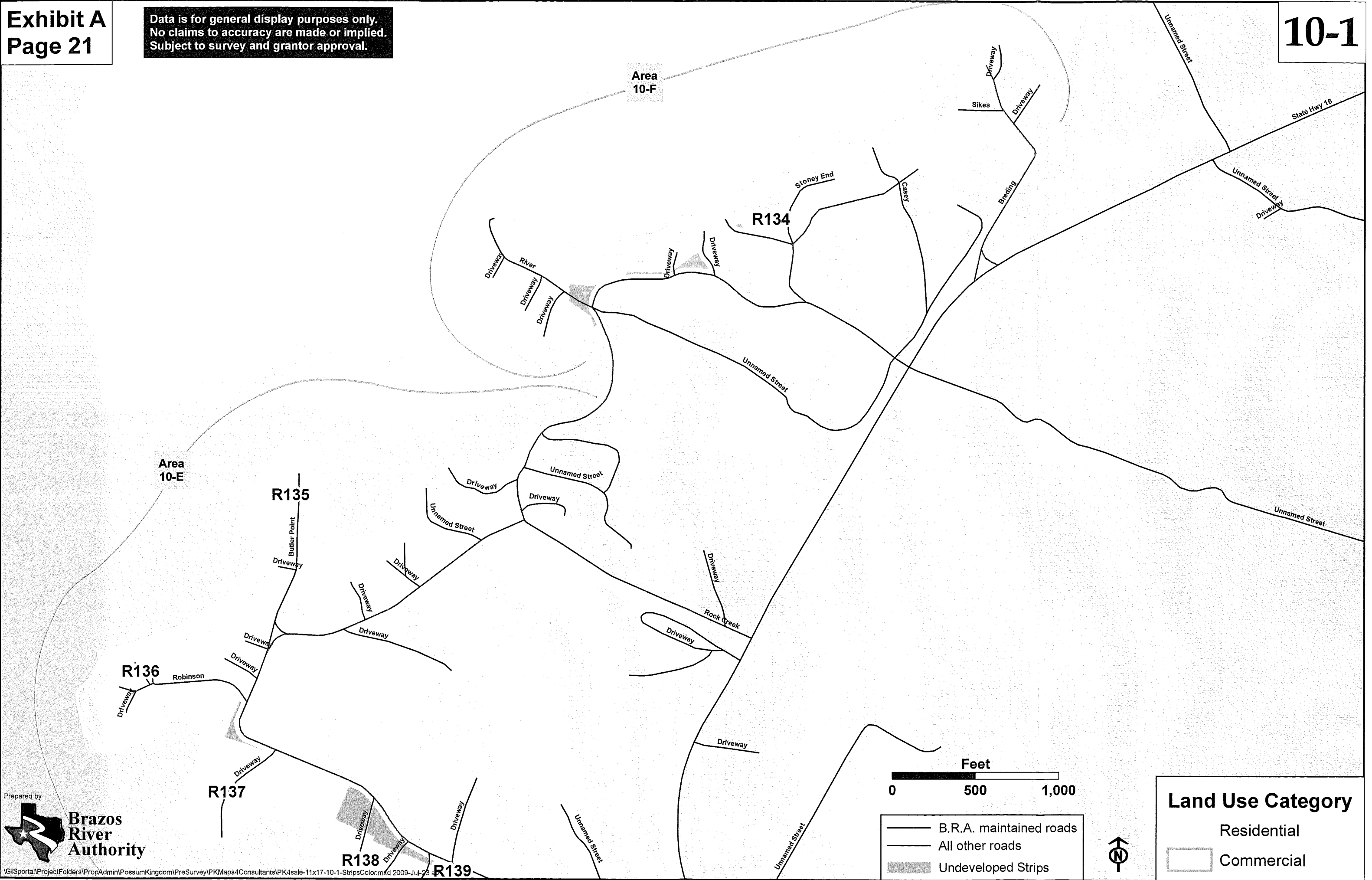
- B.R.A. maintained roads
- All other roads
- Undeveloped Strips



- Land Use Category**
- Residential
  - Commercial



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**Land Use Category**

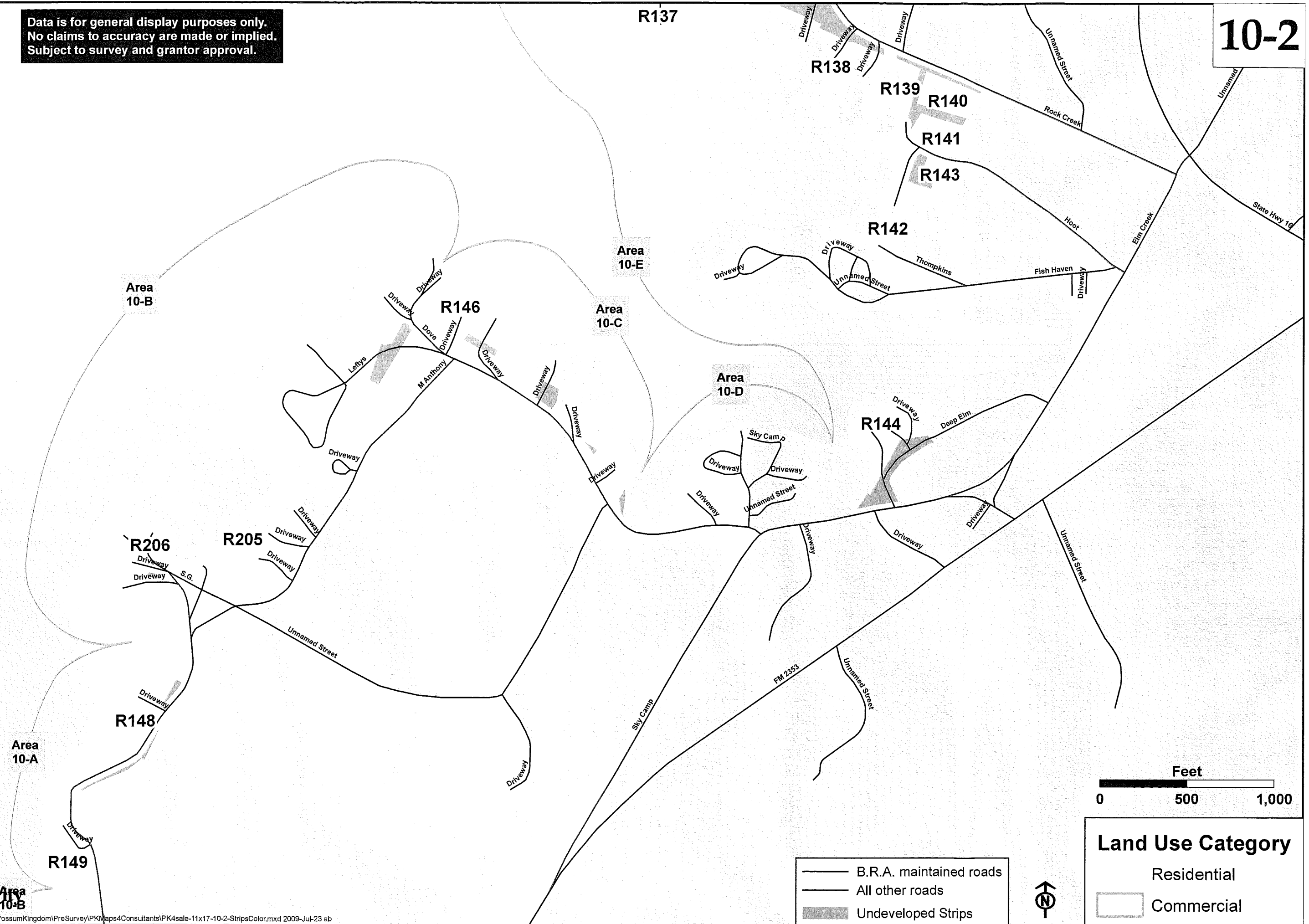
- Residential
- Commercial

**Feet**

0 500 1,000

- B.R.A. maintained roads
- All other roads
- Undeveloped Strips

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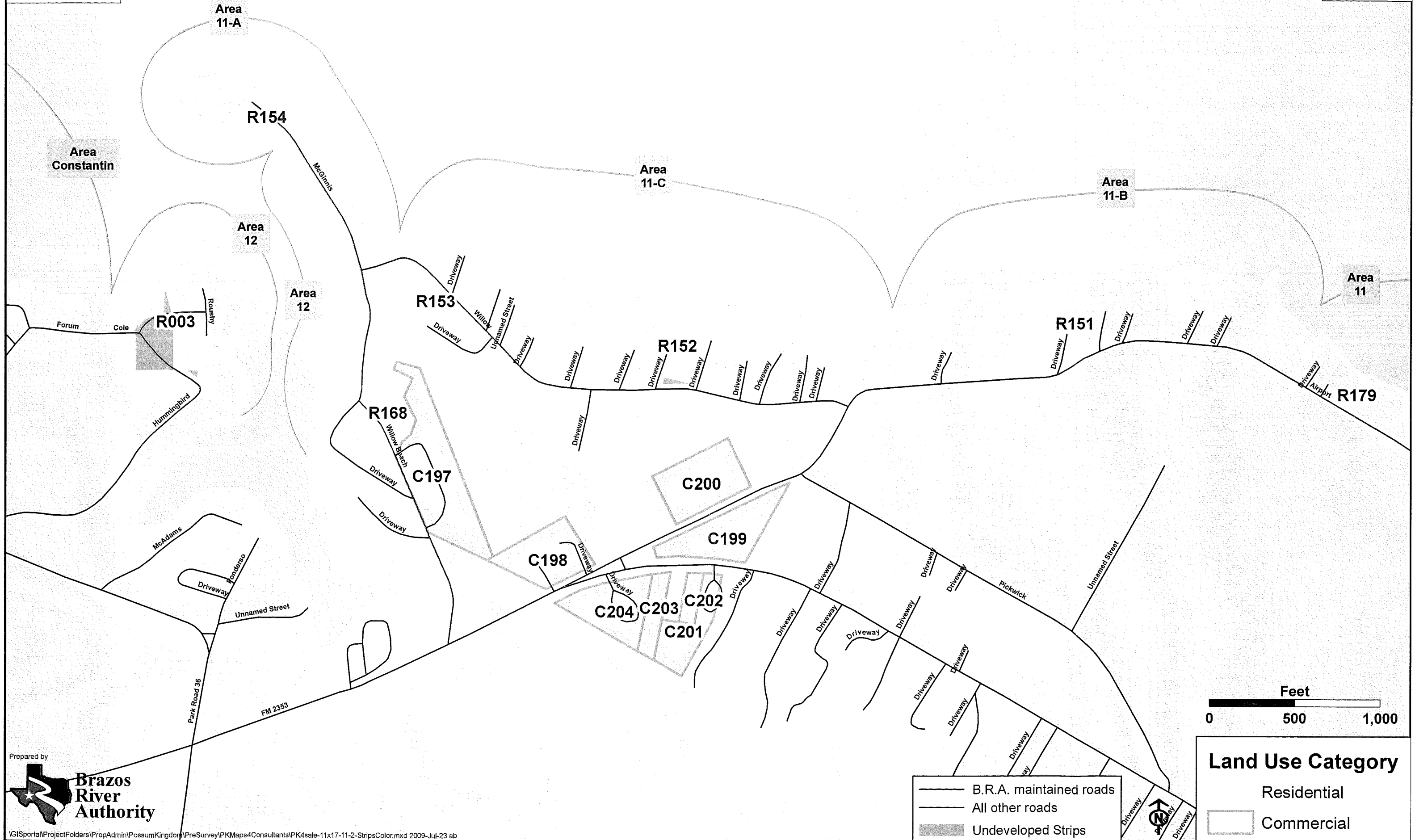
— B.R.A. maintained roads  
- - - All other roads  
■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial

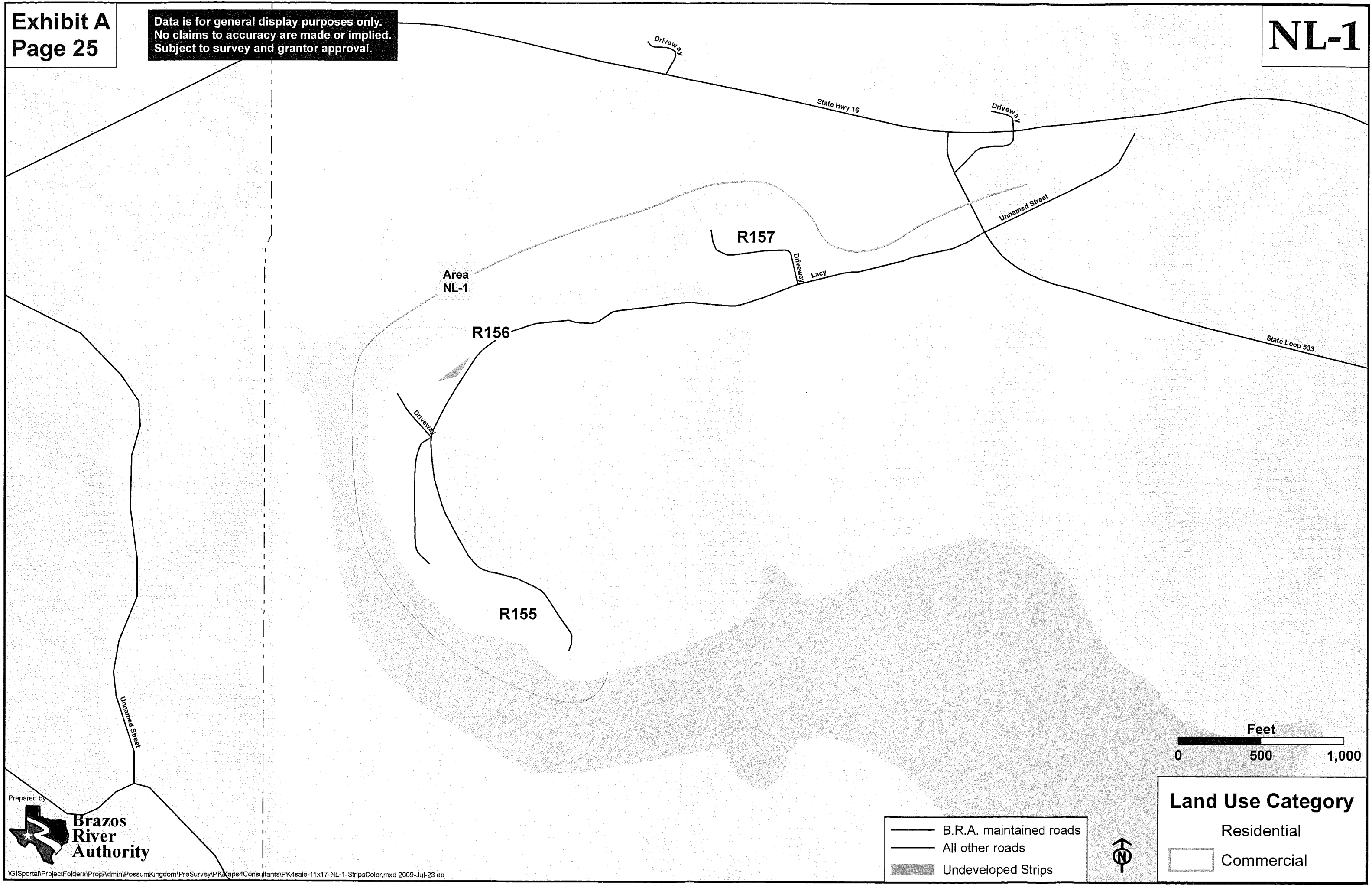
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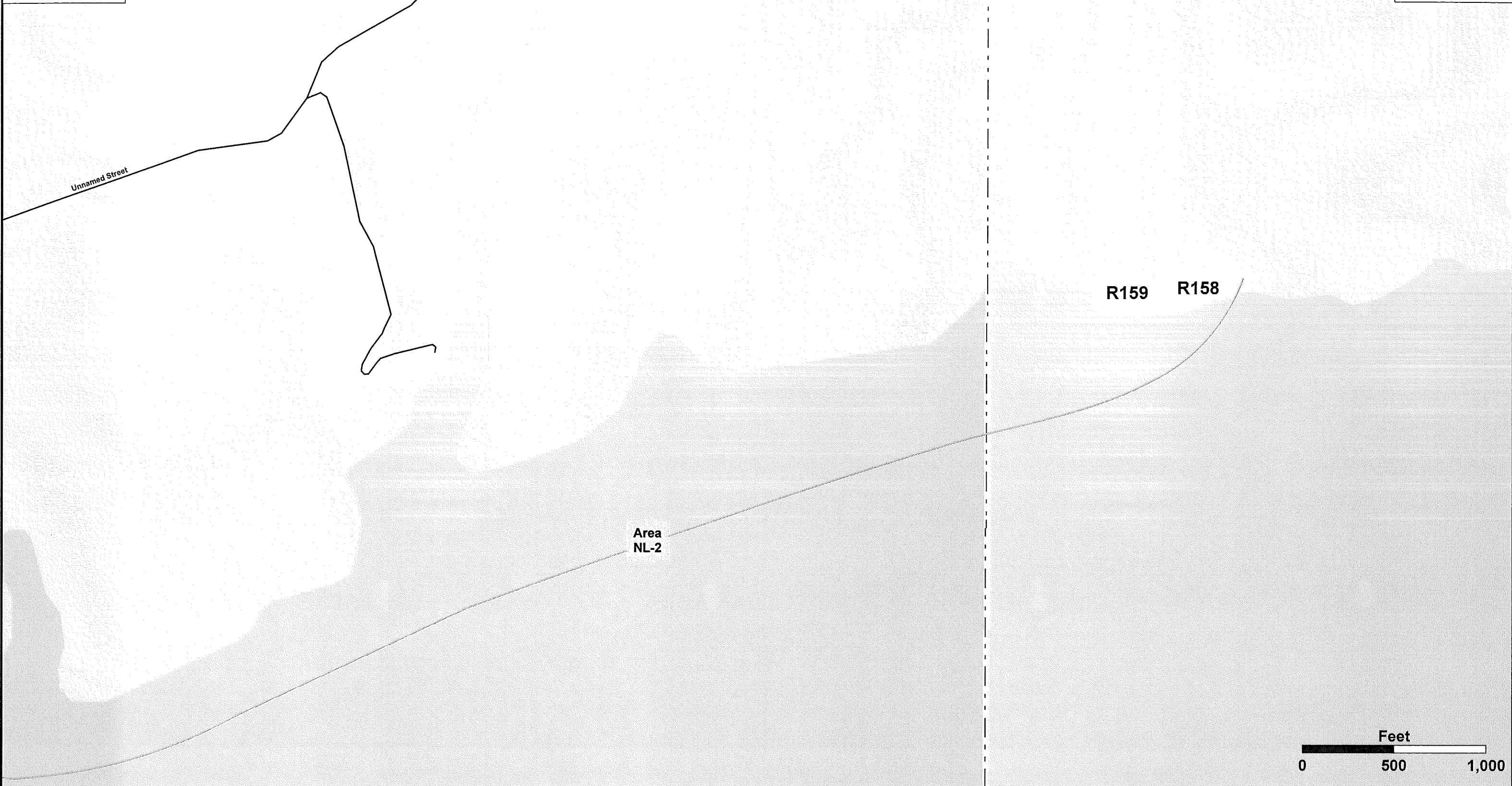
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— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips

**Land Use Category**  
Residential  
Commercial

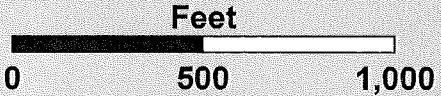
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Area  
NL-2

R159

R158



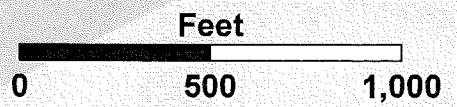
- B.R.A. maintained roads
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**Land Use Category**

- Residential
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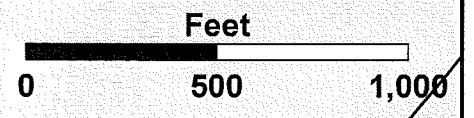
- B.R.A. maintained roads
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**Land Use Category**

- Residential
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- B.R.A. maintained roads
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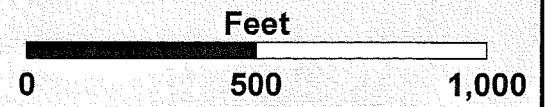
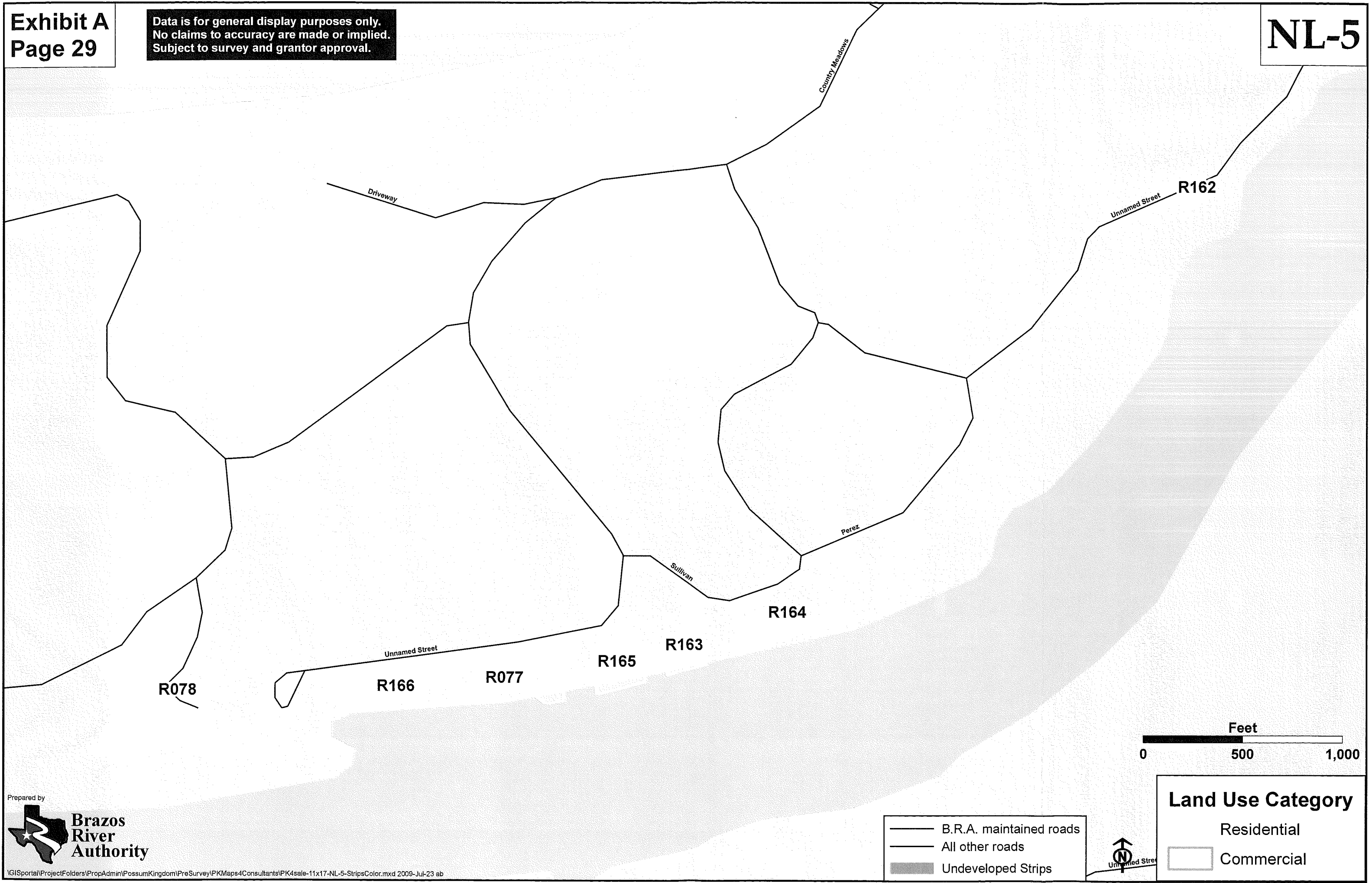


**Land Use Category**

- Residential
- Commercial



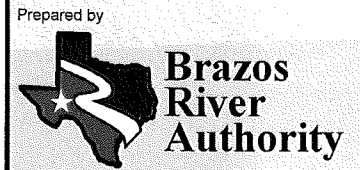
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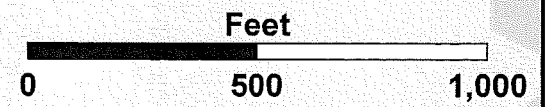
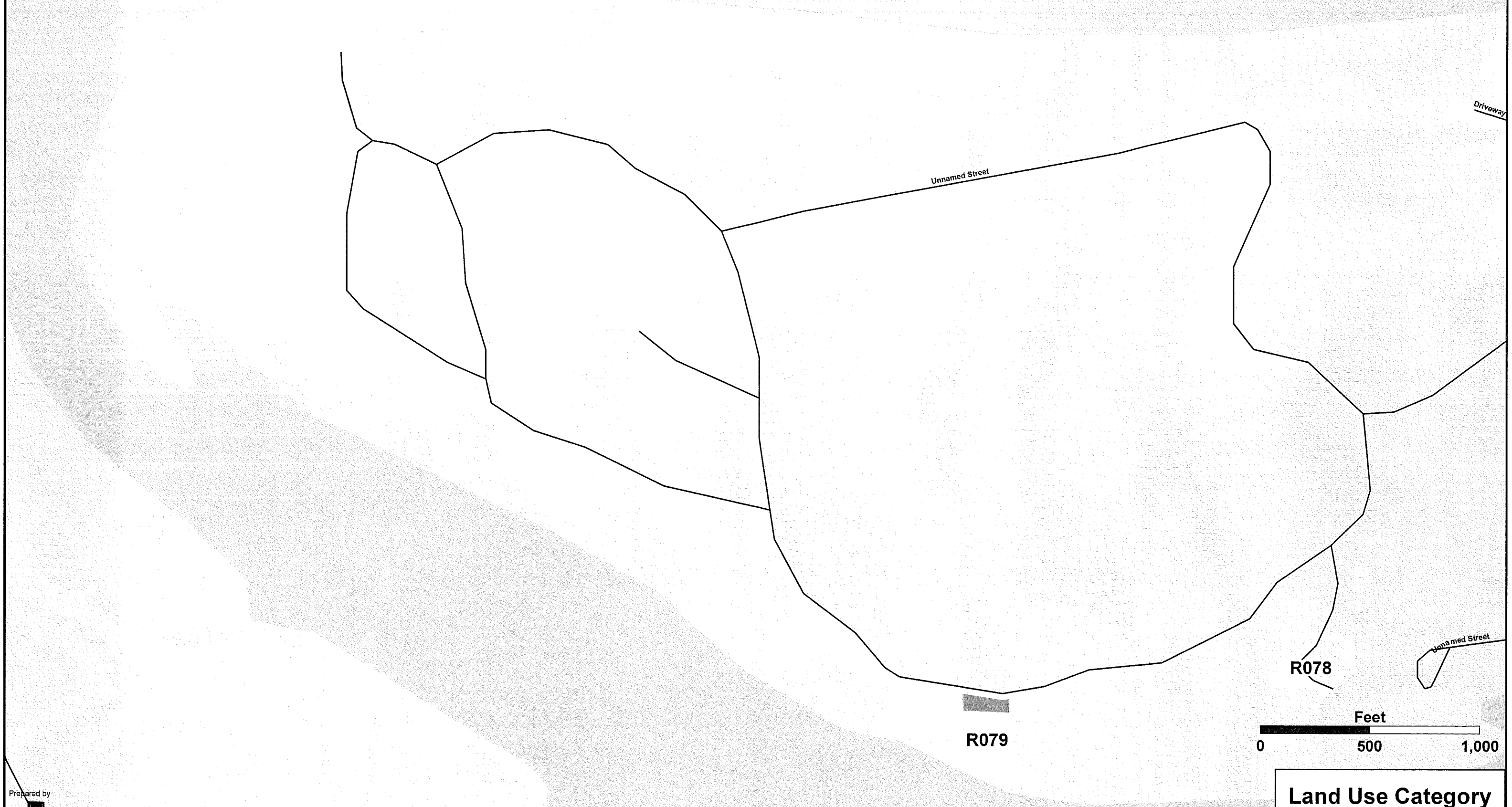
- B.R.A. maintained roads
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**Land Use Category**

- Residential
- Commercial



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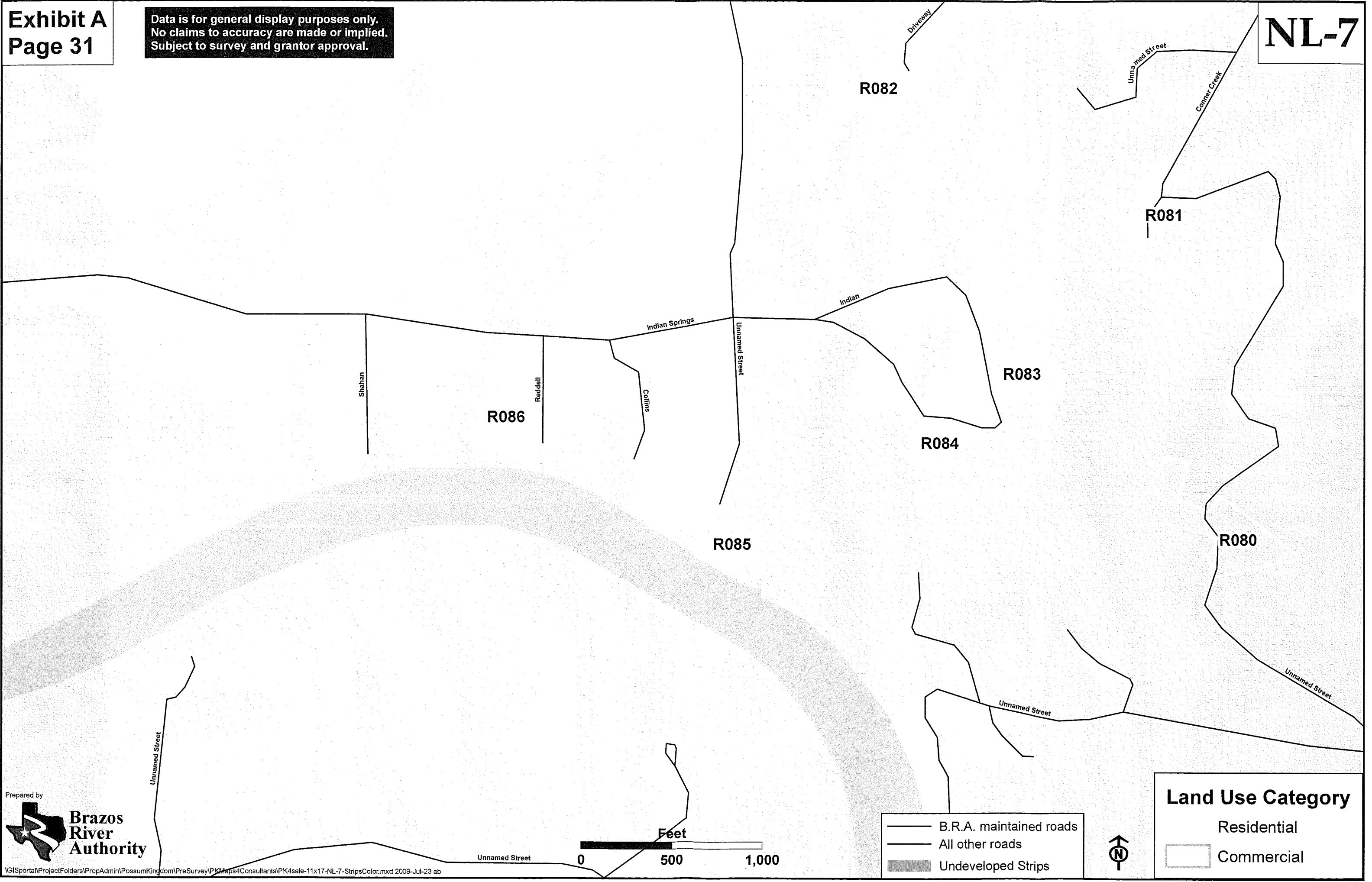
- B.R.A. maintained roads
- All other roads
- Undeveloped Strips








**Land Use Category**

- Residential
- Commercial

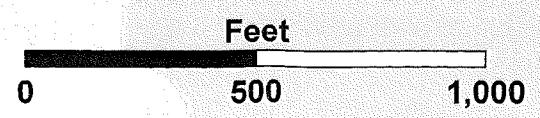
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	B.R.A. maintained roads
	All other roads
	Undeveloped Strips

Land Use Category	
	Residential
	Commercial

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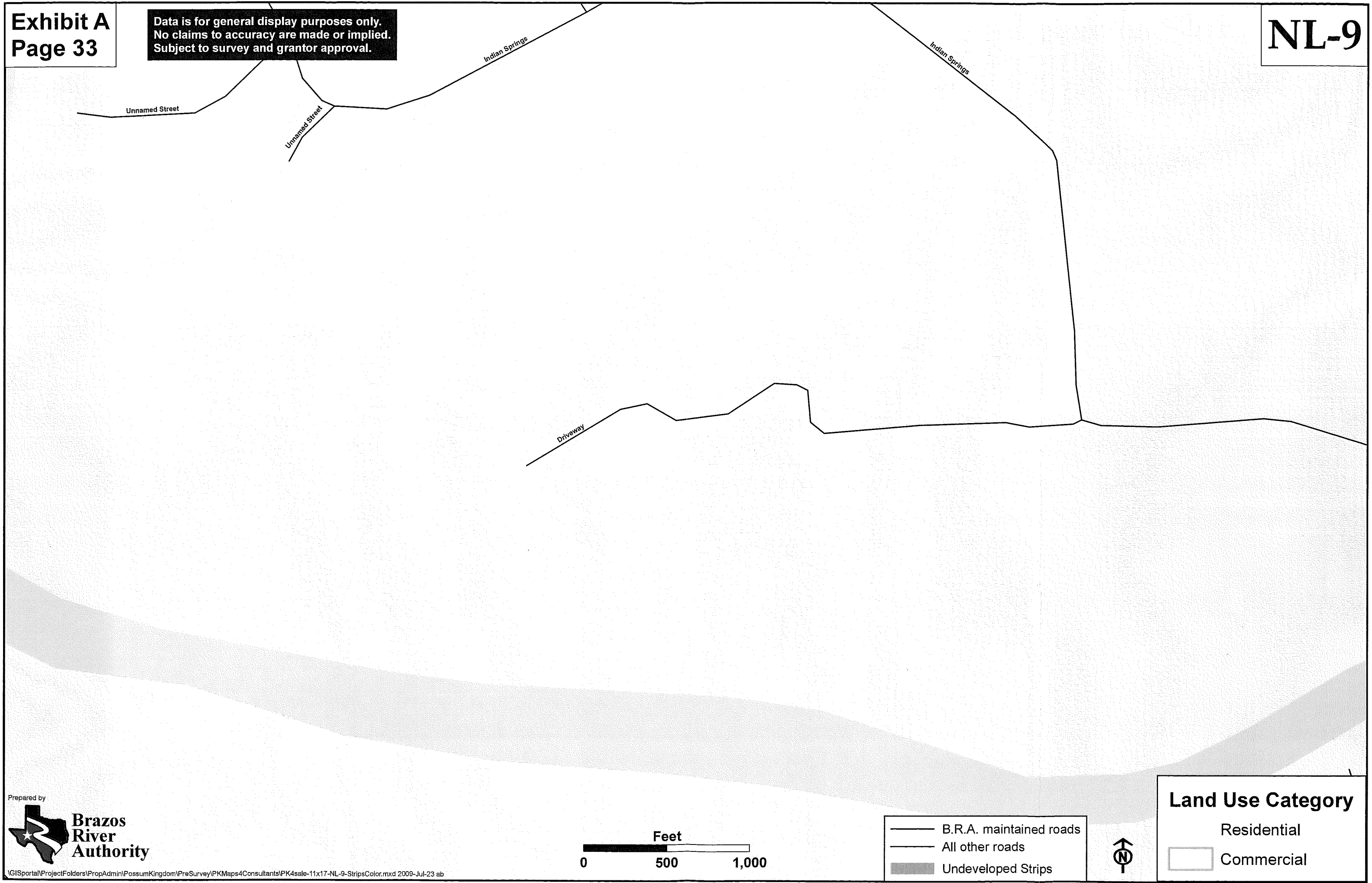


- B.R.A. maintained roads
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- Undeveloped Strips

**Land Use Category**

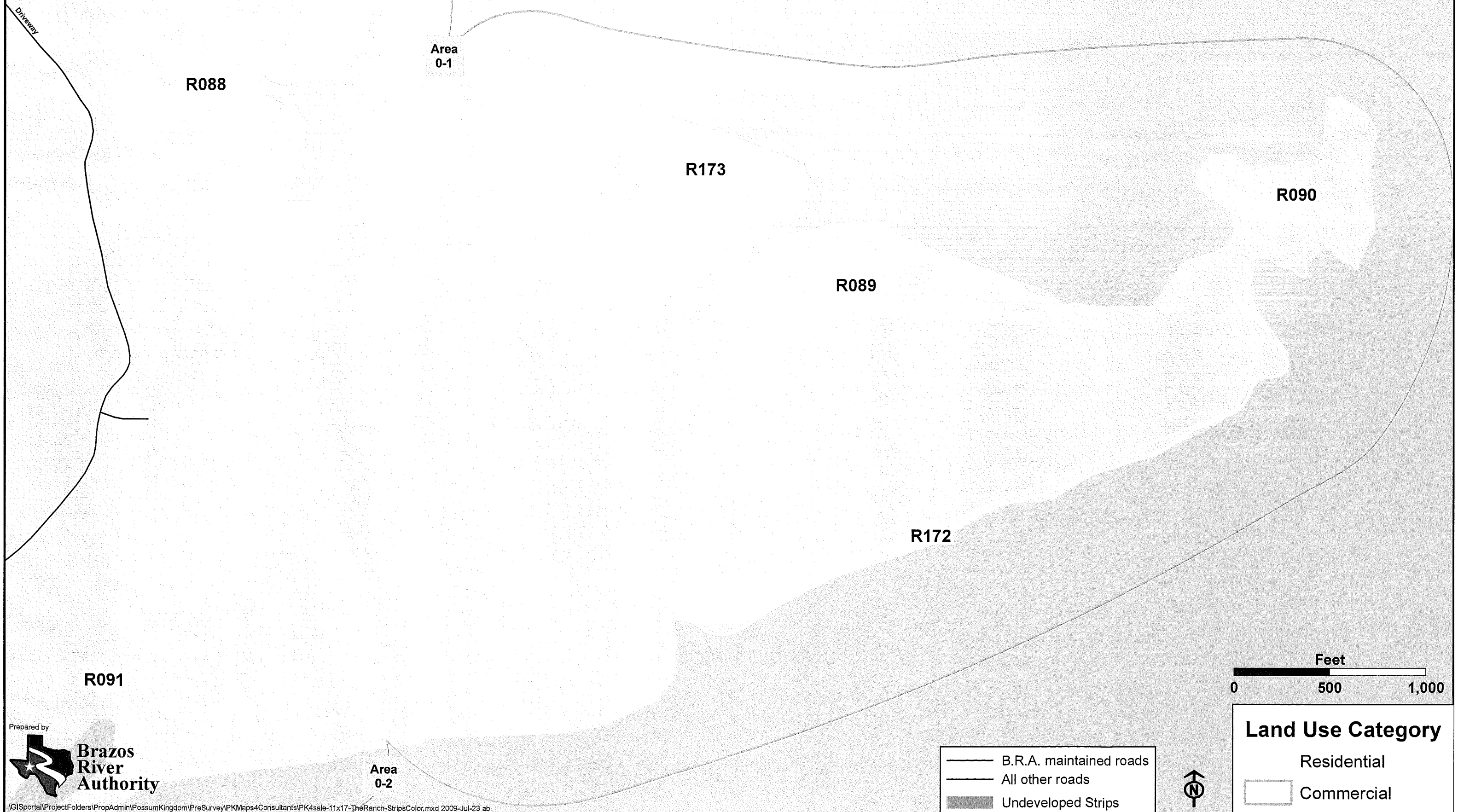
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# The Ranch



— B.R.A. maintained roads  
— All other roads  
■ Undeveloped Strips



Feet  
0 500 1,000

**Land Use Category**  
Residential  
Commercial



**EXHIBIT B**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER AND/OR YOUR DRIVER'S LICENSE NUMBER.**

**SPECIAL WARRANTY DEED WITH VENDOR'S LIEN**

STATE OF TEXAS §  
COUNTIES OF PALO PINTO, § KNOW ALL PERSONS BY THESE PRESENTS:  
STEPHENS, AND YOUNG §

**EFFECTIVE DATE:** \_\_\_\_\_, 2010

**GRANTOR:** BRAZOS RIVER AUTHORITY, a river authority of the State of Texas

**GRANTOR'S MAILING ADDRESS:** Brazos River Authority  
4600 Cobbs Drive  
PO Box 7555  
Waco, Texas 76714-7555  
McLennan County

**GRANTEE:** PATTERSON PK LAND PARTNERSHIP, LTD., a Texas limited partnership

**GRANTEE'S MAILING ADDRESS:** Attn: Michael H. Patterson  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017  
Tarrant County

**CONSIDERATION:** Cash and a note of even date herewith executed by Grantee and payable to the order of \_\_\_\_\_ ("Lender") in the principal amount of \$\_\_\_\_\_.  
The note is secured by a first and superior vendor's lien retained in this deed, and by a first-lien deed of trust of even date herewith from Grantee to \_\_\_\_\_, Trustee.

