

All PK BRA Lessees,

The Master Survey for the leased land at Possum Kingdom is almost complete. After final completion of the Master Survey, BRA will provide notice to each PK BRA Lessee that has improvements encroaching into the FERC Buffer or FERC Project Area ("Encroachments").

If the Master Survey (or your individual Resale Survey) indicates any Encroachments, BRA will give you an opportunity to provide to BRA acceptable written documentation ("Evidence") that such encroachments, in their current size and location, are either Residential Encroachments, Seller Approved Encroachments, or Pre-1980 Encroachments (all as defined below).

Residential Encroachments include any enclosed, habitable, residential structures which have not been approved by BRA in writing and for which no evidence exists that such structure was in existence prior to May 15, 1980.

Seller Approved Encroachments include improvements which were not in existence prior to May 15, 1980, and were approved in writing by BRA, in their current location and size, pursuant to either a Property Use Agreement, construction application or other permit, but that have not been approved by FERC.

Pre-1980 Encroachments are those improvements which existed, in their current size and location, prior to the May 15, 1980 Amendment to the FERC License, and which were therefore approved by FERC under such Amendment.

It is important that you timely provide Evidence to BRA for several reasons. First, BRA intends to file an application with FERC (the "Encroachments Application") to request permission for the Residential Encroachments and Seller Approved Encroachments to remain in place. In addition, the Encroachments Application will include a list of the Pre-1980 Encroachments which, based on the Evidence provided by the Lessees, BRA believes were approved by FERC under the 1980 Amendment to the FERC License. If Evidence is not provided for a particular Encroachment, then BRA may treat the Encroachment as an Unapproved Encroachment. BRA intends to provide a list of all Unapproved Encroachments in the Encroachments Application but does not plan to advocate for approval for such Unapproved Encroachments to remain in place.

Second, if you have executed a resale purchase contract with me, it is important that you provide Evidence to BRA within 30 days of receiving notice from BRA of your Encroachments because the purchase contract requires you to place funds in escrow to ensure the removal or modification of all such Encroachments. For any Encroachments which BRA indicates will be treated as Pre-1980 Encroachments, I may (but will have no obligation to) waive such escrow requirement. Any such waiver of escrow does not relieve you of your responsibility to remove or modify such encroachments in the event FERC determines such encroachments are not Pre-1980 Encroachments.

To assist you in gathering such Evidence, a copy of your BRA lease file is available for your review on your personal page on the PPKLLP website. There may be correspondence, use agreements or other indications that the Encroachments existed prior to May 15, 1980 or of BRA "pre" or "post" approval of your Encroachments. Please review your BRA lease file so that you can timely provide to BRA evidence that such improvements are Pre-1980 Encroachments or otherwise approved in writing. Written evidence that may be deemed acceptable (in BRA's discretion) includes, without limit:

Surveys, dated photos, affidavits from a disinterested third party stating sufficient facts to show knowledge of the applicable improvement, dated construction documents, etc.

Please note that BRA's approval of Lease transfers or BRA renewing or entering into a new Lease does not constitute BRA's written approval of any Encroachments. Also, please be aware that to the extent

any of your Encroachments, including the Pre-1980 Encroachments, are not approved by FERC or BRA, such improvements are subject to removal (or modification). You will be responsible for causing the removal (or modification) of the applicable Encroachments to conform with FERC's requirements in its response to the Encroachments Application or as otherwise required by BRA.

Upon review of your BRA lease file and any personal documents you may have, please complete the attached FERC Encroachment Form, and submit the Form along with any Evidence regarding such Encroachments, to BRA at:

Brazos River Authority
PO Box 7555
Waco, TX 76714
Attn: Riley Woods

Upon review of your Evidence, BRA will complete its response to the FERC Encroachment Form as BRA deems appropriate based on the Evidence provided. BRA will then submit the Form to me for completion and I will post the completed Form on your personal page on my website. If there are multiple Encroachments on your property, please submit one form per Encroachment, unless all Encroachments can be reasonably identified in a single form.

If you have any questions, please contact Jarod Cox at: 817-784-2050.

Sincerely,

Mike

Mike Patterson

Patterson PK Land Partnership, LTD

Attachments:

- FERC Encroachment Form
- FERC Encroachment-Removal Escrow Agreement
- FERC Encroachment-Affidavit Regarding Pre-Existing Improvement

Property Address: _____

Leasehold Owner(s): _____
Lot/Tract ID: _____

FERC Encroachment Form

____ **1) Pre-1980 Encroachments:** I/We request the following encroachment(s) as shown on the Survey be treated as Pre-1980 Encroachment: _____

The following is/are attached as evidence of the existence of said improvement(s) before May 15, 1980:

- _____ Pictures
- _____ Survey by _____ dated _____
- _____ Third Party Affidavit Regarding Pre-1980 Improvements
- _____ Other: _____

BRA Response: Based on the evidence provided, BRA will treat the listed encroachment(s) as:
 _____ **Pre-1980**
 _____ **not Pre-1980** (will be treated as _____ Encroachments instead)

____ **2) Residential Encroachments:** The following encroachment(s) as shown on the Survey are enclosed, habitable, residential structures: _____

I/We have no evidence of approval for such structures or that such residential structure existed prior to 1980.

