

OPTION TO PURCHASE REAL ESTATE

18490

STATE OF TEXAS §
 §
 COUNTY OF WOOD §

This Option Agreement is made this 9th day of December, 1976, between Holly Lake Development Company, a partnership, and Holly Lake Ranch Association, a Texas non-profit corporation, which is the grantee of easements affecting portions of the property covered hereby (hereinafter collectively referred to as "Grantor"), and The Sabine River Authority of Texas (hereinafter referred to as "Grantee") upon the terms and conditions set forth herein.

1. Grant of Option. For and in consideration of Ten Dollars (\$10.00) cash in hand paid by Grantee to Grantor, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor does hereby GIVE and GRANT unto Grantee, the exclusive right, privilege and option to purchase (hereinafter referred to as the "Option"), the tract of land situated in Wood County, Texas, shaded in blue on Exhibit A attached hereto, together with all and singular the rights and appurtenances appertaining to such property (all of such property, rights and appurtenances being hereinafter referred to as the "Property"), SUBJECT TO the terms and conditions herein contained and all of the terms and conditions contained in that Agreement made as of the 11th day of July, 1973 by and between Holly Lake Development Company and Grantee (hereinafter called the "Agreement").

2. Manner of Exercise of Option. The Option may not be exercised prior to the time Grantee acquires the first parcel of land (other than that conveyed by deed of even date herewith from Grantor to Grantee) for the proposed Big Sandy Reservoir (it being agreed that the mere change of name of the project contemplated by the Agreement from "Big Sandy Reservoir" shall be of no effect

on any of the provisions herein). The Option shall terminate at the earlier of (a) 11:59 p.m., December 31, 1999, (b) at the time that tract of land conveyed by Grantor to Grantee by deed of even date herewith reverts to Grantor under the terms of said deed, (c) at the time of the adjustment of the purchase price set forth in paragraph 2 of the Agreement, or (d) at any other time for termination set forth in the Agreement. The Option may be exercised by a Grantee giving written notice to the Grantor either in person or by mail. In the case of notice by mail, such notice shall be deemed to have been delivered when deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to Grantee at: Holly Lake Development Company, 3220 Lemmon, Suite 222, Dallas, Texas 75205.

3. Purchase Price. The purchase price for the real property subject to the Option shall be the average peracre price for the ten (10) largest tracts purchased for the Big Sandy Reservoir during the twoyear period following exercise of the Option multiplied by the total number of acres covered by the Option less the number of acres of land under the mean water line of lakes built and/or owned by Grantor in the Property to the extent same are to be inundated by the Big Sandy Reservoir. Upon exercise of this Option, Grantee shall pay Grantor the value of the said real property as determined by good faith appraisal of Grantee; within two (2) years of the exercise of the Option, adjustment shall be made and Grantor shall be paid the full purchase price in accordance with the above. All improvements presently located on the land subject to the Option (identified by an exhibit to the Agreement) and still located thereon at the time of the adjustment of the purchase price set forth above shall be purchased by the Grantee at the lesser of the then current market price thereof or replacement costs thereof, but the value of such improvements will not be enhanced by any earnings generated by such improvements (such improvements will not be priced as going

businesses). Any improvements and/or additions hereafter placed thereon (and not removed as provided herein) and which are of a similar character to the present improvements (camp sites, roads, bicycle and bridle trails, target shooting range, bath house, stable, recreation areas, etc.) shall be purchased by Grantee upon exercise of this Option for a price to be determined as above, limited however to a maximum payment equal to 25% of the total adjusted price paid for the unimproved land covered by the Option. Improvements of a different character placed on the property after the effective date hereof (apartments, commercial buildings, etc.), if any, shall become the property of Grantee upon the exercise of this Option without further compensation, subject, however, to Grantor's right to remove same within a reasonable time. Any or all improvements located on the tract covered by this Option may be removed by Grantor in lieu of compensation when possession is demanded by Grantee.

Notwithstanding the foregoing, upon exercise of the Option, the Grantee will obtain the dam and spillway of the proposed Greenbriar Lake and all other improvements (other than those which can be and are moved by Grantor) on land owned by Grantor and contiguous to the proposed Greenbriar Lake and below the elevation of three hundred eighty seven feet (387') above mean sea level, at no cost to the Grantee. Grantee shall also acquire at no cost those lands, dams and spillways under the mean water line of lakes built and/or owned by Grantor on the land covered by this Option to the extent same are to be inundated by the Big Sandy Reservoir.

4. Leases from Grantee. In the event of exercise of this Option, Grantee covenants and agrees that all land owners with the subdivision known as Holly Lake Ranch, including Grantor and its successors and assigns, contiguous to the Project Boundary Line for the Big Sandy Reservoir will obtain a lease from the

Grantee to the water line of the Big Sandy Reservoir on terms no less favorable than the then existing rules and regulations for such Big Sandy Reservoir.

