

AREA: \_\_\_\_\_  
TRACT: \_\_\_\_\_  
LOT: \_\_\_\_\_

**RESIDENTIAL GROUND LEASE**

(“Over 65” 20 Year Lease)

This Residential Ground Lease (“Lease”) is made and entered into on the \_\_\_\_ day of \_\_\_\_\_, 2010/2011 (“Execution Date”), by and between **PATTERSON PK LAND PARTNERSHIP, LTD.**, a Texas limited partnership (“Lessor”) and \_\_\_\_\_ (“Lessee”) to become effective on the 1<sup>st</sup> day of January 2011/2012 (“Effective Date”).

**RECITALS**

Subject to the terms, provisions and conditions of this Lease, and each in consideration of the duties, covenants and obligations of the other hereunder, Lessor does hereby lease unto Lessee and Lessee does hereby lease from Lessor the tract of land more particularly described on Exhibit “A” attached hereto (“Leased Premises”). The Leased Premises includes the area twenty-five feet (25’) horizontally from the edge of the Possum Kingdom Lake (“Lake”) at normal maximum surface elevation [i.e. the one thousand feet (1000’) above mean sea level contour] depicted on Exhibit “A” attached hereto (“Project Area”), which is subject to regulation by the Federal Energy Regulatory Commission (“FERC”), as more particularly described in Section 17.5 of this Lease.

\_\_\_\_ If this line is “X”ed this Lease is a renewal of a Cottage Site Lease originally executed after May 15, 1980 and the width of the Project Area is fifty feet (50’) from the edge of the Lake; and

**REPRESENTATIONS**

Lessee represents and warrants that at least one of the undersigned Lessees is over the age of 65 and receive an ad valorem tax exemption under Section 11.13, Tax Code, for a structure on the Leased Premises The Lessee received the ad valorem tax exemption for a structure on the Leased Premises on or before January 1, 2009.

**ARTICLE I**

**TERM**

**1.1 Term.** The term of this Lease is twenty (20) years and \_\_ month(s), commencing on the Effective Date and expiring at 11:59 p.m., CST, on December 31, 2030/2031 (“Term”), unless this Lease is sooner terminated or extended, as hereinafter provided.

**ARTICLE II**

**ANNUAL RENT**

**2.1 Annual Rent.** For each calendar year during the Term, Lessee agrees to pay in advance an

amount calculated in accordance with this Section (“**Annual Rent**”).

For the period beginning on the Effective Date and ending December 31, 2010/2011 (the prorated period), Lessee agrees to pay to Lessor as prorated Annual Rent the sum of \$\_\_\_\_\_, which shall be payable on the Execution Date. For the period beginning on January 1, 2011/2012 and ending December 31, 2030/2031, Lessee agrees to pay to Lessor Annual Rent as determined by the then current Brazos River Authority lease rate methodology, with annual Consumer Price Index increases or decreases which shall be payable annually in advance on or before January 1 of each calendar year. A copy of the current Brazos River Authority lease rate methodology is attached hereto as Exhibit “B”.

"Consumer Price Index" 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.

The Annual Rent shall be paid in lawful money of the United States of America, at such place or places as Lessor may from time to time designate. The obligations of Lessee hereunder shall be separate and independent covenants and agreements, and the Annual Rent, Additional Rent (defined below) and all other sums payable by Lessee hereunder shall continue to be payable in all events without deduction or offset.

**2.2 Late Fees and Finance Charges on Past Due Payment.** In the event that Lessee shall fail to pay any portion of Annual Rent, Additional Rent or other sums due on or before the day which is thirty (30) days after the day on which payment is due, there shall be finance charges added to such unpaid amount beginning with the date the invoice was due at an annual percentage rate of the lesser of ten (10%) or the highest rate allowed by applicable law until paid (“**Default Rate**”). In addition to the finance charges, there will be a twenty-five dollar (\$25) late fee added to the unpaid amount thirty (30) days after the date the installment was due. The late fee and finance charges will be added in order to compensate Lessor for the extra administrative expenses incurred in collecting delinquent accounts. The parties hereto stipulate and agree that Lessor will incur additional expenses in collecting any delinquent payments and the late charges provided for herein are intended to compensate Lessor for overhead and other expenses likely to be incurred in collecting delinquent accounts. The parties further stipulate and agree that the finance charges and late fees are not “interest” and it is not the intent of the parties to contract for, charge or receive interest in excess of the maximum lawful amount. If the finance charges, late fees or other payments charged under this Lease are finally interpreted by a court of law as interest collected or to be collected in excess of the maximum legal rate, then: (i) any such payments charged shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from Lessee which exceeded permitted limits will be refunded to Lessee.

### ARTICLE III

#### **DELIVERY OF THE LEASED PREMISES**

**3.1 “AS IS”, “WHERE IS”.** Except as otherwise expressly provided in this Lease, Lessee hereby accepts the Leased Premises from Lessor on an “**AS IS**”, “**WHERE IS**” basis with all faults. Lessee hereby accepts the Leased Premises as being in good and satisfactory condition and suitable for Lessee's intended purposes.

**3.2 Entire Agreement; No Representations or Warranties.** THIS LEASE CONTAINS THE ENTIRE AGREEMENT BETWEEN LESSOR AND LESSEE WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ANY AND ALL PRIOR AND CONTEMPORANEOUS AGREEMENTS, UNDERSTANDINGS, PROMISES AND REPRESENTATIONS MADE BY EITHER PARTY TO THE OTHER CONCERNING THE SUBJECT MATTER HEREOF AND THE TERMS APPLICABLE HERETO. AS A MATERIAL CONSIDERATION FOR THE EXECUTION OF THIS LEASE, THERE HAVE BEEN NO REPRESENTATIONS, UNDERSTANDINGS, STIPULATIONS, AGREEMENTS OR PROMISES PERTAINING TO THE LEASED PREMISES, IMPROVEMENTS (DEFINED BELOW) THEREON OR THIS LEASE NOT INCORPORATED IN WRITING HEREIN, AND THIS LEASE SHALL NOT BE ALTERED, WAIVED, AMENDED OR EXTENDED, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE PARTIES HERETO, UNLESS OTHERWISE EXPRESSLY PROVIDED HEREIN. LESSOR'S OBLIGATIONS ARE LIMITED TO THOSE EXPRESSLY SET FORTH IN THIS LEASE, AND SHALL NOT INCLUDE ANY IMPLIED OBLIGATIONS, DUTIES OR WARRANTIES, ALL OF WHICH ARE DISCLAIMED BY LESSOR AND WAIVED BY LESSEE. IN PARTICULAR, LESSOR DISCLAIMS, AND LESSEE WAIVES, ANY WARRANTY AS TO THE LEASED PREMISES' CONDITION (AND ALL IMPROVEMENTS THEREON), THE ACCURACY OF THE LEGAL DESCRIPTION SET FORTH ON EXHIBIT "A" ATTACHED HERETO, THE EXISTENCE OF ANY ENCROACHMENTS, MERCHANTABILITY, HABITABILITY AND SUITABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE. LESSEE ACKNOWLEDGES THAT LESSEE HAS HAD ADEQUATE OPPORTUNITIES TO INSPECT THE LEASED PREMISES, ALL IMPROVEMENTS THEREON AND ALL OTHER ASPECTS OF THE LEASED PREMISES WHICH ARE CONTAINED IN THIS DISCLAIMER OR OTHERWISE.