**PROPERTY (INCLUDING ANY IMPROVEMENTS):** The real property situated in Palo Pinto County, Stephens County, and Young County, Texas, and more particularly described on Exhibit A attached hereto and made a part hereof (the "Land"), together with (a) all of Grantor's right, title and interest in and to the buildings, roads, fixtures, and other improvements situated on the Land



(the "Improvements"), save and except (i) that certain dam measurement station and related structures and improvements located on that portion of the Land as further described in Exhibit B attached hereto, which dam measurement station and related structures and improvements are owned by Grantee and are not being conveyed hereunder (ii) any equipment, fixtures, pipelines, gates, control structures or other appurtenances or facilities which are owned, installed, or used by Grantor in connection with Grantor's operations and are not being conveyed as part of the Improvements hereunder, and (iii) those certain improvements, buildings, houses, and related structures located on the Land, as well as driveways located on leased lots and paved or gravel roads located wholly within an individual commercial leased lot and which serve only that individual commercial leased lot, which are the property of the individual leaseholders and are not part of the Improvements being conveyed hereunder; and (b) all and singular the rights and appurtenances pertaining to any of the foregoing, including without limitation, the right, title and interest of Grantor, if any, in and to adjacent streets, alleys, easements, rights-of-way, and rights of ingress and egress thereto. The Land and Improvements are sometimes collectively referred to herein as the "Property". Grantee, for itself and on behalf of its successors and assigns, hereby acknowledges and agrees that a portion of the boundary of the Land is a meander line that is at or a certain distance from the 1000' contour line (as defined below) of Possum Kingdom Lake (the "Lake"), and as such, the boundary of the Land will change as the 1000' contour line of the Lake changes due to natural forces, such as erosion and accretion. The "1000' contour line" means the line running along the periphery of the Lake if the surface of the Lake is at an elevation of 1000 feet above mean sea level, as measured from the top of the spillway crest gates of the Morris Sheppard Dam, as such line may move and shift from time to time due to natural forces, including erosion and accretion.

**EXCEPTIONS TO CONVEYANCE:** This conveyance is made and accepted subject to: (i) the encumbrances and other matters described on Exhibit C attached hereto and made a part hereof (the "Permitted Exceptions"), to the extent they are validly existing and affect the Property; (ii) standby fees, taxes and assessments by any taxing authority for the year 2010 and subsequent years, and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, the payment of all of which has been assumed by Grantee; (iii) all regulations, restrictions, laws, statutes, ordinances, obligations or other matters which affect the Property and which are imposed by or existing by reason of any regulatory, governmental or quasi-governmental districts, entities, agencies, authorities or other bodies of any kind or nature, including, without limitation, Grantor ("Governmental Authorities"); (iv) all riparian rights, water rights, public access rights or other rights of any kind or nature which affect the Property and which are held by or relate to any Governmental Authorities or the public generally; and (v) all reservations, exceptions, covenants, conditions, restrictions and other matters expressly set forth herein, including, without limitation, the Restrictions (defined below).

Grantor, for the Consideration and subject to the Exceptions to Conveyance, grants, sells and conveys to Grantee the Property, to have and to hold it unto Grantee, and Grantee's heirs, successors and assigns forever, and Grantor does hereby bind Grantor and Grantor's heirs and successors to WARRANT AND FOREVER DEFEND, all and singular, the Property to Grantee and Grantee's heirs, successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Grantor, but not otherwise, except as to the Exceptions to Conveyance.

Grantor excepts and expressly reserves unto itself, its successors and assigns, all of Grantor's right, title and interest in and to the oil, gas, coal, lignite, sulphur (and other mineral substances from which sulphur may be derived or produced), salt, potash, uranium, thorium, gypsum, mercury, zeolite, fluorspar, carbonaceous shale, bentonite (and other varieties of clay), and all other minerals in, on or under the Land, wherever located and by whatever method recovered as well as the rights to lease and to grant ingress and egress rights to explore for and produce such minerals on the Property to the extent allowed by law; it being understood and agreed that this interest shall be for the benefit of and be owned by Grantor, its respective successors and assigns, and that in no event by warranty, estoppel or otherwise, shall Grantee or Grantee's successors in interest acquire any part of said interest as a result of this conveyance.

Grantor excepts and expressly reserves unto itself, and its successors, assigns, and designees a perpetual right, power, privilege, and easement to occasionally overflow, flood, and submerge that portion of the Property located at or below the elevation contour of 1015' above mean sea level in connection with Grantor's operation and maintenance of the Lake and the Project (defined below). Grantor shall have no liability to Grantee or its successors or assigns, or any lessees of all or any portion of the Property or any other person for any damages, claims, costs, injuries, or liabilities to any person or the Property or any improvements thereon (including Improvements) which are caused by or arise from such overflow or any act or omission by Grantor in connection with the foregoing right and easement.

The Property will not be used for any purpose which would endanger health, create a nuisance, or otherwise be incompatible with the scenic, recreational, and environmental uses and values of the Lake or Morris Sheppard Dam hydroelectric project (the "Project") as defined in Grantor's FERC License for Project No. 1490-003-Texas, as the same may be amended, renewed and/or extended (the "FERC License"), and Grantee (and its successors and assigns) shall take all reasonable precautions to ensure that the construction, operation, and maintenance of any structures, improvements, or facilities currently located or to be located on the Land will occur in a manner that will protect the scenic, recreational, and environmental uses and values of the Lake and Project (collectively, the "Restrictions"). Grantor, as the fee simple owner of the Property, establishes the Restrictions as covenants, conditions and restrictions, whether mandatory, prohibitive, permissive or administrative, to regulate the uses of the Property and the improvements placed on it. Grantor and Grantee stipulate that (a) the Restrictions touch and concern the Property and are for the benefit of both the Property and Grantor's retained adjacent and nearby land; (b) privity of estate exists by reason of Grantor's ownership of the Property; (c) notice is hereby given by filing this instrument in the real property records of the counties in which the Property is situated; and (d) the Restrictions are reasonable, their purposes being for the common benefit of Grantor and Grantee and their respective successor's and assigns. The Restrictions run with the land making up the Property, are binding on Grantee and Grantee's successors and assigns forever, are enforceable by Grantor, and inure to the benefit of Grantor and Grantee, and their respective successors and assigns forever. The Restrictions may not be modified or terminated, in whole or in part, except with the consent of Grantor and the owner of the Property, and then only by written instrument duly executed and acknowledged by the Grantor and the owner of the Property and recorded in the office of the recorder of the counties in which the Property is situated. In addition, no structures or improvements that impact or artificially amend or alter the

FERC Project Area, shoreline of the Lake (including the 1000' contour line), or the lakebed, shall be constructed on the Property by Grantee or Grantee's successors and assigns, without the prior written approval of Grantor, in its sole discretion. The foregoing restriction runs with the land and is binding on Grantee and Grantee's successors and assigns forever, is enforceable by Grantor, and inures to the benefit of Grantor and Grantee and their respective successors and assigns forever.

**GRANTEE HEREBY EXPRESSLY ACKNOWLEDGES THAT GRANTEE IS RELYING SOLELY UPON ITS INVESTIGATION AND EXAMINATION OF THE PROPERTY AND GRANTEE HAS THOROUGHLY INSPECTED AND EXAMINED THE PROPERTY TO THE EXTENT DEEMED NECESSARY BY THE GRANTEE IN ORDER TO ENABLE THE GRANTEE TO EVALUATE THE PURCHASE OF THE PROPERTY. GRANTEE REPRESENTS THAT IT IS A KNOWLEDGEABLE PURCHASER OF REAL PROPERTY AND THAT IT IS RELYING SOLELY ON ITS OWN EXPERTISE AND THAT OF GRANTEE'S CONSULTANTS, AND THAT GRANTEE WILL CONDUCT SUCH INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AND SHALL RELY UPON SAME, AND HEREBY ASSUMES THE RISK OF ANY ADVERSE MATTERS, INCLUDING, BUT NOT LIMITED TO ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, THAT MAY NOT HAVE BEEN REVEALED BY GRANTEE'S INSPECTIONS AND INVESTIGATIONS. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT GRANTEE IS ACQUIRING THE PROPERTY ON AN "AS IS, WHERE IS" AND "WITH ALL FAULTS" BASIS, WITH ANY AND ALL LATENT AND PATENT DEFECTS, WITHOUT REPRESENTATION, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT FOR THE WARRANTY OF TITLE SPECIFICALLY SET FORTH HEREIN. GRANTEE HEREBY WAIVES AND RELINQUISHES ALL RIGHTS AND PRIVILEGES ARISING OUT OF, OR WITH RESPECT OR IN RELATION TO, ANY REPRESENTATIONS, WARRANTIES OR COVENANTS, WHETHER EXPRESS OR IMPLIED, WHICH MAY HAVE BEEN MADE OR GIVEN, OR WHICH MAY HAVE BEEN DEEMED TO HAVE BEEN MADE OR GIVEN BY GRANTOR, EXCEPT AS EXPRESSLY SET FORTH IN THAT CERTAIN CONTRACT FOR SALE DATED EFFECTIVE \_\_\_\_\_, 2009 BY AND BETWEEN GRANTOR AND GRANTEE (THE "CONTRACT"). FURTHER, GRANTEE AGREES THAT GRANTOR IS NOT LIABLE TO GRANTEE FOR, AND GRANTEE HEREBY FULLY AND FINALLY RELEASES AND DISCHARGES GRANTOR, ITS PRINCIPALS, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, REPRESENTATIVES AND ATTORNEYS FROM, AND GRANTEE ASSUMES ALL RISK AND LIABILITY FOR, AND INDEMNIFIES, AND HOLDS GRANTOR HARMLESS FROM, ANY AND ALL CLAIMS FOR COSTS, EXPENSES, PENALTIES, LOSSES, LIABILITIES, DAMAGES, DEMANDS, ACTIONS OR CAUSES OF ACTION ARISING FROM OR RELATED TO THE OWNERSHIP, USE, PHYSICAL CONDITION, LOCATION, MAINTENANCE, REPAIR, OR OPERATION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS OR ENVIRONMENTAL CONDITIONS**

**AFFECTING THE PROPERTY, WHETHER OR NOT SUCH CLAIM IS ALLEGED TO ARISE FROM THE NEGLIGENCE OF GRANTOR.**

**WITHOUT LIMITING THE FOREGOING, IT IS UNDERSTOOD AND AGREED THAT GRANTOR IS NOT MAKING AND SPECIFICALLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, AS TO (I) MATTERS OF TITLE OTHER THAN AS EXPRESSLY PROVIDED HEREIN, (II) ZONING, (III) TAX CONSEQUENCES, (IV) PHYSICAL OR ENVIRONMENTAL CONDITIONS, INCLUDING THE CONDITION OF THE SOIL OR WATER, GEOLOGY, THE EXISTENCE OF HAZARDOUS OR TOXIC MATERIALS IN OR ON THE LAND, (V) AVAILABILITY OF UTILITIES OR OTHER SERVICES TO THE LAND, (VI) AVAILABILITY OF ACCESS, INGRESS OR EGRESS, (VII) OPERATING HISTORY OR PROJECTIONS, (VIII) VALUATION OR THE PRESENT OR FUTURE INCOME THAT MAY BE GENERATED FROM THE PROPERTY, (IX) GOVERNMENTAL APPROVALS, (X) GOVERNMENTAL REGULATIONS OR ANY OTHER MATTER OR THING RELATING TO OR AFFECTING THE PROPERTY, INCLUDING, WITHOUT LIMITATION: (A) THE VALUE, CONDITION, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, HABITABILITY, SUITABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OF THE PROPERTY, (B) THE MANNER OR QUALITY OF THE CONSTRUCTION OR THE WORKMANSHIP OR MATERIALS INCORPORATED INTO ANY OF THE PROPERTY, (C) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTY, AND (D) THE EXISTENCE OF KNOWN OR UNKNOWN FAULTS. GRANTEE FURTHER EXPRESSLY ACKNOWLEDGES AND AGREES THAT GRANTOR IS NOT REPRESENTING OR WARRANTING THAT ANYTHING CAN OR WILL BE ACCOMPLISHED THROUGH GRANTEE'S EFFORTS WITH REGARD TO THE PLANNING, OR PLATTING PROCESS OF ANY MUNICIPALITY, PALO PINTO, STEPHENS, OR YOUNG COUNTIES, OR ANY OTHER GOVERNMENTAL OR MUNICIPAL AUTHORITIES, BOARDS OR ENTITIES. GRANTEE FURTHER ACKNOWLEDGES THAT ALL OR A PORTION OF THE PROPERTY MAY NOT CURRENTLY MEET OR COMPLY WITH, AND GRANTOR HAS NOT WARRANTED, AND DOES NOT HEREBY WARRANT, THAT THE PROPERTY NOW MEETS OR COMPLIES WITH, OR IN THE FUTURE WILL MEET OR COMPLY WITH, THE REQUIREMENTS OF ANY SAFETY CODE, ENVIRONMENTAL LAW OR REGULATION OF THE STATE OF TEXAS, ANY MUNICIPALITY, THE COUNTIES OF PALO PINTO, STEPHENS, OR YOUNG, OR ANY OTHER AUTHORITY (INCLUDING GRANTOR) OR JURISDICTION. GRANTEE FURTHER ACKNOWLEDGES THAT GRANTEE, AT GRANTEE'S EXPENSE, SHALL BE RESPONSIBLE FOR BRINGING SUCH PROPERTY INTO COMPLIANCE WITH ANY SUCH CODES OR REGULATIONS, AS APPLICABLE.**

**NOTWITHSTANDING ANY SEEMING CONTRADICTION, IT IS AGREED AND UNDERSTOOD THAT THE FOREGOING PROVISIONS ARE LIMITED SO AS TO NOT BE CONSTRUED AS DIMINISHING OR NEGATING (I) GRANTOR'S RESPONSIBILITY FOR ANY REPRESENTATIONS PROVIDED IN THE CONTRACT**

**(BUT ONLY TO THE EXTENT EXPRESSLY PROVIDED AND FOR THE DURATION STATED), AND (II) ANY WARRANTY OF TITLE SET FORTH HEREIN.**

**[To be included if FERC License is not expired, terminated, or otherwise amended prior to closing to remove the FERC Buffer from the FERC Project Area:**

*Grantor excepts from this conveyance and expressly reserves unto itself, its successors and assigns, all right, title, interest in, and ownership of the FERC Buffer (defined below), and it is Grantor's intent that the conveyance of real property by this deed expressly excludes the FERC Buffer, it further being the intent of Grantor that the doctrine of strips and gores shall not apply to the FERC Buffer and Grantee shall have no right, title, or interest in and to the FERC Buffer except the executory interest provided for below. The "FERC Buffer" shall mean the real property situated in Palo Pinto County, Stephens County, and Young County, Texas, and more particularly described on Exhibit D attached hereto and made a part hereof, together with all of Grantor's right, title, and interest in and to the buildings and other improvements situated on the FERC Buffer.*

*Grantor, for the Consideration and subject to the Exceptions to Conveyance, grants, sells and conveys to Grantee an executory interest in the FERC Buffer, to hold from and after the date hereof, and which interest shall vest in Grantee (or its successors and assigns), if at all, at such time as either (a) the Federal Energy Regulatory Commission ("FERC") amends the FERC License to remove the FERC Buffer from the boundaries prescribed by the FERC License ("FERC Project Area") such that the FERC Buffer is no longer subject to regulation by FERC, or (b) the FERC License expires (and is not renewed) or is otherwise terminated and thus the FERC Buffer is no longer subject to regulation by FERC (such time of removal from FERC regulation being the "Time of Removal"). Upon satisfaction of the foregoing condition, this conveyance shall be automatically effective without necessity of further documentation.*

*To have and to hold the FERC Buffer (to the extent no longer subject to regulation by FERC) unto Grantee, and Grantee's heirs, successors and assigns, from and after the Time of Removal. Grantor does hereby bind Grantor and Grantor's heirs and successors to WARRANT AND FOREVER DEFEND, all and singular, the FERC Buffer to Grantee and Grantee's heirs, successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Grantor, but not otherwise, except as to the Exceptions to Conveyance. From and after the date of the Time of Removal, the FERC Buffer (to the extent no longer subject to regulation by FERC) shall be considered to be a part of the Property conveyed by this deed, and all references to Land and Improvements shall be deemed to include all the land and improvements that relate to the FERC Buffer. If, as of the Time of Removal, Grantee has conveyed any part of the Property to another (a "Subsequent Grantee") the Subsequent Grantee shall be the beneficiary of the executory interest granted by this deed but only as to the portion of the FERC Buffer located adjacent to the Subsequent Grantee's property, as measured by extending the boundary lines on both sides of the Subsequent Grantee's property in a straight line across the FERC Buffer to the then current 1000' contour line of the Lake (or, if such portion cannot reasonably be measured as set forth above, then as otherwise determined by Grantee), and all right, title and interest in such adjacent portion of the FERC Buffer shall immediately vest in the Subsequent Grantee without the necessity of any additional written conveyance.*

*Grantor excepts and expressly reserves unto itself, and its successors, assigns, and designees, a perpetual, free of charge, nonexclusive easement, license, right and privilege in, to, on, over, under, along and across the FERC Buffer, in common with Grantee (or Subsequent Grantee, or its successors and assigns), for vehicular and/or pedestrian access to and from (and from and to) Grantor's property and the Lake for the purpose of allowing Grantor to access Grantor's property and the Lake and to permit Grantor to fulfill its obligations as a river authority, licensee under the FERC License, or any other obligations of Grantor pursuant to state water rights or governmental regulations. Notwithstanding anything herein to the contrary, if the Time of Removal does not occur on or before the earlier of (i) August 31, 2040 (such date being the 21<sup>st</sup> anniversary of the expiration date [before any extensions or renewals] of the FERC License in effect as of the Effective Date of this deed), or (ii) ten days after the expiration (including any extensions or renewals) of the FERC License in effect as of the Effective Date of this deed, then any executory interest of Grantee or any Subsequent Grantee(s) in and to any portion of the FERC Buffer not removed from the FERC License prior to such date shall be null and void and of no further force or effect.]*

Lender, at Grantee's request, has paid in cash to Grantor that portion of the purchase price of the Property that is evidenced by the note. The first and superior vendor's lien against the Property is retained for the benefit of Lender, and Lender will hold superior title in and to the Property and the title in the Grantee will not become absolute until the note is paid in full according to the face, effect and reading thereof.

[SIGNATURE AND ACKNOWLEDGMENT PAGES OF GRANTOR AND GRANTEE  
IMMEDIATELY FOLLOW]

[GRANTOR'S SIGNATURE AND ACKNOWLEDGMENT PAGE]

**GRANTOR:**

BRAZOS RIVER AUTHORITY,  
a river authority of the State of Texas

By: \_\_\_\_\_

Name: Phil Ford

Title: General Manager/CEO

STATE OF TEXAS

§

§

COUNTY OF \_\_\_\_\_

§

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2010, by Phil Ford, General Manager/CEO of Brazos River Authority, a river authority of the State of Texas, on behalf of such river authority.

\_\_\_\_\_  
Notary Public in and for the State of Texas

[GRANTEE'S SIGNATURE AND ACKNOWLEDGMENT PAGE]

**GRANTEE'S ACCEPTANCE OF DEED**

Patterson PK Land Partnership, Ltd., a Texas limited partnership, Grantee, accepts the attached deed and consents to its form and substance. Grantee agrees to the obligations imposed on Grantee by the terms of the deed.

GRANTEE:

PATTERSON PK LAND PARTNERSHIP, LTD.,  
a Texas limited partnership

By: PATTERSON PK LAND MANAGEMENT  
GP, LLC, a Texas limited liability company,  
its general partner

By: \_\_\_\_\_  
Name: Michael H. Patterson  
Title: Manager

STATE OF TEXAS                   §  
  §  
COUNTY OF \_\_\_\_\_       §

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2010, by Michael H. Patterson, Manager of Patterson PK Land Management GP, LLC, a Texas limited liability company, general partner of Patterson PK Land Partnership, Ltd., a Texas limited partnership, on behalf of such limited liability company and limited partnership.

\_\_\_\_\_  
Notary Public in and for the State of Texas



**EXHIBIT A TO SPECIAL WARRANTY DEED**

Legal Description of the Land

**EXHIBIT B TO SPECIAL WARRANTY DEED**

Description of Measurement Station Land

## **EXHIBIT C TO SPECIAL WARRANTY DEED**

### Permitted Exceptions

[INSERT ITEMS FROM TITLE COMMITMENT, INCLUDING WITHOUT LIMITATION, (i) the standard printed exception for taxes for 2010 and subsequent years; (ii) the standard printed exception for shortages in area (and the balance of the standard printed exception pertaining to boundaries and encroachments unless deleted, at Grantee's option and expense, to the extent permitted by applicable regulations); (iii) the terms and conditions of any access easements or other rights reserved by or granted to Grantor in connection with the closing; (iv) the easements, covenants, and restrictions contained in the Declaration, (v) any and all leases on the Property and rights of parties in possession and any memoranda of any such leases; (vi) any and all easements, rights-of-way, and other matters whether or not of record, and those visible and apparent on the Property, affecting or related to it (including, without limitation, any easements or agreements, whether or not recorded, between Grantor and the Water Supply Corporation for the installation, maintenance, repair, or replacement of water lines located beneath the Property); (vii) any other matters that become Permitted Exceptions pursuant to the terms of the Contract including, without limitations, those matters set forth in Paragraphs 8 and 9 of the Contract.]

**EXHIBIT D TO SPECIAL WARRANTY DEED**

FERC Buffer



## EXHIBIT C

### NON-EXCLUSIVE ACCESS EASEMENT AGREEMENT

This Non-Exclusive Access Easement Agreement (this "**Agreement**") is executed as of the \_\_\_ day of \_\_\_\_\_, 2010, by and between **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership ("**Grantor**") and **BRAZOS RIVER AUTHORITY**, a river authority of the State of Texas ("**Grantee**") (Grantor and Grantee are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**").

#### WITNESSETH:

WHEREAS, Grantee owns that certain real property located in Jack County, Young County, Palo Pinto County, and Stephens County, Texas, more particularly described on Exhibit "A" attached hereto ("**Grantee's Property**"); and

WHEREAS, by Special Warranty Deed With Vendor's Lien (the "**Deed**") dated of even date herewith, Grantee has conveyed to Grantor that certain real property located in Young County, Palo Pinto County, and Stephens County, Texas, more particularly described on Exhibit "B" attached hereto ("**Grantor's Property**") which property is adjacent to Grantee's Property and Possum Kingdom Lake (the "**Lake**"); and

WHEREAS, Grantor desires to grant to Grantee a nonexclusive access easement over and upon Grantor's Property.

NOW, THEREFORE, for and in consideration of the premises, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Recitals. The Recitals are incorporated herein as if fully set forth.

2. Grant of Access Easement. Grantor hereby grants to Grantee and its successors and assigns, for the benefit of Grantee, Grantee's successors and assigns, and Grantee's agents, employees, designees, licensees, tenants, lessees, invitees, customers, contractors and suppliers (collectively, the "**Grantee Parties**"), a perpetual, free of charge, nonexclusive easement, license, right and privilege (A) in, to, on, over, under, along and across Grantor's Property, in common with Grantor, including for vehicular and/or pedestrian access to and from (and from and to) Grantee's Property, (a) to access, install, keep, maintain, and replace pumps in order to obtain water for the irrigation of any portion of Grantee's Property, (b) to access, construct, maintain, replace, and repair any wall, dam, or other structure retaining water therein, (c) to access, construct, maintain, replace, and repair any measurement stations, monuments, or other similar improvements, (d) to remove trash and other debris, and (e) to fulfill Grantee's

obligations as a river authority and any obligations set forth in the FERC License (defined below), state water rights, or other governmental regulations and (B) in, to, on, over, under, along and across Grantor's Property and any and all on-water facilities whether located within Grantor's Property or Grantee's Property for all reasonable purposes of Grantee, including, without limitation, the construction, maintenance, repair, and or replacements of any roads, drainage facilities, and power, water, wastewater, and other utility mains and lines that Grantor considers necessary or beneficial and for public safety, health, and welfare purposes ("**Grantee's Access Easement**"). Grantee and the Grantee Parties shall have and hold such Grantee's Access Easement through, over, and across any portion of Grantor's Property to the extent reasonably necessary to exercise the rights and responsibilities under this Agreement; provided, however, that (i) Grantee shall provide written notice at least 48 hours in advance of such entry to Grantor or the then current owner of the applicable portion of Grantor's Property (except in the event of an emergency, in which case advance notice shall not be required, but Grantee shall provide such written notice as soon as practicable thereafter) which notice shall state with reasonable specificity the purpose for such entry; (ii) Grantee shall promptly repair any damage to Grantor's Property caused by Grantee's or Grantee Parties' entrance onto such portion of Grantor's Property; and (iii) Grantee shall use reasonable efforts to avoid interfering with Grantor's (or any lessee's or occupant's) use of Grantor's Property or any portion thereof. Grantee's Access Easement specifically includes the right of the Grantee Parties to traverse any portion of Grantor's Property, whether by use of a Road (defined below) or otherwise, including even such areas that may be leased to or occupied by third parties, as reasonably necessary to access Grantee's Property and/or the Lake for the purposes set forth herein. Grantee hereby acknowledges that Grantor may make other uses of Grantor's Property that do not unreasonably interfere with Grantee's Access Easement. For purposes of this Agreement, Grantee's Property shall include that certain 1.71 acre tract owned by the Texas Electric Service Company upon which Grantee has an easement for the construction and occupancy of a residence (a copy of such easement is attached hereto as **Exhibit "C"**).

3. Maintenance and Interruption of Access. Until such time as the Roads (defined below) are transferred to the county in which they are located, Grantor shall maintain and repair (or cause to be maintained and repaired), at Grantor's cost and expense, all private roads currently located or to be located upon Grantor's Property (each a "**Road**", and collectively, the "**Roads**") in good repair such that Grantee's and Grantee Parties' vehicular access to and from Grantee's Property and the Lake and over, through and across such Roads is not impaired. No walls, fences or barriers of any sort or nature shall be constructed or erected on or over the Roads that would prevent or limit the reasonable movement of vehicular traffic by Grantee or Grantee Parties to and from Grantee's Property and/or the Lake. Without limiting the foregoing, Grantor agrees not to block, restrict or otherwise prohibit access over, through or across any Road or permit any such Roads to be blocked, restricted, or otherwise permit access to be prohibited over, through or across any such Road, and further agrees that such Roads or a portion thereof shall remain open for use by Grantee, Grantee Parties, the successors and assigns of Grantee and Grantee Parties, owners of any portion of Grantee's Property or Grantor's Property, lessees of any portion of Grantee's Property or Grantor's Property, and the general public.

4. The Ranch. Notwithstanding the foregoing, Grantor and Grantee acknowledge that some of the Roads are located within that certain subdivision (the "**Ranch**") of record in Palo Pinto County, Texas according to the map or plat of record in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as it may be amended or modified from time to time. The portion of the Roads which are part of the Ranch are currently maintained by the Ranch's homeowners association in accordance with (i) the terms of that certain Agreement by and among the Authority, The Ranch on Possum Kingdom, L.P., and Hill Country Harbor Village, L.P. (the "**Ranch Agreement**") effective as of August 1, 1997 and dated December 12, 1997, and (ii) the restrictions and covenants of that certain Declaration of Covenants, Conditions and Restrictions for The Ranch on Possum Kingdom Palo Pinto County, Texas (the "**Ranch Declarations**") dated December 8, 1997, as recorded in Vol. 944, Page 403 of the Official Public Records of Palo Pinto County, Texas. In addition, some of the Roads which are part of the Ranch may have gate access. In the event the Ranch Agreement and/or Ranch Declarations expire and/or are otherwise terminated, this Agreement shall continue in full force and effect for the Roads, including that portion of the Roads which are part of the Ranch.

5. FERC Buffer. A portion of Grantee's Property is covered by and subject to that certain license (the "**FERC License**") issued by the United States of America Federal Energy Regulatory Commission ("**FERC**") to Grantee for FERC Project No. 1490-003-Texas on September 8, 1989, as such FERC License has been (and may be further) extended, renewed, and amended at any time and from time to time. The portion of Grantee's Property so regulated by the FERC License is referred to as the "**FERC Project Area**". The FERC Project Area includes a buffer strip (the "**FERC Buffer**") that is 25 or 50 feet in width, depending on the location, as measured landward horizontally from the 1000' contour line of the Lake (all as further defined in the Deed) as further defined in Exhibit "D" attached hereto. At such time as that portion of the FERC Buffer located on Grantee's Property is released from the FERC License or otherwise no longer regulated by FERC, if ever, and thus Grantor's executory interest in such portion of the FERC Buffer is triggered (all as further set forth in the Deed), then Grantor's Property, as defined herein, shall be deemed to (i) include that portion of the FERC Buffer so released from, or no longer regulated by, the FERC License and (ii) such FERC Buffer shall be burdened by the Grantee's Access Easement, all without the necessity of any additional documentation.

6. Default. In the event Grantor fails to perform any of its obligations as provided herein and such failure continues for 15 days after written notice to Grantor [or if such failure cannot be reasonably cured within such 15-day period, Grantor fails to begin to cure within such 15-day period (which may include efforts to obtain bids from third parties to perform needed work) and diligently pursue a cure until completion], then Grantee shall have the right to pursue all available equitable and legal remedies, including but not limited to injunctive relief and specific performance. In addition, Grantee shall have the right, but shall not be obligated, to take such action as shall be reasonably necessary to cure the default or enforce the covenants herein, at Grantor's sole cost and expense. Grantor shall reimburse Grantee for all costs and expenses incurred by Grantee in pursuing the remedies herein, including reasonable attorneys' fees, within 30 days after Grantee has delivered to Grantor an invoice detailing such costs and expenses.



7. Dedication. Nothing contained in this Agreement shall be deemed to be a gift or dedication of any portion of Grantor's Property to the general public for any public purpose whatsoever.

8. Binding Effect. The provisions of this Agreement shall run with the land, and be binding upon, and for the benefit of the Parties and their successors and assigns.

9. Miscellaneous.

(a) Any notice, demand, request or communication required or permitted hereunder shall be in writing and sent by hand delivery, United States certified mail, postage prepaid, or by recognized overnight delivery service, addressed as follows:

If to Grantor:	Patterson PK Land Partnership, LTD. Attn: Michael H. Patterson 2310 West Interstate 20, Suite 100 Arlington, Texas 76017
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If to Grantee:	Brazos River Authority 4600 Cobbs Drive P.O. Box 7555 Waco, Texas 76714-7555 Attn: _____
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or to such other address or to the attention of such other person as hereafter shall be designated in writing by the Parties sent in accordance herewith. Any such notice, demand, request or communication shall be deemed to have been given as of the date of receipt or refusal at the address, and in the manner, provided herein.

(b) When the context in which words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural and vice versa, and the words in masculine gender shall include the feminine and neuter genders and vice versa.

(c) In the event that any provision of this Agreement shall be held to be invalid, the same shall not affect in any respect whatsoever the validity of the remaining provisions of this Agreement.

(d) This Agreement contains the entire understanding and agreement between the Parties and supersedes any prior written or oral agreements between them respecting the subject matter contained herein. There are no representations, agreements, arrangements or understandings, oral or written, between and among the Parties relating to the subject matter of this Agreement that are not fully expressed herein.

(e) The failure of any Party hereto to insist upon strict performance of any of the servitudes, easements, privileges, rights, covenants, agreements, terms and conditions hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of any of such Party's rights. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any obligation hereunder.

(f) This Agreement may be changed, modified or amended only by an instrument in writing duly executed and acknowledged by the Parties.

(g) This Agreement and the rights and obligations hereunder shall be governed by the laws of the State of Texas.

(h) The headings herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of intent of this Agreement nor in any way affect the terms and provisions hereof.

(i) This Agreement may be executed in any number of counterparts with the same effect as if the Parties had signed the same document. All such counterparts shall be construed together and shall constitute one instrument.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE TO NONEXCLUSIVE ACCESS AGREEMENT]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

**GRANTOR:**

PATTERSON PK LAND PARTNERSHIP,  
LTD., a Texas limited partnership

By: Patterson PK Land Management GP,  
LLC, a Texas limited liability  
company, its General Partner

By: \_\_\_\_\_  
Michael H. Patterson, Manager

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2010, by Michael H. Patterson, Manager of Patterson PK Land Management GP, LLC, a Texas limited liability company, general partner of Patterson PK Land Partnership, Ltd., a Texas limited partnership, on behalf of said limited liability company and said limited partnership.

\_\_\_\_\_  
Notary Public in and for the State of Texas

[SIGNATURE PAGE TO NONEXCLUSIVE ACCESS AGREEMENT]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

**GRANTEE:**

BRAZOS RIVER AUTHORITY, a river authority of the State of Texas

By: \_\_\_\_\_

Name: Phil Ford

Title: General Manager/CEO

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2010, by Phil Ford, General Manager/CEO of Brazos River Authority, a river authority of the State of Texas, on behalf of said river authority.

\_\_\_\_\_  
Notary Public in and for the State of Texas

**EXHIBIT "A" TO ACCESS EASEMENT AGREEMENT**

**LEGAL DESCRIPTION FOR GRANTEE'S PROPERTY**

[Description to include all property owned by BRA after the sale, including the 25'/50' buffer strips (if not sold), and other property that was not subject to the RFB]

**EXHIBIT "B" TO ACCESS EASEMENT AGREEMENT**

LEGAL DESCRIPTION FOR GRANTOR'S PROPERTY

**EXHIBIT "C" TO ACCESS EASEMENT AGREEMENT**

TEXAS ELECTRIC SERVICE COMPANY EASEMENT TO GRANTEE

**EXHIBIT "D" TO ACCESS EASEMENT AGREEMENT**

FERC BUFFER





## EXHIBIT D

### DECLARATION OF RESTRICTIVE COVENANTS, EASEMENTS AND CONDITIONS

THIS DECLARATION OF RESTRICTIVE COVENANTS, EASEMENTS AND CONDITIONS (this "**Declaration**") is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 2010 by BRAZOS RIVER AUTHORITY, a River Authority of the State of Texas ("**Declarant**").

### RECITALS

WHEREAS, Declarant is the owner of the Authority Land (as defined below);

WHEREAS, the 81<sup>st</sup> Texas Legislature enacted House Bill No. 3031 ("**HB 3031**") which requires that certain restrictions, including but not limited to those contained in this Declaration be placed on such portions of the Authority Land that are intended to be sold to a third party or third parties prior to such sale or sales taking place; and

WHEREAS, due to the proximity of the Retained Land (as defined below) to the Property (as defined below), Declarant has a vested interest in the development, use and/or sale of all or some of the Authority Land; therefore Declarant desires to subject the Property (as defined below) to the covenants, conditions and restrictions hereinafter set forth.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Declarant hereby agrees as follows:

#### Article I. DEFINITIONS.

When used in this Declaration, the following words shall have the following meanings:

- (a) "**Authority Land**": That certain real property in the immediate vicinity of the Lake, located in one or more of Palo Pinto, Stephens, Young, and Jack Counties, in the State of Texas owned by Declarant as of the date hereof, including without limitation, the Property and the Retained Land, as more particularly described on Exhibit "A" attached hereto and made a part hereof, plus any additional land added thereto in accordance with the procedures set forth in this Declaration. Declarant reserves the right to obtain a survey and metes and bounds description of the Authority Land and replace Exhibit "A" attached hereto with such revised description.
- (b) "**Commercial Leased Land**": Those certain parcels of land consisting of approximately 50 acres located wholly outside the FERC Project Area which are subject to a commercial lease, including a commercial lease where such Ground Lessee (as defined below) is authorized to sublease for residential purposes, as generally depicted on Exhibit "B" attached hereto, as of the date hereof. The Commercial Leased Land does not include that portion of the Authority Land which is subject to a commercial lease where

the leased premises are located wholly or partially within the FERC Project Area, including any portion of the FERC Buffer.

