

GRAZING PERMIT

SABINE RIVER AUTHORITY OF TEXAS
LAKE FORK DIVISION
353 PR 5183
Quitman, TX 75783

PERMIT TERMS AND DEFINITIONS:

Issuance Date: August 1, 2011

Expiration Date: July 31, 2016

Permit No.: LF500244

Permittee: Mrs. Henry Sartain

Permittee's Address: 223 N Moore, Sulphur Springs, TX 75482

Premises: SURFACE ONLY of approximately 235 acres of land, situated in Wood County, Texas, being further described on Exhibit "A", attached hereto and incorporated herein for all purposes.

Fees: \$722.00 per year (234 ac @ \$3.00 per ac. 1.00 ac of Pub.Use Land @ \$20.00 per ac.)

Term: Five (5) years

Permitted Use: Grazing of livestock or other agricultural purposes approved by SRA

Permitted Improvements: All improvements and/or alterations to the Premises must be approved in writing by SRA.

"SRA" means the Sabine River Authority of Texas, a Texas governmental agency, its agents, directors, employees, invitees, licensees, or visitors.

"Permittee" means Permittee, its agents, employees, invitees, licensees, or visitors.

"Contamination" means and refers to the presence of any Hazardous Substance (as hereinafter defined) or the existence of any injury to health, safety, or the environment or any other environmental condition at, in, or under the Premises (which term for purposes hereof shall include any navigable waters adjacent to and into which any portion of the Premises extend), or originating on the Premises which would be reasonably required to be removed to insure that no environmental matter restricts the present or future use, operation, leasing, development, construction, or alteration of the Premises.

"Environmental Laws" means and refers to each and every law (including, without limitation, common law), statute, code, ordinance, regulation, rule, order, permit, consent decree, or other requirement (including, but not limited to, consent decrees and judicial or administrative orders) of the United States, the State (or any political subdivision thereof) in which the Premises are located, and any other executive, judicial, regulatory, or administrative agency, authority, board, bureau, commission, court, arbitrator, or arbitration board, relating to health or safety or to the environment, including, but not limited to, those applicable to the manufacture, processing, transportation, distribution in commerce, use, generation, storage, treatment, disposal, handling and Release of any Hazardous Substances including medical waste, all as amended or modified from time to time, and those applicable to pollution, contamination, injury, destruction, loss, protection, cleanup, reclamation or restoration of the soil, groundwater, surface water, air, or other natural resources, to exposure to pollutants, contaminants, hazardous or toxic substances, petroleum products, materials, or wastes.

"Hazardous Substances" means and refers to any dangerous, toxic, or hazardous material, petroleum products, pollutant, contaminant, chemical waste including medical waste or substance defined, listed, or described as such or, listed in, or governed by any Environmental Law, now in existence or which may be subsequently enacted. The term "Release" means and refers to the intentional or unintentional spilling, leaking, dumping, pouring, emptying, seeping, disposing, discharging, emitting, depositing, injecting, leaching, escaping, abandoning, or any other release or threatened release, however defined, of any Hazardous Substance.

"Permit" means this Grazing Permit.

PERMIT CLAUSES AND COVENANTS:

- A. Grant. SRA hereby grants Permittee this Permit on the Premises, with the right to use said property in accordance with the Permitted Use.
- B. Effectiveness/Termination. This Permit shall become effective on the Issuance Date and shall terminate on the Expiration Date unless sooner terminated under the provisions hereunder.
- C. Permittee agrees to - -
 1. Accept the Premises "AS IS" and "WHERE-IS", in its present condition, as of the Issuance Date, and with respect to the Premises, there are no express or implied warranties, and **ALL WARRANTIES ARE EXCLUDED, INCLUDING BUT NOT LIMITED TO, ANY WARRANTIES OF QUALITY, MERCHANTABILITY, AND SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE**, the Premises being currently suitable for the Permitted Use.
 2. Obey all laws, ordinances, orders, rules, and regulations applicable to the use, condition, and occupancy of the Premises, including, but not limited to, SRA's Official Manual of Policies, Rules and Regulations, as revised by SRA from time to time, the National Electric Code, International Building Code, Americans with Disability Act, etc.
 3. Utilize the Premises in strict accordance with the Permitted Use and none other.
 4. Pay SRA at such place as SRA shall designate, the specified fees for use of the premises.
 5. Pay for all telephone, water, gas, electric, sewer, garbage disposal, and any and all other utility charges, fees, and deposits for all utilities consumed by the Permittee in and about the Premises, all such charges to be paid by Permittee to the utility company or governmental authority furnishing same, before the same shall become delinquent.
 6. Pay all taxes on Permittee's personal property located on the Premises.
 7. Repair, replace, and maintain any part of the Premises that SRA is not obligated to repair, replace, or maintain, normal wear and tear excepted.
 8. Repair or replace any damage to the Premises caused by Permittee.
 9. Submit in writing to SRA any request for repairs, replacement, or maintenance that are the obligation of SRA.
 10. Provide and maintain in force during the Term general liability insurance, with minimum combined single limits of One Hundred Thousand Dollars (\$100,000) per occurrence for personal injury or death and property damage and with at least \$300,000 per year aggregate limits, naming Permittee as insured and naming SRA and SRA's officers, directors, and employees, hereinafter sometimes collectively called the "Indemnitees", as additional insureds with one or more responsible insurance companies duly authorized to transact business in Texas with ratings of A or