**3.3 Access to Leased Premises.** Access to and from the Leased Premises may be as follows:

- a. Connecting to a county road over an existing road owned by Lessor, or, in part, by right of way claimed by Lessor based on implied, estoppel or prescriptive rights which have not been adjudicated;
- b. Connecting to a county road over an existing road owned by third parties who have granted right of way to Lessor or Lessee and in some cases charge a periodic fee; or
- c. From the Lake only by water craft, and there is no access by land.

Lessor hereby grants to Lessee a nonexclusive easement and right of way while this Lease is in effect over and across the existing road owned by Lessor for access to and from the Leased Premises, but Lessor makes no representation or warranty as to Lessee's legal right of access to the Leased Premises over any part of the road under which Lessor is claiming right of way based on implied, estoppel or prescriptive rights.

## ARTICLE IV

### USE

**4.1 Permitted Uses.** The Leased Premises may be used and occupied by Lessee solely for a one-family, residence-type structure and related facilities for normal residential, non-commercial, recreational use and enjoyment. No construction will be permitted within the Project Area without the

Brazos River Authority's prior written approval and in some instances from the FERC. Lessee may not forbid the public from using the Project Area and the adjacent water areas of the Lake for passing through the Project Area or emergency use.

**4.2 Compliance with Laws.** Lessee shall, at Lessee's sole cost and expense, comply with any and all federal, state, county, municipal and Brazos River Authority laws, ordinances, orders, rules and regulations applicable to the Leased Premises and Lessee's use and occupancy thereof as may be adopted and amended from time to time, including, but not limited to: (i) Brazos River Authority's Shoreline Management Plan and Customer Guide; (ii) Regulations for Governance for Brazos River Authority Lakes and Associated Lands; (iii) any land use/master plan; (iv) any other rules and regulations adopted by ; and Brazos River Authority (v) the rules, regulations and orders of the FERC (collectively, "**Laws**").

**4.3 Alteration of Land.** Lessee shall not divert or alter the natural drainage of the terrain without the prior written consent of the Brazos River Authority. Furthermore, Lessee shall not cut, destroy, injure or otherwise disturb any trees, shrubbery or ground cover on the Leased Premises except for ordinary and necessary lawn and tree maintenance, without the prior written consent of the Brazos River Authority. Lessee shall take good care of the Leased Premises and, at the expiration or earlier termination of this Lease, shall return the Leased Premises to Lessor in substantially the same condition as when received, subject to removal or abandonment of any Improvements in accordance with Section 15.3 of this Lease. If an Event of Default occurs under this Paragraph, in addition to all other remedies available to Lessor, Lessor may exercise its right to enter on to the Leased Premises and cure the Event of Default at Lessee's cost as permitted under Subparagraph 12.2 b below.

**4.4 Prohibited Activities.** Lessee shall not conduct any activity on the Leased Premises or the Lake which in the opinion of Lessor in its reasonable discretion is improper, immoral, noxious, annoying, creates a nuisance or is otherwise objectionable or incompatible with the overall recreational, scenic and environmental uses of the Lake.

**4.5 Use of Lake Water.** Lessee shall not use water from the Lake for any purposes on the Leased Premises unless prior written approval is obtained from Lessor, and Lessee complies with all related rules and regulations established by Lessor from time to time.

**4.6 Lessor's Use.** Lessor reserves the right of ingress and egress for its agents, employees and permittees over and across the Leased Premises for all reasonable purposes of Lessor; including, without limitation, constructing roads, drainage facilities, power, water, gas and other utility mains and lines as Lessor may deem necessary; provided, however, that Lessor shall repair any damages, or compensate the Lessee for such damages it causes to Improvements located upon the Leased Premises as a result of such access, but Lessor will not be liable for any indirect or consequential damages.

**4.7 Historic Preservation.** Lessee shall not remove or disturb, or cause or permit to be removed or disturbed, any historical, archaeological, architectural or other cultural artifacts, relics, remains, or objects of antiquity. In the event such items are discovered on the Leased Premises, the Lessee shall immediately notify Lessor and protect the site and the material from further disturbance until the Lessor gives written clearance to proceed.

**4.8 Hunting and Trapping.** The Lessee shall not hunt or trap or allow hunting or trapping on the Leased Premises.

## ARTICLE V

### INDEMNITY

**5.1** LESSEE SHALL INDEMNIFY, DEFEND, PROTECT AND SAVE LESSOR, ITS SUCCESSORS AND ASSIGNS, TRUSTEES, DIRECTORS, EMPLOYEES AND OFFICERS (“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 LESSEE’S USE OF THE LEASED PREMISES, OR THE LAKE, INCLUDING LESSEE’S FAMILY, INVITEES, CONTRACTORS, SUBCONTRACTORS, EMPLOYEES OR ANY TRESPASSERS, OCCURRING DURING THE TERM OF THIS LEASE AND ANY TIME THEREAFTER LESSEE RETAINS POSSESSION OF THE LEASED PREMISES. LESSEE'S FOREGOING INDEMNITY AND HOLD HARMLESS AGREEMENT SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS LEASE.

## ARTICLE VI

### IMPOSITIONS; UTILITIES; MAINTENANCE

**6.1** **Impositions.** From and after the Effective Date, Lessee shall pay all taxes, assessments for local improvements, use and occupancy taxes, water, storm and sanitary sewer rates and charges, licenses and permit fees, tap fees and other governmental levies and charges which are assessed, levied, confirmed, imposed or become a lien upon the Leased Premises (or any portion thereof), or become payable or accrue during the Term and shall reimburse Lessor for any taxes and any additional costs incurred by Lessor in connection with its ownership of the land subject to this lease during the Term (“**Impositions**”). If Lessee does not timely pay such Impositions Lessor may, but shall not be obligated to, pay the same (without waiving Lessee's default) and such amount so paid, together with a finance charge thereon at the Default Rate, shall be due and payable to Lessor as Additional Rent upon written demand therefore by Lessor. As soon as reasonably practical, Lessee shall furnish to Lessor official receipts of the appropriate taxing or regulatory authority or a canceled check payable to such taxing authority or other evidence reasonably satisfactory to Lessor evidencing payment thereof.