5. Property Subject to Option. The real property and improvements covered by this Option shall be the land shown on the exhibits hereto as abovementioned or that land below the Project Boundary Line for the Big Sandy Reservoir, whichever is the lower elevation, and the Grantee agrees to make any release of this Option and/or reconveyance to Grantor which may be required under this paragraph.

6. Permissible Uses and Reconveyance. Grantee agrees that the lands and improvements covered by this Option may be used only in connection with the construction of and inundation by the proposed Big Sandy Reservoir. If at any time such proposed project is abandoned, Grantee agrees that this Option shall be released and/or all lands theretofore conveyed to it by Grantor shall be reconveyed to Grantor. The deed conveying such property to Grantee shall provide for reversion in the event of such occurrence. It is agreed that once substantial payment has been made under the deed from Grantor to Grantee of even date herewith abandonment shall not be deemed to occur by virtue of mere passage of time of five years or less without activity or the proposed Big Sandy Reservoir project.

7. Conveyance. Any conveyance by Grantor pursuant to this Option shall be a conveyance of Grantor's interest only (and payment for all lands acquired by Grantee hereunder shall be made to Grantor and lienholders on the land), shall be subject to all liens and encumbrances on such property and shall be made by Deed in the form and substance of Exhibit B hereto. Further, it is provided that Grantee may assign all of its rights hereunder (and, after exercise of the Option, convey the land) subject to all of its obligations hereunder and under the Agreement to any other state or Federal governmental agency with the power of

condemnation which becomes the agency actually developing or constructing, or operating, the Big Sandy Reservoir. It is further agreed that this Option shall be released, and/or title revert to Grantor, in the event such agency is unwilling to be bound by all of the said terms or conditions or in the additional event of a transfer to any person other than such state or Federal governmental agency.

WITNESS OUR HANDS this 9th day of December, 1976.

HOLLY LAKE DEVELOPMENT COMPANY,
A PARTNERSHIP

By W.T. Mc Partner

HOLLY LAKE RANCH ASSOCIATION

By W.T. Mc President

THE SABINE RIVER AUTHORITY OF TEXAS

By John D. Mc
Executive Vice President
and General Manager

THE STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared John D. Mc, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as the act and deed of HOLLY LAKE DEVELOPMENT COMPANY, a partnership, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL of office this the 9th day of December, 1976.

Notary Public in and for
Dallas County, Texas

My Commission Expires:

July 25, 1977

-5-

THE STATE OF TEXAS §
COUNTY OF Dallas §

BEFORE ME, the undersigned authority, on this day personally appeared Mr. M. McKinnis, President of HOLLY LAKE RANCH ASSOCIATION, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL of office this 9th day of December, 1976.

Dale Sherman
Notary Public in and for
Dallas County, Texas

My Commission Expires:

July 25 1977

THE STATE OF TEXAS §
COUNTY OF Orange §

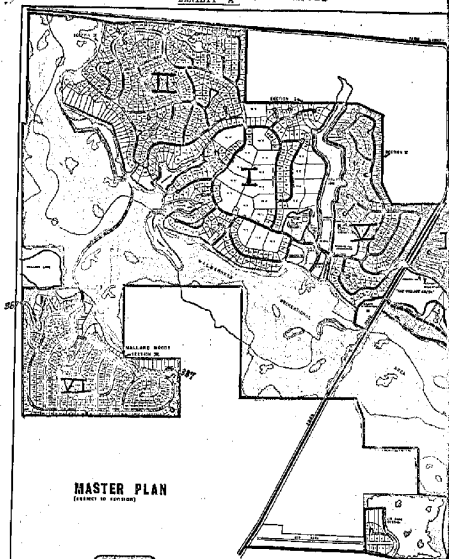
BEFORE ME, the undersigned authority, on this day personally appeared John W. Simmons, Exec. Vice Pres. & Gen. Mgr. of THE SABINE RIVER AUTHORITY, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL of office this 16th day of December, 1976.