- (c) **“Declarant”**: Brazos River Authority, a River Authority of the State of Texas, created pursuant to Article XVI, Section 59 of the Texas Constitution, and those successors or assigns to whom it transfers of record some or all of its rights as Declarant. Declarant’s current address is 4600 Cobbs Drive, PO Box 7555, Waco, Texas, 76714-7555.
- (d) **“Driveways”**: Those certain gravel and/or paved driveways which connect a Road or other street or thoroughfare to an individual leased lot or any improvements thereon; Driveways include those shared or common driveways which serve more than one individual leased lot which is part of the Leased Tract, and which driveways serve more than one Owner or Ground Lessee.
- (e) **“Environmental Laws”**: The Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Toxic Substances Control Act, the Clean Water Act, the Resource Conservation and Recovery Act and any other similar federal, state or local law, rule or regulation respecting the environment or Hazardous Materials, together with all rules and regulations promulgated thereunder and all present or future amendments thereto.
- (f) **“FERC Buffer”**: A buffer strip that is 25 or 50 feet in width (depending on the location) and is measured landward horizontally from the 1000’ contour line, as such 1000’ contour line and the FERC Buffer may move and shift from time to time due to natural forces, such as erosion and accretion. All or a portion of the FERC Buffer, which consists of approximately 300 acres of land, is covered by the residential Ground Leases, and may or may not be included in the Residential Leased Land.
- (g) **“FERC License”**: The order of the Federal Energy Regulatory Commission issuing a license to Brazos River Authority for project number 1490-003-Texas on September 8, 1989, as such license has been renewed, extended, or amended and may be further renewed, extended, or amended at any time and from time to time, and also including the Amendment to the original FERC license which amendment was issued on May 15, 1980, to the extent incorporated or referenced in the FERC License.
- (h) **“FERC Project Area”**: That portion of the Authority Land which is subject to the FERC License, as further identified and defined in the FERC License, as may be amended at any time and from time to time, and which FERC Project Area may move or change over time due to natural forces.
- (i) **“Green Acres”**: That certain subdivision of record in Palo Pinto County, Texas according to the map or plat of record in Vol. 5, Page 17 of the Plat Records of Palo Pinto County, Texas, as it may be amended or modified from time to time.

- (j) **“Green Acres Declarations”**: That certain Green Acres Subdivision Declaration of Covenants, Conditions and Restrictions dated March 26, 1979, as recorded with the plat in Vol. 5, Page 17 of the Plat Records of Palo Pinto County, Texas.
- (k) **“Green Acres Lease”**: That certain Cottage Site Lease Agreement by and between Declarant, as lessor, and Jane Nail, as lessee, dated February 9, 1979 for those certain individual leased lots more particularly described in said Lease.
- (l) **“Ground Lease”**: Each of those certain residential and/or commercial ground leases, use and/or occupancy agreements between the Declarant and/or the Owner of any portion of the Property and a Ground Lessee, as the same may be amended, which leases and/or agreements encompass all or any portion of the Property (including, where applicable, the lessees under those leases defined in the Ranch Agreement).
- (m) **“Ground Lessee”**: A person who leases all or any portion of the Property from the Declarant and/or the Owner of such Property; including the successors and assigns of the Ground Lessee.
- (n) **“Hazardous Materials”**: Underground storage tanks, petroleum and petroleum products, asbestos, PCB's, urea-formaldehyde and any hazardous or toxic substances, pollutants, contaminants, wastes or materials as defined under any Environmental Laws.
- (o) **“Lake”**: Possum Kingdom Lake located in Young, Palo Pinto, Stephens, and Jack Counties. The boundary of the Lake is defined by the 1000' contour line, as that contour may meander and change over time with natural forces, including erosion and accretion. The “1000' contour line” means the line running along the periphery of the Lake if the surface of the Lake is at an elevation of 1000 feet above mean sea level, as measured from the top of the spillway crest gates of the Morris Sheppard Dam, as such line may move and shift from time to time due to natural forces.
- (p) **“Leased Tract”**: Collectively shall mean the Commercial Leased Land and the Residential Leased Land.
- (q) **“Lienholder”**: Any mortgagee under a mortgage, or a trustee or beneficiary under a deed of trust, constituting a lien on any portion of the Property. A Lienholder shall not be deemed to be an Owner for purposes of this Declaration until such time as said Lienholder acquires fee simple title to any portion of the Property by foreclosure, trustee's sale or otherwise.
- (r) **“Owner”**: The record holder of fee simple title to any portion of the Authority Land (including its heirs, personal representatives, successors and assigns).
- (s) **“person”**: Individuals, partnerships, firms, associations, corporations, trusts, governmental agencies, administrative tribunals or any other form of business or legal entity.

- (t) **“Property”**: The Residential Leased Land, Commercial Leased Land, Roads, and Undeveloped Strips, or any portion thereof (as applicable), whether owned by Declarant or an Owner and whether or not subject to a Ground Lease or other lease or owned in fee simple, as more particularly described and/or depicted in Exhibit “C” attached hereto and made a part hereof. Declarant reserves the right to obtain a survey and metes and bounds description of the Property and replace Exhibit “C” attached hereto with such revised description.
- (u) **“Ranch”**: That certain subdivision of record in Palo Pinto County, Texas according to the map or plat of record in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as it may be amended or modified from time to time, which subdivision includes a portion of the Property and a portion of the Retained Land.
- (v) **“Ranch Agreement”**: That certain Agreement by and among the Declarant, The Ranch on Possum Kingdom, L.P., and Hill Country Harbor Village, L.P. effective as of August 1, 1997 and dated December 12, 1997 which affects a portion of the Property and a portion of the Retained Land.
- (w) **“Ranch Declarations”**: That certain Declaration of Covenants, Conditions and Restrictions for The Ranch on Possum Kingdom Palo Pinto County, Texas dated December 8, 1997, as recorded in Vol. 944, Page 403 of the Official Public Records of Palo Pinto County, Texas, which Ranch Declarations affect a portion of the Property and a portion of the Retained Land.
- (x) **“Residential Leased Land”**: Those certain parcels of land consisting of approximately 900 acres located wholly outside the FERC Project Area which are subject to a single-family residential lease, as generally depicted on Exhibit “D” attached hereto, as of the date hereof. The Residential Leased Land does not include the FERC Buffer or any part of the FERC Project Area; provided, however, if the FERC Buffer is removed from the FERC Project Area or no longer subject to regulation by FERC (which shall be evidenced by an amendment to this Declaration), then the Residential Leased Land shall include that portion of the FERC Buffer so removed from regulation by FERC. The Residential Leased Land shall not include that portion of the Authority Land which is subject to a residential lease where the leased premises are located wholly within the FERC Project Area but outside the FERC Buffer.
- (y) **“Restrictions”**: The easements, covenants, restrictions, liens and encumbrances contained in this Declaration.
- (z) **“Retained Land”**: The FERC Project Area and all the other real property owned by Declarant at the Lake as of the date of this Declaration, as more particularly described on Exhibit “E” attached hereto, save and except the Property.
- (aa) **“Roads”**: Those certain approximately 49 miles of gravel and/or paved streets, roads, and thoroughfares owned and maintained by the Declarant as of the date of this Declaration which provide access, ingress, and egress to and from the Property, the Lake,

and/or the Retained Land as generally depicted and/or described on Exhibit "F" attached hereto. The Roads referred to herein exclude (i) Driveways, (ii) paved or gravel roads located wholly within any of Declarant's public use and recreation areas and certain roads serving Declarant's facilities, (iii) paved or gravel roads located within Declarant's gated operations areas as of the date of this Declaration, and (iv) paved or gravel roads located wholly within an individual leased lot that is part of the Commercial Leased Land and that only serves that specific portion of the Commercial Leased Land.

(bb) **"Shoreline Management Plan"**: That certain "Possum Kingdom Shoreline Management Plan and Customer Guide," adopted May 22, 2006 and amended July 31, 2006, and as may be revised and/or further amended by Declarant at any time and from time to time.

(cc) **"Undeveloped Strips"**: Those certain strips of undeveloped and un-leased land located (i) between individual leased lots within the Leased Tract (i.e., a strip of land which is not covered by the individual Ground Leases on either side of such strip of land), (ii) between the Leased Tract and the Roads or (iii) other strips of land indentified by Declarant, all of which are more particularly described on Exhibit "G" attached hereto.

Article II. **APPLICABILITY AND EASEMENTS.**

Section 2.01 **Applicability.** This Declaration and the Restrictions set forth herein shall apply to and burden the Property and Owners and Ground Lessees thereof, and shall benefit Declarant and the Owners of any portion of the Authority Land. It is not intended to burden any other portion of the Authority Land, including the Retained Land.

Section 2.02 **FERC Project Area.** Subject to Section 4.01(b) below, no Owner or Ground Lessee may forbid, restrict, or take any action which effectively forbids or restricts, the public from using the FERC Project Area and the adjacent areas of the Lake in accordance with the terms of the FERC License.

Section 2.03 **Access.**

(a) **Roads.** Each Owner and Ground Lessee shall agree to not block, restrict, or otherwise prohibit access over, through or across any Road and further agrees that such Roads or portion thereof shall remain open for use by Declarant, other Owners, lessees of any portion of the Authority Land (including Ground Lessees) and the general public. Except for (i) those portions of the Authority Land which are accessible by water only as of the date hereof, and/or (ii) restrictions of access existing as of the date hereof (e.g., access to and from public roads that requires traversing real property not owned by Declarant or Owners hereunder), and/or (iii) the covenants and restrictions of the Ranch Declarations, Green Acres Declarations, or other restrictive covenants existing prior to the date hereof, (to the extent applicable to the Roads), no Owner or Ground Lessee shall be permitted to block, restrict, or otherwise prohibit access on, over, or across such Roads. At such time as the Roads or any portion thereof are conveyed or dedicated to the county in which such portion of the Roads is located, whether pursuant to HB

3031 or otherwise, such Roads so conveyed to the applicable county shall no longer be considered part of the Roads or Property described herein for so long as such Roads are owned and maintained by the applicable county as public roads.

(b) Driveways. The Driveways are not part of the Roads and shall be maintained by the Owner or Ground Lessee of the applicable Driveway. No Owner or Ground Lessee shall obstruct, prevent, or otherwise restrict access on, over or across any portion of a common Driveway by any such other Owner or Ground Lessee, or their guests or invitees, whose portion of the Authority Land is served by such common Driveway. Owners and/or Ground Lessees whose portion of the Authority Land is served by a common Driveway shall at all times have a non-exclusive right of ingress and egress over and across such common Driveway to access their portion of the Authority Land.

Section 2.04 **Reserved Easements**. All grants and dedications of easements, rights-of-way, restrictions, and related rights affecting the Property, made prior to the Property becoming subject to this Declaration, and which are of record, or visible or apparent, are incorporated herein by reference and made a part of this Declaration for all purposes as if fully set forth herein and shall be construed as being adopted in each and every contract, deed, or conveyance executed or to be executed by or on behalf of Declarant conveying any part of the Property. The foregoing adoption of such easements includes, without limitation, any and all written easements or agreements, whether or not recorded, between the Authority and any other party for the installation, maintenance, repair or replacement of utility lines located on, above, over, under, or beneath the Authority Land.

Section 2.05 **Intentionally Deleted**.

Section 2.06 **Easements for Lake Maintenance**. Upon conveyance of all or a portion of the Authority Land, Declarant will reserve for itself and its successors, assigns, and designees the non-exclusive right and easement, but not the obligation, to enter upon the Authority Land, the Lake and other bodies of water, if any, located within the Authority Land (a) to install, keep, maintain and replace pumps in order to obtain water for the irrigation of any portion of the Retained Land, (b) to construct, maintain, replace, and repair any wall, dam, or other structure retaining water therein, (c) to access, construct, maintain, replace, and repair any measurement stations, monuments, or other similar improvements, (d) to remove trash and other debris, and (e) to fulfill Declarant's obligations as a river authority and any obligations set forth in the FERC License, state water rights, or other governmental regulations. Declarant and its designees shall also reserve an access easement through, over and across any of the Property to the extent reasonably necessary to exercise their rights and responsibilities under this section; provided however, that (i) Declarant shall provide written notice at least 48 hours in advance of such entry to the Owner of such portion of the Property (except in the event of an emergency in which case advance notice shall not be required, but Declarant shall provide such written notice as soon as practicable thereafter), (ii) Declarant shall promptly repair any damage to the Property caused by Declarant's

entrance onto such Owner's portion of the Property; and (iii) Declarant shall use reasonable efforts to avoid interfering with the Owner's use of such Owner's portion of the Property.

**Section 2.07 Flowage Easement.** Upon conveyance of all or a portion of the Authority Land, Declarant will reserve for itself and its successors, assigns, and designees a perpetual right, power, privilege, and easement to occasionally overflow, flood, and submerge that portion of the Authority Land located at or below the elevation contour of 1015' above mean sea level in connection with Declarant's operation and maintenance of the Lake. Declarant shall have no liability to any Owner, Ground Lessee, or any other person for any damages, claims, costs, injuries, or liabilities to any person or property or the Authority Land or any improvements thereon which are caused by or arise from any act or omission by Declarant in connection with the foregoing right and easement.

**Article III. ADDITIONS, MODIFICATIONS, AND TERMINATION OF THE DECLARATIONS**

**Section 3.01 Addition of Land.** Additional land may be included in the Authority Land or Property (or any portion thereof) at any time by Declarant, as long as Declarant owns any portion of the Authority Land, by recording an Amendment to this Declaration in each of the counties in which the Authority Land is located. Upon such additions, this Declaration and the Restrictions and obligations set forth herein shall apply to the added land and the rights, privileges, duties, and liabilities of the Owners subject to this Declaration shall be the same with respect to the added land as with respect to the Authority Land originally covered by this Declaration. As additional lands are added hereto, Declarant shall, with respect to said land, record Amendments which may incorporate this Declaration therein by reference and which may supplement or modify this Declaration with such additional covenants, restrictions and conditions which may be appropriate for those added lands.

**Section 3.02 Intentionally Deleted**

**Section 3.03 Modification and Termination.** This Declaration may not be modified in any respect whatsoever or terminated, in whole or in part, except with the consent of (i) the Owners of at least sixty percent (60%) of the individual lots which comprise the Residential Leased Land and Commercial Leased Land, and (ii) the Owners of at least sixty percent (60%) of the land area of the Retained Land; and (iii) Declarant, for so long as Declarant has any interest in the Authority Land, whether as an Owner or holder of the FERC License or otherwise. Notwithstanding the foregoing, Declarant, without the joinder of any other party, shall have the absolute right to make minor changes or amendments to this Declaration to correct or clarify errors, omissions, mistakes or ambiguities contained herein. No amendment shall be effective until such amendment has been



recorded in the Official Public Records of each of the counties in which the Authority Land is located.

Article IV. **RESTRICTIONS.**

All of the Property shall be owned, held, encumbered, leased, used, occupied, and enjoyed subject to the following limitations and restrictions:

Section 4.01 **Improvements.**

- (a) **Setbacks.** No improvements (except as specifically set forth in subsection (c) below) shall be constructed or located on the Property within twenty-five feet (25') landward measured horizontally from the 1000' contour line of the Lake, a meander line that changes over time due to natural forces, such as erosion and accretion; provided, however, in accordance with HB 3031, Declarant intends to seek approval by the Federal Energy Regulatory Commission of improvements inside this setback that are existing at the time this Declaration is filed of record and which have been approved in writing by Declarant. In addition, no improvements on the Property (or any portion thereof) shall be constructed or located within five feet (5') of any other boundary line (i.e., the side and back boundary lines), other than fences; provided, however, this restriction shall not include improvements located within this 5' setback that are existing as of the date hereof and which have been approved in writing by Declarant.
- (b) **No Fencing in FERC Project Area.** No Owner or Ground Lessee shall have any rights to construct any improvements or fencing which block or restrict access to the FERC Project Area, except with the written consent of Declarant, to be granted or withheld in its sole discretion, and except in compliance with the FERC License. This limitation does not apply to fences located within the Property and outside the FERC Project Area.
- (c) **Erosion Control.** Erosion control improvements (such as retaining walls, rip rap, etc.) and landscape planting may not be constructed or located within the FERC Project Area or at or below the 1000' contour line without the prior written approval of the Declarant. Such improvements shall be subject to the terms and conditions set forth herein, in the FERC License, in any other Federal Energy Regulatory Commission rules and regulations, and in the Declarant's regulations, including without limitation, the Shoreline Management Plan.
- (d) **Signs.** No Owner or Ground Lessee shall have the right to place, or permit to be placed, any advertisements, private notices, signs, or billboards on the Property except that temporary signage customarily found on residential property may be placed on the Residential Leased Land at the reasonable discretion of the Owner and/or Ground Lessee of that portion of the Residential Leased Land.

Section 4.02 **General Restrictions.**

- (a) Hazardous Activities. No activities shall be conducted on the Property and no improvements constructed on the Property which are or might be unsafe or hazardous to any person or property.
- (b) Hazardous Materials. No Owner, Ground Lessee, or occupant of any portion of the Property shall use or permit the use, handling, generation, storage, release, disposal or transportation of Hazardous Materials on, about or under the Property except for such quantities which are routinely utilized in connection with residential use (for all portions of the Property except the Commercial Leased Land) or for commercial uses which are in compliance with this Declaration (for the Commercial Leased Land), and which are stored, used, and disposed of in compliance with all Environmental Laws. Each Owner and Ground Lessee shall indemnify, defend, protect and save Declarant, its successors and assigns, trustees, directors, employees and officers and each other Owner and Ground Lessee (collectively, the "Indemnified Parties"), harmless from and against, and shall reimburse such Indemnified Parties for, all liabilities, obligations, losses, claims, damages, fines, penalties, costs, charges, judgments and expenses, including, without limitation, reasonable attorneys' fees and expenses which may be imposed upon or incurred or paid by or asserted against such Indemnified Parties by reason of or in connection with such Owner's or Ground Lessee's failure to comply with this Subsection 4.02(b).
- (c) Nuisances. No Owner shall conduct, or permit to be conducted, any activity on the Property which is improper, immoral, noxious, annoying, creates a nuisance or is otherwise objectionable to other Owners or incompatible with the recreational use of the Lake and the FERC Project Area.

#### Section 4.03 Use Restrictions.

- (a) Uses on Residential Leased Land. The Residential Leased Land (and any Undeveloped Strips which are conveyed to an Owner as part of the Residential Leased Land) shall be improved and used solely for single-family residential use, inclusive of a garage, fencing and other such related improvements as are necessary or customarily incident to normal residential use and enjoyment and for no other use. No portion of the Residential Leased Land (and any Undeveloped Strips which are conveyed to an Owner as part of the Residential Leased Land) shall be used for manufacturing, industrial, business, commercial, institutional or other nonresidential purpose, save and except as set forth in Section 4.03(b) below. Notwithstanding the foregoing, Owners and/or Ground Lessees shall be permitted to conduct a "garage sale" on their respective portion of the Residential Leased Land (and any Undeveloped Strips which are conveyed to an Owner as part of the Residential Leased Land) not more than one time per calendar year.
- (b) Commercial Activities on Residential Leased Land. No professional, business, or commercial activity to which the general public is invited shall be conducted on the Residential Leased Land (and any Undeveloped Strips which are conveyed to an Owner as part of the Residential Leased Land); except an Owner, Ground Lessee, or

occupant of a residence thereon may conduct business activities within such residence so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the residence; (b) the business activity conforms to all zoning requirements; (c) the business activity does not involve door-to-door solicitation of residents, lessees (including Ground Lessees) or Owners within the Authority Land; (d) the business does not generate a level of vehicular or pedestrian traffic or a number of vehicles parked within the Authority Land which is noticeably greater than that which is typical of residences in which no business activity is being conducted; and (e) the business activity is consistent with the residential character of the Residential Leased Land and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents, lessees, Ground Lessees, or Owners of the Authority Land. The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (x) such activity is engaged in full or part-time; (y) such activity is intended to or does generate a profit; or (z) a license is required. Leasing of a residence shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by the Declarant.

- (c) Uses on Commercial Leased Land. Except as may be otherwise provided herein, Commercial Leased Land (and any Undeveloped Strips which are conveyed to an Owner as part of the Commercial Leased Land) may be improved and used for any lawful commercial purpose, including without limitation, non-profit organizations or governmental or quasi-governmental agencies.
- (d) Undeveloped Strips Not Part of Leased Land. Any Undeveloped Strips which are part of the Property, but are not conveyed to an Owner as part of the Residential Leased Land and/or the Commercial Leased Land or which are not conveyed as part of the Roads, shall remain undeveloped unless otherwise approved in writing by Declarant.
- (e) Wind Farms. No portion of the Property may be used for the commercial testing or development of wind power, or to produce, lease, store, and/or transmit electrical power generated thereby for commercial or resale purposes.

Article V. **MAINTENANCE AND SERVICES.**

Section 5.01 **Maintenance.** Each Owner shall keep, or cause to be kept, all improvements located on its respective portion of the Property maintained in good condition and repair, clean and free of rubbish and other hazards, and otherwise in full accordance with this Declaration and all governmental rules, regulations, codes, and zoning requirements. Such maintenance shall include, but not be limited to, the following: regular and timely removal of all litter, garbage, trash and

waste; regular lawn mowing; tree, shrub and plant pruning and trimming; watering of landscaped areas; weed control; pest control; maintaining exterior lighting and mechanical facilities in good working order; keeping walks and driveways clean and in good repair; and the repairing and repainting of the exterior improvements visible to neighboring properties and/or public view.

**Section 5.02 Casualty.** In the event of any damage to or destruction of any building or improvement on any portion of the Property from any cause whatsoever, the Owner or Ground Lessee upon whose portion of the Property the casualty occurred shall, at its sole option, either (i) repair, restore, or rebuild and complete the same with reasonable diligence, (ii) clear the affected area of all hazardous or dangerous debris and structures and lawfully dispose of same within one year from the date of casualty, or (iii) effectuate any combination of subsections (i) and (ii) of this Section 5.02 as such Owner or Ground Lessee may deem reasonably appropriate. Notwithstanding the foregoing, in the event the Owner or Ground Lessee elects to rebuild buildings or improvements which were located within the FERC Project Area or within twenty-five feet (25') landward measured horizontally from the 1000' contour line that were approved in accordance with Section 4.01(a) above, such buildings or improvements shall be rebuilt in accordance with Section 5.05 below.

**Section 5.03 On-Site Sewage Facility Administration.** The Texas Commission on Environmental Quality (TCEQ) has adopted rules governing on-site sewage facilities (also called septic systems). Declarant is TCEQ's authorized agent for the septic system licensing program, including the enforcement of TCEQ's septic system rules and regulations for the Authority Land. Declarant, as the agent for TCEQ, shall have the authority to access the Authority Land for the purpose of issuing such licenses, inspecting such septic systems, and enforcing any and all rules and regulations related thereto. Each Owner and Ground Lessee agrees to comply with all sanitary regulations and the licensing process adopted by TCEQ and enforced by Declarant, as its agent, from time to time.

**Section 5.04 Solid Waste Collection and Disposal.** The Owner shall be responsible, at its expense, for providing for the collection, removal and disposal of all solid waste on the Property; or the Owner of any portion of the Property shall be responsible for ensuring that the Ground Lessees provide for such collection, removal and disposal of all solid waste on the applicable portion of the Property. In the event the Ranch (or any property association related thereto) fails to provide for the collection, removal and disposal of solid waste related to the Ranch, the Owner shall be responsible for providing for the same.

**Section 5.05 Repairs, Alterations, Rebuilding.**

- (a) An Owner or Ground Lessee, subject to approval by the Federal Energy Regulatory Commission, may repair, alter or rebuild improvements located within the FERC Project Area, which improvements were previously approved in accordance with Section 4.01(a)

above; provided, however, such repairs, alterations, and/or rebuilding shall not extend beyond the footprint of the existing or previously existing improvement.

- (b) An Owner or Ground Lessee, may repair, alter or rebuild improvements located outside the FERC Project Area but within 25' landward measured horizontally from the 1000' contour line, and/or improvements located within the 5' boundary setback, which improvements were previously approved in accordance with Section 4.01(a) above. Such repairs, alterations, or rebuilding may extend such improvements outside the previously existing footprint towards the side boundaries and back boundary of the applicable portion of the Property, but such improvements may not be extended towards the shoreline or encroach closer to the 1000' contour line of the Lake than the existing or previously existing improvements.

Article VI. **MINERAL INTERESTS AND FERC PROJECT AREA**

The Property shall be owned, held, encumbered, leased, used, occupied, and enjoyed subject to the following limitations and restrictions:

Section 6.01 **Mineral Interests.** Upon conveyance of all or a portion of the Authority Land, Declarant will reserve its rights, title, and interest in all oil, gas and other minerals in and under any and all Authority Land, including the Property.

Section 6.02 **FERC Project Area.** No land within the FERC Project Area shall be improved, used or occupied, except in such manner as shall have been approved by Declarant and, to the extent required, by the Federal Energy Regulatory Commission. No docks, piers, on-water facilities, retaining walls, or any other structures or facilities shall be built, installed or maintained in, on, or over the waters of the Lake or within the FERC Project Area except as authorized by the Declarant. All such structures or facilities shall be subject to all rules and regulations applicable to the Lake and the FERC Project Area, as the same may be adopted or amended from time to time. Owner and/or Ground Lessee shall be responsible for any fees or annual charges assessed by Declarant and/or the Federal Energy Regulatory Commission for such permit or improvements and shall be responsible for ensuring that any such improvements are consistent with the FERC License, Shoreline Management Plan, and all other rules and regulations applicable to the FERC Project Area. Owner shall not, at any time, permit any liens to encumber the FERC Project Area.

Section 6.03 **Lake.**

- (a) No use of the Lake or other bodies of water within the Authority Land, if any, shall be made except in accordance with the FERC License, the Shoreline Management Plan, Declarant's regulations and any other rules and regulations that may be promulgated by the Federal Energy Regulatory Commission and/or Declarant at any time and as amended from time to time. Any such use shall be subject to Declarant's and the Federal Energy Regulatory Commission's superior use rights. Declarant shall not be responsible for any

loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of the Lake or other bodies of water within or adjacent to the Authority Land.

- (b) Notwithstanding the foregoing, Declarant may use and regulate the Lake or other bodies of water within the Authority Land for the irrigation of the Retained Land, or for any other purpose deemed appropriate by Declarant, subject to the rights and authority of the Federal Energy Regulatory Commission or other governmental entity having jurisdiction of such areas, and subject to the water rights granted (or which may be granted) to Declarant by the State of Texas. Declarant's rights under this subsection 6.03(b) shall be superior to any rights of any Owner or Ground Lessee. This subsection 6.03(b) shall not be construed to limit or restrict the rights and authority of the Federal Energy Regulatory Commission or other governmental entity having jurisdiction of the Authority Land.
- (c) Owners must obtain written permission from Declarant in accordance with Declarant's regulations to use or divert water from the Lake on any portion of the Property for domestic or commercial purposes.

**Section 6.04 Drainage and Erosion.** No Owner or Ground Lessee shall be permitted to divert or alter the natural drainage of the terrain or clear vegetation on any portion of the Authority Land in such a manner that would cause unnatural erosion or silting of the Lake.

**Section 6.05 Compliance with FERC License.** Owners and Ground Lessees shall take all reasonable precautions to insure that all use of and activities on the Property and the FERC Project Area, including without limitation, the construction, operation and maintenance of any improvements on the Property, and/or FERC Project Area occur in a manner that is in compliance with the FERC License and that will protect the scenic, recreational and environmental values of the Lake. Declarant, as a licensee of the Federal Energy Regulatory Commission has specific approval authority on any proposed construction that impacts the FERC Project Area or lakebed, and Owner and Ground Lessee shall comply with the approval process as may be established by Declarant and/or the Federal Energy Regulatory Commission from time to time.

**Section 6.06 Pre-Existing Structures.** Structures in place within the FERC Project Area shall be subject to the FERC License, as the same may be amended and/or renewed from time to time. Any structures erected in the FERC Project Area after May 15, 1980 (the date of the amendment to the previous FERC License) may be required to be removed at the expense of the Owner or Ground Lessee, unless such improvements are approved in accordance with Section 4.01(a) above. In no event shall this Section 6.06 grant any authorization for a violation of any rules or regulations of Declarant, the FERC License, or any state, federal, or local law.

Article VII. **COMPLIANCE WITH OTHER RULES AND REGULATIONS**

Section 7.01 The Owner and Ground Lessee of any portion of the Property shall comply with all of the following rules and regulations: (i) Declarant's Shoreline Management Plan and any amendments or revisions to that document to the extent such Shoreline Management Plan applies to the Owner's and/or Ground Lessee's portion of the Property; (ii) the applicable rules, regulations, and orders of the Federal Energy Regulatory Commission including, without limitation the FERC License; (iii) Declarant's "Regulations for Governance for Brazos River Authority Lakes and Associated Lands," as published on Declarant's internet website; and (iv) other rules and regulations adopted by Declarant regarding conduct on and use of the Lake or the Authority Land.

Section 7.02 Intentionally Deleted.

Section 7.03 By Texas Statute, Declarant is empowered to adopt and has adopted certain regulations governing conduct on and use of the FERC Project Area and Lake. Owners, Ground Lessees and persons using the Property with such Owners' consent, shall abide by all such rules and regulations adopted from time to time by Declarant and any future revisions and amendments thereto.

Section 7.04 Owners and Ground Lessees of that portion of the Property which is part of the Ranch shall comply with the terms and conditions of the Ranch Agreement and the covenants and restrictions set forth in the Ranch Declarations, to the extent applicable to such portion of the Property. As to that portion of the Authority Land which is part of the Ranch, the Ranch Declarations shall control in the event of any conflict between the covenants, restrictions, and conditions set forth in the Ranch Declarations and the Restrictions set forth in this Declaration.

Section 7.05 Owners and Ground Lessees of that portion of the Property which is part of Green Acres shall comply with the covenants and restrictions set forth in the Green Acres Declarations, to the extent applicable to such portion of the Property. As to that portion of the Authority Land which is part of Green Acres, the Green Acres Declarations shall control in the event of any conflict between the covenants, restrictions, and conditions set forth in the Green Acres Declarations and the Restrictions set forth in this Declaration.

Article VIII. **LAKE PRESERVATION**

Section 8.01 In order to maintain the quality of the Lake's water, the stability of the shoreline, and of the environment in the Lake's vicinity, each Owner and Ground Lessee of all or any portion of the Property agrees to:

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

- (b) if the Owner's private on-site sewerage facility is not licensed by the Texas Commission on Environmental Quality (or any successor to such Commission) then the Owner or Ground Lessee shall connect to and use, at the Owner's or Ground Lessee's expense, as applicable, any wastewater treatment system or service that becomes available to the Owner's portion of the Property, not later than twelve (12) months after the system or service becomes available to such portion of the Property and thereafter discontinue use of any private on-site sewerage facility; and if, at any time after a wastewater treatment system or service becomes available to the Owner's portion of the Property, the Owner's private on-site sewerage facility (whether licensed or not) requires either replacement or an alteration or change in the on-site sewage facility resulting in (A) an increase in the volume of permitted flow, (B) a change in the nature of permitted influent, (C) a change from the planning materials approved by the permitting authority, (D) a change in construction, and/or (E) an increase, lengthening, or expansion of the treatment or disposal system, then such Owner shall promptly connect to and use, at the Owner's or Leaseholder's expense, as applicable, such wastewater treatment system or service and thereafter discontinue use of any private on-site sewerage facility. Notwithstanding the foregoing, in the event a property owners association or municipality requires the Owners of the portion of the Property which are included in such association or municipality to connect to a wastewater system or service, then such association or municipality rules shall control; and
- (c) obtain written consent of Declarant prior to diverting or pumping water from the Lake or any body of water within or adjacent to the Authority Land, constructing or erecting any embankment or retaining wall, or commencing any dredging activity; and
- (d) pay to Declarant any reasonable fee related thereto (e.g., water usage, recreational user, dredging, or retaining wall fees) as may be adopted from time to time by Declarant.

Section 8.02 Each Owner of all or any portion of the Property agrees and acknowledges that the water level in the Lake varies and that Declarant is not responsible for maintaining the Lake at any certain level or above or below any certain level.

Section 8.03 Declarant is not responsible or liable for any personal injury or damage to any Owner, Ground Lessee, the Property, the Authority Land, or to any improvements caused by any increase or decrease in the water level (even if such increase or decrease is due to modifications of the Morris Sheppard (Possum Kingdom) Dam or other actions or omissions of Declarant) or caused by natural flooding.

Section 8.04 Upon conveyance of all or a portion of the Property, Declarant will reserve the right of ingress and egress for Declarant and any person authorized by Declarant, including an agent of Declarant or employees, over and across the Property and any and all on-water facilities whether located within the Property or FERC Project Area for all reasonable purposes of Declarant, including, without limitation, the construction, maintenance, repair, and/or replacements of any roads,



drainage facilities and power, water, wastewater, and other utility mains and lines that Declarant considers necessary or beneficial and for public safety, health, and welfare purposes; provided however, that (i) Declarant shall provide written notice at least 48 hours in advance of such entry to the Owner of such portion of the Property (except in the event of an emergency in which case advance notice shall not be required, but Declarant shall provide such written notice as soon as practicable thereafter), which notice shall state with reasonable specificity the purpose for such entry, (ii) Declarant shall promptly repair any damage to the Property caused by Declarant's entrance onto such Owner's portion of the Property; and (iii) Declarant shall use reasonable efforts to avoid interfering with the Owner's use of such Owner's portion of the Property.

Article IX. **COMPLIANCE AND ENFORCEMENT OF RESTRICTIONS**

Section 9.01 **Compliance with Restrictions.** Each Owner and Ground Lessee shall comply strictly with this Declaration and the Restrictions set forth herein, as the same may be amended from time to time. Failure to comply with such Declaration and Restrictions shall constitute a violation of this Declaration, and shall give rise to a cause of action to recover sums due for damages or injunctive relief or both, maintainable by the Declarant or other Owners; provided however, no Owner, Ground Lessee, or other person shall have any right of action against Declarant arising under this Declaration.

Section 9.02 **No Warranty of Enforceability.** Declarant makes no warranty or representation as to the present or future validity or enforceability of any restrictive covenants, terms or provisions set forth herein. Any Owner or Ground Lessee acquiring or leasing, as applicable, any portion of the Authority Land in reliance on one or more of such Restrictions, terms, or provisions shall assume all risks of the validity and enforceability thereof and, by acquiring such portion of the Authority Land, agrees to hold Declarant harmless therefrom.

Section 9.03 **Declarant's Right to Enter.** If the Owner or Ground Lessee of any portion of the Property or on-water facilities related thereto (including retaining walls) (the "Defaulting Owner") shall fail to comply with the requirements of this Declaration, then Declarant shall have the right, but not the obligation, following thirty (30) days prior written notice to the Defaulting Owner to enter the Defaulting Owner's portion of the Property (but only if such failure to comply results in a public health, safety, or welfare concern) and/or the Defaulting Owner's on-water facility and cure such breach, the cost of which shall be reimbursed by the Defaulting Owner to Declarant upon demand. Any such unpaid amounts, together with interest thereon (at the rate of six percent (6%) per annum) and the costs of collection (if any), shall be charged as a continuing lien against the Defaulting Owner's portion of the Property, which lien shall be subordinate to the lien of any third party deed of trust previously recorded against the Defaulting Owner's portion of the Property.

Section 9.04 **Default.** A person shall be deemed to be in default of this Declaration only upon the expiration of thirty (30) days (ten [10] days in the event of failure to pay money) from receipt of written notice from Declarant or other Owner specifying the particulars in which such person has failed to perform the obligations of this Declaration unless such person, prior to the expiration of said thirty (30) days (ten [10] days in the event of failure to pay money), has rectified the particulars specified in said notice of default. However, such person shall not be deemed to be in default if such failure (except a failure to pay money) cannot be rectified within said thirty (30) day period and such person commences the cure of such default within such (30) day period and thereafter is continuously using good faith and its best efforts to rectify the particulars specified in the notice of default.

Section 9.05 **Right of Enforcement.** Declarant shall have the right, but not the obligation, to enforce all of the provisions of the Restrictions. Any Owner shall have the right to enforce all of the provisions of the Restrictions against any other Owner or Ground Lessee, but not against Declarant. Such right of enforcement shall include the right to sue for both damages for, and injunctive relieve against, the breach of any such provision. Furthermore, Declarant shall have the right, when appropriate in its sole judgment and discretion, to claim or impose a lien upon any portion of the Property, or improvements constructed thereon, in order to enforce any right or effect compliance with this Declaration.

Section 9.06 **Waiver.** The failure of a person (including Declarant or any Owner) to insist upon strict performance of any of the Restrictions contained herein shall not be deemed a waiver of any rights or remedies that said person may have, and shall not be deemed a waiver of any subsequent breach or default in the performance of any of the Restrictions contained herein by the same or any other person.

Section 9.07 **Nonliability of Declarant.** Declarant shall not be liable to any Owner, Ground Lessee, or any other person for any loss, damage, or injury arising out of or in any way connected with the performance or non-performance of Declarant's rights, obligations or privileges under this Declaration. Without limiting the foregoing, Declarant shall not be liable to any Owner or Ground Lessee due to the construction of any improvements within the Authority Land.

Article X.

**GENERAL PROVISIONS**

Section 10.01 **Covenants Run With the Land.** Each of the Restrictions on the Property shall be a burden on each portion of the Property, shall be appurtenant to and for the benefit of the Authority Land and other portions of the Property and each part thereof and shall run with the land.

Section 10.02 **Successors and Assigns.** This Declaration and the Restrictions created hereby shall inure to the benefit of and be binding upon the Owners, their heirs, successors, assigns and personal representatives, and upon any person

acquiring all or any portion of the Property, or any interest therein, whether by operation of law or otherwise. Notwithstanding the foregoing, if any Owner sells or transfers all or any portion of its interest in all or any portion of the Property, such Owner shall, upon the sale and conveyance of title, be released and discharged from all of its obligations as Owner in connection with the property sold by it arising under this Declaration after the sale and conveyance of title but shall remain liable for all obligations arising under this Declaration prior to the sale and conveyance of title. The new Owner of all or any such portion of the Property, (including, without limitation, any Owner [or Lienholder] who acquires its interest by foreclosure, trustee's sale or otherwise) shall be liable for all obligations arising under this Declaration with respect to such portion of the Property on and/or after the date of sale and conveyance of title. Declarant may assign, in whole or in part, any of its privileges, exemptions, rights, and obligations (if any) under this Declaration to any other person and may permit the participation, in whole or in part, by any other person in any of its privileges, exemptions, rights, and obligations (if any) hereunder.

**Section 10.03 Intentionally Deleted.**

**Section 10.04 Duration.** Except as provided herein, the term of this Declaration shall be for a period of fifty (50) years (the "Primary Period") from the date hereof. Notwithstanding the foregoing, upon the expiration of the Primary Period, the term of this Declaration shall automatically renew for successive periods of five (5) years each (each such period being referred to as an "Extension Period") unless, at least ninety (90) days prior to the date of expiration of the Primary Period or Extension Period then in effect, (i) the Owners of at least sixty percent (60%) of the individual lots which comprise the Residential Leased Land and Commercial Leased Land, and (ii) the Owners of at least sixty percent (60%) of the land area of the Retained Land; and (iii) Declarant, for so long as Declarant has any interest in the Authority Land, whether as an Owner or holder of the FERC License or otherwise, duly execute, acknowledge and record in the office of the recorder of the counties in which the Authority Land is located a written termination notice, in which event, this Declaration shall automatically expire at the end of the Primary Period or Extension Period then in effect.

**Section 10.05 Intentionally Deleted.**

**Section 10.06 Intentionally Deleted.**

**Section 10.07 Not a Public Dedication.** Nothing herein contained shall be deemed to be a gift or dedication of any portion of the Authority Land to the general public or for the general public or for any public purpose whatsoever, it being the intention of the parties that this Declaration shall be strictly limited to and for the purposes herein expressed.

**Section 10.08 Mortgages Subordinate to Declaration.** Any mortgage or deed of trust lien entered into after the date of this Declaration which affects any portion of the Property shall at all times be subject and subordinate to the terms of this Declaration and any person acquiring title by reason of foreclosure under any such mortgage or a deed in lieu of foreclosure shall acquire title to the premises affected thereby subject to all of the terms of this Declaration.