**6.2** **Utilities.** Lessee shall be responsible for and promptly pay all charges incurred for all utility services to the Leased Premises, including, but not limited to, telephone service, sanitary and storm sewer, water, natural gas, light, power, heat, steam, communications services, garbage collection and electricity arising out of Lessee's use, occupancy and/or possession of the Leased Premises during the term of this Lease. Lessee shall also pay for all maintenance upon such utilities. In no event shall Lessor be liable for any interruption or failure of utility service to the Leased Premises, except to the extent caused by Lessor's negligence.

**6.3** **Wastewater Treatment System.** If at any time in the future, access to a wastewater treatment system is made available to the Leased Premises, Lessor will have the right to require the Lessee to

connect to and utilize that service, at Lessee's expense, and discontinue the use of any private on-site sewerage facility within twelve (12) months after written notice from Lessor.

**6.4 Maintenance, Repairs.** Lessee agrees that at its own expense it will keep and maintain the Leased Premises and all Improvements and fixtures now existing or hereafter constructed, including, without limitation, houses, buildings and other structures and appurtenances and all alterations or replacements thereof, foundation, roof, HVAC, plumbing, lighting, pavement and landscaping, docks, piers, boat houses and related structures, retaining walls, bulkheads, gates, fences, septic tanks and water wells (together the "**Improvements**") in a clean and neat condition and repair, including mowing grass and care of shrubs, such condition being determined by Lessor in its sole discretion. Lessee's obligation to maintain shall include all necessary repairs and replacements. In no event shall Lessor have any obligation to make any repairs or replacements to the Leased Premises.

## ARTICLE VII

### HAZARDOUS SUBSTANCES

**7.1 Hazardous Substance.** For purposes of this Article VII, "**Hazardous Substance**" means any substance, matter, material, waste or pollutant, the generation, storage, disposal, handling, release (or threatened release), treatment, discharge or emission of which is regulated, prohibited or limited under: (i) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984, as now or hereafter amended (42 U.S.C. Sections 6901 et seq.); (ii) the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, as now or hereafter amended (42 U.S.C. Sections 9601 et seq.); (iii) the Clean Water Act, as now or hereafter amended (33 U.S.C. Sections 1251 et seq.); (iv) the Toxic Substances and Control Act, as now or hereafter amended (15 U.S.C. Sections 2601 et seq.); (v) the Clean Air Act, as now or hereafter amended (42 U.S.C. Sections 7401 et seq.), (the "**Federal Toxic Waste Laws**"); (vi) any local, state or Federal law, statute, regulation, or ordinance analogous to any of the Federal Toxic Waste Laws; and (vii) any other federal, state or local law (including any common law), statute, regulation or ordinance now existing or hereafter enacted regulating, prohibiting or otherwise restricting the placement, discharge, release, threatened release, generation, treatment or disposal upon or into any environmental media of any substance, pollutant or waste which is now or hereafter classified or considered to be hazardous or toxic. All of the laws, statutes, regulations and ordinances referred to in subsections (vi) and (vii) above, together with the Federal Toxic Waste Laws are collectively referred to herein as "**Toxic Waste Laws**". The term "**Hazardous Substances**" shall also include, without limitation: (a) gasoline, diesel fuel, fuel oil, motor oil, waste oil and any other petroleum hydrocarbons, including any additives or other by-products associated therewith; (b) asbestos and asbestos-containing materials in any form; (c) polychlorinated biphenyls; and (d) any substance the presence of which on the Leased Premises or Project Area: (x) requires reporting or remediation under any Toxic Waste Law; (y) causes or threatens to cause a nuisance on the Leased Premises or poses or threatens to pose a hazard to the health or safety of persons on the Leased Premises; or (z) which, if it emanated or migrated from the Leased Premises, could constitute a trespass, nuisance or health or safety hazard to persons on adjacent property.

**7.2 Hazardous Substances Prohibited.** Lessee shall not conduct, permit, or authorize the manufacturing, emission, generation, transportation, storage, treatment, existence or disposal in, on or under the Leased Premises, of any Hazardous Substance without prior written authorization by Lessor,

except for such quantities which are routinely utilized in connection with, or which routinely results from, the lawful use of the Leased Premises, all of which are to be stored, used, handled, and disposed of in full compliance with all Toxic Waste Laws.

### **7.3 Compliance with Toxic Waste Laws; Indemnity.**

- a. Lessee shall, at its sole cost and expense, comply with all applicable Toxic Waste Laws.
- b. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, LESSEE SHALL INDEMNIFY AND HOLD HARMLESS LESSOR FROM ANY AND ALL LIABILITIES, CLAIMS, CAUSES OF ACTION, PENALTIES, FINES, COSTS, EXPENSES, ATTORNEYS' FEES, REMEDIAL OR RESPONSE COSTS, INVESTIGATORY COSTS AND OTHER SIMILAR EXPENSES ARISING OUT OF OR OTHERWISE ATTRIBUTABLE TO ANY VIOLATION BY LESSEE, OR LESSEE'S FAMILY, INVITEES, CONTRACTORS, SUBCONTRACTORS, EMPLOYEES OR ANY TRESPASSER OF ANY TOXIC WASTE LAW. THIS INDEMNITY OBLIGATION SHALL SURVIVE ANY TERMINATION OR EXPIRATION OF THIS LEASE.

## **ARTICLE VIII**

### **INSURANCE**

#### **8.1 Lessee's Insurance.**

- a. Lessee shall at Lessee's sole cost and expense shall keep the Leased Premises now and at all times hereafter insured with minimum liability coverage limits available from time to time, but in no event less than \$300,000.00, either by a Texas standard homeowner's form policy or other form of comprehensive personal liability policy.
- b. All policies of insurance shall be issued by an insurance company or companies having a Best's rating of not less than "A" as stated in the most current available Best's insurance reports (or comparable rating service if Best's reports are not currently being published), licensed to do business in the State of Texas. All policies of insurance shall be in form and substance reasonably satisfactory to Lessor with Lessor shown as an additional insured if available. All insurance policies obtained by Lessee shall be written as primary policies (primary over any insurance carried by Lessor), not contributing with and not in excess of coverage which Lessor may carry, if any. Lessee shall deliver to Lessor certificates or copies of all policies of required insurance and, upon request from Lessor, proof of the payment of the premiums. All such policies shall contain a provision that such policies will not be canceled or materially amended, including any reduction in the scope or limits of coverage, without ten (10) days prior written notice to Lessor. In the event Lessee fails to maintain, or cause to be maintained, or deliver and furnish to Lessor a certificate of insurance for policies of insurance required by this Lease, Lessor may procure liability coverage insurance for the benefit only of Lessor for such risks covering Lessor's interests, and Lessee will pay all premiums thereon as Additional Rent within thirty (30) days after demand by Lessor. In the event Lessee fails to reimburse Lessor for such premiums when due, the amount of all such premiums shall

bear interest at the Default Rate. Lessor shall have no obligation to insure the Leased Premises or any Improvements located thereon.