better under Best's Insurance Reports. Such liability insurance shall be endorsed to require at least twenty (20) days written notice to SRA prior to cancellation, expiration, or modification.

11. During the Term of this Permit, to the extent required by applicable law and at Permittee's expense, keep in force worker's compensation insurance affording statutory coverage and containing statutory limits and providing employer's liability insurance with limits of not less than \$500,000.00 each occurrence.
12. Provide to SRA certificates evidencing the insurance coverage required on or before the Issuance Date of this Permit and provide to SRA renewal certificates during the Term not more than twenty (20) days after the inception of each of the respective policy terms.
13. Maintain hazard insurance on Permittee's personal property, trade fixtures, all alterations, additions, partitions and improvements erected by, or on behalf of, Permittee in, on or about the Premises. Such insurance shall be provided by either separate policy or, included on a policy already carried by the Permittee. Insurance shall be replacement cost coverage with a deductible amount(s) determined by the Permittee.
14. **INDEMNIFY, SAVE, DEFEND, AND HOLD HARMLESS THE INDEMNITEES AND THE PROPERTY OF THE INDEMNITEES (INCLUDING THE PREMISES) FROM AND AGAINST ANY AND ALL LIABILITY, DAMAGES, EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND EXPENSES) ARISING OUT OF: (I) CAUSES OF ACTION, SUITS, CLAIMS, JUDGMENTS, AND COSTS OF ANY KIND OR CHARACTER IN ANY MANNER ARISING FROM INJURY TO OR DEATH OF ANY PERSON (INCLUDING, BUT NOT LIMITED TO, PERMITTEE AND THE INVITEES, LICENSEES, GUESTS, AND EMPLOYEES OF PERMITTEE) OR (II) DAMAGE TO OR LOSS OF ANY PROPERTY (INCLUDING, BUT NOT LIMITED TO, THE PREMISES) OR (III) A RISE IN OR FLUCTUATION OF THE LEVEL OF WATER IN LAKE FORK, FROM THE OPERATION OF THE LAKE FORK DAM AND RESERVOIR OR (IV) THE LOCATION OF ANY PERSONALTY OR FIXTURES ON SAID PROPERTY OR (V) ANY NON-COMPLIANCE WITH ENVIRONMENTAL LAWS (AS PREVIOUSLY DEFINED) OR ANY CONTAMINATION (AS SUCH TERM IS PREVIOUSLY DEFINED) IN ANY MANNER CAUSED BY, CONNECTED WITH, OR ARISING OUT OF THE USE AND OCCUPANCY OF THE PREMISES BY PERMITTEE OR FROM THE ACT OR OMISSION OF ANY PERSON OR PERSONS, INCLUDING BUT NOT LIMITED TO, PERMITTEE AND EMPLOYEES OF PERMITTEE, IN OR ABOUT THE PREMISES WITH THE EXPRESS OR IMPLIED CONSENT OF PERMITTEE (BUT EXCLUDING SRA AND ANYONE ACTING FOR SRA). THIS INDEMNITY AND HOLD HARMLESS AGREEMENT SHALL INCLUDE INDEMNITY AGAINST ALL COSTS AND EXPENSES INCURRED IN OR IN CONNECTION WITH ANY SUCH LIABILITY OR PROCEEDING BROUGHT THEREON AND THE DEFENSE THEREOF AND SHALL EXPRESSLY EXCLUDE ANY LIABILITY ARISING OUT OF (I) THE ACT OR NEGLIGENCE OF SRA OR ITS AGENTS, EMPLOYEES OR CONTRACTORS OR (II) ANY HAZARDOUS SUBSTANCE PRESENT AT, UNDER OR ABOUT THE PREMISES PRIOR TO PERMITTEE'S OCCUPANCY.**
15. Vacate the Premises on termination of this Permit.
16. Use and employ best management practices to operate the Premises.