Dorothy L. Shuster
Notary Public in and for Orange
County, Texas

Commission Expires:

July 1, 1977

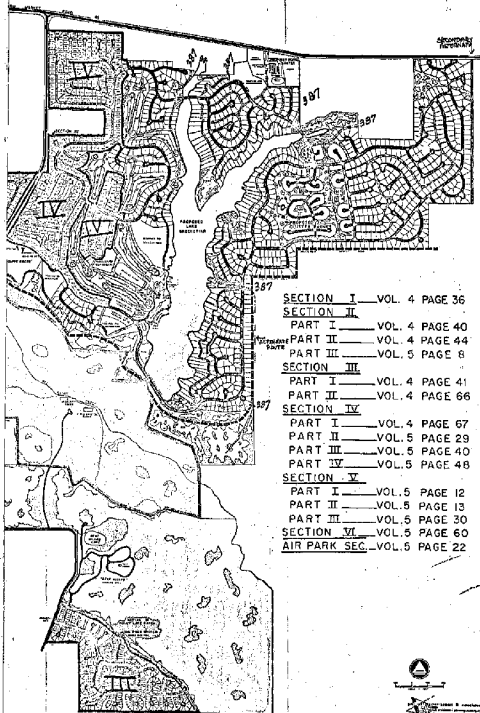


MASTER PLAN
(SUBJECT TO REVISIONS)



HOLLY LAKE RANCH
WOOD COUNTY, TEXAS
HOLLY LAKE DEVELOPMENT COMPANY

EXHIBIT "A"



SECTION I VOL. 4 PAGE 36

SECTION II

PART I VOL. 4 PAGE 40

PART II VOL. 4 PAGE 44

PART III VOL. 5 PAGE 8

SECTION III

PART I VOL. 4 PAGE 41

PART II VOL. 4 PAGE 66

SECTION IV

PART I VOL. 4 PAGE 67

PART II VOL. 5 PAGE 29

PART III VOL. 5 PAGE 40

PART IV VOL. 5 PAGE 48

SECTION V

PART I VOL. 5 PAGE 12

PART II VOL. 5 PAGE 13

PART III VOL. 5 PAGE 30

SECTION VI VOL. 5 PAGE 60

AIR PARK SEC. VOL. 5 PAGE 22

WARRANTY DEED

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
 COUNTY OF WOOD §

THAT Holly Lake Development Company, a partnership, and Holly Lake Ranch Association, a Texas non-profit corporation, which is the grantee of an easement affecting portions of the property herein conveyed, (hereinafter collectively referred to as "Grantor"), for and in consideration of the sum of Ten Dollars (\$10.00) cash in hand paid by The Sabine River Authority of Texas (hereinafter referred to as "Grantee"), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has GRANTED, SOLD and CONVEYED, and does hereby GRANT, SELL and CONVEY into Grantee, except as below stated, all that certain tract or parcel of land located in Wood County, Texas (hereinafter referred to as the "Premises") and being more completely described as follows, to-wit:

That certain tract of land, including all right, title and interest owned as of the date hereof by Grantor in and to all oil, gas and other minerals on, in or under the Premises or which may be produced therefrom, more particularly shown as that tract shaded in blue on Exhibit A attached hereto.

SUBJECT, however, to all valid and subsisting easements (other than the above easement owned by Holly Lake Ranch Association), liens, encumbrances, deeds of trust, restrictions, rights-of-way, conditions, exceptions, reservations, and covenants of whatever nature of record, if any, and also as to the zoning laws and other restrictions, regulations, ordinances and statutes of municipal or other governmental authorities applicable to or enforceable against the Premises; and

SUBJECT to all of the terms and conditions of that certain Agreement made as of the 11th day of July, 1973 by and between

EXHIBIT B

Holly Lake Development Company and the Grantee (such Agreement hereinafter referred to as the "Agreement") including, but not limited to, those terms providing for permissible uses of the Premises, additional payments to, and rights of, Grantor, and duties of Grantor; and

SUBJECT to all right, title and interest in and to all oil, gas or other minerals on, in or under the Premises or which may be produced therefrom which has been conveyed to any third party or which is not owned, for any reason, by Grantor on or before the date hereof;

TO HAVE AND TO HOLD the Premises together with all rights and appurtenances thereunto appertaining and in any way belonging to Grantor, its successors and assigns forever and Grantor does hereby bind itself, its successors and assigns to warrant and forever defend the Premises on behalf of Grantee, its successors and assigns against every person whomsoever lawfully claiming an interest in the premises or any part hereof;

BUT, (i) in the event that Grantee has not paid to Grantor the balance of the purchase price for the aforesaid real property in accordance with the Agreement on or before 11:59 p.m., December 31, 1999; or (ii) the Agreement having provided that the property covered hereby may be used by Grantee only in connection with the construction of and inundation by the proposed Big Sandy Reservoir, if at any time such proposed project is abandoned (provided, however, that once substantial payment has been made to Grantor by Grantee for the property conveyed hereby, abandonment shall not be deemed to occur by virtue of the mere passage of time of five years or less without activity on the proposed Big Sandy Reservoir project; and further provided the mere change of name of the project contemplated by the Agreement from "Big Sandy Reservoir" shall be of no effect on any of the provisions herein); or (iii) if Grantee attempts to convey the above property to any person other than to a state or Federal governmental