**Section 10.09 Breach Shall Not Permit Termination.** It is expressly agreed that no breach of this Declaration shall entitle any Owner to terminate this Declaration, but such limitation shall not affect in any manner any other rights or remedies which such Owner may have hereunder by reason of any breach of this Declaration. Any breach of this Declaration shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith for value, but this Declaration shall be binding upon and be effective against any Owner whose title is acquired by foreclosure, trustee's sale or otherwise.

**Section 10.10 Notices.**

- (a) Delivery. All notices given pursuant to this Declaration shall be in writing and shall be given by facsimile, personal service, by United States mail or by United States express mail or other established express delivery service (such as Federal Express), postage or delivery charge prepaid, return receipt requested, addressed to the appropriate party at the address or facsimile number set forth below. If a notice must be given to a person other than one designated below, such notice shall be sent to the person and address shown on the then current real property tax rolls of the applicable county in which the applicable portion of the Authority Land is located. All notices to Declarant shall be sent to the appropriate party at the address or facsimile number set forth below:

Declarant: Brazos River Authority  
4600 Cobbs Drive  
P.O. Box 7555  
Waco, Texas 76714-7555  
Attn:  
Fax: \_\_\_\_\_

All notices given pursuant to this Declaration shall be deemed given upon receipt.

- (b) Receipt. For the purpose of this Declaration, the term "receipt" shall mean the earlier of any of the following: (i) the date of delivery of the notice or other document to the address specified pursuant to subparagraph (a) above as shown on the return receipt, (ii) the date of actual receipt of the notice or other document by the person or entity specified pursuant to subparagraph (a) above, or (iii) in the case of refusal to accept delivery or inability to deliver the notice or other document, the earlier of (A) the date of the attempted delivery or refusal to accept delivery, (B) the date of the postmark on the return receipt, or (C) the date of receipt of notice of refusal or notice of nondelivery by the sending party.

Section 10.11 **Attorney's Fees.** In the event Declarant initiates or defends any legal action or proceeding in any way connected with this Declaration, the Declarant (in addition to any other relief which may be granted, whether legal or equitable), shall be entitled to recover from the adverse party or parties in any such action or proceeding Declarant's reasonable costs and attorney's fees (including, without limitation, its reasonable costs and attorney's fees on any appeal).

Section 10.12 **Severability.** If any term or provision of this Declaration or the application of it to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Declaration or the application of such term or provision to persons or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Declaration shall be valid and shall be enforced to the extent permitted by law.

Section 10.13 **Intentionally Deleted.**

Section 10.14 **Captions and Headings.** The captions and headings in this Declaration are for reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

Section 10.15 **Construction.** In construing the provisions of this Declaration and whenever the context so requires, the use of a gender shall include all other genders, the use of the singular shall include the plural, and the use of the plural shall include the singular.

Section 10.16 **Recordation.** This Declaration shall be recorded in the office of the recorder of the counties in which the Authority Land is located.

Section 10.17 **Interpretation.** The provisions of this instrument shall be governed by, and construed in accordance with, the laws of the State of Texas, and this instrument shall be fully performable and enforceable in the Counties of Jack, Palo Pinto, Stephens and Young in the State of Texas (as applicable to the portion of the Authority Land in question). In the event of any conflict between the provisions of this instrument and any applicable zoning ordinance or other applicable regulations of the applicable county, as amended, and in effect from time to time, the more restrictive provision shall govern and control. Notwithstanding any custom, rule of interpretation or construction, or otherwise, neither this Declaration, nor any portion hereof, shall be construed more strongly against the party who prepared it.

EXECUTED as of the date first set forth above.

**[SIGNATURE AND ACKNOWLEDGMENT PAGE OF DECLARANT FOLLOWS]**

**List of Exhibits and Schedules:**

**Exhibit "A" – The Authority Land**

**Exhibit "B" – The Commercial Leased Land**

**Exhibit "C" – The Property**

**Exhibit "D" – The Residential Leased Land**

**Exhibit "E" – The Retained Land**

**Exhibit "F" – Roads**

**Exhibit "G" – Undeveloped Strips**

**[SIGNATURE AND ACKNOWLEDGMENT PAGE OF DECLARANT]**

**DECLARANT:**

**BRAZOS RIVER AUTHORITY,  
a River Authority of the State of Texas**

**By: \_\_\_\_\_**

**Name: Phil Ford**

**Title: General Manager/CEO**

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared Phil Ford, to me known to be the General Manager/CEO of Brazos River Authority, the River Authority that executed the foregoing instrument, and acknowledged to me that the said instrument is the free and voluntary act and deed of said River Authority, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

WITNESS MY HAND and official seal hereto affixed the day, month and year in this certificate first above written.

My commission expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for the State of Texas





**EXHIBIT E**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER AND/OR YOUR DRIVER'S LICENSE NUMBER.**

**EASEMENT AND RIGHT OF WAY**

**Date:** \_\_\_\_\_, 2010

**Grantor:** Patterson PK Land Partnership, Ltd., a Texas limited partnership

**Grantor's Address:** 2310 W. Interstate 20, Suite 100  
Arlington, Texas 76017  
Attn: Michael H. Patterson

**Grantee:** Brazos River Authority, a river authority of the State of Texas

**Grantee's Address:** 4600 Cobbs Drive  
P.O. Box 7555  
Waco, Texas 76714-7555  
Attn: \_\_\_\_\_

**Grantor's Property:** That certain real property described on Exhibit A attached hereto.

**Easement Property:** That certain real property described on Exhibit B attached hereto.

**Reservations from and Exceptions to Conveyance and Warranty:** All easements, rights-of-way and other instruments of public record, but only to the extent the same pertain to Grantor's Property and remain of force and effect.

GRANTOR, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, does hereby grant, sell and convey to Grantee: (i) an easement and right of way

along, on, over, through, above, under, and across the Easement Property to place, construct, reconstruct, install, operate, repair, maintain, alter, inspect, replace, improve, upgrade or remove (in whole or in part) that certain dam measurement station and all necessary and desirable appurtenances and structures associated with such measurement station (collectively, the "Measurement Station") which is owned by Grantee and located on such Easement Property, (ii) the right to cut or trim trees and shrubbery and to remove obstructions as necessary to keep them clear of the Measurement Station and permit Grantee unimpeded access to the Measurement Station, (iii) the right to abandon-in-place any and all of the Measurement Station, such that Grantee shall have no obligation or liability to Grantor or its successors or assigns to move or remove any such abandoned Measurement Station, and (iv) the right of pedestrian and vehicular ingress and egress to and from the Easement Property over and across Grantor's Property, to the extent reasonably necessary for Grantee's access to the Measurement Station for the purposes set forth herein (collectively, the "Easement").

TO HAVE AND HOLD the Easement and the rights granted herein unto Grantee and to its successors and assigns forever, and Grantor does hereby covenant and bind itself, and its successors and assigns to warrant and forever defend all and singular the Easement unto Grantee and its successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Grantor, but not otherwise, and except as to the Reservations from and Exceptions to Conveyance and Warranty.

The Easement granted herein is subject to the following terms and conditions:

1. Grantor reserves the right for itself, and its successors and assigns, to use and enjoy the Easement Property for all purposes that do not unreasonably interfere with or interrupt the use or enjoyment of the Easement Property by Grantee for the Easement purposes stated above. Grantor shall maintain and repair, at Grantor's sole cost and expense, Grantor's Property in good repair such that Grantee's access to the Measurement Station is not impaired. Grantor shall not (a) place, erect or maintain any improvements or structures within the Easement Property, nor (b) place, erect or maintain any improvements or structures on Grantor's Property, or make changes in the grade, elevation, or contour of Grantor's Property, unless Grantee has previously consented in writing to such improvement, structure, or change, such consent to be in Grantee's discretion.

2. By acceptance of this Easement, Grantee covenants and agrees that all work and operations by Grantee on the Easement Property shall be performed in a commercially reasonable manner that does not materially interfere with Grantor's use of Grantor's Property, but Grantee shall not be required to replace any landscaping that Grantee has reasonably removed to prevent interference with its use of the Easement Property.

3. The Easement, rights, and covenants granted and made herein are covenants running with the land and shall be binding upon Grantor and Grantee and their respective successors and assigns.

4. In the event Grantor fails to perform any of its obligations as provided herein and such failure continues for 15 days after written notice to Grantor (or if such failure cannot be reasonably cured within such 15-day period, Grantor fails to commence curing within such 15-day period and thereafter diligently pursue a cure until completion), then Grantee shall have the right to pursue all available equitable and legal remedies, including but not limited to injunctive relief and specific performance. In addition, Grantee shall have the right, but shall not be obligated, to take such action as shall be reasonably necessary to cure the default or enforce the covenants herein, at Grantor's sole cost and expense. Grantor shall reimburse Grantee for all costs and expenses incurred by Grantee in pursuing the remedies herein, including reasonable attorneys' fees, within 30 days after Grantee has delivered to Grantor an invoice detailing such costs and expenses.

5. Any notice, demand, request or communication required or permitted hereunder shall be in writing and sent by hand delivery, United States certified mail, postage prepaid, or by recognized overnight delivery service, addressed to the parties at the addresses set forth above or to such other address or to the attention of such other person as hereafter shall be designated in writing by the parties sent in accordance herewith. Any such notice, demand, request or communication shall be deemed to have been given as of the date of receipt or refusal at the address, and in the manner, provided herein.

6. This Agreement shall be subject to and governed by the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state, and venue for any litigation with respect to this Agreement shall be maintained in state and federal courts in the State of Texas.

7. No waiver or consent, express or implied, by any party to or of any breach or default by any other party in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such party of the same or any other obligations of such party hereunder. Failure on the part of a party to complain of any act of any party or to declare any party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitation period has run.

8. This instrument may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts will be construed together and will constitute one and the same instrument. This instrument contains the complete agreement of the parties regarding the Easement and cannot be varied except by written agreement of the parties. The parties agree that there are no oral agreements, representations, or warranties that are not expressly set forth herein. When the context in which words are used herein indicates that such is the intent, words in the singular number shall include the plural and vice versa, and the words in masculine gender shall include the feminine and neuter genders and vice versa. In the event that any provision of this agreement shall be held to be invalid, the same shall not affect in any respect whatsoever the validity of the remaining provisions of this agreement.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE TO EASEMENT AND RIGHT OF WAY]

IN WITNESS WHEREOF, the parties have executed this instrument as of the date first set forth above.

**GRANTOR:**

PATTERSON PK LAND PARTNERSHIP, LTD.,  
a Texas limited partnership

By: PATTERSON PK LAND MANAGEMENT  
GP, LLC, a Texas limited liability company,  
its general partner

By: \_\_\_\_\_  
Name: Michael H. Patterson  
Title: Manager

STATE OF TEXAS                    §  
  §  
COUNTY OF \_\_\_\_\_       §

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2010, by Michael H. Patterson, Manager of Patterson PK Land Management GP, LLC, a Texas limited liability company, general partner of Patterson PK Land Partnership, Ltd., a Texas limited partnership, on behalf of such limited liability company and limited partnership.

\_\_\_\_\_  
Notary Public in and for the State of Texas

[SIGNATURE PAGE TO EASEMENT AND RIGHT OF WAY]

IN WITNESS WHEREOF, the parties have executed this instrument as of the date first set forth above.

**GRANTEE:**

BRAZOS RIVER AUTHORITY, a river authority of the State of Texas

By: \_\_\_\_\_

Name: Phil Ford

Title: General Manager/CEO

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2010, by Phil Ford, General Manager/CEO of Brazos River Authority, a river authority of the State of Texas, on behalf of said river authority.

\_\_\_\_\_  
Notary Public in and for the State of Texas

**EXHIBIT A TO EASEMENT AND RIGHT OF WAY**

Grantor's Property

**EXHIBIT B TO EASEMENT AND RIGHT OF WAY**

Easement Property

[Description of Easement Property; including executory interest in FERC Buffer, if any]





## EXHIBIT F

### ASSIGNMENT, ASSUMPTION, AND RATIFICATION OF LEASES AND RENTS

THIS ASSIGNMENT, ASSUMPTION, AND RATIFICATION OF LEASES AND RENTS (this "Assignment") is executed to be effective as of the \_\_\_\_ day of \_\_\_\_\_, 2010 (the "Effective Date"), by and between **BRAZOS RIVER AUTHORITY**, a river authority of the State of Texas ("Assignor") and **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership ("Assignee").

#### WITNESSETH:

WHEREAS, prior to the date hereof, Assignor owned approximately 30,000 acres (the "Authority Land") at Possum Kingdom Lake (the "Lake") in Palo Pinto, Stephens, Young, and Jack Counties, in the State of Texas; and

WHEREAS, Assignor, as lessor, has previously entered into those certain lease agreements described on Exhibit A attached hereto (as the same have been amended from time to time, collectively, the "Leases") with the "Leaseholders", as lessees, such Leases pertaining to a portion of the Authority Land situated in Young County, Palo Pinto County, and Stephens County, Texas, as more particularly described in the Leases (collectively, the "Leased Property", and individually a "Leased Lot"); and

WHEREAS, the Leased Property includes land that is located within the FERC Buffer (as defined below), which land is being retained by Assignor and is part of the Assignor's Property (as defined below), as well as land that is located outside the FERC Buffer, which land is being conveyed to Assignee and is part of the Assignee's Property (as defined below); and

WHEREAS, by a Special Warranty Deed With Vendor's Lien executed by Assignor, as Grantor, dated effective of even date herewith, Assignor has conveyed to Assignee that certain portion of the Authority Land more particularly described on Exhibit B attached hereto ("Assignee's Property"), which includes, without limitation, that portion of the Leased Property located outside the FERC Buffer; and

WHEREAS, Assignor desires to assign to Assignee, and Assignee desires to assume, all of Assignor's rights and obligations under the Leases to the extent the Leased Property is part of Assignee's Property, and all of Assignor's interest in the Rents (defined below).

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignment and Assumption. Assignor does hereby assign, transfer, and set over unto Assignee all of Assignor's right, title and interest in the Leases but only to the extent that such right, title and interest pertains to Assignee's Property or any portion thereof, and Assignee does hereby assume all of Assignor's rights and obligations arising under the Leases from and

after the Effective Date as such rights and obligations pertain to Assignee's Property or any portion thereof. Assignor does hereby assign, transfer, and set over unto Assignee all rents, revenues, income, and profits payable under the Leases from and after the date hereof, including, without limitation, all fixed and additional rents, cancellation payments, and all sums due and payments made under any guarantee of any of the Leases or any obligations thereunder (collectively "Rents"). The assignment of Rents to Assignee includes any portion of the Rents that may be allocable to the portion of the Leased Property owned and retained by Assignor, including the portion within the FERC Buffer ("Assignor's Property"), as more particularly described on Exhibit C attached hereto. Assignee assumes all obligations for the return of all lessee security deposits held by the Assignor, if any, pursuant to the provisions of the Leases and delivered to Assignee, and Assignee further assumes all of Assignor's obligations under the Leases which arise after the Effective Date hereof, and agrees to hold the Assignor harmless from any such obligations. Rents from the Leases are collected annually in advance and have been prorated between Assignor and Assignee based on the actual Rents collected by Assignor as of the date of the delivery hereof, and any rentals collected by Assignor after the Effective Date hereof, regardless of whether attributable to periods before or after the Effective Date hereof shall be collected for the account of Assignee and promptly delivered to Assignee. From and after the Effective Date, Assignee shall be considered the lessor under the Leases with respect to Assignee's Property, and Assignor shall continue to be considered the lessor under the Leases with respect to Assignor's Property.

2. Ratification and Lessee Protections. To the extent the Leases cover the Assignee's Property or any portion thereof:

a. *Ratification.* Assignee hereby ratifies, confirms, and approves the Leases in all respects, and the terms, covenants, conditions, provisions, and restrictions of the Leases remain in full force and effect, just as if Assignee had been the original lessor under the Leases.

b. *Lessee Protections.* As part of the consideration for the conveyance of the Assignee's Property to Assignee, Assignee acknowledges and agrees that each of the Leaseholders under the Leases shall have the right, during the time periods provided below, to exercise one of the following options (collectively, the "Lessee Protections") as to that Leaseholders Leased Lot, but only to the extent such Leased Lot is part of the Assignee's Property:

(i) Purchase the fee simple interest in the applicable Leaseholder's Leased Lot, in cash or through lender financing, for 90% of the land only assessed value of the leasehold estate without any exemptions, as determined by the applicable county appraisal district (the "Assessed Value") for the year 2008, such option to be available as a Contemporaneous Closing (as hereinafter defined), and for a period of one (1) year beginning on the Effective Date hereof (the "Option Period").

(ii) Purchase the fee simple interest in the applicable Leaseholder's Leased Lot via seller financing for 90% of the Assessed Value for the year 2008, with a down payment of ten percent (10%) (or more at Leaseholder's option), an annual interest rate of six percent (6%), a 30-year amortization, and with no origination fees or points being charged to

such Leaseholder by Assignee, such option to be available as a Contemporaneous Closing (as hereinafter defined), and for the entire Option Period.

(iii) Enter into a new 99-year lease with Assignee at a rental rate during the first year of 6% of the Assessed Value for the year 2008, with annual CPI (as defined below) increases or decreases, such option to be available during the entire Option Period. The 99-year lease will include an option for the applicable Leaseholder to purchase the fee simple interest in the Leaseholder's Leased Lot (as such Leased Lot is described in the new 99-year lease) for 100% of the Assessed Value at the time of purchase (but not less than the Assessed Value for the year 2008), which purchase option may be exercised by the applicable Leaseholder at any time during the term of the Leaseholder's 99-year lease by providing advance written notice to Assignee and otherwise complying with the terms of the 99-year lease.

(iv) For any Leaseholder who is over the age of sixty-five (65) years and who received an ad valorem tax exemption under Section 11.13, Tax Code, for a structure on the Leaseholder's Leased Lot by January 1, 2009, enter into a new 20-year lease with Assignee, with a rental rate as determined by the lease rate methodology adopted by the Board of Directors of the Brazos River Authority which is in effect as of the Effective Date hereof (a copy of which methodology is attached hereto as Exhibit D), or such other lease rate structure as set forth in the applicable Leaseholder's Lease (and including increases and adjustments to such rates), with annual CPI increases or decreases. This 20-year lease option shall be available to qualifying Leaseholders during the entire Option Period. The new 20-year lease shall include an option for the applicable Leaseholder to purchase the fee simple interest in the Leaseholder's Leased Lot (as such Leased Lot is defined in the new 20-year lease) for 100% of the Assessed Value at the time of purchase (but not less than the Assessed Value for the year 2008), which purchase option may be exercised by the applicable Leaseholder at any time during the term of the Leaseholder's 20-year lease by providing advance written notice to Assignee and otherwise complying with the terms of the 20-year lease.

(v) As to any Leaseholder who does not exercise one of the foregoing purchase or lease options during the Option Period, the Leaseholder's existing Lease will remain in effect in accordance with the terms set forth therein, and for an eight-year period commencing on the Effective Date hereof: (a) the Lease rental rate (including any adjustments thereto) as set forth in the applicable Lease, or as calculated pursuant to the lease rate methodology adopted by the Board of Directors of the Brazos River Authority which is in effect as of the Effective Date hereof (a copy of which methodology is attached hereto as Exhibit D), as applicable, will be maintained and honored by Assignee, (b) the Leaseholder will have the option to purchase the fee simple interest in the Leaseholder's Leased Lot (as such Leased Lot is defined in the Leaseholder's Lease) for 100% of the Assessed Value at the time of purchase (but not less than the Assessed Value for the year 2008), and (c) the term of the Leaseholder's existing Lease will be extended as necessary to allow for this full 8-year rental and purchase option period.

c. *Additional Options.* Assignee may elect to offer additional purchase and/or lease options to Leaseholders, in Assignee's sole discretion, so long as (i) such additional options are made available to all Leaseholders on an equal basis and (ii) the foregoing Lessee Protections are made available to such Leaseholders for the time periods provided above.

d. *CPI*. “CPI” means the consumer price index for Housing, Dallas-Fort Worth, TX area, Series ID: CUURA316SAH, CUUSA316SAH, Base Period: 1982-84=100, as published by the Bureau of Labor Statistics of the United States Department of Labor, or its equivalent substitute should this series be discontinued.

e. *Determined Assessed Value if County Does Not Provide Such Value*. In the event a county does not provide an assessed value for the applicable Leased Lot at the time the Leaseholder exercises its purchase or lease option described above, then the “Assessed Value” of the applicable Leased Lot, for the purpose of calculating the purchase option price or lease rental rate shall be calculated based on the assessed value on a per square foot basis for comparable lots with similar physical characteristics in the applicable county or adjoining counties for the applicable year.

f. *Contemporaneous Closing*. Assignee agrees and acknowledges that those Leaseholders who timely exercise their purchase options set forth in Paragraphs 2.b.(i) and (ii) and otherwise comply with the terms of House Bill 3031, an act of the 81<sup>st</sup> Texas Legislature (“HB 3031”) may purchase the applicable Leaseholder’s Leased Lot contemporaneously with Assignee’s purchase of Assignee’s Property from Assignor (a “Contemporaneous Closing”); provided however, that in no event shall the deed or any other documents transferring any interest of Assignee in the applicable Leased Lot be filed of record prior to the conveyance of Assignee’s Property to Assignee being filed of record.

g. *Assignor’s Property*. In the event that any of the Lessee Protections results in a new lease or the extension of an existing lease, such new lease or extension shall apply only to that portion of Assignee’s Property covered by the applicable lease and shall not extend or modify the Lease as it pertains to any part of Assignor’s Property, nor shall it create a new lease with respect to any portion of Assignor’s Property. In addition, in the event that any of the Lessee Protections results in a purchase by a Leaseholder of the fee simple interest in the Leased Lot, such purchase shall only apply to the portion of the Leased Lot which is part of Assignee’s Property and shall not include the purchase or conveyance of any portion of Assignor’s Property; and such purchase shall not result in a modification or termination of the Lease as it pertains to Assignor’s Property.

3. Charitable Uses/Contributions. As part of the consideration for the conveyance of the Assignee’s Property to Assignee, Assignee acknowledges and agrees that, on or before one (1) year after the Effective Date hereof (or such longer period of time as may be agreed to in writing by Assignor and Assignee), Assignee will gift, by deed, the following nine (9) Leased Lots (to the extent such lots are part of Assignee’s Property), to an entity designated by the applicable Leaseholder of such Leased Lot. The gift deed conveying such Leased Lots may restrict and condition such gift for so long as the grantee and its successors and assigns continue the then-current non-profit use of the applicable Leased Lot.

<u>Cust #</u>	<u>Leaseholder</u>	<u>Address</u>	<u>Parcel-ID</u>	<u>2008 Assessed Value</u>

8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$54,507.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$51,638.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$59,288.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$210,377.00
8882	YMCA of Dallas	3500 Hog Bend #183	R022887	\$15,250.00
8882	YMCA of Dallas	3500 Hog Bend #184	R030059	\$21,780.00
1709	Episcopal Diocese of Ft. Worth	Special Purpose Lease	R022673	\$152,460.00
6259	Possum Kingdom Community Church	Special Purpose Lease	R023656	\$98,010.00
6205	Possum Kingdom Volunteer Fire	Special Purpose Lease	R022357	\$27,440.00

4. FERC License. All Leases (whether existing or a new lease as set forth above) shall be subject to the applicable terms, conditions, and covenants of that certain license (the "FERC License") issued by the Federal Energy Regulatory Commission ("FERC") to Assignor for FERC Project No. 1490-003-Texas on September 8, 1989, as such FERC License has been (and may be further) extended, renewed, and amended at any time and from time to time; which FERC License includes that certain Amendment to the original FERC License issued in 1975, which Amendment was issued May 15, 1980, to the extent such Amendment is incorporated and referenced in the current FERC License.

4A. **[If necessary: FERC Buffer]**. The FERC License regulates a certain portion of the Authority Land, such portion so regulated being referred to herein as the "FERC Project Area". The FERC Project Area includes a buffer strip (the "FERC Buffer") that is 25 or 50 feet in width, depending on the location, as measured landward horizontally from the 1000' contour line of the Lake. The Leases include the FERC Buffer as part of the Leased Property. Assignor, in the Deed to Assignee, has granted Assignee a future executory interest in the FERC Buffer, which executory interest runs with the land and is to be conveyed to any subsequent purchaser of the adjacent Leased Lot (or any portion thereof). At such time as that portion of the FERC Buffer located adjacent to Assignee's Property (or any portion thereof) is timely released from the FERC License or otherwise no longer regulated by FERC, if ever, and thus the executory interest in such portion of the FERC Buffer is triggered (all as further set forth in the Deed), then (i) Assignee's Property, as defined herein, shall be deemed to include that adjacent portion of the

FERC Buffer so released from, or no longer regulated by, the FERC License and (ii) this Assignment and Assignee's obligations hereunder shall include the Leases to the extent such Leases cover that portion of the FERC Buffer released from, or no longer regulated by, the FERC License, without the necessity of any additional documentation.]

5. The Ranch. Assignee acknowledges that some of the Leases are located within that certain subdivision (the "Ranch") of record in Palo Pinto County, Texas according to the map or plat of record in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as it may be amended or modified from time to time. In addition to the terms and conditions set forth herein, those Leases which are part of the Ranch are also subject to (i) the terms of that certain Agreement by and among the Authority, The Ranch on Possum Kingdom, L.P., and Hill Country Harbor Village, L.P. (the "Ranch Agreement") effective as of August 1, 1997 and dated December 12, 1997, and (ii) the restrictions and covenants set forth in that certain Declaration of Covenants, Conditions and Restrictions for The Ranch on Possum Kingdom Palo Pinto County, Texas (the "Ranch Declarations") dated December 8, 1997, as recorded in Vol. 944, Page 403 of the Official Public Records of Palo Pinto County, Texas.

6. Green Acres. Assignee acknowledges that some of the Leases are located within that certain subdivision ("Green Acres") of record in Palo Pinto County, Texas according to the map or plat of record in Vol. 5, Page 17, as it may be amended or modified from time to time. In addition to the terms and conditions set forth herein, those Leases which are part of Green Acres are also subject to the terms and conditions set forth in (i) that certain Cottage Site Lease Agreement by and between Assignor, as lessor, and Jane Nail, as lessee, dated February 9, 1979 for those certain individual leased lots number 1-18, which lease is collectively referred to herein as the "Green Acres Lease"; and (ii) that certain Green Acres Subdivision Declaration of Covenants, Conditions and Restrictions (the "Green Acres Declarations"), dated March 26, 1979, as recorded with the plat in Vol. 5, Page 17 of the Plat Records of Palo Pinto County, Texas. Purchaser acknowledges that the Lease of Land to Be Used by Cottage Site Lessees as Common Area by and between Assignor, as lessor, and Green Acres Homeowners Association, as lessee, dated December 13, 1978 for the common areas of such Green Acres Subdivision is not included as one of the Leases being assigned hereunder. On and after the Effective Date hereof, Assignee shall be responsible for enforcing the terms and conditions of the Green Acres Lease and Green Acres Declarations and shall cooperate with Assignor to ensure the applicable Leaseholders' compliance with the same.

7. No Representations or Warranties. Assignor makes and has made NO REPRESENTATION OR WARRANTY, express or implied, as to the existence or non-existence of any Leaseholder defaults, or conditions which, with the passage of time, would become defaults, under the Leases. Assignee, as lessor under the Leases as to Assignee's Property, shall have all rights and remedies which may be permitted under such Leases in the event of the existence of any defaults occurring prior to the date hereof, and Assignor shall have no obligation to exercise any such rights or remedies or to cure such defaults, if any.

8. Further Assignments. In the event Assignee sells, transfers or otherwise conveys Assignee's Property (in whole or in part) to any person or entity (other than to the existing Leaseholder pursuant to the Lessee Protections described above or pursuant to Paragraph 3

above), Assignee agrees to require that any successor-in-interest to Assignee's interest in the Assignee's Property (or any portion thereof) honor the obligations set forth in Paragraph 3 above and the Lessee Protections, and grant to the Leaseholders the rights and options set forth above during the remaining Option Period or 8-year period as applicable.

9. Third Party Beneficiary.

a. *Lessee Protections.* Assignor and Assignee agree that (i) the Lessee Protections are intended to benefit the individual Leaseholders under the Leases and (ii) each of the individual Leaseholders is, and shall be deemed, an intended third party beneficiary solely with respect to the Lessee Protections as to each individual Leaseholder's Leased Lot. If Assignee fails to perform its obligations with respect to the Lessee Protections as to any such Leaseholder, then such Leaseholder shall have the right to bring an appropriate action against Assignee to enforce specific performance of the Lessee Protections as to that Leaseholder's Leased Lot only, as such Leaseholder's sole and exclusive remedy for the failure of Assignee to perform its obligations with respect to the Lessee Protections, as to such Leaseholder. This provision does not authorize or permit any Leaseholders to bring a suit against Assignor or Assignee for damages or any relief other than as set forth in the immediately preceding sentence.

b. *Charitable Uses/Contributions.* Assignor and Assignee agree that (i) the obligations of Assignee under Paragraph 3 above are intended to benefit the individual Leaseholders leasing the applicable Leased Lots described in Paragraph 3 above, and (ii) each of the applicable individual Leaseholders is, and shall be deemed, an intended third party beneficiary solely with respect to the provisions set forth in Paragraph 3 above as to each individual Leaseholder's Leased Lot, to the extent such Leased Lot is part of Assignee's Property. If Assignee fails to perform its obligations with respect to the obligations set forth in Paragraph 3 above as to any such Leaseholder, then such Leaseholder shall have the right to bring an appropriate action against Assignee to enforce specific performance of such obligations as to that Leaseholder's Leased Lot only, as such Leaseholder's sole and exclusive remedy for the failure of Assignee to perform its obligations as set forth in Paragraph 3 above, as to such Leaseholder. This provision does not authorize or permit any Leaseholders to bring a suit against Assignor or Assignee for damages or any relief other than as set forth in the immediately preceding sentence.

10. Cooperation. Assignee will use good faith efforts to observe and perform all the obligations imposed upon the lessor under the Leases with respect to Assignee's Property and will use good faith efforts not to do or permit to be done anything to impair any of the Leases. Assignee agrees to use good faith efforts to require the Leaseholders' compliance with the applicable terms, provisions, and conditions of the Shoreline Management Plan and other Assignor regulations, the Declaration of Restrictive Covenants, Easements and Conditions recorded of record on or before the date hereof in the counties in which the Assignee's Property is located, the FERC License, the Ranch Agreement and Ranch Declarations (to the extent applicable), the Green Acres Lease and Green Acres Declarations (to the extent applicable), and the Leases, and to exercise Assignee's remedies thereunder for a violation of the foregoing by any Leaseholder. Assignor and Assignee agree to cooperate with regard to the enforcement of

any such violation, regardless of whether such violation affects the Assignee's Property or Assignor's Property.

11. Indemnification. Assignee hereby indemnifies and will defend and hold Assignor harmless from any loss, attorney's fees, expenses or claims arising out of or related to Assignee's failure to perform any of the obligations of lessor under the Leases pertaining to Assignee's Property from and after the Effective Date.

12. Entire Agreement. This Assignment contains the entire agreement between Assignor and Assignee pertaining to the Leases. No covenant, representation or condition not expressed herein shall be binding upon Assignor or Assignee or shall affect or be effective to interpret, change or restrict the provisions of this Assignment.

13. Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

14. Headings. The headings, captions, numbering system, etc. are inserted in this Assignment as a matter of convenience only, and shall not control or affect the meaning or construction of any provision of this Assignment.

15. Counterparts. This Assignment may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original, and all of which are identical.

[Signature Page(s) to Follow]



[SIGNATURE PAGE TO ASSIGNMENT, ASSUMPTION, AND RATIFICATION OF LEASES AND RENTS]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment to be effective as of the Effective Date.

**ASSIGNOR:**

**BRAZOS RIVER AUTHORITY,**  
a river authority of the State of Texas

By: \_\_\_\_\_  
Phil Ford, General Manager/CEO

**ASSIGNEE:**

**PATTERSON PK LAND PARTNERSHIP, LTD.,**  
a Texas limited partnership

By: Patterson PK Land Management GP, LLC,  
a Texas limited liability company, its General Partner

By: \_\_\_\_\_  
Michael H. Patterson, Manager

**EXHIBIT A TO ASSIGNMENT OF LEASES AND RENTS**

Leases

**EXHIBIT B TO ASSIGNMENT OF LEASES AND RENTS**

Assignee's Property

**EXHIBIT C TO ASSIGNMENT OF LEASES AND RENTS**

Assignor's Property

[FERC Buffer]

**EXHIBIT D TO ASSIGNMENT OF LEASES AND RENTS**

Lease Rate Methodology



## EXHIBIT G

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER AND/OR YOUR DRIVER'S LICENSE NUMBER.**

### **MEMORANDUM OF ASSIGNMENT, ASSUMPTION, AND RATIFICATION OF LEASES AND RENTS**

**THIS MEMORANDUM OF ASSIGNMENT, ASSUMPTION, AND RATIFICATION OF LEASES AND RENTS** (this "Memorandum") is made effective as of the \_\_\_\_ day of \_\_\_\_\_, 2010 (the "Effective Date"), by and between **BRAZOS RIVER AUTHORITY**, a river authority of the State of Texas, with an address of 4600 Cobbs Drive, Waco, Texas 76710, Attn: \_\_\_\_\_ ("Assignor"), and **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership, with an address of 2310 West Interstate 20, Suite 100, Arlington, Texas 76017, Attn: Michael H. Patterson ("Assignee").

WHEREAS, prior to the date hereof, Assignor owned approximately 30,000 acres (the "Authority Land") at Possum Kingdom Lake (the "Lake") in Palo Pinto, Stephens, Young, and Jack Counties, in the State of Texas; and

WHEREAS, Assignor, as lessor, has previously entered into those certain lease agreements described on Exhibit A attached hereto (as the same have been amended from time to time, collectively, the "Leases") with the "Leaseholders", as lessees, such Leases pertaining to a portion of the Authority Land situated in Young County, Palo Pinto County, and Stephens County, Texas, as more particularly described in the Leases (collectively, the "Leased Property", and individually a "Leased Lot"); and

WHEREAS, the Leased Property includes land that is located within the FERC Buffer (as defined below), which land is being retained by Assignor and is part of the Assignor's Property (as defined below), as well as land that is located outside the FERC Buffer, which land is being conveyed to Assignee and is part of the Assignee's Property (as defined below); and

WHEREAS, by a Special Warranty Deed With Vendor's Lien executed by Assignor, as Grantor, dated effective of even date herewith, Assignor has conveyed to Assignee that certain portion of the Authority Land more particularly described on Exhibit B attached hereto ("Assignee's Property"), which includes, without limitation, that portion of the Leased Property located outside the FERC Buffer; and

WHEREAS, pursuant to that certain Assignment, Assumption, and Ratification of Leases and Rents dated of even date herewith (the "Assignment"), by and between Assignor and Assignee, Assignor has assigned to Assignee all of its right, title and interest in the Leases but

only to the extent that such right, title and interest pertains to Assignee's Property, and Assignee has assumed all of Assignor's rights and obligations arising under the Leases as such rights and obligations pertain to Assignee's Property; and

WHEREAS, the Parties hereto desire to give notice of the existence of certain options for the Leaseholders under such Leases set forth in such Assignment.

NOW, THEREFORE, for and in consideration of the foregoing, Assignor and Assignee agree as follows:

1. Lessee Protections and Charitable Uses. The Assignment contains certain obligations of Assignee (and its successors and assigns) with respect to the Leaseholders under the Leases and Assignee's Property, including, without limitation, that:

(a) *Lessee Protections.* Each of the Leaseholders under the Leases shall have the right, during the time periods provided below, to exercise one of the following options (collectively, the "Lessee Protections") as to that Leaseholders Leased Lot, but only to the extent such Leased Lot is part of the Assignee's Property, in accordance with the terms set forth in the Assignment:

(i) Purchase the fee simple interest in the applicable Leaseholder's Leased Lot, in cash or through lender financing, for 90% of the land only assessed value of the leasehold estate without any exemptions, as determined by the applicable county appraisal district (the "Assessed Value") for the year 2008, such option to be available as a Contemporaneous Closing (as hereinafter defined), and for a period of one (1) year beginning on the Effective Date hereof (the "Option Period").

(ii) Purchase the fee simple interest in the applicable Leaseholder's Leased Lot via seller financing for 90% of the Assessed Value for the year 2008, with a down payment of ten percent (10%) (or more at Leaseholder's option), an annual interest rate of six percent (6%), a 30-year amortization, and with no origination fees or points being charged to such Leaseholder by Assignee, such option to be available as a Contemporaneous Closing (as hereinafter defined), and for the entire Option Period.

(iii) Enter into a new 99-year lease with Assignee at a rental rate during the first year of 6% of the Assessed Value for the year 2008, with annual CPI (as defined below) increases or decreases, such option to be available during the entire Option Period. The 99-year lease will include an option for the applicable Leaseholder to purchase the fee simple interest in the Leaseholder's Leased Lot (as such Leased Lot is described in the new 99-year lease) for 100% of the Assessed Value at the time of purchase (but not less than the Assessed Value for the year 2008), which purchase option may be exercised by the applicable Leaseholder at any time during the term of the Leaseholder's 99-year lease by providing advance written notice to Assignee and otherwise complying with the terms of the 99-year lease. "CPI" means the consumer price index for Housing,



Dallas-Fort Worth, TX area, Series ID: CUURA316SAH, CUUSA316SAH, Base Period: 1982-84=100, as published by the Bureau of Labor Statistics of the United States Department of Labor, or its equivalent substitute should this series be discontinued.

(iv) For any Leaseholder who is over the age of sixty-five (65) years and who received an ad valorem tax exemption under Section 11.13, Tax Code, for a structure on the Leaseholder's Leased Lot by January 1, 2009, enter into a new 20-year lease with Assignee, with a rental rate as determined by the lease rate methodology adopted by the Board of Directors of the Brazos River Authority which is in effect as of the Effective Date hereof (a copy of which methodology is attached hereto as Exhibit D), or such other lease rate structure as set forth in the applicable Leaseholder's Lease (and including increases and adjustments to such rates), with annual CPI increases or decreases. This 20-year lease option shall be available to qualifying Leaseholders during the entire Option Period. The new 20-year lease shall include an option for the applicable Leaseholder to purchase the fee simple interest in the Leaseholder's Leased Lot (as such Leased Lot is defined in the new 20-year lease) for 100% of the Assessed Value at the time of purchase (but not less than the Assessed Value for the year 2008), which purchase option may be exercised by the applicable Leaseholder at any time during the term of the Leaseholder's 20-year lease by providing advance written notice to Assignee and otherwise complying with the terms of the 20-year lease.