D. Permittee agrees not to - -

1. Use, or permit the use of, the Premises or any part thereof to be used for any purpose other than that stated in the Permit terms and definitions.
2. Use, or permit the use of, the Premises or any part thereof to be used for the conduct of any offensive, or dangerous activity, or the creation or maintenance of a public or private nuisance.

3. Allow the Premises or any part thereof to be used for the conduct of any activity that would increase the premiums for fire insurance on the Premises or anything which is against public regulations or rules of any public authority at any time applicable to the Premises.
 4. Create or allow a nuisance or permit any waste of the Premises.
 5. Alter the Premises without first obtaining SRA's written consent.
 6. Allow a lien to be placed on the Premises.
 7. Assign this Permit, any rights contained herein or any portion of the Premises, without first obtaining SRA's written consent.
 8. Litter or leave trash or debris on the Premises.
- E. SRA agrees to - -
1. Allow Permittee to use the Premises for the Permitted Use and for the entire Term beginning on the Issuance Date and ending on the Expiration Date, unless sooner terminated under the provisions hereunder.
 2. Obey all laws, ordinances, orders, rules, and regulations applicable to the use, condition, and occupancy of the Premises.
- F. Inconsistent Use. SRA agrees not to allow any use of the Premises inconsistent with Permittee's Permitted Use as long as Permittee is not in default.
- G. Waiver of Violation. The waiver by SRA or Permittee of the performance or violation of any covenant or condition of this Permit, or redress thereof, shall not be deemed a performance thereof nor shall it prevent a subsequent act either of commission or omission by the other party which would originally have constituted a breach of this Permit from having all the force and effect of an original breach. The consent or approval by SRA to or of any action by Permittee requiring SRA's consent or approval shall not be deemed to waive or render unnecessary SRA's consent or approval to or of any subsequent similar act by Permittee.
- H. SRA and Permittee agree to the following - -
1. Any physical additions or improvements to the Premises made by Permittee will become the property of SRA. SRA may require that Permittee, at Permittee's cost, remove any physical additions and improvements, repair any alterations, and restore the Premises to the condition existing at the Issuance Date, normal wear and tear excepted.
 2. Permittee's covenant to pay the Fees and SRA's covenants are independent. Except as otherwise provided, Permittee shall not be entitled to abate the Fees for any reason.
 3. SRA and Permittee release each other from any claim, by subrogation or otherwise, for any damage to the Premises or Permittee's personal property by reason of fire or the elements, regardless of the cause, including negligence of SRA or Permittee. This release applies only to the extent that is permitted by law, the damage is covered by insurance proceeds, and the release does not adversely affect any insurance coverage.
 4. SRA and Permittee will notify the issuing insurance companies of the release set forth in the preceding paragraph and will have the insurance endorsed, if necessary, to prevent invalidation of the insurance coverage.
 5. Condemnation/Substantial or Partial Taking.