**8.2 Waiver of Subrogation.** Notwithstanding anything contained in this Lease to the contrary, each party hereto hereby waives any and every claim which arises or may arise in its favor and against the other party hereto, or anyone claiming through or under them, by way of subrogation or otherwise, during the term for any and all loss of, or damage to, any of its property (whether or not such loss or damage is caused by the fault or negligence of the other party or anyone for whom such other party may be responsible), which loss or damage is covered, or is required by this Lease to be covered, by valid and collectible fire and extended coverage insurance policies. Such waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss or damage to property of the parties hereto.

## **ARTICLE IX**

### **ASSIGNMENT AND SUBLETTING**

**9.1 Lessee Assignment.** Lessee may not assign this Lease without Lessor's prior written consent, such consent shall not be unreasonably withheld. In the event Lessor consents to such assignment, the assignee must assume all of Lessee's liabilities hereunder. Notwithstanding the above, this Lease may be assigned or transferred without Lessor's consent: (i) by will or intestate succession provided that Lessor receives written notice of such transfer, along with customary documents of transfer of a leasehold in form satisfactory to Lessor, as soon as is reasonably practical; or (ii) in the exercise of any first lien mortgagee rights of foreclosure as contemplated under Article XIII below.

**9.2 Sublease.** Lessee may not sublease the Leased Premises under any circumstances.

**9.3 Lessor Assignment.** Lessor may assign this Lease at any time in its sole discretion, including without limitation, as collateral to secure indebtedness, and in such event Lessee agrees to promptly execute and deliver such estoppel letters and/or subordination, non-disturbance and attornment agreements covering this Lease as reasonably required by Lessor or any successor in interest.

## **ARTICLE X**

### **QUIET ENJOYMENT**

**10.1** Provided Lessee pays the Annual Rent and Additional Rent payable hereunder as and when due and payable and timely keeps and fulfills all of the terms, covenants, agreements and conditions to be performed or observed by Lessee hereunder, Lessee shall at all times during the Term have quiet and peaceable enjoyment of the Leased Premises without hindrance from Lessor.

## **ARTICLE XI**

### **HOLDING OVER**

**11.1** Upon the termination of this Lease (whether by the expiration of the Term of this Lease or otherwise) Lessee must immediately vacate the Leased Premises, but if Lessee fails to do so then, without the execution of a new lease by Lessor and Lessee, Lessee, at the option of Lessor, shall immediately become a holdover, month-to-month lessee of the Leased Premises under all terms, conditions, provisions and obligations of this Lease; provided, however, that the rent for such holdover



tenancy shall be payable monthly on the first of each month in an amount equal to one twelfth (1/12) of one hundred fifty percent (150%) of the Annual Rent.

## ARTICLE XII

### DEFAULT AND REMEDIES

**12.1 Events of Default.** The occurrence of one or more of the following events shall constitute an event of default (each being referred to as an “**Event of Default**”) pursuant to the terms of this Lease and subject to any mortgagee rights to cure an Event of Default as provided in Paragraph 13.3 below:

- a. Lessee fails to pay when due Annual Rent, Additional Rent, and/or any other sums due Lessor by Lessee, and such failure continues after Lessor gives Lessee thirty (30) days written notice;
- b. The failure of Lessee to comply with or to observe any other terms, provisions or conditions of this Lease performable by Lessee to Lessor’s satisfaction, including removal, repairs and replacements, and such failure continues after Lessor gives Lessee thirty (30) days written notice, except that Lessor may require a shorter period of time for compliance if Lessor deems, in its sole discretion, that Lessee’s failure to comply creates a danger to the public’s health, safety or welfare and as to non-monetary defaults, if such failure cannot reasonably be cured within such thirty (30) day period, such additional time as is needed to cure the same so long as Lessee (or Lessee’s mortgagee) has commenced such cure within such thirty (30) day period and such cure thereafter is continuously and diligently undertaken by Lessee (or its mortgagee) and prosecuted to completion but in no event longer than ninety (90) days;
- c. The taking of all of Lessee's leasehold estate by execution or other process of law;
- d. Lessee makes an assignment for the benefit of Lessee's creditors; or
- e. A receiver or trustee is appointed for all or substantially all of the assets of Lessee and Lessee fails to have such receivership or trusteeship terminated within sixty (60) days after appointment.

**12.2 Lessor Remedies.** Upon the occurrence of any Event of Default enumerated in Section 12.1 hereof, Lessor shall have the right to pursue and enforce any and all rights and remedies available to Lessor hereunder or at law or equity, including, without limitation, the following:

- a. Terminate this Lease, in which event, Lessee shall remove all Improvements and other personal property on the Leased Premises and return the Leased Premises to a dressed dirt condition or as otherwise required by Lessor within ninety (90) days after termination, and if Lessee fails to timely do so, Lessee will be deemed to have abandoned the Improvements and other property, and at Lessor’s option, Lessor may remove the Improvements and otherwise return the Leased Premises to its original condition. Lessee agrees to pay Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of such termination, plus late fees and finance charges at the Default Rate from the date due until paid, whether through inability to

relet the Leased Premises on satisfactory terms or otherwise, including, but not limited to: (i) the present value of future rentals pursuant hereto reduced by the fair market rental value of the Leased Premises for such period; or (ii) the cost of removing the Improvements and other property and otherwise returning the Leased Premises to its original condition; or

- b. Enter upon the Leased Premises without terminating this Lease and without being liable to prosecution or for any claim of damages, and do whatever Lessee is obligated to do under the terms of this Lease or otherwise cure any default by removal (including removal of the Improvements), repair or replacement, and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in effecting compliance with Lessee's obligations hereunder, together with late fees and finance charges thereon at the Default Rate.