(v) As to any Leaseholder who does not exercise one of the foregoing purchase or lease options during the Option Period, the Leaseholder's existing Lease will remain in effect in accordance with the terms set forth therein, and for an eight-year period commencing on the Effective Date hereof: (a) the Lease rental rate (including any adjustments thereto) as set forth in the applicable Lease, or as calculated pursuant to the lease rate methodology adopted by the Board of Directors of the Brazos River Authority which is in effect as of the Effective Date hereof (a copy of which methodology is attached hereto as Exhibit D), as applicable, will be maintained and honored by Assignee, (b) the Leaseholder will have the option to purchase the fee simple interest in the Leaseholder's Leased Lot (as such Leased Lot is defined in the Leaseholder's Lease) for 100% of the Assessed Value at the time of purchase (but not less than the Assessed Value for the year 2008), and (c) the term of the Leaseholder's existing Lease will be extended as necessary to allow for this full 8-year rental and purchase option period.

(b) *Charitable Uses/Contributions.* On or before one (1) year after the Effective Date hereof (or such longer period of time as may be agreed to in writing by Assignor and Assignee), Assignee will gift, by deed, the following nine (9) Leased Lots (to the extent such lots are part of Assignee's Property), to an entity designated by the applicable Leaseholder of such Leased Lot. The gift deed conveying such Leased Lots may restrict and condition such gift for so long as the grantee and its successors and assigns continue the then-current non-profit use of the applicable Leased Lot.

<u>Cust#</u>	<u>Leaseholder</u>	<u>Address</u>	<u>Parcel-ID</u>	<u>2008 Assessed Value</u>
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$54,507.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$51,638.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$59,288.00
8882	YMCA of Dallas	2710 Frontier Unit Road	R022451-SPLIT4	\$210,377.00
8882	YMCA of Dallas	3500 Hog Bend #183	R022887	\$15,250.00
8882	YMCA of Dallas	3500 Hog Bend #184	R030059	\$21,780.00
1709	Episcopal Diocese of Ft. Worth	Special Purpose Lease	R022673	\$152,460.00
6259	Possum Kingdom Community Church	Special Purpose Lease	R023656	\$98,010.00
6205	Possum Kingdom Volunteer Fire	Special Purpose Lease	R022357	\$27,440.00

2. All Leases (whether existing or a new lease as set forth above) shall be subject to the applicable terms, conditions, and covenants of that certain license (the "FERC License") issued by the Federal Energy Regulatory Commission ("FERC") to Assignor for FERC Project No. 1490-003-Texas on September 8, 1989, as such FERC License has been (and may be further) extended, renewed, and amended at any time and from time to time; which FERC License includes that certain Amendment to the original FERC License issued in 1975, which Amendment was issued May 15, 1980, to the extent such Amendment is incorporated and referenced in the current FERC License.

3. **[If necessary: FERC Buffer.** The FERC License regulates a certain portion of the Authority Land, such portion so regulated being referred to herein as the "FERC Project Area". The FERC Project Area includes a buffer strip (the "FERC Buffer") that is 25 or 50 feet in width, depending on the location, as measured landward horizontally from the 1000' contour line of the Lake. The Leases include the FERC Buffer as part of the Leased Property. Assignor, in the Deed to Assignee, has granted Assignee a future executory interest in the FERC Buffer, which executory interest runs with the land and is to be conveyed to any subsequent purchaser of the adjacent Leased Lot (or any portion thereof). At such time as that portion of the FERC Buffer located adjacent to Assignee's Property (or any portion thereof) is timely released from the FERC License or otherwise no longer regulated by FERC, if ever, and thus the executory interest in such portion of the FERC Buffer is triggered (all as further set forth in the Deed), then

(i) Assignee's Property, as defined herein, shall be deemed to include that adjacent portion of the FERC Buffer so released from, or no longer regulated by, the FERC License and (ii) this Assignment and Assignee's obligations hereunder shall include the Leases to the extent such Leases cover that portion of the FERC Buffer released from, or no longer regulated by, the FERC License, without the necessity of any additional documentation.]

4. Subdivisions. Those Leases (whether existing or a new lease as set forth above) which are part of the Ranch are also subject to the terms of the Ranch Agreement and the restrictions and covenants set forth in the Ranch Declarations. Those Leases (whether existing or a new lease as set forth above) which are part of Green Acres are subject to the terms of the Green Acres Lease and Green Acres Declarations.

5. Further Assignments. In the event Assignee sells, transfers or otherwise conveys Assignee's Property (in whole or in part) to any person or entity (other than to the existing Leaseholder pursuant to the Lessee Protections described above or pursuant to Paragraph 1(b) above), Assignee agrees to require that any successor-in-interest to Assignee's interest in the Assignee's Property (or any portion thereof) honor the obligations set forth in Paragraph 1(b) above and the Lessee Protections, and grant to the Leaseholders the rights and options set forth above during the remaining Option Period or 8-year period as applicable.

6. Third Party Beneficiary.

(a) *Lessee Protections.* Assignor and Assignee agree that (i) the Lessee Protections are intended to benefit the individual Leaseholders under the Leases and (ii) each of the individual Leaseholders is, and shall be deemed, an intended third party beneficiary solely with respect to the Lessee Protections as to each individual Leaseholder's Leased Lot. If Assignee fails to perform its obligations with respect to the Lessee Protections as to any such Leaseholder, then such Leaseholder shall have the right to bring an appropriate action against Assignee to enforce specific performance of the Lessee Protections as to that Leaseholder's Leased Lot only, as such Leaseholder's sole and exclusive remedy for the failure of Assignee to perform its obligations with respect to the Lessee Protections, as to such Leaseholder. This provision does not authorize or permit any Leaseholders to bring a suit against Assignor or Assignee for damages or any relief other than as set forth in the immediately preceding sentence.

(b) *Charitable Uses/Contributions.* Assignor and Assignee agree that (i) the obligations of Assignee under Paragraph 1(b) above are intended to benefit the individual Leaseholders leasing the applicable Leased Lots described in Paragraph 1(b) above, and (ii) each of the applicable individual Leaseholders is, and shall be deemed, an intended third party beneficiary solely with respect to the provisions set forth in Paragraph 1(b) above as to each individual Leaseholder's Leased Lot, to the extent such Leased Lot is part of Assignee's Property. If Assignee fails to perform its obligations with respect to the obligations set forth in Paragraph 1(b) above as to any such Leaseholder, then such Leaseholder shall have the right to bring an appropriate action against Assignee to enforce specific performance of such obligations as to that Leaseholder's Leased Lot only, as such Leaseholder's sole and exclusive remedy for the failure of Assignee to perform its obligations as set forth in Paragraph 1(b) above, as to such Leaseholder. This

provision does not authorize or permit any Leaseholders to bring a suit against Assignor or Assignee for damages or any relief other than as set forth in the immediately preceding sentence.

7. Miscellaneous.

(a) Original copies of the Assignment are in the possession of the parties hereto. The Assignment contains other terms not set forth herein but which are incorporated by reference herein for all purposes. This Memorandum is executed for the purpose of placing parties dealing with Assignee's Property on notice of the existence of the Assignment and, where appropriate, its contents, and the parties hereto ratify and confirm all other terms of the Assignment as if fully set forth herein. Additional information concerning the terms of the Assignment can be obtained from the parties hereto at the addresses set forth above. Capitalized terms not otherwise defined in this Memorandum shall have the meanings set forth in the Assignment.

(b) This Memorandum is intended for recording purposes only and does not modify, supersede, diminish, add to or change all or any of the terms of the Leases or the Assignment in any respect. In the event of any conflict between the provisions of this Memorandum and the provisions of the Assignment, the provisions of the Assignment shall control.

(c) All provisions of this Memorandum, including the benefits and burdens, run with the land and are binding upon and inure to the benefit of the heirs, assigns, licensees, invitees, successors, tenants and subtenants of the parties.

(d) This Memorandum may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

**[SIGNATURE PAGE(S) TO FOLLOW]**

**[SIGNATURE PAGE TO MEMORANDUM OF ASSIGNMENT OF  
LEASES AND RENTS]**

IN WITNESS WHEREOF, Assignor and Assignee have executed this Memorandum to be effective as of the Effective Date.

**ASSIGNOR:**

**BRAZOS RIVER AUTHORITY,**  
a river authority of the State of Texas

By: \_\_\_\_\_  
Phil Ford, General Manager/CEO

STATE OF TEXAS                   §  
  §  
COUNTY OF \_\_\_\_\_       §

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2010 by Phil Ford, General Manager/CEO of Brazos River Authority, a river authority of the State of Texas, on behalf of such river authority.

\_\_\_\_\_  
Notary Public in and for the State of Texas

**[SIGNATURE PAGE TO MEMORANDUM OF ASSIGNMENT OF  
LEASES AND RENTS]**

**ASSIGNEE:**

**PATTERSON PK LAND PARTNERSHIP,  
LTD.**, a Texas limited partnership

By: Patterson PK Land Management GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Michael H. Patterson, Manager

STATE OF TEXAS                   §  
  §  
COUNTY OF \_\_\_\_\_       §

This instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_, 2010, by Michael H. Patterson, Manager of Patterson PK Land Management GP, LLC, a Texas limited liability company, general partner of Patterson PK Land Partnership, Ltd., a Texas limited partnership on behalf of such limited liability company and limited partnership.

\_\_\_\_\_  
Notary Public in and for the State of Texas

After recording, return to:  
Heritage Title Company  
401 Congress Avenue, Suite 1500  
Austin, Texas 78701  
Attention: John Bruce

**EXHIBIT A TO MEMORANDUM OF ASSIGNMENT OF LEASES AND RENTS**

Leases

**EXHIBIT B TO MEMORANDUM OF ASSIGNMENT OF LEASES AND RENTS**

Assignee's Property



**EXHIBIT C TO MEMORANDUM OF ASSIGNMENT OF LEASES AND RENTS**

Assignor's Property

[FERC Buffer]

**EXHIBIT D TO MEMORANDUM OF ASSIGNMENT OF LEASES AND RENTS**

Lease Rate Methodology



## EXHIBIT H

### ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is executed to be effective as of the \_\_\_\_ day of \_\_\_\_\_, 2010 (the "Effective Date"), by and between **BRAZOS RIVER AUTHORITY**, a river authority of the State of Texas ("Assignor") and **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership ("Assignee").

#### WITNESSETH:

WHEREAS, Assignor, The Ranch on Possum Kingdom, L.P., a Texas limited partnership, and Hill County Harbor Village, L.P., a Texas limited partnership, have previously entered into that certain Agreement effective as of August 1, 1997 and dated December 12, 1997 (the "Ranch Agreement") a copy of which is attached hereto, as Exhibit A, pertaining to the use of certain tracts of real property located in Palo Pinto County, Texas (the "Ranch Property") as more particularly described in the Ranch Agreement and that certain subdivision of record in Palo Pinto County, Texas according to the map or plat of record in Volume 7, Page 71, Plat Records of Palo Pinto County, Texas, as it may be amended or modified from time to time; and

WHEREAS, by a Special Warranty Deed With Vendor's Lien (the "Deed") executed by Assignor, as Grantor, dated effective of even date herewith, Assignor has conveyed to Assignee that certain real property more particularly described on Exhibit B attached hereto ("Assignee's Property"), a portion of which is part of the Ranch Property; and

WHEREAS, by an Assignment, Assumption, and Ratification of Leases and Rents dated effective of even date herewith, Assignor has assigned to Assignee, and Assignee has assumed, certain leases and rents relating to Assignee's Property; and

WHEREAS, Assignor desires to assign to Assignee, and Assignee desires to assume, all of Assignor's rights and obligations under the Ranch Agreement to the extent applicable to Assignee's Property.

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignment and Assumption. Assignor does hereby assign, transfer, and set over unto Assignee all of Assignor's right, title and interest in the Ranch Agreement but only to the extent that such right, title and interest pertains to Assignee's Property (or any portion thereof), and Assignee does hereby assume all of Assignor's rights and obligations arising under the Ranch Agreement and ratify any and all leases contained therein, from and after the Effective Date as such leases, rights and obligations pertain to Assignee's Property (or any portion thereof). From and after the Effective Date, Assignor shall continue to have all the rights and

obligations under the Ranch Agreement, but only to the extent such rights and obligations pertain to that portion of the Ranch Property retained by Assignor.

2. Declarations. The Ranch Property is subject to that certain Declaration of Covenants, Conditions and Restrictions for the Ranch on Possum Kingdom Palo Pinto County, Texas (the "Ranch Declarations") dated December 8, 1997, as recorded in Volume 944, Page 403 of the Official Public Records of Palo Pinto County, Texas.

3. Enforcement. From and after the Effective Date hereof, Assignee (and its successors and assigns) shall be responsible for enforcing the terms and conditions of the Ranch Agreement and Ranch Declarations, and shall cooperate with Assignor to enforce the same and ensure that any lessees or other occupants of Assignee's Property (to the extent part of the Ranch Property) comply with the Ranch Agreement and Ranch Declarations.

4. **[If necessary: FERC Buffer.** A portion of the Ranch Property is covered by and subject to that certain license (the "FERC License") issued by the United States of America Federal Energy Regulatory Commission ("FERC") to Assignor hereunder for FERC Project No. 1490-003-Texas on September 8, 1989, as such FERC License has been (and may be further) extended, renewed, and amended at any time and from time to time. The portion of the Ranch Property so regulated by the FERC License is referred to as the "FERC Project Area". The FERC Project Area includes a buffer strip (the "FERC Buffer") that is 25 or 50 feet in width, depending on the location, as measured landward horizontally from the 1000' contour line of the Lake (all as further defined in the Deed). At such time as that portion of the FERC Buffer located adjacent to Assignee's Property is released from the FERC License or otherwise no longer regulated by FERC, if ever, and thus Assignee's executory interest in such portion of the FERC Buffer is triggered (all as further set forth in the Deed), then (i) Assignee's Property, as defined herein, shall be deemed to include that adjacent portion of the FERC Buffer so released from, or no longer regulated by, the FERC License; (ii) such portion of the FERC Buffer which is part of the Ranch Property shall continue to be subject to the Ranch Declarations and Ranch Agreement; and (iii) this Assignment and Assignee's obligations hereunder shall include that portion of the FERC Buffer released from, or no longer regulated by, the FERC License, which portion is part of the Ranch Property, without the necessity of any additional documentation.]

5. Indemnification. Assignee hereby indemnifies and will defend and hold Assignor harmless from any and all liabilities, loss, attorney's fees, costs, expenses or claims arising out of or related to Assignee's performance or failure to perform any of its obligations under the Ranch Agreement and or its enforcement of the terms and conditions of the Ranch Declarations to the extent pertaining to Assignee's Property (or any portion thereof) from and after the Effective Date.

6. Entire Agreement. No covenant, representation or condition not expressed herein or otherwise in writing shall be binding upon Assignor or Assignee or shall affect or be effective to interpret, change or restrict the provisions of this Assignment.

7. Binding Effect. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8. Headings. The headings, captions, numbering system, etc. are inserted in this Assignment as a matter of convenience only, and shall not control or affect the meaning or construction of any provision of this Assignment.

9. Counterparts. This Assignment may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original, and all of which are identical.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO ASSIGNMENT AND ASSUMPTION AGREEMENT]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment to be effective as of the Effective Date.

**ASSIGNOR:**

**BRAZOS RIVER AUTHORITY,**  
a river authority of the State of Texas

By: \_\_\_\_\_  
Name: Phil Ford  
Title: General Manager/CEO

**ASSIGNEE:**

**PATTERSON PK LAND PARTNERSHIP, LTD.,**  
a Texas limited partnership

By: PATTERSON PK LAND MANAGEMENT GP, LLC, a  
Texas limited liability company, its general partner

By: \_\_\_\_\_  
Name: Michael H. Patterson  
Title: Manager

**EXHIBIT A TO ASSIGNMENT AND ASSUMPTION AGREEMENT**

Ranch Agreement



**EXHIBIT B TO ASSIGNMENT AND ASSUMPTION AGREEMENT**

Assignee's Property





Exhibit I  
Lease Rate Methodology

Brazos River Authority

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE BRAZOS RIVER AUTHORITY  
JULY 30, 2007**

**Agenda Item 8  
Possum Kingdom Residential Lease  
Rate Methodology**

**"BE IT RESOLVED** that the Board of Directors of the Brazos River Authority hereby adopts the following Residential Lease Rate Methodology (herein so called) for Possum Kingdom residential leases:

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2008, but on or before December 31, 2009, the annual rate shall be the greater of (i) 1% of the current county appraisal district assessment ("Assessed Value") or (ii) the most recent rental rate paid prior to the date such lease was renewed or the rate adjusted, if applicable; provided, however such annual rate shall not be less than \$667; and

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2010, but on or before December 31, 2012, the annual rate shall be 1% of the actual appraised land value ("Appraised Value"); provided, however such annual rate shall not be less than \$667; and

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2013, but on or before December 31, 2017, the annual rate shall be 2% of the Appraised Value; provided, however such annual rate shall not be less than \$833; and

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2018, but on or before December 31, 2022, the annual rate shall 3% of the Appraised

Value; provided, however such annual rate shall not be less than \$1,000; and

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2023, but on or before December 31, 2027, the annual rate shall be 4% of the Appraised Value; provided, however such annual rate shall not be less than \$1,000; and

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2028, but on or before December 31, 2032, the annual rate shall be 5% of the Appraised Value; provided, however such annual rate shall not be less than \$1,000; and

For leases entered into, renewed, or subject to rental rate adjustments on or after January 1, 2033, the annual rate shall be 6% of the Appraised Value; provided, however such annual rate shall not be less than \$1,000; and

For leases entered into or renewed which have an effective date occurring after January 1, the initial partial year ("Prorated Period") annual rent shall be at the rate in effect on the effective date, and the annual rent for the first full five year period following the Prorated Period shall be at the rate in effect at the beginning of the five year period; and

**BE IT FURTHER RESOLVED** that the Board of Directors of the Brazos River Authority hereby adopts the Residential Lease Rate Methodology for Consistent Rate Leases (hereinafter defined):

For purposes of this Resolution, the term "Consistent Rate Leases" shall mean existing Possum Kingdom residential leases that contain a ten (10) year extension period ("Extension Period") with no rental rate adjustments during such Extension Period; and

The annual rate for such Consistent Rate Leases shall be the greater of (i) the Assessed or Appraised Value, as applicable, multiplied by the average of the above referenced percentages for the two applicable five-year periods, or (ii) the most recent rental rate paid under the lease, but not less than the average of the minimum annual rental amounts for the same five-year periods;

**BE IT FURTHER RESOLVED** that the Board of Directors directs Staff to develop and propose a new appraisal determination procedure (herein called the "Appraisal Procedure"), which

Appraisal Procedure will set forth certain guidelines for the appraisal process, including outlining the rights of residential lessees to participate in the appraisal process; and

**BE IT FURTHER RESOLVED** that the Board of Directors directs Staff to contact those lessees which have executed the 50-year leases and offer them the option to either (a) continue with their executed 50-year lease and annual rental rates based on Assessed Value, or (b) execute a new lease on the new lease form with a 20 year term and 10 year extension and with the new Residential Lease Rate Methodology as adopted herein; and

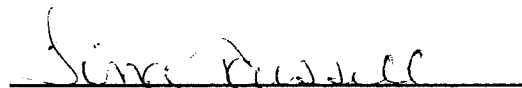
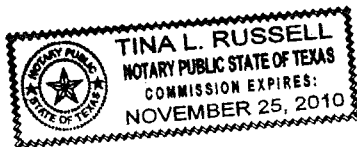
**BE IT FURTHER RESOLVED** that the Board of Directors expressly removes any maximum rental rate previously adopted, if any, effective January 1, 2008."

The aforementioned resolution was approved by the Board of Directors of the Brazos River Authority on **July 30, 2007**, to certify which witness my hand and seal.



**Steve Pena**  
Presiding Officer

SUBSCRIBED AND SWORN TO BEFORE ME on this the 30<sup>th</sup> day of July, 2007, to certify which witness my hand and official seal.



Notary Public in and for the  
State of Texas



**EXHIBIT J**  
**Patterson PK Land Partnership, LTD. to PK BRA Lessee**  
**Sales Contract Completion Instructions**

- 1) Contact your lawyer if you have any legal questions regarding this contract.
- 2) Correct "Buyer" name(s) if not correct. Cross out, correct and initial change is OK.
- 3) "X" your desired Sales Price option. Please select only one option.

If you presently have a mortgage on your lease property and you are not concurrently refinancing that loan with your lot purchase your current lender may have certain requirements in connection with your lot purchase of the fee estate. Please read your deed of trust and/or check with your lender. Your existing lender may require you to sign a loan modification of your existing loan. A sample loan modification is posted on our website: <http://www.pklandpartnership.com/>

4) Complete "Title Company" name, address and contact information. Buyer is required to pay for any owner and mortgagee title insurance expenses. Patterson PK Land Partnership, Ltd cannot require you to use any title company. The title company selected is subject to approval by Seller and may be subject to your lender's approval as well.

The following approved title attorney and title company have been approved by Patterson PK Land Partnership, Ltd., and have indicated that they will be ready to close these transactions and will be set up to accommodate a Preferred Lender's e-Closing:

Title Attorney:	Working With	Title Company:
Gault & Gault % George Gault Mineral Wells, Texas Tel: 940-325-6973 Fax: 940-325-7410 Email: <a href="mailto:ggault@suddenlinkmail.com">ggault@suddenlinkmail.com</a>		Elliott & Waldron Abstract Company of Palo Pinto, Inc. 403 South Oak Avenue Mineral Wells, Texas 76067 Telephone: 940-425-6564 Fax: 940-325-1035 Contact: Jane Privitt Email: <a href="mailto:elliott100@sbcglobal.net">elliott100@sbcglobal.net</a>

Other title companies may also be approved by Patterson PK Land Partnership, Ltd. Again, please contact your lender (Preferred Lender or other) if you are planning to finance your purchase.

When the Preferred Lender list (those lenders that PK Land Partnership, Ltd selects to do the "85% Preferred Lender Contemporaneous Close") is finalized (January 1<sup>st</sup>, 2010 +/-) their names and contact information will be posted on the Patterson PK Land Partnership, Ltd website:  
<http://www.pklandpartnership.com/>

- 5) Complete the Buyer's "Notice" information in Section 15.
- 6) In "Deed Vesting" instructions please indicate exactly how you want the deed to Buyer to be styled. e.g. John Doe and Jane Doe, husband and wife.

7) Before you sign the contract, please print 3 originals of the Sales Contract and all exhibits.

8) Sign all 3 originals.

9) If you are certain of your title company make the check out to that title company. If you are not certain of your title company make the check payable to Patterson PK Land Partnership, Ltd.

10) Return all 3 signed originals with all exhibits and a check (personal check is OK) in the amount of \$1000 to:

Mike Patterson  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017

11) Upon receipt, Patterson PK Land Partnership, Ltd will sign all 3 originals, return one fully executed original to Buyer and one fully executed original to the title company with the earnest money cashier check. If the title company is not yet known, Patterson PK Land Partnership, Ltd will hold the 3rd original fully executed sales contract and earnest money cashier check until the title company is determined.

12) Periodically check the Patterson PK Land Partnership, Ltd website for survey status information.

13) It is the Buyer's responsibility to order and pay for the individual parcel survey to be used in the closing from Patterson PK Land Partnership, Ltd to Buyer. That survey must be prepared by a surveyor approved by the Brazos River Authority and Patterson PK Land Partnership, Ltd and use the street and FERC Buffer Zone boundaries established by the Brazos River Authority and Patterson PK Land Partnership, Ltd.

If Buyer anticipates a dispute/discrepancy with its interior lot lines Buyer should confer with its applicable adjoining neighbor and enter into a "Boundary Line Agreement" similar to the one posted on our website at: [www.pklandpartnership.com](http://www.pklandpartnership.com)

A licensed surveyor should prepare the addendum describing the common agreed to and adjusted common boundary line. This adjustment must be done before either of the applicable effected properties is transferred by Patterson PK Land Partnership, Ltd. The "Boundary Line Agreement" must be signed by all required parties and returned to Patterson PK Land Partnership, Ltd. prior to any of the effected properties being transferred by Patterson PK Land Partnership, Ltd.

14) If Buyer's property has a FERC Buffer Zone encroachment, Buyer in order to not delay its closing with Seller may obtain a contract to cure said violation(s) ("FERC Curative Work") from a 3<sup>rd</sup> party and escrow with title company an amount equal to 150% of said contract price (non-interest bearing). Said FERC Curative Work must be completed within a reasonable time (not to exceed 30 days) after the earlier to occur of (i) Seller's notification to Buyer that Seller, FERC, and/or Brazos River Authority require the removal or modification of such encroachments, or (ii) December 31, 2012. In the event the Buyer fails to timely complete all or any part of FERC Curative Work Seller and/or the Brazos River Authority shall have the right to enter into a contract with any third party for the completion of such part of the FERC Curative Work as the Buyer has failed adequately to perform.

15) Please call Jarod Cox, Project Manager for Patterson PK Land Partnership, Ltd or Mike Patterson at 817-461-5500 if you have any questions.



Thanks,

Mike

A handwritten signature in black ink, appearing to read "Mike Patterson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Mike Patterson**

**Patterson PK Land Partnership, LTD.**

2310 West Interstate 20, Suite 100

Arlington, Texas 76017

Tel: 817.461.5500

Fax: 817.856.6090

Email: [mike@ppdocs.com](mailto:mike@ppdocs.com)

**NOTICE: THE BRAZOS RIVER AUTHORITY IS NOT A PARTY TO THIS CONTRACT AND HAS NO OBLIGATIONS TO BUYER UNDER THIS CONTRACT, INCLUDING WITHOUT LIMITATION, ANY OBLIGATION OR DUTY TO APPROVE OR REVIEW ANY MATTERS RELATED TO THE CONVEYANCE CONTEMPLATED BY THIS CONTRACT. NOR HAS THE BRAZOS RIVER AUTHORITY MADE ANY REPRESENTATIONS TO BUYER IN CONNECTION WITH THIS TRANSACTION ON WHICH BUYER IS ENTITLED TO RELY, ALL SUCH RELIANCE BEING EXPRESSLY DISCLAIMED.**

BRA Customer # \_\_\_\_\_

**PATTERSON PK LAND PARTNERSHIP, LTD.**  
**TO PK BRA LESSEE SALES CONTRACT**

1. **INTENT** It is the intent of the parties to this Contract to be compliant with Brazos River Authority RFB. 09-04-391, Addendums 1-11 thereto, the accepted bid of Patterson PK Land Partnership, LTD., the enabling legislation contained in House Bill 3031 passed in the 81st Texas Legislature Regular Session and all conditions and requirements detailed within those documents.

2. **PARTIES** The parties to this contract are **Patterson PK Land Partnership, LTD.** (Seller) and \_\_\_\_\_ (Buyer). Seller agrees to sell and Buyer agrees to buy from Seller the Property defined below. This agreement is contingent on Seller's purchase of the Property from the Brazos River Authority.

3. **PROPERTY**

A. GENERAL Located in: \_\_\_\_\_ County, Texas, having the Street Address of:

Short Legal Description (per Brazos River Authority Records):  
\_\_\_\_\_

**If Necessary:** together with an executory interest in that portion of the FERC Buffer located immediately adjacent to the above described property in the event such FERC License is not amended as described below or otherwise terminated or expired on or before Closing. Possum Kingdom Lake is formed by Morris Sheppard Dam, which was constructed as part of a hydroelectric project (the "Project", as further described in the FERC License) pursuant to that certain license ("FERC License") issued by the United States of America Federal Energy Regulatory Commission ("FERC") to Brazos River Authority for FERC Project No. 1490-003-Texas on September 8, 1989, as such FERC License has been (and may be further) extended, renewed, and amended at any time and from time to time. References to the FERC License include that certain Amendment to the original FERC License issued in 1975, which Amendment was issued May 15, 1980, to the extent such Amendment is incorporated and referenced in the current FERC License. The FERC License governs and regulates that portion of the Brazos River Authority owned land and which is subject to the FERC License (the "FERC Project Area"), as further identified and defined in the FERC License, as may be amended at any time and from time to time, and which FERC Project Area may move or change over time due to natural forces. The FERC Project Area includes a buffer strip (the "FERC Buffer") that is 25 or 50 feet in width (depending on the location) and is measured landward horizontally from the 1000' contour line, as such 1000' contour line and the FERC Buffer may move and shift from time to time due to natural forces, such as erosion and accretion. Except as set forth herein regarding the FERC Buffer, the FERC Project Area is not included in the Property and will be retained by the Brazos River Authority. If the FERC License is not amended to remove the FERC Buffer from the FERC Project Area prior to Closing, or if the FERC License is not otherwise terminated or expired prior to Closing, the individual lease affecting the Property will remain in effect as between Brazos River Authority and Buyer for the FERC Buffer to the extent each such lease covers the FERC Buffer; thus during the remaining term of such lease, the Buyer will continue to have the same access and use of the FERC Buffer as provided in their existing lease. In the event the FERC License is amended to remove the FERC Buffer or any portion thereof from the FERC Project Area prior to Closing, or if the FERC License is otherwise terminated or expired prior to Closing, the FERC Buffer (to the extent no longer part of the FERC Project Area or regulated by FERC) located adjacent to the Buyer's leased land shall be included and conveyed by Seller to Buyer with the Property covered by this Contract, and Buyer's lease covering the FERC Buffer will be assigned to Buyer as part of the Property. In the event such FERC License is not so amended or otherwise terminated or expired on or before Closing, then Seller, in the Deed, may convey Seller's executory interest in that portion of the FERC Buffer located immediately adjacent to the Buyer's leased land to Buyer, which executory interest will run with the land and inure to the benefit of the successors-in-interest to Buyer. Thereafter, Buyer will be the holder of such executory interest, as it applies to that portion of the FERC Buffer located immediately adjacent to the Leaseholder's purchased lot, measured by extending the common boundary lines on both sides of the leased lot being purchased in a straight line to the then current 1000'

contour line (which is and will remain a meander line that changes over time, due to natural forces, such as accretion and erosion), or, if such portion cannot reasonably be measured as set forth above, then as otherwise determined by Seller and any conveyance of the Property shall include a conveyance of such executory interest in the adjacent FERC Buffer, it being the intent that the executory interest in the FERC Buffer run with and benefit the owner of the adjacent property. The executory interest shall be triggered at such time as the FERC License (including any renewals or extensions thereof) no longer applies to the applicable portion of such FERC Buffer, provided however, if such executory interest is not triggered on or before the earlier of August 31, 2040 (such date being the 21st anniversary after the expiration of the existing FERC License before any extensions or renewals), or ten days after the expiration (including any extensions or renewals) or termination of the existing FERC License, then such executory interest shall be terminated and of no further force or effect. Upon timely satisfaction of the condition set forth above, this conveyance shall be automatically effective without necessity of further documentation. At any such time as the applicable portion of the FERC Buffer is conveyed to Buyer (or its successor-in-interest), whether at Closing or pursuant to the executory interest being triggered, the recipient of such portion of the FERC Buffer shall grant Seller and the Brazos River Authority access to the FERC Project Area and Possum Kingdom Lake to allow Brazos River Authority to fulfill its obligations as a River Authority, licensee under the FERC License, or any other obligations pursuant to state water rights or governmental regulations. This obligation shall be included in the Deed at Closing.

B. UNDEVELOPED STRIPS The "Undeveloped Strips" consist of those certain strips of undeveloped and un-leased land located (i) between individual leased lots (i.e., a strip of land which is not covered by the individual leases on either side of such strip of land) or (ii) between the leased tract and the road, which Brazos River Authority determines, in its sole discretion, to include as part of the property conveyed to Seller at the Original Closing. The Seller will, in its discretion, determine which undeveloped strips of land will be included within the definition of Undeveloped Strips for purposes of this Contract and included as part of the Property being conveyed to Buyer hereunder.

Together with all rights, privileges, and appurtenances pertaining thereto, including but not limited to: all improvements, permits, strips and gores and easements.

It is understood and agreed that the property description will be amended by the final survey required and detailed herein. All property covered by this contract is called the "Property."

C. ASSIGNMENT OF LEASE. An assignment of the interest of Seller, as lessor, under that certain lease agreement covering all or a portion of the land referenced in Paragraph 3.A above to the extent such land is conveyed to Buyer hereunder. Buyer's residential lease agreement with the Brazos River Authority for the remaining portion of Buyer's leasehold into the FERC Buffer not transferred by deed from Seller to Buyer continues as amended by House Bill 3031, but all rent payable under such lease will be assigned to Buyer at Closing. In accordance with House Bill 3031, unless the FERC License is earlier terminated, expired or amended to remove the FERC Buffer from the FERC Project Area, then on or before January 2, 2012, the Brazos River Authority intends to file an application with FERC to request approval to provide each such residential leaseholder an easement for the use of such portion of the FERC Buffer covered by the applicable lease, which easement shall be subject to the FERC License (the "Easement Application"). For any such leases expiring before FERC grants or denies the Easement Application, the Brazos River Authority has announced that it plans to extend such residential leases covering the FERC Buffer on a year-to-year basis until such time as the Brazos River Authority receives FERC's grant or denial of the Easement Application.

4. **SALES PRICE** The land only assessed value without any exemptions (as determined by the appraisal district) for the year 2008 is \$ \_\_\_\_\_.

If Buyer presently has a mortgage on the leasehold estate for the Property, that current lender may need to consent for Buyer to purchase the fee simple estate of the Property. That lender may require a loan modification or refinance of its current loan if that loan is not being paid off in conjunction with this fee simple purchase.

Select only one Sales Price option with an (X):

- "85% Preferred Lender Financing-Contemporaneous Close"** Buyer elects to close "contemporaneously" with Seller's purchase from the Brazos River Authority at a sales price equal to 85% of the 2008 assessed land only value. **AT LEAST 50% OF THE PURCHASE FUNDS MUST COME FROM LOAN PROCEEDS FROM A PREFERRED LENDER. "Preferred Lenders" are those lenders that assist Seller in Seller's acquisition of the Property from the Brazos River Authority or otherwise designated by Seller in Seller's sole discretion. The "Preferred Lender" list will be available on or about January 1, 2010 and may be amended from time to time.** If the Closing is not "contemporaneous" Buyer must have at least signed this Contract and satisfied all closing conditions, including but not limited to providing the survey showing no prohibited encroachments as required by this Contract.

- “90% Cash or Any Lender Financing-Contemporaneous Close”** Buyer elects to close "contemporaneously" with Seller's purchase from the Brazos River Authority at a sales price equal to 90% of the 2008 assessed land only value using cash or lender (any lender) financing. If the Closing is not "contemporaneous" Buyer must have at least signed this Contract and satisfied all closing conditions, including but not limited to providing the survey showing no prohibited encroachments as required by this Contract.
- “90% Seller Financing-Contemporaneous Close”** Buyer elects to close "contemporaneously" with Seller's purchase from the Brazos River Authority at a sales price equal to 90% of 2008 assessed land value only using seller first lien deed of trust financing, with a down payment of ten percent (10%), annual payments, an interest rate of six percent (6%), with a 30-year amortization. Buyer shall not be charged any origination fees or points by Seller as a part of the closing costs involved in the seller financing option.
- “90% Cash or Any Lender Financing”** Buyer elects to purchase, but not contemporaneous with Seller's purchase from the Brazos River Authority, in cash or through lender (any lender) financing for 90% of land only assessed value without any exemptions (as determined by the appraisal district) for the year 2008, such option to be available for a period of one year from the Original Closing. Buyer has a 60-day period commencing on the Effective Date of this Contract to obtain Buyer's financing.
- “90% Seller Financing”** Buyer elects to purchase, but not contemporaneous with Seller's purchase from the Brazos River Authority, for 90% of 2008 assessed land value only using seller first lien deed of trust financing, with a down payment of ten percent (10%), annual payments, an interest rate of six percent (6%), with a 30-year amortization, such option to be available for a period of one year from the Original Closing. Buyer shall not be charged any origination fees or points by Seller as a part of the closing costs involved in the seller financing option.

If the Buyer desires to buy the Property from the Seller concurrently with the Seller's closing with the Brazos River Authority, Buyer must notify the Brazos River Authority and Seller in writing within 90 days after the effective date of the contract between the Brazos River Authority and Seller of Buyer's intent to purchase the Property.

**“Option to Purchase within a Lease Agreement”** More than one year has elapsed since Seller's Original Closing with the Brazos River Authority. Buyer elects to purchase the Property for 100% of the current tax assessed land value for the Property (but in no event less than the 2008 assessed value).

The agreed formats of the deeds, seller finance deed of trust and seller finance note are attached hereto as Exhibit A. The parties agree to said Sales Price option.

If "X"ed Seller acknowledges that Seller timely received back from Buyer the March 2009 Questionnaire/Survey that Seller sent out to Buyer. Per Seller's offer, Buyer will receive an additional \$250 deduction from the Sales Price for timely completing and returning same. Thanks!

**5. CLOSING** The "Original Closing" (herein so called) from the Brazos River Authority to Seller shall occur no later than December 31, 2010. The Brazos River Authority shall post on its website no later than thirty days after entering into a contract for sale with Seller the effective date of such contract and the anticipated date of the Original Closing, which date shall be at least six (6) months from the effective date of the contract between the Brazos River Authority and Seller. Any changes to the anticipated date of that closing shall also be posted on the Brazos River Authority's website. If the Buyer elects the "Contemporaneous Close" detailed in Section 4 above, promptly after the Original Closing, the warranty deed and any other applicable documents effectuating transfer of the Property to the Buyer shall be recorded in the county records where the Property is located promptly after such escrow agent receives written notice from the Brazos River Authority or title company or escrow agent facilitating the closing of the Property from the Brazos River Authority to Seller that such Original Closing has been completed and the necessary documents have been recorded pursuant to such Original Closing. In no event shall the warranty deed or any other documents transferring the applicable portion of the Property to the Buyer be recorded prior to Original Closing.

**6. EARNEST MONEY** Earnest money (personal check is OK) in the amount of \$1,000 made payable to Patterson PK Land Partnership, LTD or the applicable title company should be delivered along with three (3) Contracts executed by Buyer to Seller for Seller to execute. Seller will sign the three (3) originals and forward one original and the earnest money check to the Title Company. The other executed original will be mailed to Buyer. Seller will provide a copy of the fully executed Contract to the Brazos River Authority.

7. **TITLE COMPANY** The Buyer is required to pay for any owner and mortgagee title insurance expenses. Patterson PK Land Partnership, Ltd cannot require you to use any title company. Contact your lender to see if the title company selected is acceptable to your lender.

Based upon the above information Buyer chooses:  
Select only one and mark with an (X):

- |   |              |  |
|---|--------------|--|
| <input type="checkbox"/> Title Attorney:<br>Gault & Gault<br>% George Gault<br>Mineral Wells, Texas<br>Tel: 940-325-6973<br>Fax: 940-325-7410<br>Email: ggault@suddenlinkmail.com | Working With | Title Company:<br>Elliott & Waldron Abstract<br>Company of Palo Pinto, Inc.<br>403 South Oak Avenue<br>Mineral Wells, Texas 76067<br>Telephone: 940-425-6564<br>Fax: 940-325-1035<br>Contact: Jane Privitt<br>Email: elliot100@sbcglobal.net |
| <input type="checkbox"/> Other:<br>% _____<br>_____<br>Tel: _____<br>Fax: _____<br>Email: _____   |              |  |

The title company and/or title attorney selection is hereafter referred to as Title Company. Seller reserves the right to approve the Title Company used in this transaction.

8. **PROPERTY CONDITION**

A. TEXAS SELLER'S PROPERTY DISCLOSURE NOTICE In compliance with Texas law, § 5.008 of the Texas Property Code, Seller has furnished, and Buyer has received and reviewed, a Seller's Disclosure Notice attached hereto as Exhibit B.