agency with the power of condemnation which has become the agency actually developing or constructing or operating, the Big Sandy Reservoir, or if to such governmental agency and such agency refuses to assume the obligations of Grantee under the Agreement; or (iv) if Grantee defaults under any other of its obligations and duties under the Agreement and such default continues for a period of thirty (30) days after notice of such default is mailed by Grantor to Grantee postage prepaid, certified mail, return receipt requested, then in any of such events the title to the Premises shall, without entry or suit, immediately and automatically revert to and be vested in Grantor, its successors or assigns, and the conveyance made hereunder shall be null and void; Grantor, its successors and assigns, shall be entitled to immediate possession of the Premises, provided, however, that Grantee, its successors and assigns, shall have the right within six (6) months after such reversion occurs within which to remove Grantee's improvements thereon, and thereafter such improvements shall become the property of Grantor, its successors or assigns; and no act or omission upon the part of Grantor, its successors or assigns, shall constitute a waiver of the operation of enforcement of this automatic reversion. By its acceptance of this Warranty Deed Grantee agrees for itself, its successors or assigns, that, in the event of such reversion, (i) Grantee, its successors or assigns, shall thereupon discharge and/or cause to be released any encumbrance placed or suffered by Grantee, its successors or assigns, without the prior written consent of Grantor, its successors or assigns, to attach to the Premises or any part thereof, and (ii) in order to evidence such reversion, Grantee, its successors or assigns, shall execute and deliver a Special Warranty Deed conveying the Premises to Grantor, its successors or assigns.

BUT, further, in the event that the Premises or any portion thereof, is above the actual Project Boundary Line for the Big

Sandy Reservoir, then and in such event such portion of the Premises lying above such Project Boundary Line shall, without entry or suit, immediately and automatically revert to and be vested in Grantor, its successors or assigns, and the conveyance made hereunder shall be null and void as to such property; Grantor, its successors and assigns, shall be entitled to immediate possession of such portion of the Premises, provided, however, that Grantee, its successors or assigns, shall have the right within six (6) months after such reversion occurs within which to remove all Grantee's improvements thereon, and thereafter such improvements shall become the property of Grantor, its successors or assigns; and no act or omission on the part of Grantor, its successors or assigns, shall constitute a waiver of the operation or enforcement of this automatic reversion. By its acceptance of this Warranty Deed Grantee agrees for itself, its successors or assigns, that in the event of such reversion, (i) Grantee, its successors or assigns, shall thereupon discharge and/or cause to be released any encumbrance placed or suffered by Grantee, its successors or assigns, without the prior written consent of Grantor, its successors or assigns, to attach to the portion of the premises covered by this paragraph or any portion thereof, and (ii) in order to evidence such reversion Grantee, its successors or assigns, shall execute and deliver a Special Warranty Deed conveying the Premises to Grantor, its successors or assigns.

The parties agree, that, as an integral part of the consideration hereof: Grantee will not drill, or permit to be drilled, any well for oil or gas on the Premises; Grantee will not erect any structure, tank, power station, cycling plant, mining, milling, severing, separating or well equipment on the Premises; and Grantee will not mine, quarry, extract, produce, save or otherwise take, or permit to be mined, quarried, extracted, produced, saved or otherwise taken, from the Premises any minerals, it being agreed that the term "minerals", for purposes of this

paragraph, shall be construed and interpreted in the broadest and most comprehensive manner possible. The Grantee further agrees that it will not execute or deliver any lease, assignment or transfer of any right, title or interest in and to any oil, gas or minerals on, in or under the Premises. It is further agreed that the terms and provisions of this paragraph shall apply only with respect to the rights, titles and interests in and to all oil, gas or minerals on, in or under the Premises which are conveyed by Grantor pursuant to this Warranty Deed.

WITNESS OUR HANDS this ____ day of _____, 1976.

HOLLY LAKE DEVELOPMENT COMPANY,
a Partnership

By _____
Partner

HOLLY LAKE RANCH ASSOCIATION

By _____
President

THE STATE OF TEXAS §
§
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as the act of HOLLY LAKE DEVELOPMENT COMPANY, a partnership, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL of office this the ____ day of _____, 1976.

Notary Public in and for

County, Texas

My Commission Expires:

THE STATE OF TEXAS §
 COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____ of HOLLY LAKE RANCH ASSOCIATION, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 1976.

 Notary Public in and for
 _____ County, Texas

My Commission Expires:

FILED FOR RECORD THE 20th DAY OF APRIL AT 9:51 O'CLOCK A.M., 1977.
 RECORDED THIS THE 20th DAY OF MAY AT 10:55 O'CLOCK A.M., 1977.
 BY MARTHA R. BRIDGES DEPUTY COUNTY CLERK WOOD COUNTY, TEXAS