**12.3 No Waiver by Lessor.** Pursuit by Lessor of any of the remedies provided for in Section 12.2 hereof shall not preclude Lessor's pursuit of any of the other remedies herein provided or any other remedies provided by law or equity, nor shall pursuit by Lessor of any remedy herein provided constitute a forfeiture or waiver of any Annual or Additional Rent due to Lessor hereunder or of any damages accruing to Lessor by reason of the violation of any of the terms, provisions and covenants herein contained. Lessor's acceptance of rent following an Event of Default hereunder shall not be construed as Lessor's waiver of such Event of Default. No waiver by Lessor of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

**12.4 Attorneys' Fees.** In the event Lessor employs an attorney to collect past due Annual Rent, Additional Rent or other payments due to Lessor hereunder, Lessor shall also be entitled to recover its reasonable attorneys' fees and expenses incurred in connection therewith. In any case where Lessor or Lessee employs an attorney to protect or enforce its rights hereunder and litigation results, then the non-prevailing party agrees to pay the reasonable attorney's fees and expenses incurred by the prevailing party.

### **ARTICLE XIII**

#### **LESSEE FINANCING**

**13.1 Right to Finance.** Lessee shall have the right to encumber Lessee's leasehold estate created hereby, including all of Lessee's right, title and interest in and to any Improvements at any time located on or partially on the Leased Premises and if applicable, Lessee's permit to use the Project Area, to secure loans and other indebtedness of Lessee, including construction and repair of Improvements. Any such indebtedness or obligation and any such mortgage, deed of trust or security agreement securing same shall be for such amount and on such other terms and conditions as Lessee may agree to in its sole discretion; provided that any such mortgage, deed of trust or security agreement shall at all times be subject to the terms and provisions of this Lease and the rights, titles and interests of Lessor arising by virtue of this Lease. In no event will Lessor be required to "subordinate" Lessor's fee simple estate in the Leased Premises for financing obtained by Lessee under this section 13.1, i.e., Lessor will not be obligated to execute any deed of trust securing any indebtedness of Lessee, or otherwise encumber its fee interest in the Leased Premises, with any lien or other encumbrance whatsoever.

**13.2 Notices to Mortgagee.** If at any time after execution and recordation in the Real Property

Records of the county in which the Leased Premises are located, of a mortgage, deed of trust, or other instrument in the nature thereof, Lessee or the mortgagee therein notifies Lessor in writing of the existence of such mortgage or deed of trust and furnishes Lessor with the address to which such mortgagee desires copies of notices to be mailed, Lessor will thereafter mail to such mortgagee at the address so given, by certified mail, postage prepaid, return receipt requested, duplicate copies of any and all notices of default required to be sent to Lessee by virtue of Article XII hereof at the same time that such notice is placed in the mail or otherwise delivered to Lessee.

**13.3 Right to Cure.** Any such leasehold mortgagee, at the option of such mortgagee, acting either directly or indirectly through a designee, may pay any of the rents due hereunder or may effect any insurance, or may pay any taxes and assessments, or may make any repairs and improvements, or may make any deposits, or may do any other act or thing or make any other payment required of Lessee by the terms of this Lease, or may do any act or thing which may be necessary and proper to be done in the observance of the covenants and conditions of this Lease, or to prevent the forfeiture of this Lease, and all payments so made and all things so done and performed by such mortgagee or designee shall, if made or done timely as required under Article XII hereof, including cure periods, be effective to prevent a forfeiture of the rights of Lessee hereunder as the same would have been if timely done and performed by Lessee instead of by any such mortgagee or designee.

**13.4 Modifications.** Provided Lessor has received notice required under Paragraph 13.2 above, Lessor shall not accept any surrender of or agree to any termination of or enter into any modification or amendment of this Lease without the prior written consent thereto by any such mortgagee which consent will not be unreasonably withheld or delayed, and will be deemed given if such mortgagee does not respond in writing within thirty (30) days after the request for consent is received, and any attempt to do so without such written consent shall be void and of no force and effect.

#### **ARTICLE XIV**

#### **DAMAGE OR DESTRUCTION**

**14.1 Rights and Obligations upon Casualty.** In the event the Leased Premises or any Improvements thereon shall be wholly or partially damaged or destroyed by fire or other casualty, Lessee shall within twenty-four (24) months after the casualty, at Lessee's expense: (i) cause such damage to be repaired, restored or removed, or construct other new improvements; or (ii) terminate this Lease by written notice to Lessor, clear the Improvements and return the Leased Premises to a dressed dirt condition. If Lessor, in its sole discretion, determines the damaged Improvements create a hazard to health, safety or welfare, Lessor may establish a shorter time frame for repair, replacement or removal. In all casualty events (whether or not Lessee repairs or restores) this Lease shall remain in full force and effect and Annual Rent and Additional Rent shall not be reduced or prorated.

**14.2 Plans and Specifications for Altered Improvements.** Any repair (excluding routine maintenance) or rebuilding of Improvements on the Leased Premises shall be subject to Brazos River Authority's approval under Article XV below before work is commenced.

#### **ARTICLE XV**

#### **IMPROVEMENTS**

**15.1 Construction of Improvements.**

- a. Improvements installed or constructed on the Leased Premises or in, on or over the adjacent waters shall be in conformance with all Laws, including Brazos River Authority's Shoreline Management Plan and Customer Guide and other rules and regulations promulgated by the Brazos River Authority from time to time and shall be of sound and substantial construction. All Improvements shall be constructed substantially in accordance with the plans and specifications previously approved in writing by the Brazos River Authority, which shall not constitute approval by the Brazos River Authority of the adequacy of engineering or structural design. Lessee accepts all responsibility for safety, structural soundness, and compliance with all applicable construction codes as they relate to buildings, structures and facilities. All Improvements shall be installed or constructed in a good and workmanlike manner and shall be properly maintained in good repair and appearance by Lessee. Lessee agrees to correct any substandard conditions (to be determined in the sole discretion of the Brazos River Authority) resulting from failure to properly maintain Improvements.
- b. Lessee must obtain a written permit from Brazos River Authority for any Improvements to be built, installed or maintained on the Project Area or in, on or over the waters of the Lake adjacent to the Project Area or in, on or over the adjacent waters (that is, in, on or over the area covered by the waters of the Lake when the elevation of the surface of the Lake is 1,000 feet above mean sea level, which is the normal maximum elevation of water in the Lake), and an annual charge may be made for such facilities in accordance with rates established by the Brazos River Authority. Furthermore, if Lessee desires to block off an area of the Lake for private use, a permit must be obtained from the Brazos River Authority and an annual charge may be made for such private use area in accordance with rates established by the Brazos River Authority. Rates for permits for facilities or blocked-off areas on the Lake may be established and revised from time to time by the Brazos River Authority.
- c. Lessee will not, except for mechanic's lien contracts for construction or repair of Improvements, permit or suffer to be filed or claimed against the Leased Premises or any building or Improvement thereon or against Lessor, any mechanic's, materialman's or other lien, charge or order for the payment of money. In the event any such lien, charge or order shall be filed or claimed, Lessee shall, at its own expense, cause the same to be canceled and discharged of record within thirty (30) days after Lessee shall have received notice of the filing thereof, or Lessee may, within said period, furnish to Lessor a bond satisfactory to Lessor against said lien, charge or order, in which case Lessee shall have the right in good faith to contest the validity or amount thereof. LESSEE HEREBY INDEMNIFIES AND AGREES TO DEFEND AND HOLD LESSOR HARMLESS from any loss, liability, expense (including attorneys' fees) incurred or suffered by Lessor as a result of any such lien, charge or order.
- d. Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent or request of Lessor, expressed or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific alteration, addition, improvement or repair that would give rise to the filing of any lien against the estate or interest of the Lessor in and to the Leased Premises, nor as giving Lessee any right, power or authority to contract for or permit any rendering of any services or the furnishing of any materials that would give rise to the filing of any lien against the estate or interest of the Lessor in and to the Leased Premises. Lessor shall not be liable for any labor, services or materials