B. SELL "AS IS" Buyer hereby represents that he has personally inspected and examined the above-mentioned premises and all improvements thereon. Buyer hereby acknowledges that unless otherwise set forth in writing elsewhere in this contract neither Seller nor Seller's representatives, if any, have made any representations concerning the present or past structural condition of the improvements. Buyer and Seller agree that **Buyer accepts the property in its "as-is" and present condition. Buyer is purchasing the Property in its "as-is" condition and Seller shall have no obligation to make any improvements or modifications thereto, nor will Seller make any representations or warranties as to the condition or use of the Property.**

C. FEDERAL SELLER'S DISCLOSURE OF LEAD-BASED PAINT AND LEAD-BASED PAINT HAZARDS is required by Federal law for a residential dwelling constructed prior to 1978. Because Seller does not know the age of the improvements on the Property an addendum providing such disclosure is attached hereto as Exhibit C. The EPA-approved information pamphlet on identifying and controlling lead-based paint hazards entitled "Protect Your Family from Lead in Your Home" is attached as Exhibit D.

If the subject residential dwelling was constructed prior to 1978, Buyer may conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards, to be completed anytime before Closing. In the alternative, Buyer may waive the opportunity to conduct an assessment/inspection by indicating said waiver on the attached Lead-Based Paint Disclosure form.

D. APPRAISAL AND TERMITE INSPECTION Any appraisal of the property shall be the responsibility of Buyer. A termite inspection is not required.

E. UTILITIES The present condition of all utilities is accepted by Buyer.

9. **TITLE POLICY AND SURVEY**

A. TITLE POLICY Buyer shall purchase at Buyer's expense an owner policy of title insurance (Title Policy) issued by Title Company in the amount of the Sales Price, dated at or after closing, insuring Buyer against loss under the provisions of the Title Policy, subject to the promulgated exclusions (including existing building and zoning ordinances) and the following exceptions:

- 1) Restrictive covenants of record including any restrictive covenants common to the platted subdivision in which the Property is located and those detailed in HB3031.
- 2) The standard printed exception for standby fees, taxes and assessments.
- 3) Liens created as part of financing.
- 4) Utility easements created by the dedication deed or plat of the subdivision in which the Property is located.
- 5) Reservations or exceptions otherwise permitted by this contract or as may be approved by Buyer in writing.
- 6) The standard printed exception as to marital rights.
- 7) The standard printed exception as to waters, tidelands, beaches, streams, and related matters.
- 8) The standard printed exception as to discrepancies, conflicts, shortages in area or boundary lines, encroachments or protrusions, or overlapping improvements.

Buyer, at Buyer's expense, may have the exception amended to read, "shortages in area".

B. COMMITMENT Within 60 days after the Title Company receives a copy of this contract, Buyer shall obtain a commitment for title insurance (Commitment) and, at Buyer's expense, legible copies of restrictive covenants and documents evidencing exceptions in the Commitment (Exception Documents) other than the standard printed exceptions. Buyer authorizes the Title Company to mail or hand deliver the Commitment and Exception Documents to Buyer at Buyer's address.

C. SURVEY Buyer shall deliver to the Brazos River Authority and Seller no less than forty-five days prior to Closing, at the Buyer's expense, an accurate survey of the Property (including any Undeveloped Strips being included in such Property), which survey must be acceptable to the Brazos River Authority and Seller. To be acceptable to the Brazos River Authority and Seller, the survey must:

- 1) be acceptable to the title company selected by the Seller and Buyer for purposes of issuing any policy of title insurance for the Property;
- 2) be prepared by a licensed state land surveyor or a registered professional land surveyor acceptable to the Brazos River Authority;
- 3) include the boundary of the Buyer's Property and any Undeveloped Strips being conveyed, which boundaries must be consistent with the master survey prepared on behalf of the Brazos River Authority in conjunction with the sale of the Property to the Seller; and
- 4) include all improvements on the Property and indicate any encroachments across the applicable boundary lines or into the FERC Project Area or Buffer Zone. Buyer must provide evidence that any such encroachments across boundary lines or into the FERC Project Area or FERC Buffer have been cured by the Buyer (either by removal of such encroachment or by written agreement between the affected parties permitting such encroachment to continue) prior to the survey being deemed acceptable; and be reviewed and approved by the Brazos River Authority and Seller; the Brazos River Authority, Seller, and their representatives or agents may perform an inspection of the Property to verify the accuracy of the Survey and any encroachments thereon.

If Buyer's Property has a Buffer Zone encroachment, Buyer in order to not delay its closing with Seller may obtain a contract to cure said violation(s) ("FERC Curative Work") from a 3<sup>rd</sup> party and escrow with the title company an amount equal to 150% of said contract price (non-interest bearing). Said FERC Curative Work must be completed within a reasonable time (not to exceed 30 days) after the earlier to occur of (i) Seller's delivery of notification to Buyer that Seller, FERC and/or the Brazos River Authority require the removal or modification of such encroachment, or (ii) December 31, 2012. Buyer agrees to be responsible for the payment of any and all inspection and reinspection fees charged by surveyors, inspectors or other 3<sup>rd</sup> parties selected by Seller to determine satisfactory completion of Buyer's FERC Curative Work. In the event the Buyer fails to timely complete all or any part of FERC Curative Work Seller and/or the Brazos River Authority shall have the right to enter into a contract with any third party for the completion of such part of the FERC Curative Work as the Buyer has failed adequately to perform. In such event the title company shall pay over, at the direction of either the Seller and/or the Brazos River Authority, as applicable, all or any part of the escrowed funds in such amounts and to such persons as may be specified in such direction. The Buyer hereby releases the Seller and the Brazos River Authority from any liability whatsoever in performing such FERC Curative Work or directing the title company to pay over all or any part of the funds deposited hereunder as may be expended at the direction of either Seller or the Brazos River Authority as provided herein. In the event the Seller or the Brazos River

Authority, pursuant to the provisions of this section, proceed to complete any of the FERC Curative Work, the Buyer hereby irrevocably authorizes and empowers the Seller and the Brazos River Authority, its agents, employees, contractors and laborers to enter into and upon said premises for the purpose of carrying such work to completion and further authorizes and empowers the Seller and Brazos River Authority to take charge of the property affected and all lands belonging to the Buyer appurtenant thereto and which are a part of the total project as described and proposed in the proposed FERC Curative Work and in the name of the Buyer as an attorney-in-fact, to call upon and require all persons under contract with the Buyer to do the work and supply the materials necessary for the completion of the work to perform under their contracts. The Seller and Brazos River Authority in so doing is empowered to make such changes, alterations, additions, or modifications as it deems to be necessary or expedient. Any unexpended balance of the sum deposited herewith after completion of any work or improvements undertaken shall be paid to the Buyer without interest. In the event the sum therewith deposited proves insufficient for any reason to effectuate completion of said FERC Curative Work by Seller or the Brazos River Authority, Seller shall make demand upon the Buyer to deposit the additional sum needed to effect its completion and the Buyer hereby agrees to supply to the title company any and all sums needed over and above the amount of this deposit to complete said FERC Curative Work. Buyer will be responsible for Seller's and Brazos River Authority's reasonable attorney fees to enforce this requirement. The terms of this paragraph shall survive closing.

If Buyer anticipates a dispute/discrepancy with its interior lot lines the Buyer should confer with its applicable adjoining neighbor and enter into a "Boundary Line Agreement". A licensed surveyor should prepare the addendum describing the common agreed to and adjusted common boundary line. This adjustment must be done before either of the applicable effected properties is transferred by Seller. The "Boundary Line Agreement" must be signed by all required parties and returned to Seller prior to any of the effected properties being transferred by Seller.

D. OBJECTIONS The Buyer must notify Seller of any objections to any items on the title commitment and/or survey within fifteen (15) days after receipt of same, but in no event less than 45 days prior to the anticipated date of Closing, provided however that neither the Seller nor the Brazos River Authority shall have any obligation to cure any such items or to incur any expenses in curing any items, except that Seller shall use good faith efforts to address and/or remove those requirements or exceptions shown on Schedule C of the title commitment that are applicable to or created by the Seller and Seller shall use commercially reasonable efforts to have the Brazos River Authority cure Schedule C items created by the Brazos River Authority and, notwithstanding the foregoing, neither the Seller nor the Brazos River Authority shall have any obligation to cure any exceptions on the attached Schedule C regarding legal right of access to or from the Property.

E. DEED The "Reservations from and Exceptions to Conveyance and Warranty" provision in the deed from Seller to Buyer shall provide "This conveyance is given and accepted subject to any and all restrictions, reservations, covenants, conditions, rights of way, easements, governmental laws, regulations and ordinances, if any, affecting the herein described Property." The deed formats are attached hereto as Exhibit A.

F. TITLE NOTICES

(i) TITLE POLICY The Title Commitment should be promptly reviewed by an attorney of Buyer's choice due to the time limitations on Buyer's right to object.

(ii) ANNEXATION If the Property is located outside the limits of a municipality, Seller notifies Buyer under §5.011, Texas Property Code, that the Property may now or later be included in the extraterritorial jurisdiction of a municipality and may now or later be subject to annexation by the municipality. Each municipality maintains a map that depicts its boundaries and extraterritorial jurisdiction. To determine if the Property is located within a municipality's extraterritorial jurisdiction or is likely to be located within a municipality's extraterritorial jurisdiction, contact all municipalities located in the general proximity of the Property for further information.

10. CLOSING COSTS AND EXPENSES Seller shall be responsible for costs related to the release of any existing liens placed on the Property by Seller, including prepayment penalties and recording fees, release of Seller's loan liability to the extent applicable to the Property, tax statements or certificates, preparation of the deed, and one-half of any escrow fee (said one-half not to exceed \$200.00). Buyer shall be responsible for any costs associated with a loan or financing for the Property, including, without limitation, loan origination, discount, buy-down, and commitment fees, appraisal fees, loan application fees, credit reports, preparation of loan documents, loan-related inspection fees, and interest on the notes from the date of disbursement to date of first payment; the cost of the survey; recording fees; copies of easements and restrictions; mortgagee title policy with endorsements required by lender, if any; one-half of any escrow fee (said one-half not to exceed \$200); any prepaid items,

including without limitation, insurance premiums and reserves and taxes; underwriting fee; and any title policy (including endorsements) obtained by Buyer.

**11. PRORATIONS** If Closing occurs on or before December 31, 2010, property taxes will not be prorated pursuant to Buyer's lease with Brazos River Authority which Lease (to the extent applicable to the Property) will be assigned to Seller by Brazos River Authority at the Original Closing, and Buyer shall be responsible for the payment all 2010 and subsequent years property taxes. Land lease payments shall be prorated. If Closing occurs on or after January 1, 2011, property taxes (land only) will be prorated between Buyer and Seller. Land lease payments shall be prorated.

**12. DEFAULT** If Buyer fails to comply with this Contract, Buyer will be in default, and Seller may terminate this Contract and receive the earnest money as liquidated damages, thereby releasing both parties from this Contract. If, due to factors beyond Seller's control, Seller fails within the time allowed to deliver evidence of clean title, Buyer may extend the time for performance and the Closing Date will be extended as necessary, but in no event will the Closing Date be extended past December 31, 2010 if the Original Closing has not occurred. If Seller fails to comply with this Contract for any other reason, Seller will be in default and Buyer may enforce specific performance (provided that the Original Closing has occurred).

**13. ATTORNEY'S FEES** The prevailing party in any legal proceeding brought under or with respect to the transaction described in this Contract is entitled to recover from the non-prevailing party all costs of such proceeding and reasonable attorney's fees.

**14. AGREEMENT OF PARTIES** This Contract contains the entire agreement of the parties and cannot be changed except by their written agreement.

**15. NOTICES** All notices from one party to the other must be in writing and are effective when mailed to, hand-delivered at, or transmitted by facsimile machine as follows:

To Buyer at:	To Seller at:
_____	<u>Patterson PK Land Partnership, LTD.</u>
_____	<u>% Michael H. Patterson</u>
_____	<u>2310 West Interstate 20, Suite 100</u>
_____	<u>Arlington, Texas 76017</u>
Telephone (____) _____	Telephone (817) 461-5500 _____
Facsimile (____) _____	Facsimile (817) 856-6090 _____
Email _____	Email <u>mike@ppdocs.com</u> _____

**16. PRIOR AGREEMENTS** This Contract incorporates all prior agreements between the parties, contains the entire and final agreement of the parties, and cannot be changed except by their written consent. Neither party has relied upon any statement or representation made by the other party or any sales representative bringing the parties together. Neither party shall be bound by any terms, conditions, oral statements, warranties, or representations not herein contained. Each party acknowledges that he has read and understands this Contract. The provisions of this Contract shall apply to and bind the heirs, executors, administrators, successors and assigns of the respective parties hereto. When herein used, the singular includes the plural and the masculine includes the feminine as the context may require.

**17. NO BROKER OR AGENT FEE OWED BY SELLER** Seller shall not be responsible for any broker fees or commissions due to any broker or agent engaged or claiming to have been engaged by Buyer for the purchase and sale of the Property.

**18. TIME IS OF THE ESSENCE** TIME IS OF THE ESSENCE IN THE PERFORMANCE OF THIS AGREEMENT.

**19. GOVERNING LAW** This Contract shall be governed by the laws of the State of Texas.



20. **DEED VESTING** Buyer represents and warrants that they are all the rightful owners of the applicable Brazos River Authority leasehold for this Property and that no other party has any right, title or interest in or to that leasehold other than Buyer's lender(s), if any. Buyer directs the Seller to show the Grantee (Buyer) in the warranty deed from Seller to Buyer to be: \_\_\_\_\_

If the designation of the Grantee in the Warranty Deed is different than the record owner(s) of the leasehold estate, appropriate written documentation must be submitted to the closing agent.

21. **ACCESS EASEMENT** The Property will be sold subject to a Brazos River Authority access easement over and across the roads and Property to permit access to and from the FERC Project Area and the retained land of the Brazos River Authority such that Brazos River Authority can conduct its operations and for public health, safety, and welfare purposes. The access easement shall permit Seller and the Brazos River Authority, its agents, tenants, lessees (including Leaseholders), contractors, licensees, successors and assigns the right of ingress and egress over, through and across the roads (and any other roads which may be constructed on the Property in replacement of or in addition to the roads) for access to and from the retained land owned by the Brazos River Authority and the FERC Project Area. In addition, as set forth in the Declaration (as hereinafter defined), Buyer or other user of the Property is not permitted to obstruct, prevent, or otherwise restrict access over and across any portion of the roads (or any other roads which may be constructed on the Property in replacement of the roads), so that others shall have the right of ingress and egress through, over and across such roads and such other owners and leaseholders shall at all times have access to and from their individual leased lots over and across such roads, to the extent such access exists at Closing (or materially the same degree of access in the event that other roads are constructed in replacement of or in addition to the roads).

22. **DECLARATION OF RESTRICTIVE COVENANTS & CONDITIONS** The Property will be sold subject to the restrictions described in the Declaration of Restrictive Covenants & Conditions, which will be filed on behalf of the Brazos River Authority on or before Original Closing in the property records of the counties in which the Property is located (the "Declaration"). The Declaration shall provide, among other things, for a 25' setback from the 1000' contour line (subject to the FERC application referenced in Section 3(A)) and that no owner or leaseholder which shares a driveway with other owners or leaseholders shall be permitted to obstruct, prevent, or otherwise restrict access over or across any portion of such shared driveway by such other owners or leaseholders, or their guests or invitees, so that all owners and/or leaseholders sharing a driveway shall at all times have access to and from their portion of the Property.

23. **FLOWAGE EASEMENT** The Brazos River Authority in the deed from the Brazos River Authority to Seller will reserve the perpetual right, power, privilege and easement to occasionally overflow, flood, and submerge that portion of the Property located at or below the elevation contour of 1015' above mean sea level in connection with the Brazos River Authority's operation and maintenance of Possum Kingdom Lake, and the Brazos River Authority and Seller shall have no liability to Buyer (or its successors, assigns, lessees [including leaseholders], or any other person) for any damages, claims, costs, injuries, or liabilities to any person or the Property or any improvements or other building, structures, or improvements thereon caused by or arising from such overflow or any act or omission by Seller and the Brazos River Authority in connection with the right and easement reserved in said deed.

24. **PROPERTY OWNER ASSOCIATION** Seller reserves the right to create a mandatory property owner association with the power to impose dues, liens and assessments against the Property.

25. **MISCELLANEOUS** The parties consent to Seller signing electronically Seller's signatures on the attached Exhibits.

EXECUTED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (THE EFFECTIVE DATE).

\_\_\_\_\_  
**Buyer**

\_\_\_\_\_  
**Buyer**

**Seller**

Patterson PK Land Partnership, LTD.  
By: Patterson PK Land Management GP, LLC, General Partner

By: \_\_\_\_\_

Michael H. Patterson, Manager

---

**TITLE COMPANY RECEIPT**

Receipt of Earnest Money is acknowledged.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Telephone (\_\_\_\_) \_\_\_\_\_

Address

Facsimile (\_\_\_\_) \_\_\_\_\_

\_\_\_\_\_

City

State

Zip Code

**EXHIBIT A**

AFTER RECORDING RETURN TO:  
**Michael H. Patterson**  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER AND/OR YOUR DRIVER'S LICENSE NUMBER.**

**SPECIAL WARRANTY DEED WITH VENDOR'S LIEN**

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

§  
§  
§  
§

KNOW ALL PERSONS BY THESE PRESENTS:

EFFECTIVE DATE: \_\_\_\_\_, 2010

**GRANTOR:** PATTERSON PK LAND PARTNERSHIP, LTD., a Texas limited partnership

**GRANTOR'S MAILING ADDRESS:** Attn: Michael H. Patterson  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017  
Tarrant County

**GRANTEE:** \_\_\_\_\_

**GRANTEE'S MAILING ADDRESS:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CONSIDERATION:** Ten dollars and other good and valuable consideration [and a note of even date herewith executed by Grantee and payable to the order of \_\_\_\_\_ ("Lender") in the principal amount of \$\_\_\_\_\_. The note is secured by a first and superior vendor's lien retained in this deed, and by a first-lien deed of trust of even date herewith from Grantee to \_\_\_\_\_, Trustee.]

**PROPERTY (INCLUDING ANY IMPROVEMENTS):** The real property situated in \_\_\_\_\_ County, Texas, and more particularly described on Exhibit A attached hereto and made a part hereof (the "Land"), together with (a) all of Grantor's right, title and interest in and to the buildings, roads, fixtures, and other improvements situated on the Land (the "Improvements"), and (b) all and singular the rights and appurtenances pertaining to any of the foregoing, including without limitation, the right, title and interest of Grantor, if any, in and to adjacent streets, alleys, easements, rights-of-way, and rights of ingress and egress thereto. The Land and Improvements are sometimes collectively referred to herein as the "Property". Grantee, for itself and on behalf of its successors and assigns, hereby acknowledges and agrees that a portion of the boundary of the Land is a meander line that is at or a certain distance from the 1000' contour line (as defined below) of Possum Kingdom Lake (the "Lake"), and as such, the boundary of the Land will change as the 1000' contour line of the Lake changes due to natural forces, such as erosion and accretion. The "1000' contour line" means the line running along the periphery of the Lake if the surface of the Lake is at an elevation of 1000 feet above mean sea level, as measured from the top of the spillway crest gates of the Morris Sheppard Dam, as such line may move and shift from time to time due to natural forces, including erosion and accretion.

**EXCEPTIONS TO CONVEYANCE:** This conveyance is made and accepted subject to: (i) the encumbrances and other matters described on Exhibit B attached hereto and made a part hereof (the "Permitted Exceptions"), to the extent they are validly existing and affect the Property; (ii) standby fees, taxes and assessments by any taxing authority for the year 20\_\_ and subsequent years, and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, the payment of all of which has been assumed by Grantee; (iii) all regulations, restrictions, laws, statutes, ordinances, obligations or other matters which affect the Property and which are imposed by or existing by reason of any regulatory, governmental or quasi-governmental districts, entities, agencies, authorities or other bodies of any kind or nature, including, without limitation, the Brazos River Authority ("Governmental Authorities"); (iv) all riparian rights, water rights, public access rights or other rights of any kind or nature which affect the Property and which are held by or relate to any Governmental Authorities or the public generally, and (v) all reservations, exceptions, covenants, conditions, restrictions and other matters expressly set forth herein, including, without limitation, the Restrictions (defined below).

Grantor, for the Consideration and subject to the Exceptions to Conveyance, grants, sells and conveys to Grantee the Property, to have and to hold it unto Grantee, and Grantee's heirs, successors and assigns forever, and Grantor does hereby bind Grantor and Grantor's heirs and successors to WARRANT AND FOREVER DEFEND, all and singular, the Property to Grantee and Grantee's heirs, successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Grantor, but not otherwise, except as to the Exceptions to Conveyance.

The Brazos River Authority heretofore has excepted and expressly reserved unto itself, its successors and assigns, all right, title and interest in and to the oil, gas, coal, lignite, sulphur (and other mineral substances from which sulphur may be derived or produced), salt, potash, uranium, thorium, gypsum, mercury, zeolite, fluorspar, carbonaceous shale, bentonite (and other varieties of clay), and all

other minerals in, on or under the Land, wherever located and by whatever method recovered as well as the rights to lease and to grant ingress and egress rights to explore for and produce such minerals on the Property to the extent allowed by law; it being understood and agreed that this interest shall be for the benefit of and be owned by the Brazos River Authority, its respective successors and assigns, and that in no event by warranty, estoppel or otherwise, shall Grantee or Grantee's successors in interest acquire any part of said interest as a result of this conveyance.

The Brazos River Authority heretofore has excepted and expressly reserved unto itself, and its successors, assigns, and designees a perpetual right, power, privilege, and easement to occasionally overflow, flood, and submerge that portion of the Property located at or below the elevation contour of 1015' above mean sea level in connection with the Brazos River Authority's operation and maintenance of the Lake and the Project (defined below). Neither Grantor nor the Brazos River Authority shall have any liability to Grantee or its successors or assigns, or any lessees of all or any portion of the Property or any other person for any damages, claims, costs, injuries, or liabilities to any person or the Property or any improvements thereon (including Improvements) which are caused by or arise from such overflow or any act or omission by the Brazos River Authority in connection with the foregoing right and easement.

In that certain Special Warranty Deed (the "Authority Deed") filed of record and executed by the Brazos River Authority, as grantor thereunder, which conveyed the Brazos River Authority's interest in certain property at the Lake (including the Land) as further described in the Authority Deed, to Grantor (as grantee thereunder), the Brazos River Authority, as a previous fee simple owner of the Property and surrounding land, established those certain "Restrictions" (as defined in such Authority Deed and further described therein) to regulate the uses of the Property and the improvements placed on it. The Restrictions run with the land making up the Property, are binding on Grantee and Grantee's successors and assigns forever, are enforceable by Grantor and the Brazos River Authority, and inure to the benefit of Grantor, Grantee, the Brazos River Authority, and their respective successors and assigns forever. The Restrictions may not be modified or terminated, in whole or in part, except with the consent of Grantor, the Brazos River Authority and the owner of the Property, and then only by written instrument duly executed and acknowledged by the Grantor, Brazos River Authority and the owner of the Property and recorded in the office of the recorder of the counties in which the Property is situated. In addition, no structures or improvements that impact or artificially amend or alter the FERC Project Area, shoreline of the Lake (including the 1000' contour line), or the lakebed, shall be constructed on the Property by Grantee or Grantee's successors and assigns, without the prior written approval of the Brazos River Authority, in its sole discretion. The foregoing restriction runs with the land and is binding on Grantee and Grantee's successors and assigns forever, is enforceable by Grantor and the Brazos River Authority, and inures to the benefit of Grantor, the Brazos River Authority and Grantee and their respective successors and assigns forever.

**GRANTEE HEREBY EXPRESSLY ACKNOWLEDGES THAT GRANTEE IS RELYING SOLELY UPON ITS INVESTIGATION AND EXAMINATION OF THE PROPERTY AND GRANTEE HAS THOROUGHLY INSPECTED AND EXAMINED THE PROPERTY TO THE EXTENT DEEMED NECESSARY BY THE GRANTEE IN ORDER TO ENABLE THE GRANTEE TO EVALUATE THE PURCHASE OF THE**

PROPERTY. GRANTEE REPRESENTS THAT GRANTEE WILL CONDUCT SUCH INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AND SHALL RELY UPON SAME, AND HEREBY ASSUMES THE RISK OF ANY ADVERSE MATTERS, INCLUDING, BUT NOT LIMITED TO ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, THAT MAY NOT HAVE BEEN REVEALED BY GRANTEE'S INSPECTIONS AND INVESTIGATIONS. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT GRANTEE IS ACQUIRING THE PROPERTY ON AN "AS IS, WHERE IS" AND "WITH ALL FAULTS" BASIS, WITH ANY AND ALL LATENT AND PATENT DEFECTS, WITHOUT REPRESENTATION, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT FOR THE WARRANTY OF TITLE SPECIFICALLY SET FORTH HEREIN. GRANTEE HEREBY WAIVES AND RELINQUISHES ALL RIGHTS AND PRIVILEGES ARISING OUT OF, OR WITH RESPECT OR IN RELATION TO, ANY REPRESENTATIONS, WARRANTIES OR COVENANTS, WHETHER EXPRESS OR IMPLIED, WHICH MAY HAVE BEEN MADE OR GIVEN, OR WHICH MAY HAVE BEEN DEEMED TO HAVE BEEN MADE OR GIVEN BY GRANTOR, EXCEPT AS EXPRESSLY SET FORTH IN THE CONTRACT FOR SALE BY AND BETWEEN GRANTOR AND GRANTEE (THE "CONTRACT"). FURTHER, GRANTEE AGREES THAT GRANTOR IS NOT LIABLE TO GRANTEE FOR, AND GRANTEE HEREBY FULLY AND FINALLY RELEASES AND DISCHARGES GRANTOR, ITS PRINCIPALS, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, REPRESENTATIVES AND ATTORNEYS FROM, AND GRANTEE ASSUMES ALL RISK AND LIABILITY FOR, AND INDEMNIFIES, AND HOLDS GRANTOR HARMLESS FROM, ANY AND ALL CLAIMS FOR COSTS, EXPENSES, PENALTIES, LOSSES, LIABILITIES, DAMAGES, DEMANDS, ACTIONS OR CAUSES OF ACTION ARISING FROM OR RELATED TO THE OWNERSHIP, USE, PHYSICAL CONDITION, LOCATION, MAINTENANCE, REPAIR, OR OPERATION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS OR ENVIRONMENTAL CONDITIONS AFFECTING THE PROPERTY, WHETHER OR NOT SUCH CLAIM IS ALLEGED TO ARISE FROM THE NEGLIGENCE OF GRANTOR.

WITHOUT LIMITING THE FOREGOING, IT IS UNDERSTOOD AND AGREED THAT GRANTOR IS NOT MAKING AND SPECIFICALLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, AS TO (I) MATTERS OF TITLE OTHER THAN AS EXPRESSLY PROVIDED HEREIN, (II) ZONING, (III) TAX CONSEQUENCES, (IV) PHYSICAL OR ENVIRONMENTAL CONDITIONS, INCLUDING THE CONDITION OF THE SOIL OR WATER, GEOLOGY, THE EXISTENCE OF HAZARDOUS OR TOXIC MATERIALS IN OR ON THE LAND, (V) AVAILABILITY OF UTILITIES OR OTHER SERVICES TO THE LAND, (VI) AVAILABILITY OF ACCESS, INGRESS OR EGRESS, (VII) OPERATING HISTORY OR PROJECTIONS, (VIII) VALUATION OR THE PRESENT OR FUTURE INCOME THAT MAY BE GENERATED FROM THE PROPERTY, (IX) GOVERNMENTAL APPROVALS, (X) GOVERNMENTAL

REGULATIONS OR ANY OTHER MATTER OR THING RELATING TO OR AFFECTING THE PROPERTY, INCLUDING, WITHOUT LIMITATION: (A) THE VALUE, CONDITION, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, HABITABILITY, SUITABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OF THE PROPERTY, (B) THE MANNER OR QUALITY OF THE CONSTRUCTION OR THE WORKMANSHIP OR MATERIALS INCORPORATED INTO ANY OF THE PROPERTY, (C) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTY, AND (D) THE EXISTENCE OF KNOWN OR UNKNOWN FAULTS. GRANTEE FURTHER EXPRESSLY ACKNOWLEDGES AND AGREES THAT GRANTOR IS NOT REPRESENTING OR WARRANTING THAT ANYTHING CAN OR WILL BE ACCOMPLISHED THROUGH GRANTEE'S EFFORTS WITH REGARD TO THE PLANNING, OR PLATTING PROCESS OF ANY MUNICIPALITY, \_\_\_\_\_ COUNTY, OR ANY OTHER GOVERNMENTAL OR MUNICIPAL AUTHORITIES, BOARDS OR ENTITIES. GRANTEE FURTHER ACKNOWLEDGES THAT ALL OR A PORTION OF THE PROPERTY MAY NOT CURRENTLY MEET OR COMPLY WITH, AND GRANTOR HAS NOT WARRANTED, AND DOES NOT HEREBY WARRANT, THAT THE PROPERTY NOW MEETS OR COMPLIES WITH, OR IN THE FUTURE WILL MEET OR COMPLY WITH, THE REQUIREMENTS OF ANY SAFETY CODE, ENVIRONMENTAL LAW OR REGULATION OF THE STATE OF TEXAS, ANY MUNICIPALITY, THE COUNTY OF \_\_\_\_\_, OR ANY OTHER AUTHORITY (INCLUDING GRANTOR) OR JURISDICTION. GRANTEE FURTHER ACKNOWLEDGES THAT GRANTEE, AT GRANTEE'S EXPENSE, SHALL BE RESPONSIBLE FOR BRINGING SUCH PROPERTY INTO COMPLIANCE WITH ANY SUCH CODES OR REGULATIONS, AS APPLICABLE.

NOTWITHSTANDING ANY SEEMING CONTRADICTION, IT IS AGREED AND UNDERSTOOD THAT THE FOREGOING PROVISIONS ARE LIMITED SO AS TO NOT BE CONSTRUED AS DIMINISHING OR NEGATING (I) GRANTOR'S RESPONSIBILITY FOR ANY REPRESENTATIONS PROVIDED IN THE CONTRACT (BUT ONLY TO THE EXTENT EXPRESSLY PROVIDED AND FOR THE DURATION STATED), AND (II) ANY WARRANTY OF TITLE SET FORTH HEREIN.

[To be included if FERC License is not expired, terminated, or otherwise amended prior to closing to remove the FERC Buffer from the FERC Project Area:

*The Brazos River Authority has heretofore excepted from their conveyance to Grantor and expressly reserved unto the Brazos River Authority, its successors and assigns, all right, title, interest in, and ownership of the FERC Buffer (defined below), and it is Grantor's intent that the conveyance of real property by this deed expressly excludes the FERC Buffer, it further being the intent of Grantor that the doctrine of strips and gores shall not apply to the FERC Buffer and Grantee shall have no right, title, or interest in and to the FERC Buffer except the executory interest provided for below. The "FERC Buffer" shall mean the real property situated in \_\_\_\_\_ County Texas, and more particularly described on Exhibit C attached hereto and made a part hereof, together with all of Grantor's right, title, and interest in and to the buildings and other improvements situated on the FERC Buffer.*

Grantor, for the Consideration and subject to the Exceptions to Conveyance, grants, sells and conveys to Grantee an executory interest in the FERC Buffer, to hold from and after the date hereof, and which interest shall vest in Grantee (or its successors and assigns), if at all, at such time as either (a) the Federal Energy Regulatory Commission ("FERC") amends the FERC License to remove the FERC Buffer from the boundaries prescribed by the FERC License ("FERC Project Area") such that the FERC Buffer is no longer subject to regulation by FERC, or (b) the FERC License expires (and is not renewed) or is otherwise terminated and thus the FERC Buffer is no longer subject to regulation by FERC (such time of removal from FERC regulation being the "Time of Removal"). Upon satisfaction of the foregoing condition, this conveyance shall be automatically effective without necessity of further documentation.

To have and to hold the FERC Buffer (to the extent no longer subject to regulation by FERC) unto Grantee, and Grantee's heirs, successors and assigns, from and after the Time of Removal. Grantor does hereby bind Grantor and Grantor's heirs and successors to WARRANT AND FOREVER DEFEND, all and singular, the FERC Buffer to Grantee and Grantee's heirs, successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Grantor, but not otherwise, except as to the Exceptions to Conveyance. From and after the date of the Time of Removal, the FERC Buffer (to the extent no longer subject to regulation by FERC) shall be considered to be a part of the Property conveyed by this deed, and all references to Land and Improvements shall be deemed to include all the land and improvements that relate to the FERC Buffer. If, as of the Time of Removal, Grantee has conveyed any part of the Property to another (a "Subsequent Grantee") the Subsequent Grantee shall be the beneficiary of the executory interest granted by this deed but only as to the portion of the FERC Buffer located adjacent to the Subsequent Grantee's property, as measured by extending the boundary lines on both sides of the Subsequent Grantee's property in a straight line across the FERC Buffer to the then current 1000' contour line of the Lake (or, if such portion cannot reasonably be measured as set forth above, then as otherwise determined by Grantor), and all right, title and interest in such adjacent portion of the FERC Buffer shall immediately vest in the Subsequent Grantee without the necessity of any additional written conveyance.

The Brazos River Authority has heretofore excepted and expressly reserved unto itself, and its successors, assigns, and designees, a perpetual, free of charge, nonexclusive easement, license, right and privilege in, to, on, over, under, along and across the FERC Buffer, in common with Grantee (or Subsequent Grantee, or its successors and assigns), for vehicular and/or pedestrian access to and from (and from and to) the Brazos River Authority's property and the Lake for the purpose of allowing the Brazos River Authority to access the Brazos River Authority's property and the Lake and to permit the Brazos River Authority to fulfill its obligations as a river authority, licensee under the FERC License, or any other obligations of the Brazos River Authority pursuant to state water rights or governmental regulations. Notwithstanding anything herein to the contrary, if the Time of Removal does not occur on or before the earlier of (i) August 31, 2040 (such date being the 21<sup>st</sup> anniversary of the expiration date [before any extensions or renewals] of the FERC License in effect as of the Effective Date of this deed), or (ii) ten days after the expiration (including any extensions or renewals) of the FERC License in effect as of the Effective Date of this deed, then any executory interest of



*Grantee or any Subsequent Grantee(s) in and to any portion of the FERC Buffer not removed from the FERC License prior to such date shall be null and void and of no further force or effect.]*

[Lender, at Grantee's request, has paid in cash to Grantor that portion of the purchase price of the Property that is evidenced by the note. The first and superior vendor's lien against the Property is retained for the benefit of Lender, and Lender will hold superior title in and to the Property and the title in the Grantee will not become absolute until the note is paid in full according to the face, effect and reading thereof. ]

[Provision for no merger of leasehold if there is a current lien holder.]

[SIGNATURE AND ACKNOWLEDGMENT PAGES OF GRANTOR IMMEDIATELY  
FOLLOWS]

**DRAFT**

[GRANTOR'S SIGNATURE AND ACKNOWLEDGMENT PAGE]

**GRANTOR:**

PATTERSON PK LAND PARTNERSHIP, LTD.,  
a Texas limited partnership

By: PATTERSON PK LAND  
MANAGEMENT GP, LLC, a Texas limited  
liability company, its general partner

By: \_\_\_\_\_  
Name: Michael H. Patterson  
Title: Manager

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

§  
§  
§

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2010, by Michael H. Patterson, Manager of Patterson PK Land Management GP, LLC, a Texas limited liability company, general partner of Patterson PK Land Partnership, Ltd., a Texas limited partnership, on behalf of such limited liability company and limited partnership.

\_\_\_\_\_  
Notary Public in and for the State of Texas

**EXHIBIT A**

Legal Description of the Land

**DRAFT**

## EXHIBIT B

### Permitted Exceptions

[INSERT ITEMS FROM TITLE COMMITMENT, INCLUDING WITHOUT LIMITATION, (i) the standard printed exception for taxes for 20\_\_ and subsequent years; (ii) the standard printed exception for shortages in area (and the balance of the standard printed exception pertaining to boundaries and encroachments unless deleted, at Grantee's option and expense, to the extent permitted by applicable regulations); (iii) the terms and conditions of any access easements or other rights reserved by or granted to Grantor in connection with the closing; (iv) the easements, covenants, and restrictions contained in the Declaration, (v) any and all leases on the Property and rights of parties in possession and any memoranda of any such leases; (vi) any and all easements, rights-of-way, and other matters whether or not of record, and those visible and apparent on the Property, affecting or related to it (including, without limitation, any easements or agreements, whether or not recorded, between Grantor and the Water Supply Corporation for the installation, maintenance, repair, or replacement of water lines located beneath the Property); (vii) any other matters that become Permitted Exceptions pursuant to the terms of the Contract including, without limitations, those matters set forth in the Contract between Grantor and Grantee.]

DRAFT 6-1-2018

**EXHIBIT C**

**FERC Buffer**

DRAFT 6-1-2009

**Promissory Note**

Date: \_\_\_\_\_

Borrower: \_\_\_\_\_

Borrower's Mailing Address: [include county]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Lender: **Patterson PK Land Partnership, LTD.**

Place for Payment:

**Patterson PK Land Partnership, LTD.  
2310 West Interstate 20, Suite 100  
Arlington, Tarrant County, Texas 76017**

Principal Amount: \_\_\_\_\_ and no/100 Dollars –  
(\$ \_\_\_\_\_ .00)

Annual Interest Rate: **Six Percent -- (6.000%)**

Maturity Date: \_\_\_\_\_ [30 years from date set forth above]

Annual Interest Rate on Matured, Unpaid Amounts: **Six Percent -- (6.000%)**

**Terms of Payment (principal and interest): The Principal Amount and interest are due and payable in equal annual installments of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), on \_\_\_\_\_ of each year, beginning \_\_\_\_\_ and continuing annually until the Principal Amount and accrued, unpaid interest have been paid in full. Payments will be applied first to accrued interest and the remainder to reduction of the Principal Amount.**

**The principal and interest on this Note may be prepaid at any time in whole or in part without premium or penalty, and each such partial prepayment shall be applied to the next ensuing installment or installments of principal or interest as the case may be.**

Security for Payment:

**This Note is secured by a Vendor's Lien and Deed of Trust (the "Deed of Trust") on a tract of land being more particularly described by metes and bounds in Exhibit "A", attached hereto and made a part hereof for all purposes (the "Land") [and an executory interest in that portion of the FERC Buffer located immediately adjacent to Grantee's Land as described in Exhibit "A-1" attached hereto, which executory interest will run with the land and inure to the benefit of the successors-in-interest to Grantee. Grantee will be the holder of such executory interest, as it applies to that portion of the FERC Buffer located**

immediately adjacent to the Grantee's purchased lot, measured by extending the common boundary lines on both sides of the lot being purchased in a straight line to the then current 1000' contour line (which is and will remain a meander line that changes over time, due to natural forces, such as accretion and erosion), or, if such portion cannot reasonably be measured as set forth above, then as otherwise determined by Grantor. Any conveyance of the Land described in Exhibit A shall include a conveyance of the executory interest in the adjacent FERC Buffer as described in Exhibit "A-1" until such time as the executory interest is triggered. The executory interest shall be triggered at such time as the FERC License (including any renewals or extensions thereof) no longer applies to such FERC Buffer; provided however, if such executory interest is not triggered on or before the earlier of August 31, 2040 (such date being the 21st anniversary after the expiration of the existing FERC License before any extensions or renewals), or ten days after the expiration (including any extensions or renewals) or termination of the existing FERC License, then such executory interest shall be terminated and of no further force or effect. Upon timely satisfaction of the condition set forth above, this conveyance shall be automatically effective without necessity of further documentation. The Brazos River Authority has reserved access to the FERC Project Area and Possum Kingdom Lake to allow the Brazos River Authority to fulfill its obligations as a River Authority, licensee under the FERC License, or any other obligations pursuant to state water rights or governmental regulations] ("Property").