BRA Response: Based on the foregoing, BRA will treat such improvement(s) as:
 _____ Residential Encroachments
 _____ Other: _____

____ **3) Seller Approved Encroachments:** The following encroachments(s) as shown on the Survey were approved in writing by BRA, but there is no evidence that the following existed prior to 1980: _____

The following is/are attached to evidence BRA's approval of such improvement(s):

- _____ Property Use Agreement
- _____ Construction Permit or other similar permit
- _____ Construction Application
- _____ Correspondence from BRA
- _____ Other: _____

BRA Response: Based on the evidence provided, BRA will treat the listed improvement(s) as:
 _____ Seller Approved Encroachments
 _____ Other: _____

Note: Improvements shown on the survey and not referenced in 1, 2, or 3 above, or for which no evidence of approval or existence prior to 1980 was provided will be treated by BRA as Unapproved Encroachments.

Leasehold Owner

BRA Comments: _____

 By: _____ Date: _____
 Brazos River Authority

Patterson Comments: Escrow will be waived for the following improvements: _____

 Escrow will be required for all other encroachments shown on the Survey.
 By: _____ Date: _____
 Patterson PK Land Partnership, Ltd.

Property Address: _____

Leasehold Owner(s): _____

FERC Encroachment-Removal Escrow Agreement

Leaseholder Owner's Resale Contract ("Resale Contract") with Patterson PK Land Partnership, Ltd. ("PKLLP") provides:

If Buyer's Property has a FERC Project Area or FERC Buffer 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 3rd 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 3rd 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.

To further effectuate the provisions of the Resale Contract, the parties for mutual consideration and the benefits to be derived from this agreement ("Agreement"), agree to the following terms and conditions:

1. Leasehold Owner has, with the execution of this Agreement, delivered to Escrow Agent named below the below sum to be disbursed in accordance with attached contract for FERC Curative Work ("FERC Curative Work Contract") or as otherwise set forth herein.
2. Escrow Agent, by its execution of this Agreement, acknowledges the receipt of the funds into a non-interest bearing account.
3. Escrow Agent will only disburse the funds in accordance with PKLLP or Brazos River Authority ("Authority") written direction.
4. Escrow Agent will serve in this capacity without fee, commission, charge or any other compensation related to the performance of its duties, responsibilities and obligations under this Agreement. Escrow Agent is not liable for any error of judgment or for any act done or omitted in good faith, or for anything which it may in good faith do or refrain from doing in connection with this Agreement. Escrow Agent is authorized to act on any document believed by Escrow Agent to be genuine and signed by the proper party or parties, and will incur no liability for acting on the document or request for disbursement and will be held harmless from all loss, damage or expense incurred in connection with its compliance in good faith with this Agreement.
5. In the event the Authority notifies Escrow Agent in writing that FERC or the Authority has consented to Leasehold Owner's encroachments remaining in place and copies PKLLP on such notice, then Escrow Agent may release the escrowed funds to Leasehold Owner (or any portion thereof as specified in the notice). Leasehold Owner's only interest in the funds is to have them applied as provided in this Agreement.
6. Any attempted assignment by Leasehold Owner of its interest in the funds without the consent of PKLLP is void.
7. This Agreement may not be altered or modified except by written agreement between the PKLLP, Escrow Agent, or their successors and assigns and Leasehold Owner, and consented to by the Authority to the extent any such modification affects the Authority's rights hereunder.
8. The rights, duties and obligations under this Agreement and any interest in the funds may be assigned or transferred by Escrow Agent, PKLLP, the Authority or any of them at any time and without the consent of any other party.
9. It is understood that Escrow Agent, PKLLP and the Authority shall have no responsibility whatsoever to plan, initiate, inspect, or in any way be responsible for work or materials to be paid for from escrowed funds.

Leasehold Property Address: _____

Leasehold Owner(s): _____

FERC Encroachment-Affidavit Regarding Pre-1980 Improvements

STATE OF TEXAS §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, a Notary Public, on this day personally appeared _____, known to me to be a credible person, who, after being by me duly sworn, upon oath stated:

“My name is _____ and I am over the age of twenty one (21) years and of sound mind, not related to the Leasehold Owner(s) of the above referenced Property, do not have any interest or relationship to the above referenced Owner(s) and referenced Property and I have personal knowledge that the following statements are true and correct:

1. The following encroachments into the FERC Project Area or FERC Buffer existed prior to May 15, 1980: _____
_____.

The above referenced encroachment(s) are illustrated on the attached survey dated _____ prepared by _____.

2. My knowledge of the foregoing is based on the following: _____

_____.

3. Written or physical evidence (if any) that the above listed encroachments existed prior to May 15, 1980 is attached hereto, including: _____
_____.

Affiant

SUBSCRIBED AND SWORN TO BEFORE ME on this the _____ day of _____, 20_____, by the said _____.

Notary Public, State of Texas

Printed Name of Notary

My commission expires: _____