- (a) If the Premises cannot be used for the Permitted Use because of condemnation or purchase in lieu of condemnation, this Permit will terminate;
 - (b) If there is a condemnation or purchase in lieu of condemnation and this Permit is not terminated, the Fees payable during the un-expired portion of the Term will be adjusted as may be fair and reasonable; and
 - (c) All compensation awarded for any condemnation/taking (or the proceeds of private sale in lieu thereof), whether for the whole or a part of the Premises, shall be the property of SRA (whether such award is compensation for damages to SRA's or Permittee's interest in the Premises), and Permittee hereby assigns all of its interest in any such award to SRA; provided, however, SRA shall have no interest in any award made to Permittee for loss of business or for taking of Permittee's fixtures and other property within the Premises if a separate award for such items is made to Permittee.
6. Permittee grants SRA a security interest in Permittee's personal property now or subsequently Located on the Premises. This Permit is a security agreement under the Uniform Commercial Code. SRA may either file a copy of this Permit as a financing statement or execute a financing Statement on behalf of Permittee and file it.
7. A default by SRA is the failure to comply with any provision of this Permit that is not cured within thirty (30) days after written notice.
8. Permittee's sole remedy for SRA's default is to terminate this Permit. Permittee expressly agrees and acknowledges that Permittee shall not be entitled to recover damages, costs or expenses of any nature from SRA arising from SRA's default.
9. Events of default by Permittee are:
- (a) Failing to pay timely the Fees or any charge provided for in this Permit within ten (10) days from the date the same shall become due;
 - (b) Permittee's failure to comply with any of the terms, provisions, or covenants of this Permit;
 - (c) Violation of any of the laws, ordinances, orders, rules, and regulations applicable to the use, condition, and occupancy of the Premises, including, but not limited to, SRA's Official Manual of Policies, Rules and Regulations, as revised by SRA from time to time.
 - (d) Abandoning or vacating a substantial portion of the Premises;
 - (e) Permittee's failure to conduct the Permitted Use for a period of ninety (90) consecutive days or for a period of one hundred eighty (180) days in any one Permit year;
 - (f) The filing by or against Permittee of a petition under any section or chapter of the National Bankruptcy Act or any other similar law or statute of the United States or any state thereof, or the judgment of any court of competent jurisdiction that Permittee is bankrupt or insolvent; or
 - (g) The appointment of a receiver or trustee for all or substantially all of the assets of Permittee.
10. Upon the occurrence of any events of default as set forth in Paragraph 9 above, SRA shall have the option to terminate this Permit, in which event SRA may enter upon and take possession and expel and remove Permittee and any other persons who may be occupying said Premises or any part thereof, by force if necessary, and remove all improvements and other property remaining

thereon from the Premises at Permittee's expense, without being liable for default. SRA shall have, and is hereby given, an express landlord's lien on all improvements and fixtures owned, installed, constructed, or located by Permittee on the described Premises to secure payment of the Fees provided for above.

11. If Permittee does not vacate the Premises following termination of this Permit, Permittee shall be deemed a tenant at will and shall vacate the Premises upon receipt of a notice from SRA. No holding over by Permittee, whether with or without the consent of SRA, will extend the Term.
 12. If either party retains an attorney to enforce this Permit, the party who prevails at the time of trial is entitled to recover reasonable attorney's fees.
 13. Venue is in the county in which the Premises are located.
 14. This Permit is the entire agreement between the parties, and there are no oral representations, warranties, agreements, or promises pertaining to this Permit.
 15. This Permit may be amended only by an instrument in writing signed by SRA and Permittee.
 16. Any notice required by this Permit shall be deemed delivered (whether or not actually received) when deposited with the United States Postal Service, postage prepaid, certified mail, return receipt requested, addressed to SRA or Permittee at the above addresses.
 17. This Permit is subordinate to any present or future oil, gas, or other exploration agreements and leases. SRA shall not be liable to Permittee for any damages for actions attributable to these agreements and shall receive all consideration paid therefor.
 18. SRA retains the right to permit third parties to use the Premises for other uses that do not interfere with Permittee's Permitted Use.
- I. Exculpation. Permittee agrees and acknowledges that SRA assumes no liability or responsibility to Permittee or to any other person for damage to property, or injuries to or death of any persons, resulting from a rise in or fluctuation of the level of water in Lake Fork, from the operation of the Lake Fork dam and reservoir, from the location of personalty or fixtures on the Premises, or for any other cause.
- J. SRA retains the right to - -
1. To have access to the Premises each and every part thereof at all reasonable times for the purpose of inspecting the same and making such repairs as SRA shall determine are necessary and reasonable;
 2. To use all or any portion of the Premises for any purpose in connection with the maintenance and operation of the Lake Fork dam and reservoir as a multiple purpose water conservation project, or for such other purposes or uses as may be necessary in carrying out the statutory duties and responsibilities of SRA;
 3. To locate roads, utilities, pipelines, and/or other improvements on and over the Premises where required to meet the public convenience and necessity; and
 4. To terminate all rights of Permittee hereunder for any reason, if at such time it be determined by SRA that use of said Premises is required by SRA. If this Permit is terminated by SRA for reasons other than an event of default by Permittee, Permittee shall have the right to remove all of Permittee's personal property from the Premises. In addition, SRA shall compensate Permittee for improvements made by Permittee to the Premises which cannot be reasonably removed without

damaging the Premises, based on the then current fair market value of such improvements as determined by a licensed appraiser selected by SRA.

SIGNED THIS 15 day of Nov., 2011.

SABINE RIVER AUTHORITY OF TEXAS:



Jerry Clark
Executive Vice President & General Manager

PERMITTEE:



Mrs. Henry Sartain