Borrower promises to pay to the order of Lender the Principal Amount plus interest at the Annual Interest Rate. This note is payable at the Place for Payment and according to the Terms of Payment. All unpaid amounts are due by the Maturity Date. After maturity, Borrower promises to pay any unpaid principal balance plus interest at the Annual Interest Rate on Matured, Unpaid Amounts.

If Borrower defaults in the payment of this note or in the performance of any obligation in any instrument securing or collateral to this note, Lender may declare the unpaid principal balance, earned interest, and any other amounts owed on the note immediately due. Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

Borrower also promises to pay reasonable attorney's fees and court and other costs if this note is placed in the hands of an attorney to collect or enforce the note. These expenses will bear interest from the date of advance at the Annual Interest Rate on Matured, Unpaid Amounts. Borrower will pay Lender these expenses and interest on demand at the Place for Payment. These expenses and interest will become part of the debt evidenced by the note and will be secured by any security for payment.

Interest on the debt evidenced by this note will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or required or permitted prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions

in this note and all other instruments concerning the debt.

Each Borrower is responsible for all obligations represented by this note.

When the context requires, singular nouns and pronouns include the plural.

\_\_\_\_\_  
[Name of borrower]

\_\_\_\_\_  
[Name of borrower]

DRAFT 6-1-2009



AFTER RECORDING RETURN TO:  
**Michael H. Patterson**  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017

---

**Deed of Trust**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER AND/OR YOUR DRIVER'S LICENSE NUMBER.**

**Terms**

Date: Executed on the date set forth in the acknowledgement herein, but to be effective the \_\_\_\_ day of \_\_\_\_\_.

Grantor: \_\_\_\_\_

Grantor's Mailing Address: [include county]

\_\_\_\_\_

\_\_\_\_\_

Trustee: **Michael H. Patterson**

Trustee's Mailing Address:

**2310 West Interstate 20, Suite 100,  
Arlington, Tarrant County, Texas 76017**

Lender: **Patterson PK Land Partnership, LTD.**

Lender's Mailing Address:

**2310 West Interstate 20, Suite 100,  
Arlington, Tarrant County, Texas 76017**

Obligation

Note

Date: \_\_\_\_\_

Original principal amount: \_\_\_\_\_

Borrower: \_\_\_\_\_

Lender: **Patterson PK Land Partnership, LTD.**

Maturity date: **As therein provided.**

Property (including any improvements): **A tract of land being more particularly described by metes and bounds in Exhibit "A" attached hereto and made a part hereof for all purposes (the "Land") [and an executory interest in that portion of the FERC Buffer located immediately adjacent to Grantee's Land as described in Exhibit "A-1" attached hereto, which executory interest will run with the land and inure to the benefit of the successors-in-interest to Grantee. Grantee will be the holder of such executory interest, as it applies to that portion of the FERC Buffer located immediately adjacent to the Grantee's purchased lot, measured by extending the common boundary lines on both sides of the lot being purchased in a straight line to the then current 1000' contour line (which is and will remain a meander line that changes over time, due to natural forces, such as accretion and erosion), or, if such portion cannot reasonably be measured as set forth above, then as**

otherwise determined by Grantor. Any conveyance of the Land described in Exhibit A shall include a conveyance of the executory interest in the adjacent FERC Buffer as described in Exhibit "A-1" until such time as the executory interest is triggered. The executory interest shall be triggered at such time as the FERC License (including any renewals or extensions thereof) no longer applies to such FERC Buffer; provided however, if such executory interest is not triggered on or before the earlier of August 31, 2040 (such date being the 21st anniversary after the expiration of the existing FERC License before any extensions or renewals), or ten days after the expiration (including any extensions or renewals) or termination of the existing FERC License, then such executory interest shall be terminated and of no further force or effect. Upon timely satisfaction of the condition set forth above, this conveyance shall be automatically effective without necessity of further documentation. The Brazos River Authority has reserved access to the FERC Project Area and Possum Kingdom Lake to allow the Brazos River Authority to fulfill its obligations as a River Authority, licensee under the FERC License, or any other obligations pursuant to state water rights or governmental regulations] ("Property").

Prior Lien: None

Other Exceptions to Conveyance and Warranty: **This conveyance is given and accepted subject to any and all restrictions, reservations, covenants, conditions, rights of way, easements, governmental laws, regulations and ordinances, if any, affecting the herein described Property.**

For value received and to secure payment of the Obligation, Grantor conveys the Property to Trustee in trust. Grantor warrants and agrees to defend the title to the Property, subject to the Other Exceptions to Conveyance and Warranty. On payment of the Obligation and all other amounts secured by this deed of trust, this deed of trust will have no further effect, and Lender will release it at Grantor's expense.

#### **Clauses and Covenants**

##### **A. Grantor's Obligations**

Grantor agrees to—

1. pay all taxes and assessments on the Property before delinquency;
2. notify Lender of any change of address.

##### **B. Lender's Rights**

1. Lender or Lender's mortgage servicer may appoint in writing one or more substitute trustees, succeeding to all rights and responsibilities of Trustee.
2. If the proceeds of the Obligation are used to pay any debt secured by prior liens, Lender is subrogated to all the rights and liens of the holders of any debt so paid.
3. Notwithstanding the terms of the Note to the contrary, and unless applicable law prohibits, all payments received by Lender from Grantor with respect to the Obligation or this deed of trust may, at Lender's discretion, be applied first to amounts payable under this deed of trust and then to amounts due and payable to Lender with respect to the Obligation, to be applied to late charges, principal, or interest in the order Lender in its discretion determines.
4. If Grantor fails to perform any of Grantor's obligations, Lender may perform those obligations and be reimbursed by Grantor on demand for any amounts so paid, including attorney's fees, plus interest on those amounts from the dates of payment at the rate stated in the Note for matured, unpaid amounts. The amount to be reimbursed will be secured by this deed of trust.

5. If there is a default on the Obligation or if Grantor fails to perform any of Grantor's obligations and the default continues after any required notice of the default and the time allowed to cure, Lender may—

- a. declare the unpaid principal balance and earned interest on the Obligation immediately due;
- b. direct Trustee to foreclose this lien, in which case Lender or Lender's agent will cause notice of the foreclosure sale to be given as provided by the Texas Property Code as then in effect; and
- c. purchase the Property at any foreclosure sale by offering the highest bid and then have the bid credited on the Obligation.

6. Lender may remedy any default without waiving it and may waive any default without waiving any prior or subsequent default.

**C. Trustee's Rights and Duties**

If directed by Lender to foreclose this lien, Trustee will—

1. either personally or by agent give notice of the foreclosure sale as required by the Texas Property Code as then in effect;
2. sell and convey all or part of the Property "AS IS" to the highest bidder for cash with a general warranty binding Grantor, subject to the Prior Lien and to the Other Exceptions to Conveyance and Warranty and without representation or warranty, express or implied, by Trustee;
3. from the proceeds of the sale, pay, in this order—
  - a. expenses of foreclosure, including a reasonable commission to Trustee;
  - b. to Lender, the full amount of principal, interest, attorney's fees, and other charges due and unpaid;
  - c. any amounts required by law to be paid before payment to Grantor; and
  - d. to Grantor, any balance; and
4. be indemnified, held harmless, and defended by Lender against all costs, expenses, and liabilities incurred by Trustee for acting in the execution or enforcement of the trust created by this deed of trust, which includes all court and other costs, including attorney's fees, incurred by Trustee in defense of any action or proceeding taken against Trustee in that capacity.

**D. General Provisions**

1. If any of the Property is sold under this deed of trust, Grantor must immediately surrender possession to the purchaser. If Grantor fails to do so, Grantor will become a tenant at sufferance of the purchaser, subject to an action for forcible detainer.
2. Recitals in any trustee's deed conveying the Property will be presumed to be true.
3. Proceeding under this deed of trust, filing suit for foreclosure, or pursuing any other remedy will not constitute an election of remedies.
4. This lien will remain superior to liens later created even if the time of payment of all or part of the Obligation is extended or part of the Property is released.
5. If any portion of the Obligation cannot be lawfully secured by this deed of trust, payments will be applied first to discharge that portion.
6. Grantor assigns to Lender all amounts payable to or received by Grantor from condemnation of all or part of the Property, from private sale in lieu of condemnation, and from

damages caused by public works or construction on or near the Property. After deducting any expenses incurred, including attorney's fees and court and other costs, Lender will either release any remaining amounts to Grantor or apply such amounts to reduce the Obligation. Lender will not be liable for failure to collect or to exercise diligence in collecting any such amounts. Grantor will immediately give Lender notice of any actual or threatened proceedings for condemnation of all or part of the Property.

7. Interest on the debt secured by this deed of trust will not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the principal of the debt or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess will be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides any conflicting provisions in this and all other instruments concerning the debt.

8. In no event may this deed of trust secure payment of any debt that may not lawfully be secured by a lien on real estate or create a lien otherwise prohibited by law.

9. When the context requires, singular nouns and pronouns include the plural.

10. The term *Note* includes all extensions, modifications, and renewals of the Note and all amounts secured by this deed of trust.

11. This deed of trust binds, benefits, and may be enforced by the successors in interest of all parties.

12. Grantor and each surety, endorser, and guarantor of the Obligation waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

13. Grantor agrees to pay reasonable attorney's fees, trustee's fees, and court and other costs of enforcing Lender's rights under this deed of trust if this deed of trust is placed in the hands of an attorney for enforcement.

14. If any provision of this deed of trust is determined to be invalid or unenforceable, the validity or enforceability of any other provision will not be affected.

15. The term *Lender* includes any mortgage servicer for Lender.

16. Grantor represents that this deed of trust and the Note are given for the following purposes: The debt evidenced by the Note is in part payment of the purchase price of the Property, the debt is secured both by this deed of trust and by a vendor's lien on the Property, which is expressly retained in a deed to Grantor of even date. This deed of trust does not waive the vendor's lien, and the two liens and the rights created by this deed of trust are cumulative. Lender may elect to foreclose either of the liens without waiving the other or may foreclose both.

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[Name of grantor]

---

[Name of grantor]

(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_ }

COUNTY OF \_\_\_\_\_ }

This instrument was acknowledged before me on

\_\_\_\_\_ by,

(date)

\_\_\_\_\_  
(name or names of person or persons acknowledging).

(Signature of officer)

(Title of officer)

My Commission Expires:

DRAFT 6/12/2009

**EXHIBIT B**

**SELLER'S DISCLOSURE NOTICE**

CONCERNING THE PROPERTY AT: See address in attached Sales Contract \_\_\_\_\_

**THIS NOTICE IS A DISCLOSURE OF SELLER'S KNOWLEDGE OF THE CONDITION OF THE PROPERTY AS OF THE DATE SIGNED BY SELLER AND IS NOT A SUBSTITUTE FOR ANY INSPECTIONS OR WARRANTIES THE PURCHASER MAY WISH TO OBTAIN. IT IS NOT A WARRANTY OF ANY KIND BY SELLER OR SELLER'S AGENTS.**

Seller \_\_\_ is X is not occupying the Property.

If unoccupied, how long since Seller has occupied the Property? **Never**

1. The Property has the items checked below:

Write Yes (Y), No (N), or Unknown (U).

<u>U</u> Range	<u>U</u> Oven	<u>U</u> Microwave
<u>U</u> Dishwasher	<u>U</u> Trash Compactor	<u>U</u> Disposal
<u>U</u> Washer/Dryer	<u>U</u> Window	<u>U</u> Rain Gutters
Hookups	Screens	
<u>U</u> Security	<u>U</u> Fire Detection	<u>U</u> Intercom
System	Equipment	System
	<u>U</u> Smoke Detector	
	<u>U</u> Smoke Detector -	
	Hearing Impaired	
	<u>U</u> Carbon Monoxide	
	Alarm	
	<u>U</u> Emergency Escape	
	Ladder(s)	
<u>U</u> TV Antenna	<u>U</u> Cable TV	<u>U</u> Satellite
	Wiring	Dish
<u>U</u> Ceiling Fan(s)	<u>U</u> Attic Fan(s)	<u>U</u> Exhaust
		Fan(s)
<u>U</u> Central A/C	<u>U</u> Central Heating	<u>U</u> Wall/Window Air
		Conditioning
<u>U</u> Plumbing System	<u>U</u> Septic System	<u>N</u> Public Sewer
		System
<u>U</u> Patio/Decking	<u>U</u> Outdoor Grill	<u>U</u> Fences

<u>U</u> Pool	<u>U</u> Sauna	<u>U</u> Spa
		<u>U</u> Hot Tub
<u>U</u> Pool Equipment	<u>U</u> Pool Heater	<u>U</u> Automatic Lawn
		Sprinkler
		System
<u>U</u> Fireplace(s) & Chimney		<u>U</u> Fireplace(s) & Chimney
(Woodburning)		(Mock)
<u>U</u> Gas Lines		<u>U</u> Gas Fixtures
(Nat./LP)		
Garage: <u>U</u> Attached	<u>U</u> Not Attached	<u>U</u> Carport
Garage Door Opener(s): <u>U</u>	<u>U</u> Electronic	<u>U</u> Control(s)
Water Heater: <u>U</u>	<u>U</u> Gas	<u>U</u> Electric
Water Supply: <u>N</u> City	<u>U</u> Well <u>U</u> MUD	<u>U</u> Co-op

Roof Type: U Age: U (approx)

Are you (Seller) aware of any of the above items that are not in working condition, that have known defects, or that are in need of repair? U Yes U No U Unknown.

If yes, then describe. (Attach additional sheets if necessary):

NA

2. Does the property have working smoke detectors installed in accordance with the smoke detector requirements of Chapter 766, Health and Safety Code? U Yes U No U Unknown.

If the answer to the question above is no or unknown, explain. (Attach additional sheets if necessary): U

3. Are you (Seller) aware of any known defects/malfunctions in any of the following?

Write Yes (Y) if you are aware, write No (N) if you are not aware.

<u>N</u> Interior Walls	<u>N</u> Ceilings	<u>N</u> Floors
<u>N</u> Exterior Walls	<u>N</u> Doors	<u>N</u> Windows
<u>N</u> Roof	<u>N</u> Foundation/ Slab(s)	<u>N</u> Basement
<u>N</u> Walls/Fences	<u>N</u> Driveways	<u>N</u> Sidewalks
<u>N</u> Plumbing/Sewers/ Septics	<u>N</u> Electrical Systems	<u>N</u> Lighting Fixtures

N Other Structural Components (Describe): N Other Structural Components (Describe):

NA

If the answer to any of the above is yes, explain. (Attach additional sheets if necessary):

NA

4. Are you (Seller) aware of any of the following conditions?

Write Yes (Y) if you are aware, write No (N) if you are not aware.

<u>N</u> Active Termites (includes wood-destroying insects)		<u>N</u> Previous Structural or Roof Repair
<u>N</u> Termite or Wood Rot Damage Needing Repair		<u>N</u> Hazardous or Toxic Waste
<u>N</u> Previous Termite Damage		<u>N</u> Asbestos Components
<u>N</u> Previous Termite Treatment		<u>N</u> Urea formaldehyde Insulation
<u>N</u> Previous Flooding		<u>N</u> Radon Gas
<u>N</u> Improper Drainage		<u>N</u> Lead Based Paint
<u>N</u> Water Penetration		<u>N</u> Aluminum Wiring
<u>N</u> Located in 100-Year Floodplain		<u>N</u> Previous Fires
<u>N</u> Present Flood Insurance Coverage		<u>N</u> Unplatted Easements
<u>N</u> Landfill, Settling, Soil Movement, Fault Lines		<u>N</u> Subsurface Structure or Pits

If the answer to any of the above is yes, explain. (Attach additional sheets if necessary):

NA

5. Are you (Seller) aware of any item, equipment, or system in or on the property that is in need of repair? \_\_\_ Yes (if you are aware) N No (if you are not aware). If yes, explain (attach additional sheets as necessary).

NA

6. Are you (Seller) aware of any of the following?

Write Yes (Y) if you are aware, write No (N) if you are not aware.

<u>N</u>	Room additions, structural modifications, or other alterations or repairs made without necessary permits or not in compliance with building codes in effect at that time.
<u>Y</u>	Homeowners' Association or maintenance fees or assessments.
<u>N</u>	Any "common area" (facilities such as pools, tennis courts, walkways, or other areas) co-owned in undivided interest with others.
<u>N</u>	Any notices of violations of deed restrictions or governmental ordinances affecting the condition or use of the



	Property.
<u>N</u>	Any lawsuits directly or indirectly affecting the Property.
<u>N</u>	Any condition on the Property which materially affects the physical health or safety of an individual.

If the answer to any of the above is yes, explain. (Attach additional sheets if necessary):

NA

Seller

**Patterson PK Land Partnership, LTD.**

**By: Patterson PK Land Management GP, LLC, General Partner**

By: 

June 1, 2009

Michael H. Patterson, Manager

Date

The undersigned purchaser hereby acknowledges receipt of the foregoing notice and acknowledges the property complies with the smoke detector requirements of Chapter 766, Health and Safety Code, or, if the property does not comply with the smoke detector requirements of Chapter 766, the buyer waives the buyer's rights to have smoke detectors installed in compliance with Chapter 766.

Purchaser

\_\_\_\_\_  
Date                      Signature of Purchaser

\_\_\_\_\_  
Date                      Signature of Purchaser

\_\_\_\_\_  
Date                      Signature of Purchaser

\_\_\_\_\_  
Date                      Signature of Purchaser

**EXHIBIT C**

**Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards**

**Lead Warning Statement.....** Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

---

**Seller's Disclosure (initial)**

(a) Presence of lead-based paint and/or lead-based paint hazards (check one below)

Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

---

---

Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check one below):

Seller has provided the purchaser with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

---

---

Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

---

**Purchaser's Acknowledgment (initial)**

(c) Purchaser has received copies of all information listed above.

(d) Purchaser has received the pamphlet *Protect Your Family from Lead in Your Home*.

(e) Purchaser has (check one below):

Received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or

Waived the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

Agent's Acknowledgment (initial)

(f) Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

NA

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information provided by the signatory is true and accurate.

Seller

Patterson PK Land Partnership, LTD.

By: Patterson PK Land Management GP, LLC, General Partner



By: \_\_\_\_\_  
Michael H. Patterson, Manager

June 1, 2009  
Date

Agent NA \_\_\_\_\_

Date \_\_\_\_\_

Purchaser \_\_\_\_\_

Date \_\_\_\_\_

Purchaser \_\_\_\_\_

Date \_\_\_\_\_

Purchaser \_\_\_\_\_

Date \_\_\_\_\_

Purchaser \_\_\_\_\_

Date \_\_\_\_\_

## EXHIBIT D

### **PROTECT YOUR FAMILY FROM LEAD IN YOUR HOME**

#### **\*Simple Steps To Protect Your Family From Lead Hazards\***

If you think your home has high levels of lead:

- Get your young children tested for lead, even if they seem healthy.
- Wash children's hands, bottles, pacifiers, and toys often.
- Make sure children eat healthy, low-fat foods.
- Get your home checked for lead hazards.
- Regularly clean floors, window sills, and other surfaces.
- Wipe soil off shoes before entering house.
- Talk to your landlord about fixing surfaces with peeling or chipping paint.
- Take precautions to avoid exposure to lead dust when remodeling or renovating (call 1-800-424-LEAD for guidelines).
- Don't use a belt-sander, propane torch, dry scraper, or dry sandpaper on painted surfaces that may contain lead.
- Don't try to remove lead-based paint yourself.

#### **ARE YOU PLANNING TO BUY, RENT, OR RENOVATE A HOME BUILT BEFORE 1978?**

Many houses and apartments built before 1978 have paint that contains lead (called lead-based paint). Lead from paint, chips, and dust can pose serious health hazards if not taken care of properly. By 1996, federal law will require that individuals receive certain information before renting, buying, or renovating pre-1978 housing:

**LANDLORDS** will have to disclose known information on lead-based paint hazards before leases take effect. Leases will include a federal form about lead-based paint.

**SELLERS** will have to disclose known information on lead-based paint hazards before selling a house. Sales contracts will include a federal form about lead-based paint in the building. Buyers will have up to 10 days to check for lead hazards.

**RENOVATORS** will have to give you this pamphlet before starting work.

If you want more information on these requirements, call the National Lead Information Clearinghouse at 1-800-424-LEAD.

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not necessarily provide complete protection in all situations or against all health hazards that can be caused by lead exposure.

## IMPORTANT!

**\*Lead From Paint, Dust, and Soil Can Be Dangerous If Not Managed Properly\***

FACT: Lead exposure can harm young children and babies even before they are born.

FACT: Even children that seem healthy can have high levels of lead in their bodies.

FACT: People can get lead in their bodies by breathing or swallowing lead dust, or by eating soil or paint chips with lead in them.

FACT: People have many options for reducing lead hazards. In most cases, lead-based paint that is in good condition is not a hazard.

FACT: Removing lead-based paint improperly can increase the danger to your family.

If you think your home might have lead hazards, read this pamphlet to learn some simple steps to protect your family.

## LEAD GETS IN THE BODY IN MANY WAYS

**\*1 out of every 11 children in the United States has dangerous levels of lead in the bloodstream.\***

**\*Even children who appear healthy can have dangerous levels of lead.\***

People can get lead in their body if they:

- Put their hands or other objects covered with lead dust in their mouths.
- Eat paint chips or soil that contain lead.
- Breathe in lead dust (especially during renovations that disturb painted surfaces).

Lead is even more dangerous to children than adults because:

- Babies and young children often put their hands and other objects in their mouths. These objects can have lead dust on them.
- Children's growing bodies absorb more lead.
- Children's brains and nervous systems are more sensitive to the damaging effects of lead.

## Lead's Effects

If not detected early, children with high levels of lead in their bodies can suffer from:

- Damage to the brain and nervous system
- Behavior and learning problems (such as hyperactivity)
- Slowed growth
- Hearing problems

- Headaches

Lead is also harmful to adults. Adults can suffer from:

- Difficulties during pregnancy
- Other reproductive problems (in both men and women)
- High blood pressure
- Digestive problems
- Nerve disorders
- Memory and concentration problems
- Muscle and joint pain

\*Lead affects the body in many ways.\*

#### CHECKING YOUR FAMILY FOR LEAD

\*Get your children tested if you think your home has high levels of lead.\*

A simple blood test can detect high levels of lead. Blood tests are important for:

- Children who are 6 months to 1 year old (6 months if you live in an older home that might have lead in the paint).
- Family members that you think might have high levels of lead.

If your child is older than 1 year, talk to your doctor about whether your child needs testing.

Your doctor or health center can do blood tests. They are inexpensive and sometimes free. Your doctor will explain what the test results mean. Treatment can range from changes in your diet to medication or a hospital stay.

#### WHERE LEAD-BASED PAINT IS FOUND

\*In general, the older your home, the more likely it has lead-based paint.\*

Many homes built before 1978 have lead-based paint. In 1978, the federal government banned lead-based paint from housing. Lead can be found:

- In homes in the city, country, or suburbs.
- In apartments, single-family homes, and both private and public housing.
- Inside and outside of the house.
- In soil around a home. (Soil can pick up lead from exterior paint, or other sources such as past use of leaded gas in cars.)

#### WHERE LEAD IS LIKELY TO BE A HAZARD

\*Lead from paint chips, which you can see, and lead dust, which you can't always see, can both be serious hazards.\*

Lead-based paint that is in good condition is usually not a hazard.

Peeling, chipping, chalking, or cracking lead-based paint is a hazard and needs immediate attention.

Lead-based paint may also be a hazard when found on surfaces that children can chew or that get a lot of wear-and-tear. These areas include:

- Windows and window sills.
- Doors and door frames.
- Stairs, railings, and banisters.
- Porches and fences.

Lead dust can form when lead-based paint is dry scraped, dry sanded, or heated. Dust also forms when painted surfaces bump or rub together. Lead chips and dust can get on surfaces and objects that people touch. Settled lead dust can reenter the air when people vacuum, sweep, or walk through it.

Lead in soil can be a hazard when children play in bare soil or when people bring soil into the house on their shoes. Call your state agency (see below) to find out about soil testing for lead.

#### CHECKING YOUR HOME FOR LEAD HAZARDS

\*Just knowing that a home has lead-based paint may not tell you if there is a hazard.\*

You can get your home checked for lead hazards in one of two ways, or both:

- A paint inspection tells you the lead content of every painted surface in your home. It won't tell you whether the paint is a hazard or how you should deal with it.
- A risk assessment tells you if there are any sources of serious lead exposure (such as peeling paint and lead dust). It also tells you what actions to take to address these hazards.

Have qualified professionals do the work. The federal government is writing standards for inspectors and risk assessors. Some states might already have standards in place. Call your state agency for help with locating qualified professionals in your area (see below).

Trained professionals use a range of methods when checking your home, including:

- Visual inspection of paint condition and location.
- Lab tests of paint samples.
- Surface dust tests.
- A portable x-ray fluorescence machine.

Home test kits for lead are available, but the federal government is still testing their reliability. These tests should not be the only method used before doing renovations or to assure safety.

#### WHAT YOU CAN DO NOW TO PROTECT YOUR FAMILY

If you suspect that your house has lead hazards, you can take some immediate steps to reduce your family's risk:

- If you rent, notify your landlord of peeling or chipping paint.

- Clean up paint chips immediately.
- Clean floors, window frames, window sills, and other surfaces weekly. Use a mop or sponge with warm water and a general all-purpose cleaner or a cleaner made specifically for lead. REMEMBER: NEVER MIX AMMONIA AND BLEACH PRODUCTS TOGETHER SINCE THEY CAN FORM A DANGEROUS GAS.
- Thoroughly rinse sponges and mop heads after cleaning dirty or dusty areas.
- Wash children's hands often, especially before they eat and before nap time and bed time.
- Keep play areas clean. Wash bottles, pacifiers, toys, and stuffed animals regularly.
- Keep children from chewing window sills or other painted surfaces.
- Clean or remove shoes before entering your home to avoid tracking in lead from soil.
- Make sure children eat nutritious, low-fat meals high in iron and calcium, such as spinach and low-fat dairy products. Children with good diets absorb less lead.

#### HOW TO SIGNIFICANTLY REDUCE LEAD HAZARDS

\*Removing lead improperly can increase the hazard to your family by spreading even more lead dust around the house.\*

\*Always use a professional who is trained to remove lead hazards safely.\*

In addition to day-to-day cleaning and good nutrition:

- You can temporarily reduce lead hazards by taking actions like repairing damaged painted surfaces and planting grass to cover soil with high lead levels. These actions (called "interim controls") are not permanent solutions and will not eliminate all risks of exposure.
- To permanently remove lead hazards, you must hire a lead "abatement" contractor. Abatement (or permanent hazard elimination) methods include removing, sealing, or enclosing lead-based paint with special materials. Just painting over the hazard with regular paint is not enough.

Always hire a person with special training for correcting lead problems--someone who knows how to do this work safely and has the proper equipment to clean up thoroughly. If possible, hire a certified lead abatement contractor. Certified contractors will employ qualified workers and follow strict safety rules as set by their state or by the federal government.

Call your state agency (see below) for help with locating qualified contractors in your area and to see if financial assistance is available.

#### REMODELING OR RENOVATING A HOME WITH LEAD-BASED PAINT

\*If not conducted properly, certain types of renovations can release lead from paint and dust into the air.\*

Take precautions before you begin remodeling or renovations that disturb painted surfaces (such as scraping off paint or tearing out walls):

- Have the area tested for lead-based paint.



- Do not use a dry scraper, belt-sander, propane torch, or heat gun to remove lead-based paint. These actions create large amounts of lead dust and fumes. Lead dust can remain in your home long after the work is done.
- Temporarily move your family (especially children and pregnant women) out of the apartment or house until the work is done and the area is properly cleaned. If you can't move your family, at least completely seal off the work area.
- Follow other safety measures to reduce lead hazards. You can find out about other safety measures by calling 1-800-424-LEAD. Ask for the brochure "Reducing Lead Hazards When Remodeling Your Home." This brochure explains what to do before, during, and after renovations.

If you have already completed renovations or remodeling that could have released lead-based paint or dust, get your young children tested and follow the steps outlined above in this brochure.

#### OTHER SOURCES OF LEAD

\*While paint, dust, and soil are the most common lead hazards, other lead sources also exist.\*

- Drinking water. Your home might have plumbing with lead or lead solder. Call your local health department or water supplier to find out about testing your water. You cannot see, smell, or taste lead, and boiling your water will not get rid of lead. If you think your plumbing might have lead in it:
  - Use only cold water for drinking and cooking.
  - Run water for 15 to 30 seconds before drinking it, especially if you have not used your water for a few hours.
- The job. If you work with lead, you could bring it home on your hands or clothes. Shower and change clothes before coming home. Launder your clothes separately from the rest of your family's.
- Old painted toys and furniture.
- Food and liquids stored in lead crystal or lead-glazed pottery or porcelain.
- Lead smelters or other industries that release lead into the air.
- Hobbies that use lead, such as making pottery or stained glass, or refinishing furniture.
- Folk remedies that contain lead, such as "greta" and "azarcon" used to treat an upset stomach.

#### FOR MORE INFORMATION

The National Lead Information Center

Call 1-800-LEAD-FYI to learn how to protect children from lead poisoning.

For other information on lead hazards, call the center's clearinghouse at 1-800-424-LEAD. For the hearing impaired, call, TDD 1-800-526-5456 (FAX: 202-659-1192, Internet: EHC@CAIS.COM).

## EPA's Safe Drinking Water Hotline

Call 1-800-426-4791 for information about lead in drinking water.

## Consumer Product Safety Commission Hotline

To request information on lead in consumer products, or to report an unsafe consumer product or a product-related injury call 1-800-638-2772. (Internet: [info@cpsc.gov](mailto:info@cpsc.gov)). For the hearing impaired, call TDD 1-800-638-8270.

## STATE HEALTH AND ENVIRONMENTAL AGENCIES

Some cities and states have their own rules for lead-based paint activities. Check with your state agency (listed below) to see if state or local laws apply to you. Most state agencies can also provide information on finding a lead abatement firm in your area, and on possible sources of financial aid for reducing lead hazards.

State/Region	Phone Number
Alabama	(205) 242-5661
Alaska	(907) 465-5152
Arkansas	(501) 661-2534
Arizona	(602) 542-7307
California	(510) 450-2424
Colorado	(303) 692-3012
Connecticut	(203) 566-5808
Washington, DC	(202) 727-9850
Delaware	(302) 739-4735
Florida	(904) 488-3385
Georgia	(404) 657-6514
Hawaii	(808) 832-5860
Idaho	(208) 332-5544
Illinois	(800) 545-2200
Indiana	(317) 382-6662
Iowa	(800) 972-2026
Kansas	(913) 296-0189
Kentucky	(502) 564-2154
Louisiana	(504) 765-0219
Massachusetts	(800) 532-9571
Maryland	(410) 631-3859
Maine	(207) 287-4311
Michigan	(517) 335-8885
Minnesota	(612) 627-5498
Mississippi	(601) 960-7463
Missouri	(314) 526-4911
Montana	(406) 444-3671
Nebraska	(402) 471-2451
Nevada	(702) 687-6615
New Hampshire	(603) 271-4507
New Jersey	(609) 633-2043
New Mexico	(505) 841-8024

New York (800) 458-1158  
North Carolina (919) 715-3293  
North Dakota (701) 328-5188  
Ohio (614) 466-1450  
Oklahoma (405) 271-5220  
Oregon (503) 248-5240  
Pennsylvania (717) 782-2884  
Rhode Island (401) 277-3424  
South Carolina (803) 935-7945  
South Dakota (605) 773-3153  
Tennessee (615) 741-5683  
Texas (512) 834-6600  
Utah (801) 536-4000  
Vermont (802) 863-7231  
Virginia (800) 523-4019  
Washington (206) 753-2556  
West Virginia (304) 558-2981  
Wisconsin (608) 266-5885  
Wyoming (307) 777-7391

#### EPA REGIONAL OFFICES

Your Regional EPA Office can provide further information regarding regulations and lead protection programs.

#### EPA Regional Offices

Region 1 (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, Vermont)  
John F. Kennedy Federal Building  
One Congress Street  
Boston, MA 02203  
(617) 565-3420

Region 2 (New Jersey, New York, Puerto Rico, Virgin Islands) Building 5  
2890 Woodbridge Avenue  
Edison, NJ 08837-3679  
(908) 321-6671

Region 3 (Delaware, Washington DC, Maryland, Pennsylvania, Virginia, West Virginia)  
841 Chestnut Building  
Philadelphia, PA 19107  
(215) 597-9800

Region 4 (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee)  
61 Alabama St., SW  
Atlanta, GA 30303-3104  
(404) 562-8956

Region 5 (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin)  
77 West Jackson Boulevard

Chicago, IL 60604-3590  
(312) 886-6003

Region 6 (Arkansas, Louisiana, New Mexico, Oklahoma, Texas) First Interstate Bank Tower  
1445 Ross Avenue, 12th Floor, Suite 1200 Dallas, TX 75202-2733  
(214) 665-7244

Region 7 (Iowa, Kansas, Missouri, Nebraska) 726 Minnesota Avenue  
Kansas City, KS 66101  
(913) 551-7020

Region 8 (Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming)  
999 18th Street, Suite 500  
Denver, CO 80202-2405  
(303) 293-1603

Region 9 (Arizona, California, Hawaii, Nevada) 75 Hawthorne Street  
San Francisco, CA 94105  
(415) 744-1124

Region 10 (Idaho, Oregon, Washington, Alaska) 1200 Sixth Avenue  
Seattle, WA 98101  
(206) 553-1200

#### CPSC REGIONAL OFFICES

Eastern Regional Center  
6 World Trade Center  
Vesey Street, Room 350  
New York, NY 10048  
(212) 466-1612

Central Regional Center  
230 South Dearborn Street  
Room 2944  
Chicago, IL 60604-1601  
(312) 353-8260

Western Regional Center  
600 Harrison Street, Room 245  
San Francisco, CA 94107  
(415) 744-2966

### **EXHIBIT E**

#### **SUBDIVISION INFORMATION, INCLUDING RESALE CERTIFICATE FOR PROPERTY SUBJECT TO MANDATORY MEMBERSHIP IN A PROPERTY OWNERS' ASSOCIATION**

Name of Association: **PK Partnership Property Owner Association**

Pursuant to Texas Property Code Chapter 207 the following information is provided to Buyer:

(1) There is **no right of first refusal** or other restraint contained in the restrictions or restrictive covenants that restricts the owner's right to transfer the owner's property.

(2) The frequency and amount of any regular assessments are: **\$0 per year (but subject to change in the future)**

(3) There are **no** special assessments that are due.

(4) The total of all amounts due and unpaid to the property owners' association that are attributable to the owner's property= **\$0**

(5) **\$0** capital expenditures have been approved by the property owners' association for the property owners' association's current fiscal year.

(6) The amount of reserves for capital expenditures is **\$0**

(7) The property owners' association's current operating budget and balance sheet is:

2010 -2014 Proposed Operating Budget

1583 leases x \$0.00= \$0.00 Income

Net =\$0+/-

Current Balance Sheet

Assets=\$0

Liabilities=\$0

Net Worth=\$0

(8) The total of any unsatisfied judgments against the property owners' association= **\$0**

(9) There are no pending lawsuits in which the property owners' association is a defendant.

(10) There is no property and liability insurance coverage relating to any common areas and common facilities.

(11) There are no known violations of the restrictions applying to the subdivision or the bylaws or rules of the property owners' association.

(12) No notices have been received by the property owners' association from any governmental authority regarding health or housing code violations existing on the preparation date of these certificate relating to the owner's property or any common areas or common facilities owned or leased by the property owners' association.

(13) No administrative transfer fee is charged by the property owners' association for a change of ownership of property in the subdivision.

(14) The name, mailing address, and telephone number of the property owners' association's managing agent is:

Michael H. Patterson  
2310 West Interstate 20, Suite 100  
Arlington, Texas 76017  
Tel 817.461.5500  
Fax 817.856.6090  
[mike@ppdocs.com](mailto:mike@ppdocs.com)

(15) The restrictions will allow foreclosure of a property owners' association's lien on the owner's property for failure to pay assessments.

(16) Bylaws and rules for the property owner's association have not yet been created. Subject to the approval of Seller, a PK BRA lessee group shall prepare the Bylaws.

(17) The deed restrictions will be sent to Buyer when and if the property owner's association is ever created.

**NOTICE: This Subdivision Information may change from time to time.**



Exhibit K  
Survey Scope of Work

**EXHIBIT A  
SCOPE OF WORK**

**ARTICLE I. SUMMARY**

The Brazos River Authority ("BRA") in response to a Board of Directors resolution adopted October 2008 and subsequent Request for Bids is anticipating the sale of approximately 1,300+/- acres of land owned by the BRA and currently leased for residential and commercial purposes in the vicinity of Possum Kingdom Lake in Palo Pinto, Stephens and Young County ("Subject Property"). To facilitate the transaction, the BRA is entering into this Contract with AECOM Group ("Provider") to survey certain boundaries as required in the Request for Bids. The Scope of Services also includes Optional Phases to be completed only upon authorization by the BRA, and Phases and Tasks that are required to be completed by Patterson PK Land Partnership, Ltd. (the "Successful Bidder") prior to closing but are not part of this Scope of Work.

The property referred to throughout this Scope of Work to be surveyed under this Contract is graphically estimated in Exhibit A-1, attached hereto and incorporated herein for all purposes. Exhibit A-1 shall be referred to throughout this document as "BRA-PKL Survey Parcels" and consists of a series of maps labeled as follows: 1A, 1-1, 1-2, 1-3, 1-4, 1-5, The Ranch, 2-1, 2-2, 2-3, 3-1, 4-1, 4-2, 5-4, 6-1, 6-2, 6-3, 6-4, 6-5, 6-6, 8-1, 10-1, 10-2, 11-1, 11-2, NL-1, NL-2, NL-3, NL-4, NL-5, NL-6, NL-7, NL-8, NL-9, FERC Project Area Expansion Hike & Bike Trails Option, FERC Project Area Expansion State Park Option and FERC Project Area Expansion Maverick Resort Option.