furnished or to be furnished to Lessee, or to anyone holding the Leased Premises through or under Lessee, upon credit and that no mechanic's or other lien for such labor, services or materials shall attach to or affect the estate or interest of Lessor in and to the Leased Premises.

**15.2 Mobile Homes.** No mobile home, trailer, manufactured home, tent or other temporary, mobile housing may be located on the Leased Premises without Lessor's and the Brazos River Authority's prior written consent. This provision shall not apply to any similar Improvement previously approved in writing by the Brazos River Authority.

**15.3 Ownership of Improvements; Removal.** Title to all Improvements made, erected, constructed, installed or placed upon the Leased Premises, shall be and remain in Lessee, subject to Lessee's abandonment of the Leased Premises. No less than twelve (12) months prior to: (i) the expiration of the Term; or (ii) the date this Lease terminates after Lessee's notice to terminate as provided in Section 1.1 above, Lessee shall give Lessor written notice of its election to either remove or abandon any Improvements. If Lessee elects to remove the Improvements, Lessee shall do so, along with all other property located thereon by Lessee and return the Leased Premises to a dressed dirt condition or as otherwise required by Lessor. If Lessee notifies Lessor of its election not to remove the Improvements or Lessee fails to give timely notice of any election, then Lessee will remove all other property owned by Lessee prior to expiration of the Term, and upon such expiration, Lessee will be deemed to have abandoned the Improvements and title to the Improvements shall automatically pass to, vest in and belong to Lessor without further action on the part of either party or additional consideration payable to Lessee; provided, however, Lessor may by written notice to Lessee given no more than thirty (30) days after Lessee's notice, or failure to timely notify, of Lessee's election to abandon the Improvements, require Lessee to remove all Improvements, and in such event, Lessee shall remove the Improvements and other property and return the Leased Premises to a dressed dirt condition prior to expiration of the Term.

## **ARTICLE XVI**

### **NOTICE**

**16.1** Any notice or communication required or permitted hereunder shall be in writing and (i) personally delivered; (ii) sent by United States regular and/or registered or certified mail, postage prepaid, return receipt requested, (iii) sent by Federal Express or similar nationally recognized overnight courier service; or (iv) transmitted by facsimile with a hard copy sent within two (2) business days by any of the foregoing means. Such notice shall be deemed to have been given upon the date of actual receipt or delivery (or refusal to accept delivery), as evidenced by the notifying party's receipt of written or electronic confirmation of such delivery or refusal, if received by the party to be notified before 5:00 p.m., CST with delivery made after 5:00 p.m. to be deemed received on the following business day. For purposes of notice, the addresses of the parties shall be as follows:

#### **If to Lessor:**

Name: Patterson PK Land Partnership, Ltd.  
% Michael H. Patterson  
Address: 2310 West Interstate 20, Suite 100  
Arlington, Texas 76017

Telephone: 817-461-5500

**If to Lessee:**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_ Business: \_\_\_\_\_

Facsimile: \_\_\_\_\_ Email: \_\_\_\_\_

Any address, including billing address, for notice may be changed by written notice.

**ARTICLE XVII**

**ADDITIONAL RIGHTS, RULES AND REGULATIONS OF LESSOR**

**17.1 Additional Regulations.** By Texas statute the Board of Directors of the Brazos River Authority has been empowered to adopt and has adopted certain regulations governing conduct on and use of lands owned by Lessor and on the Lake. The Leased Premises are within the area to which these regulations are applicable. Lessee agrees that Lessee, and persons using the Leased Premises with Lessee’s consent, shall abide by all Laws, including such rules and regulations adopted from time to time by the Board of Directors of the Brazos River Authority and future amendments thereto.

**17.2 Modification of Water Surface Elevation; Release.** Brazos River Authority has the right to modify Morris Sheppard (Possum Kingdom) Dam so that the water surface elevation of the Lake will be raised from one thousand feet (1,000’) above mean sea level to one thousand fifteen feet (1,015’) above mean sea level. LESSEE HEREBY RELEASES AND AGREES TO HOLD LESSOR AND THE BRAZOS RIVER AUTHORITY HARMLESS FROM DAMAGES OR CLAIMS FOR PERSONAL INJURY OR DAMAGES TO IMPROVEMENTS OR PERSONAL PROPERTY AS A RESULT OF ANY SUCH INCREASE IN THE WATER SURFACE ELEVATION OR FROM FLOODING REGARDLESS OF ELEVATION BECAUSE OF WATER STORED IN OR FLOWING THROUGH THE LAKE.

**17.3 Sanitary Regulations.**

- a. Sanitation facilities necessary for Lessee’s use under this Lease shall be installed and maintained by Lessee in accordance with any and all federal, state or local rules regulations and statutes and the provisions of the rules and regulations that control discharge of sewage within Possum Kingdom Lake Regulated Areas, under 31 TAC Sections 285.371 – 285.386, or any revisions or successors thereto.
- b. Garbage, trash and rubbish shall be properly collected and disposed of in compliance with all lawful regulations governing such wastes, including Brazos River Authority’s

rules and regulations.

In the event new regulations are adopted by the Brazos River Authority, Lessor shall provide written notice to Lessee of such regulations.