Phases One and Two are required under the Request for Bids to be completed by the BRA and include the following Tasks:

Phase One

- Task One. Control Survey
- Task Two. Assimilation of Data

Phase Two

- Task Three. Survey of Leased Tracts, Landward and Side Boundaries (Residential)
- Task Four. 1,000 foot Contour Delineation
- Task Five. Survey of Leased Tracts (Commercial)
- Task Six. Survey of easement and Right of Way of Survey Measurement Station
- Task Seven. Survey of FERC boundary line on Leased Tracts

Phase Three consists of the following Optional Task to be completed only upon authorization by the BRA:

Phase Three

- Task Eight. Survey of FERC Mitigation Areas



Phase Four consists of the following additional Tasks that must be completed prior to closing; provided, however, these Tasks are not a part of this Scope of Work and must be completed by the Successful Bidder. *Note: Provider may not be the selected surveyor for these tasks:*

Phase IV

Task Nine. Roadways

Task Ten. Undeveloped Strips

Task Eleven. Encroachments into FERC Project Area and within the 50 foot setback, if applicable, and preparation of map to be submitted to FERC identifying such encroachments

Surveys associated with Tasks One, Four, Seven, and Eight, shall at a minimum comply with GIS data requirements for geo-referencing as described in "Managing Hydropower Project Exhibits – Guidance Document," prepared by the Federal Energy Regulatory Commission (FERC) dated August 2008.

## ARTICLE II. SCOPE OF SERVICES

### Section I. Phase I

**1.1. Task One – Control Survey.** Provider will recover and measure the location of existing survey control monumentation to which the coordinate basis of all Brazos River BRA PKL property is related as follows:

i. BRA will provide existing description of monuments, to the extent available, including the Brazos River Authority Morris Sheppard Dam 2008 Survey.

ii. Provider will convert the current datum(s) (if necessary) currently in use and develop a new "BRA-PKL Datum". Legacy datums of NAD27 (horizontal) and NGVD29 (vertical) or a local datum will be converted into current datums of NAD83 (horizontal) and NAVD88 (vertical). These coordinate bases are required for current Global Positioning Systems (GPS) as well as for BRA's Geographic Information System (GIS). All coordinates will be referenced to the Texas State Coordinate System North Central Zone 4202.

iii. The elevation of the "BRA-PKL Datum" will be based on the crest of the spillway gate elevation as it relates to existing survey control monuments utilized for the precision surveys for the Morris Sheppard Dam monitoring programs.

iv. Using recovered existing survey control, Provider will supplement, with GPS and conventional equipment, survey control throughout the Possum Kingdom Lake area where needed. Provider will establish "Master Control" monuments as required for the newly developed "BRA-PKL Datum". At a minimum, 20 "Master Control" monuments will be established throughout this

project area. All horizontal and vertical control surveys will be performed using procedures and positional tolerance results meeting or exceeding the requirements for a Category 7, Condition II, Horizontal Control Survey and/or Category 8, Condition II, Vertical Control Survey as described in the Manual of Practice for Land Surveying in the State of Texas, 2006 Revised Eleventh Edition, prepared by the Texas Society of Professional Land Surveyors (TSPS).

v. Deliverables to be furnished by Provider will include five (5) hard copies and an electronic format (WORD) version of a manual that describes the "Master Control" monuments set and a narrative of the procedures followed in the development of the new BRA-PKL Datum.

vi. "Master Control" monuments will be set at BRA approved locations throughout the PKL area, on BRA property to be retained after sale of the Subject Property, readily accessible and shall be of sufficient size, diameter or depth to be definitive, stable and permanent in nature, and readily identified as a survey marker.

## **1.2. Task Two – Assimilation of Data**

i. Provider will collect and assimilate available information of BRA holdings at Possum Kingdom Lake.

ii. BRA will provide hard copies of the following property and parcel maps, to the extent such information is available; provided, however, Provider understands that BRA's information may be incomplete:

a. BRA map titled "Possum Kingdom Reservoir Property Map" and available deeds for BRA owned property in BRA files.

b. BRA map for leased tracts titled "A Map of Brazos River Authority Leased Land at Possum Kingdom Lake".

c. The following FERC maps; Exhibit "K" dated March 1981 and a Map submitted to FERC dated November 1977.

d. The following TxDOT ROW dedications and/or ROW maps on State and Farm to Ranch/Market Roads as described in BRA files:

F.M. 1148 – Deed

F.M. 1148 – Easement

F.M. 1148 – ROW

F.M. 2353 from Hwy 16 to Park Road 36 – Deed

F.M. 2951 from Park Road 36 to Sandy Beach

Hwy 67 – Easement

Park Road 36 - Deed

iii. BRA will provide legal (metes and bounds) descriptions of leased tracts, as such are contained within each leased tract folder maintained by the BRA, to the extent such legal descriptions are available.

iv. BRA will provide in electronic format the following spatial data to the project:

- Aerial imagery
- FERC project area boundary (polygon)
- Interpolated 1000' contour (from TWDB derived from digital elevation models)
- BRA monuments (points)
- BRA property boundary (from TVA Land Use Master Plan study)
- Lake polygon

v. Provider will compile existing land record information.

a. Using information provided by BRA and additional information obtained from available sources, Provider will compile a deed compilation drawing in electronic format using computer aided drafting software (AutoCAD Version 2007) compatible with BRA spatial databases.

vi. Utilizing the information assembled and with BRA's assistance, Provider will prepare Right of Entry letters for distribution.

vii. Provider will prepare notices to local media outlets and homeowner's associations, approved and distributed by BRA.

viii. Data supplied by BRA in this Task shall be used in performing the remaining Tasks.

## **Section II. Phase II**

BRA will provide written authorization to the Provider prior to commencing any of the following individual tasks:

### **2.1. Task Three - Parcel Boundaries Adjacent to Residential Leased Tracts.**

Provider will locate perimeter boundary corners and/or the rear lease lines of leased tracts (as necessary) to determine rear and/or side perimeter boundary lines of those approximately 176 blocks of residential leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attached hereto as Exhibit A-1 and made a part hereof. All property surveys will meet or exceed requirements of a TSPS Category 1B, Condition II, Standard Land Survey. Using the information provided by BRA in Task Two, including the map of Brazos River Authority Leased Land at Possum Kingdom Lake and legal descriptions of leased tracts (which collectively describe the perimeter boundaries of

each block of leased lots), Provider will:

- i. Recover and measure the location of existing property monumentation that defines the perimeter boundaries and limits of the existing blocks of leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attachment.
- ii. Field locate improvements including but not limited to fences, houses, decking, walkways, utilities, etc., that encroach the perimeter boundaries of the blocks of leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attachment. Only improvements that encroach upon block property lines will be surveyed.
- iii. Monument the rear corners and the side lines of blocks of leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attachment. Provider will set 5/8 inch x 3 foot rebar with plastic caps or suitable type monumentation to sufficiently delineate the rear or side lines.
- iv. For roads which pass through, or which are contained wholly within, blocks of leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attachment, Provider will only denote the entrance and exit along the block perimeters and will not prepare separate documents.
- v. Depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task.

**2.2. Task Four – 1,000 Foot Delineation.** Provider will field locate the 1,000 foot contour line based on the "BRA-PKL Datum" defined in Phase I adjacent to blocks of leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attachment. The 1,000 foot contour line is a meander line that changes over time due to natural forces, such as accretion and erosion. Therefore, the 1,000 foot contour line will increase or decrease over time as the 1,000 foot contour line changes.

- i. Provider will perform a topographic survey of sufficient density to generate the current 1,000 foot contour line (Top of Conservation Pool Elevation) adjacent to the Subject Property. Topographic survey will meet or exceed requirements established for a TSPS Category 6, Condition II, Topographic Survey.
- ii. Parcel plats and legal descriptions (metes and bounds) for each of the blocks of leased lots as graphically estimated on the "BRA-PKL Survey Parcels" attachment will depict the areas defined by the rear lease lines, side perimeter boundary lines (as set forth in Phase II-Task Three above) plus any undeveloped strips (pursuant to Phase IV-Task Ten) to become a part of the applicable block of leased lots, as determined by BRA, and either: a) the 1,000 foot contour line defined in Phase II – Task Four; or b) the 25 foot or 50 foot FERC boundary line defined in Phase II – Task Seven, with option a) or b) being directed by BRA. Angle points will be established along the 1000 foot contour line and/or the 25

foot or 50 foot FERC boundary line of sufficient interval to establish an accurate metes and bounds of the adjacent parcel and for purposes of calculating the area of the adjacent parcel. This interval shall not exceed 100 feet in areas where the contour line is heavily curvilinear. Straighter contour lines may allow for larger intervals to be established between angle points while still maintaining accurate metes and bounds and area calculation of adjacent parcels.

iii. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task.

**2.3. Task Five – Commercial Blocks.** Provider will locate perimeter boundary corners for Commercial Leased Tracts as graphically estimated on the "BRA-PKL Survey Parcels" attachment.

i. Provider will field locate improvements consisting of but not limited to fences, houses, decking, walkways, utilities, etc., that encroach the perimeter boundaries of the Commercial Leased Tracts. Only improvements that encroach property lines will be surveyed.

ii. All property surveys will meet or exceed requirements of a TSPS Category 1B, Condition II, Standard Land Survey.

iii. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task.

**2.4. Task Six – Survey Measurement Station ("SMS").** Provider will field locate the existing BRA survey measurement station and provide a boundary description (metes and bounds) for an easement and right of way for the operation of and access and right-of-way to the "SMS" in a location to be designated by BRA. The easement and right of way will be surveyed and depicted in both hard copy (prints) and electronic (CAD drafting) format and will meet or exceed requirements of a TSPS Category 1B, Condition II, Standard Land Survey.

**2.5. Task Seven – FERC Project Boundary Line.** Provider will locate the Federal Energy Regulatory Commission (FERC) 25 or 50 foot project boundary line as determined by the May 17th, 1981 Map and the May 15, 1980 Order Amending License.

i. The 25 foot or 50 foot FERC project boundary line will be located and measured from the 1,000 foot contour line as established in Task Four and as graphically estimated on the "BRA-PKL Survey Parcels" attachment.

ii. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the 25 foot or 50 foot FERC project area boundary line. Parcel plats and legal descriptions (metes and bounds) for the FERC project area within the blocks of leased lots will depict the areas defined by the 1,000 foot contour line defined in Phase II-Task Four, the 25 foot or 50 foot boundary line as defined in this Phase III-Task Seven, and the connecting side perimeter boundary lines.

iii. The 25 foot or 50 foot FERC project boundary line is a meander line that changes over time as the 1,000 foot contour line changes due to natural forces, such as accretion and erosion. Therefore, the 25 foot or 50 foot FERC project boundary line will move over time as the 1,000 foot contour line changes.

### **Section III. Phase III**

The Task which is part of Phase III is optional, and shall be commenced, if at all, at the option of BRA. Prior to Provider commencing this Task, the Provider must receive written authorization from BRA:

**3.1. Task Eight – FERC Mitigation Areas.** Provider will locate FERC Mitigation Areas as graphically estimated on the "BRA-PKL Survey Parcels" attachment.

- i. Provider shall at a minimum comply with GIS data requirements for georeferencing as described in "Managing Hydropower Project Exhibits – Guidance Document," prepared by the Federal Energy Regulatory Commission (FERC) dated August 2008. No boundary survey will be performed. Only office work will be performed to meet GIS FERC Relicensing requirements.
- ii. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task.

### **Section IV. Phase IV**

The following Tasks are the responsibility of the Successful Bidder and shall not be part of this Scope of Work. The Successful Bidder shall be responsible for entering into a separate agreement with Provider (or another surveyor, at the discretion of the Successful Bidder) for the Tasks set forth in this Section IV, and Successful Bidder shall be responsible for paying any and all costs associated with such Tasks. In the event the Successful Bidder elects to use a surveyor other than Provider, Provider agrees to cooperate with the surveyor chosen by Successful Bidder to perform the Tasks set forth in Phase IV, and any other tasks related to the property. Provider acknowledges that such surveyor will be required to utilize the boundary lines established by Provider pursuant to this Scope of Work to complete the Phase IV Tasks, and Provider agrees to provide reasonably required information as may be needed to permit surveyor to utilize such boundary lines. **These Tasks are provided for information purposes only.**

**4.1. Task Nine – Roadways.** Provider will work with BRA to locate approximately 49 miles of BRA maintained roadways.

- i. Provider will horizontally field locate the centerline and approximate width of existing roadways that provide access from State/County and BRA owned rights-of-way to Subject Property as graphically estimated on the "BRA-PKL Survey Parcels" attachment.
- ii. Provider will review field location of existing roadways with BRA staff.

a. Using the new surveyed locations, Provider will assist BRA and Successful Bidder in determining the geometrical configuration and widths of Access/Rights of Way.

b. Geometrical configuration and widths may be determined by municipal/county guidelines or physical limitations. BRA staff will advise Provider on municipal or county guidelines and/or regulations concerning roadway geometry, widths, etc.

iii. Provider will prepare parcel plats and legal descriptions (metes and bounds) for right of way documents from BRA's configuration and width requirements (estimated to be 25 separate parcels).

a. For roads on BRA lands that are not within a FERC area, the Provider will prepare separate descriptions for fee simple conveyance documents.

b. For roads on BRA lands that are within a FERC area, the Provider will prepare separate descriptions for Access/Rights of Way documents.

iv. Descriptions for non-BRA roads (City, County or State) are not a part of this Scope of Work.

v. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task.

**4.2. Task Ten – Undeveloped Strips.** Upon the completion of Task Three and Task Nine, Provider will provide preliminary sketches of the Undeveloped Strips of land as graphically estimated on the "BRA-PKL Survey Parcels" attachment located adjacent to the blocks developed from Task Three and the surveyed roadways from Task Nine.

i. Upon receipt of preliminary sketches, the BRA, at its sole discretion, will direct Successful Bidder and Provider to incorporate certain Undeveloped Strips into the boundaries of either the blocks of Leased lots, as defined in Task Three or the Roadways, as defined in Task Nine.

ii. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task.

**4.3. Task Eleven – Encroachments into the FERC Project Area.** Provider will field locate improvements, including but not limited to houses, decking, walkways, utilities, etc. that encroach into the 25 or 50 foot FERC project area boundary line as established in Task Seven and within the 50 foot setback, if applicable.

i. Provider will prepare exhibit maps for submission to FERC of encroachments identified in this task which are located adjacent to individual

leased tracts and within the 25 or 50 foot FERC area as surveyed and defined in Task Four and Task Seven.

ii. Provider will depict in both hard copy (prints) and electronic (CAD drafting) format the results obtained in this Task. Deliverables shall include two (2) hard copies of 24 inch X 36 inch bond parcel plat drawing of each Block area(s) with encroachments within FERC areas and will be generated using computer aided drafting software (AutoCAD Version 2007) compatible with BRA GIS.

### **ARTICLE III. SCHEDULE**

**Section I. General Scheduling Requirements.** Each Task shall be completed within the timeframe established for such Task in the schedules below, such timeframes commencing for each individual Task upon receipt by Provider of the following from BRA: 1) written authorization to begin the specific Task, and 2) all information to be supplied by Authority under Sections 1.1 and 1.2 of this Scope of Work required by Provider to perform such Task. BRA may, at its option, provide such written authorization and BRA supplied information all at one time, in which case, all schedules shall commence simultaneously and all work under this Contract shall be completed in no more than nine (9) months (this does not include Phase III which Authority may authorize at a later date and which shall be subject to its separate schedule as set forth below). In any event, all work under this Contract, excepting Phase III optional tasks, shall be completed within nine (9) months from the date all authorizations to commence and all information to be supplied by BRA under Sections 1.1 and 1.2 of this Scope of Work have been received by Provider.

**Section II. Phase I Schedule.** Phase I shall be completed in accordance with the following Schedule:

**2.1. Task One.** Three (3) months to complete.

**2.2. Task Two.** Four (4) months to complete.

**Section III. Phase II Schedule.** Phase II shall be completed in accordance with the following Schedule:

**3.1. Task Three.** Nine (9) months to complete.

**3.2. Task Four.** Nine (9) months to complete.

**3.3. Task Five.** Six (6) months to complete.

**3.4. Task Six.** Five (5) months to complete.

**3.5. Task Seven.** Nine (9) months to complete.



**Section IV. Phase III Schedule.** Phase III shall be completed in accordance with the following Schedule – Note: Phase III Tasks shall only commence upon written authorization by BRA:

**4.1. Task Eight** Twelve (12) months to complete.

#### **ARTICLE IV. DELIVERABLES**

**Section I. Deliverables.** Deliverables associated with Tasks Three through Twelve to be furnished by the Provider include:

**1.1.** Five (5) hard copies of 8½ inch X 11 inch bond metes and bounds description along with 8½ inch X 11 inch, 11 inch X 17 inch, and/or 24 inch X 36 inch bond parcel plat drawing of each Task, both signed and sealed, by the responsible Texas Registered Professional Land Surveyor (RPLS).

**1.2.** Five (5) copies of CD/DVD of all of the above in electronic format (AutoCAD V2007, Word, jpg, etc.). All of the above will be compiled into three ring binders, organized and indexed appropriately and will also include the following items:

- i.** Copies of all field notes.
- ii.** Copies of all recorded instruments, maps, and information.
- iii.** Provider will provide, in electronic format, relevant spatial data to the project

**1.3.** Recovery sketches for all new and existing horizontal and vertical control monuments.



## Schedule I

### Public Use and Recreation Areas and Authority Access Roads

The drives and roads located within the Public Use Areas or otherwise described below and as depicted on the attached exhibits are not being conveyed to Purchaser and are not part of the "Roads" defined in the Contract:

#### Bug Beach, Sandy Beach (See Schedule I-1, attached)

1. PUA No. 5 – Bug Beach
2. PUA No. 6 – Sandy Beach
3. Bug Beach Road (provides access to PUA No. 5 and to access road leading to oil company facility)

#### North D&D, South D&D (See Schedule I-2, attached)

4. PUA No. 4N – North D&D
5. PUA No. 4S – South D&D
6. TV Tower Road (provides access to Water Supply Corporation and Johnson Peak, including commercial leased lots at Johnson Peak, which commercial leased lots are not part of Commercial Leased Land)
7. Water Access Road (located north of FM 2951; provides access to Lake; area not yet developed)

#### Observation Point, River Park, RSMU Road (See Schedule I-3, attached)

8. PUA No. 9 – Observation Point
9. PUA No. 10 – River Park
10. Boat Road, Brazos Drive, East Camp, Observation Point Road, and Pasture Road (provide access to PUA No. 9 and/or Authority facilities)
11. Red Bluff Road (provides access to PUA No. 10 and Lake)
12. RSMU Road (provides access to Morris Sheppard Dam)

#### Public Boat Ramp (See Schedule I-4, attached)

13. PUA No. 3 – Public Ramp
14. Low Water Road (provides access to Low Water Ramp)

Scenic Cove, Downtown Park (See Schedule I-5, attached)

15. PUA No. 1 – Scenic Cove
16. PUA No. 2 – Downtown Park
17. Scenic Point Road (provides access to PUA No. 1)
18. Scenic Cove Park (provides access to PUA No. 1)
19. Trail Head Road (provides access to PK Trailhead parking lot)
20. Portion of Crenshaw Road (provides access to Lake Ranger Boat House)

WCBP, Pump Station (See Schedule I-6, attached)

21. Pump Station Road (provides access to pipeline, Pump Station, and an access road to Residential Leased Land)





Westside Park, Caudle Station (See Schedule I-7, attached)

22. PUA No. 8 – Westside Park
23. Drive to Caudle Station (provides ingress/egress to Caudle Station)

# Bug Beach, Sandy Beach



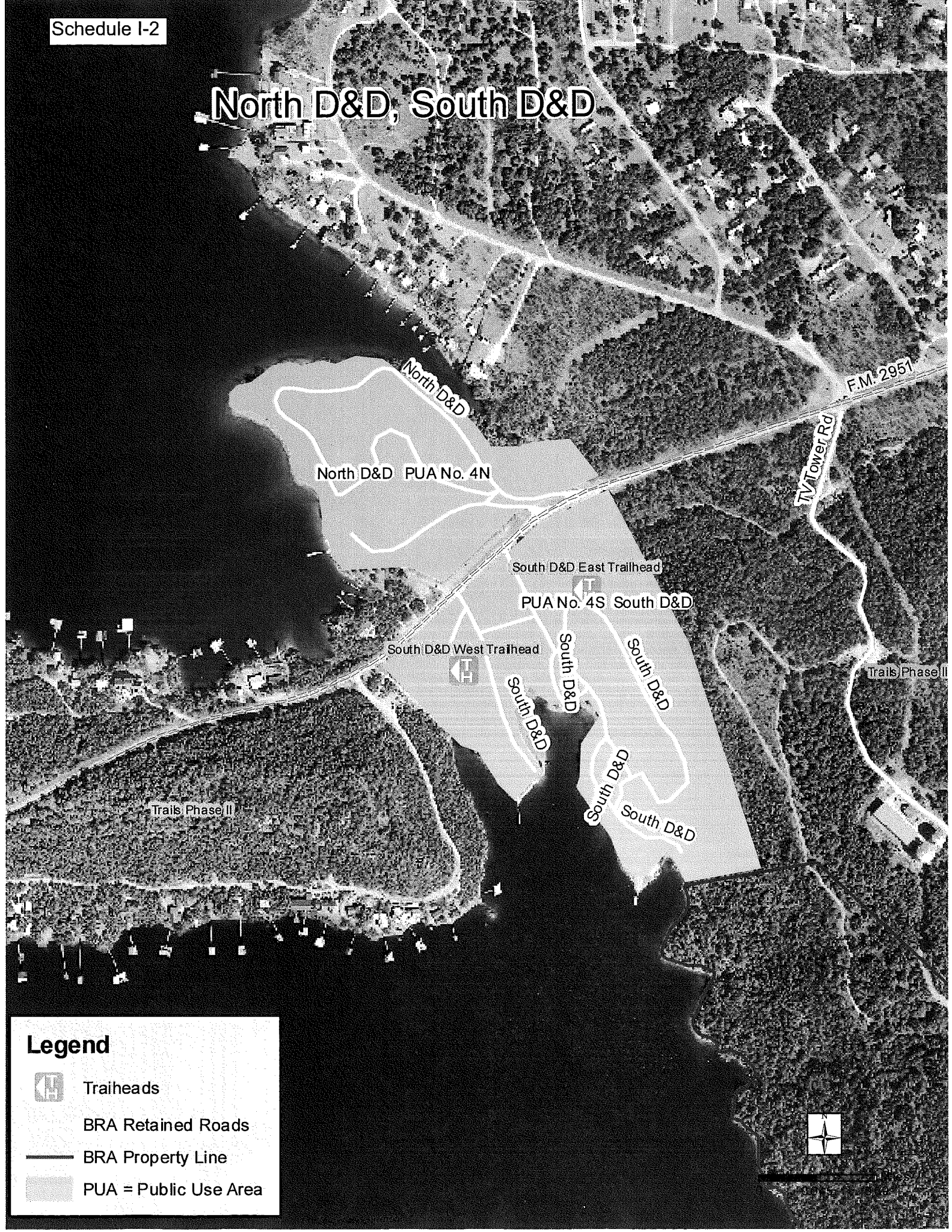
## Legend

-  Trailheads
-  BRA Retained Roads
-  BRA Property Line
-  PUA = Public Use Area



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# North D&D, South D&D



## Legend



Trailheads

BRA Retained Roads

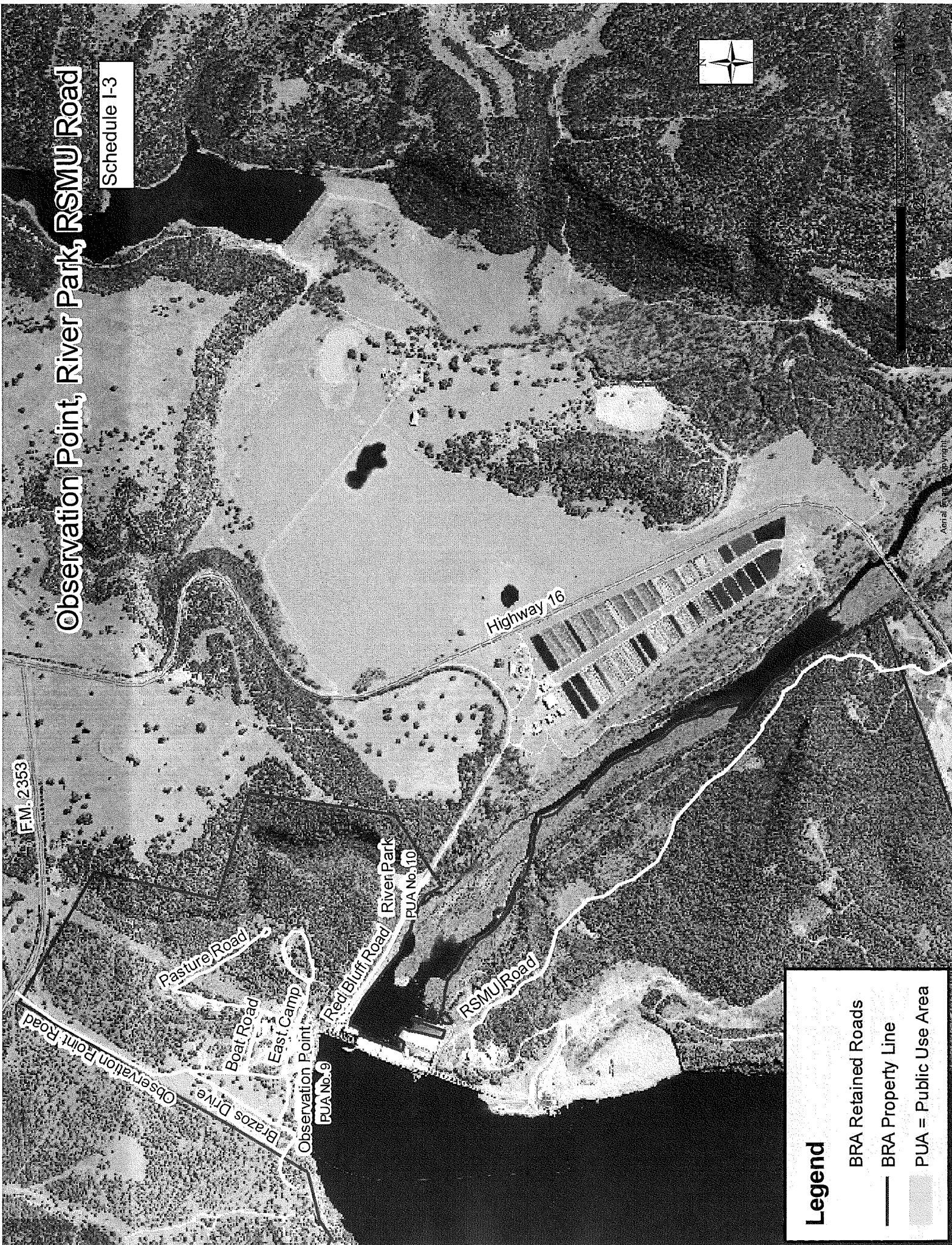
BRA Property Line

PUA = Public Use Area



# Observation Point, River Park, RSMU Road

Schedule I-3

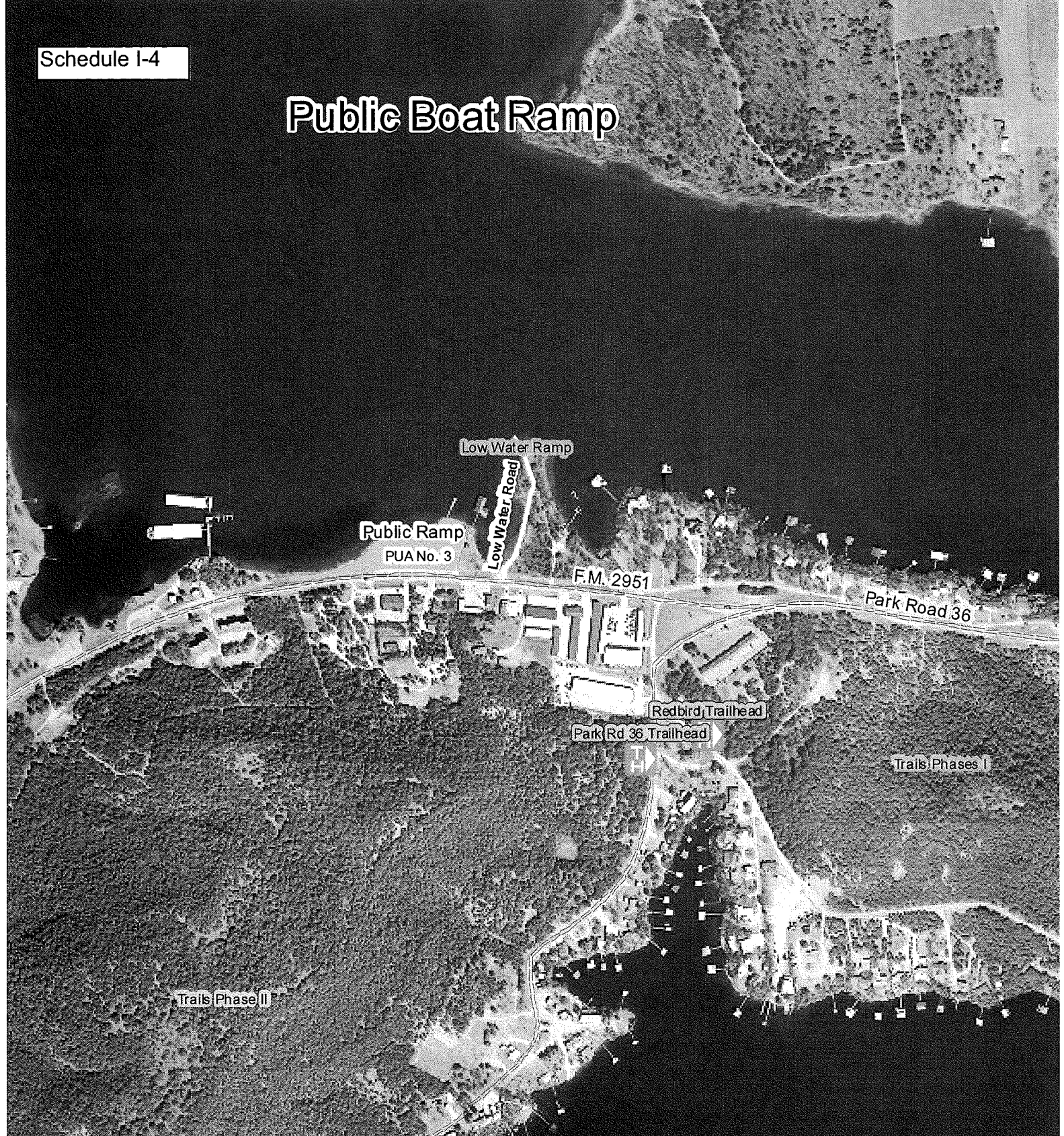


F.M. 2353

**Legend**

- BRA Retained Roads
- BRA Property Line
- PUA = Public Use Area

# Public Boat Ramp



## Legend



Trailheads

BRA Retained Roads



BRA Property Line



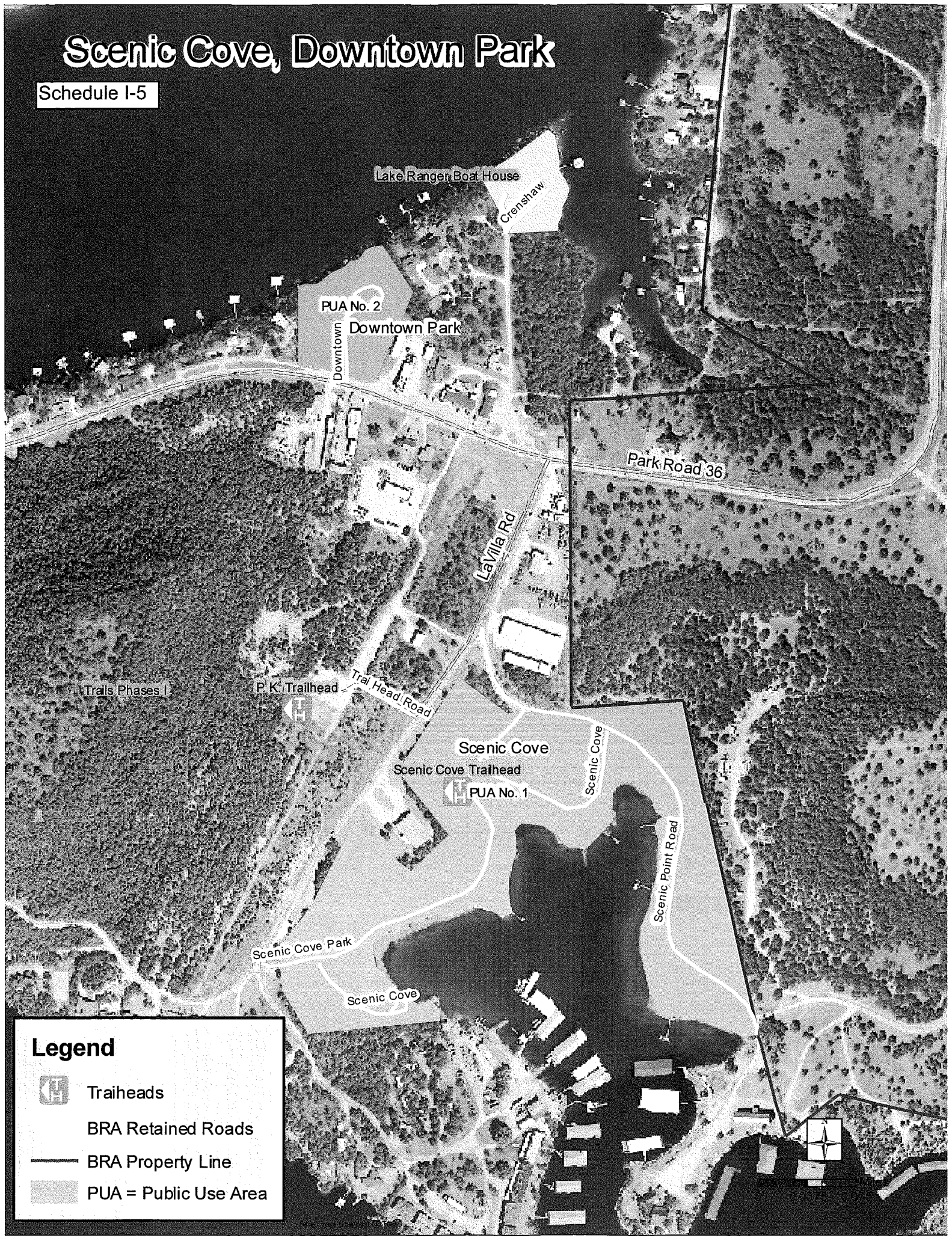
PUA = Public Use Area





# Scenic Cove, Downtown Park

Schedule I-5



Lake Ranger Boat House

Greshaw

PUA No. 2

Downtown

Downtown

Park Road 36

LaVilla Rd

Trails Phases I

P.K. Trailhead

Trail Head Road

Scenic Cove

Scenic Cove Trailhead

PUA No. 1

Scenic Cove

Scenic Point Road

Scenic Cove Park

Scenic Cove

## Legend



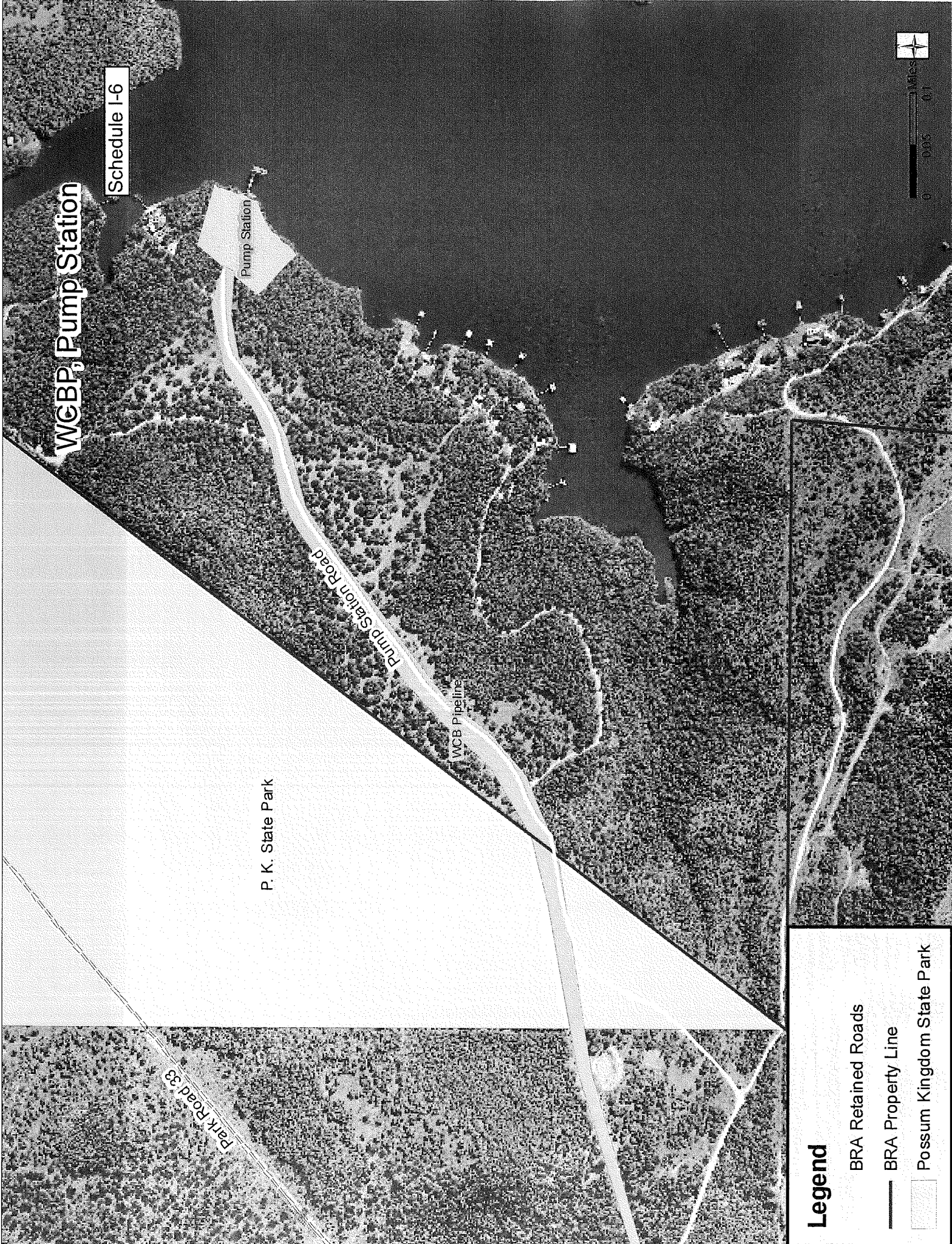
Trailheads

BRA Retained Roads

BRA Property Line

PUA = Public Use Area





WCBP, Pump Station

Schedule I-6

Pump Station

Pump Station Road

WCB Pipeline

P. K. State Park

Park Road 33

**Legend**

- BRA Retained Roads
- BRA Property Line
- ▭ Possum Kingdom State Park



Schedule 1-7

FM 1148

# Westside Park, Caudle Station

Westside Park  
PUA No. 8  
Kaden's Trailhead

Westside Park



**Legend**

- Trailheads
- BRA Retained Roads
- BRA Property Line
- PUA = Public Use Area

Caudle Station