**17.4 Water Level.** LESSEE UNDERSTANDS THAT THE WATER LEVEL IN THE LAKE WILL NOT BE CONSTANT. THE LAKE IS A WATER CONSERVATION AND HYDROELECTRIC POWER PROJECT, AND, WHILE IT IS THE DESIRE OF BRAZOS RIVER AUTHORITY TO KEEP THE LAKE AS FULL AS POSSIBLE, THE LEVEL OF WATER WILL VARY, DEPENDING ON THE AMOUNT OF WATER USED FROM THE LAKE, EVAPORATION RATES, AMOUNT OF RAINFALL AND RUNOFF IN THE BRAZOS RIVER BASIN UPSTREAM, AND OTHER FACTORS. DURING A SEVERE DROUGHT WATER LEVEL MAY DROP AS MUCH AS THIRTY FEET (30') OR MORE BELOW THE FULL LAKE LEVEL.

**17.5 Project Area.** The Possum Kingdom Dam and Lake Project is licensed by FERC as Project No. 1490. The Project Area is included within the area which is subject to regulation by FERC as a result of the provisions of said license and is subject, but not limited to, the following provisions:

- a. Lessee will make no use of the Project Area or the Leased Premises which would endanger health, create a nuisance or otherwise be incompatible with overall recreational use of the Lake, as determined by the Brazos River Authority in its sole discretion.
- b. Lessee shall take all reasonable precautions to ensure that the construction, operation and maintenance of structures or facilities on the Project Area or the Leased Premises will occur in a manner that will protect the scenic, recreational and environmental values of the Lake as determined by Lessor in its sole discretion.
- c. Lessee will not place any structure or Improvement of any kind within twenty five feet (25') horizontally of the edge of Possum Kingdom Lake at normal maximum surface elevation [i.e., the one thousand foot (1,000') above mean sea level contour] without prior written approval of the Brazos River Authority, which approval, in the sole discretion of the Brazos River Authority, may be given only for the following: (i) landscape plantings; (ii) noncommercial piers, landings, boat docks or similar structures and facilities; and (iii) embankments, bulkheads, retaining walls or similar structures for erosion control to protect the existing shoreline. Brazos River Authority approvals may also be subject to the prior approval by the FERC, and Lessee shall bear all expenses of any applications for approval of the FERC and the sole risk of rejection.
- d. Structures in place or under construction as of May 15, 1980, or whose construction had been explicitly approved by Brazos River Authority as of May 15, 1980, within the Project Area may remain in place, and such structures or Improvements may be altered as specifically approved by Brazos River Authority, provided that such alteration may not encroach further toward the shoreline than the existing structure. EXCEPT FOR STRUCTURES CONSTRUCTED PURSUANT TO PARAGRAPH 17.5 C ABOVE, ALL OTHER EXISTING OR FUTURE STRUCTURES WITHIN THE PROJECT AREA WILL BE CONSIDERED VIOLATIONS OF THIS LEASE, AND THE BRAZOS RIVER AUTHORITY RESERVES THE RIGHT, UPON REASONABLE NOTICE TO LESSEE AND AT THE EXPENSE OF LESSEE, TO REMOVE SUCH STRUCTURES, AND LESSEE RELEASES LESSOR AND WILL HOLD LESSOR HARMLESS FROM ALL DAMAGES, CLAIMS OR LOSSES INCURRED BY

LESSEE RESULTING FROM ANY VIOLATION OF FERC REGULATIONS AS ADOPTED OR AMENDED FROM TIME TO TIME.

**ARTICLE XVIII**

**GENERAL PROVISIONS**

**18.1 Captions.** The title captions appearing in this Lease are inserted and included solely for convenience and shall never be considered or given any effect in construing this Lease, or any provisions hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto, or in ascertaining intent, if any question of intent exists.

**18.2 Exhibits.** All exhibits, schedules and addenda referred to in this Lease as attached hereto are incorporated herein by reference and made a part hereof for all purposes.

**18.3 No Personal Liability.** Lessee agrees to look solely to Lessor's interest in the Leased Premises for recovery of any judgment or claim from Lessor and that in no event shall Lessor (or its officers, directors or employees) ever be personally liable to Lessee or any other party for any matter pertaining to this Lease.

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

**18.5 Successor and Assigns.** All covenants and obligations as contained within this Lease shall bind and, except as otherwise prohibited or restricted under Article IX of this Lease, extend and inure to the benefit of the respective heirs, executors, administrators, successors and assigns of Lessor and Lessee.

**18.6 Personal Pronouns.** All personal pronouns used in this Lease shall include the other gender, whether used in the masculine, feminine, or neuter gender, and the singular shall include the plural whenever and as often as may be appropriate.

**18.7 Applicable Law and Venue.** This Lease and the rights and obligations of the parties hereto shall be interpreted, construed and enforced in accordance with the laws of the state of Texas and the obligations of the parties hereto are performable, and venue for any State Court action hereunder shall be, in the county in which the Leased Premises are located and in the Western District of Texas for any Federal Court action.

**18.8 Force Majeure.** Whenever a period of time is herein prescribed for action to be taken by Lessor or Lessee (except as to payment of Annual or Additional Rent or other sums due by either party hereunder), neither Lessor nor Lessee, as applicable, shall be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays (collectively, "**Force Majeure**") due to strikes, riots, acts of God, shortages of labor or materials, war or other causes which are beyond the reasonable control of such party and could not have been reasonably anticipated by Lessor or Lessee, as the case may be, at the time of execution of this Lease. Upon written request from Lessor, Lessee shall, immediately advise Lessor in writing of any Force Majeure delays which Lessee claims with respect to any aspect of Lessee's performance hereunder.



**18.9 Time is of the Essence.** Time is of the essence in this Lease.

**18.10 [Intentionally Omitted]**

**18.11 Dispute Resolution.** If a dispute arises with respect to the Lease, the parties to the dispute shall first attempt to resolve it through direct discussions in the spirit of mutual cooperation. If the parties' attempt to resolve their disagreements through negotiation fail, prior to instituting litigation, the dispute shall be mediated by a mutually acceptable third-party to be chosen by the disputing parties within thirty (30) days after written notice by one of them demanding mediation. The disputing parties shall share the costs of the mediation equally. By mutual agreement the parties may use a nonbinding form of dispute resolution other than mediation. Any nonbinding dispute resolution process conducted under the terms of this section shall be confidential within the meaning of Tex. Civ. Prac. and Rem. Code §§ 154.053 and 154.073. If neither a negotiated nor mediated resolution is obtained within the time periods provided by this Section, the parties may pursue any available legal or equitable remedy.

**18.12 Memorandum of Lease.** Within thirty (30) days after the Effective Date, the parties hereto shall execute and record a memorandum of this Lease in the Real Property Records of the county in which the Leased Premises are located in the form attached hereto as Exhibit "C" attached hereto.

**18.13 Prior Lease; Existing Mortgage.** This Lease is a modification, continuation and extension of the Cottage Site Lease dated \_\_\_\_\_ between Lessor and Lessee covering the Leased Premises ("**Prior Lease**"), and the leasehold estate created under the Prior Lease is not terminated, but continued under this Lease. The terms and conditions set forth in this Lease are in replacement of and controlling over the terms and conditions set forth in the Prior Lease. If Lessee has encumbered Lessee's leasehold estate under the Prior Lease by a deed of trust lien recorded in the Real Property Records of the county in which the Leased Premises are located to secure indebtedness, Lessor and Lessee acknowledge and agree that the deed of trust lien continues in full force and effect to cover Lessee's leasehold estate under this Lease.

**NOTICE:** EXECUTION OF THIS LEASE BY LESSEE MAY REQUIRE CONSENT OF THE HOLDER OF ANY INDEBTEDNESS OF LESSEE SECURED BY A LIEN ON LESSEE'S LEASEHOLD ESTATE COVERING THE LEASED PREMISES UNDER THE PRIOR LEASE, AND LESSEE SHOULD CONSULT WITH LESSEE'S ATTORNEY OR HOLDER OF THE INDEBTEDNESS.

**ARTICLE IXX**

**OPTION TO PURCHASE**

**19.1 Option Price.** During the term of this lease Lessee has an option to purchase the Leased Premises at the land only assessed value without any exemptions (as determined by the appraisal district) at the time of purchase (but not less than the 2008 land only assessed value without any exemptions).

**19.2 Option Process.** To exercise Lessee's option to purchase Lessee must timely complete and return the attached sales contract on Exhibit "D" and return 3 signed originals to Lessor. The sale shall be according to the terms and conditions contained in said Sales Contract.

**EXECUTED** on the date set forth below each signature but effective for all purposes as of the Effective Date.

**LESSOR:**

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

**By: PATTERSON PK LAND MANAGEMENT GP, LLC**, a Texas Limited Liability Company, **GENERAL PARTNER**

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

**LESSEE:**

_____ (Signature of Lessee)	_____ (Signature of additional Lessee)
_____ (Printed Name of Lessee)	_____ (Printed Name of additional Lessee)
Address: _____	
_____	
Date: _____	

AREA: \_\_\_\_\_  
TRACT: \_\_\_\_\_  
LOT: \_\_\_\_\_  
Physical Address: \_\_\_\_\_

**EXHIBIT "A" TO LEASE**

**Leased Premises**

SAMPLE

## **EXHIBIT "B" TO LEASE**

### **BRA Lease Rate Methodology**

#### **BOARD OF DIRECTORS Residential Lease Rate Methodology Agenda Item No. 12**

**ACTION:**

The following resolution is presented for consideration to the Board of Directors of the Brazos River Authority for adoption at its July 27, 2009 meeting:

**WHEREAS**, at its July 30, 2007 Board of Directors Meeting, the Board of Directors of the Brazos River Authority adopted the current Residential Lease Rate Methodology which provides that beginning January 1, 2010, lease rates shall be based upon actual appraised land values (Appraised Value); and

**WHEREAS**, the Brazos River Authority adopted this methodology in order to preserve its value in the leases in the event divestiture were to occur; and

**WHEREAS**, the Board of Directors of the Brazos River Authority issued a Request for Bids dated January 8, 2009 regarding a sale of leased property at Possum Kingdom Lake, which included a requirement that the lessees have an opportunity to purchase their leased property from the successful bidder at a price based upon the county appraisal district assessed value of their leased property (Assessed Value); and

**WHEREAS**, Patterson PK Land Partnership, Ltd. was the successful bidder (Patterson); and

**WHEREAS**, after Patterson's bid was accepted by the Brazos River Authority, HB 3031 was signed into law, which set in statute the terms of the RFB, including the requirement that the lessees option to purchase their leaseholds would be based upon the Assessed Value of the leased property; and

**WHEREAS**, in light of the requirement that lease sales be based upon their Assessed Value, it is no longer a priority to base lease rates upon their Appraised Value; and

**WHEREAS**, Patterson has no objection to the Brazos River Authority changing its Residential Lease Rate Methodology from Appraised Value to Assessed Value.

**NOW, THEREFORE, 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, 2010, but on or before December 31, 2012, the annual rate shall be 1% of the then-current Assessed Value; provided, however, such annual rate shall not be less than \$667; and

For leases entered into, renewed, or subject to rental rate adjustment on or after January 1, 2013, but on or before December 31, 2017, the annual rate shall be 2% of the then-current Assessed 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 be 3% of the then-current Assessed 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 then-current Assessed 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 then-current Assessed 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 then-current Assessed Value; provided, however, such annual rate shall not be less than \$1,000; 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 year extension period (Extension Period) with no rental rate adjustments during such Extension Period; and

The annual rate during such Extension Period shall be the greater of (i) the then-current Assessed Value 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."



4. **Interpretation.** The provisions of this Memorandum are not intended to, and shall not, amend, modify or alter the terms and provisions of the Lease or otherwise affect the agreements, responsibilities and obligations of the parties under the Lease. Provisions of this Memorandum shall not be used in interpreting the Lease. In the event of a conflict between the Lease and this Memorandum, the Lease shall control.

5. **Mechanic's and Materialman's Liens.** Lessor shall not be liable for any labor, services or materials furnished or to be furnished to Lessee, or to anyone holding the Leased Premises through or under Lessee, upon credit and that no mechanic's or other lien for such labor, services or materials shall attach to or affect the estate or interest of Lessor in and to the Leased Premises.

EXECUTED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**LESSOR:**

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

**By: PATTERSON PK LAND MANAGEMENT GP, LLC,** a Texas  
Limited Liability Company, **GENERAL PARTNER**

\_\_\_\_\_  
**Name: Michael H. Patterson**

**Title: Manager**

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

**LESSEE:**

\_\_\_\_\_  
(Signature of Lessee)

\_\_\_\_\_  
(Signature of additional Lessee)

\_\_\_\_\_  
(Printed Name of Lessee)

\_\_\_\_\_  
(Printed Name of additional Lessee)

Address: \_\_\_\_\_

\_\_\_\_\_

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

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

**THE STATE OF TEXAS**                   §  
   §  
**COUNTY OF** \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, \_\_\_\_\_ PATTERSON PK  
PARTNERSHIP, LTD, a Texas limited partnership.

(Notary's Stamp)

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

**THE STATE OF TEXAS**                   §  
   §  
**COUNTY OF** \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_.

(Notary's Stamp)

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



**EXHIBIT "D" TO LEASE**

**Resale Contract**

SAMPLE