

**RENEWAL AND AMENDMENT OF RECREATION FACILITIES
DEVELOPMENT AGREEMENT**

This Renewal and Amendment of Recreation Facilities Development Agreement (the "Renewal") is between The Woodlands Land Development Company, L.P., a Texas limited partnership ("TWLD") and a successor in interest to The Woodlands Corporation, and The Woodlands Association, Inc., a Texas non-profit corporation ("TWA"), and is effective July 31, 2001.

Background

A. Effective August 1, 1996, The Woodlands Corporation and TWA entered into the Recreation Facilities Development Agreement (the "Agreement"), a true and correct copy of which is attached as Exhibit "1."

B. Effective July 31, 1997, TWLD succeeded to all rights and obligations of The Woodlands Corporation under the Agreement.

C. Effective July 1, 1998, the Mutual Benefit Agreement dated as of March 1, 1992, which is referred to in the second unnumbered paragraph of the Agreement, was amended and superseded by the First Amended Mutual Benefit Agreement.

D. Paragraph C(3) of the Agreement provides that the Initial Period of the Agreement shall be for five (5) years from August 1, 1996, and that the parties may extend the Initial Period for an additional period of five (5) years.

E. The parties have agreed to extend the Agreement for an additional period of five (5) years and have further agreed to amend the Agreement so that it refers to the First Amended Mutual Benefit Agreement. The parties intend that this Renewal fully express their understandings with respect thereto.

NOW, THEREFORE, for and in consideration of the mutual covenants set out herein, the parties agree as follows:

1. The Initial Period of the Agreement is extended for a period of five (5) years beginning on August 1, 2001, and ending on July 31, 2006.

2. The second unnumbered paragraph of the Agreement is amended by replacing the reference to the Mutual Benefit Agreement dated as of March 1, 1992, with a reference to the First Amended Mutual Benefit Agreement dated as of July 1, 1998.

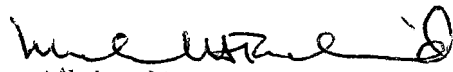
3. The third sentence in paragraph C(2) is deleted and replaced with the following: "Unpaid invoices shall bear interest at the lesser of 8% per annum or the highest rate permitted by applicable law."

4. Except as amended and extended herein, the Recreation Facilities Agreement shall remain in full force and effect as written.

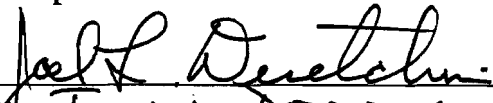
Executed in duplicate originals.

**The Woodlands Land Development Company,
L.P., a Texas limited partnership, and a successor
to The Woodlands Corporation**

By: The Woodlands Operating Company, L.P.,
a Texas limited partnership, its Authorized
Agent

By: 
Name: Michael H. Richmond
Title: President & Chief Executive Officer

**The Woodlands Association, Inc., a Texas non-
profit corporation**

By: 
Name: JOEL L. DERETCHIN
Title: PRESIDENT

WCC



**THE WOODLANDS
COMMUNITY SERVICE CORPORATION**

2201 Lake Woodlands Drive, The Woodlands, Texas 77387-7859 p. 281.210.3800 f. 281.210.3960

Providing Services to:

**THE WOODLANDS
COMMUNITY
ASSOCIATION, INC.**

**THE WOODLANDS
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COMMERCIAL OWNERS
ASSOCIATION, INC.**

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Other Locations:

RECREATION CENTER
5310 Research Forest Dr.
The Woodlands, Texas
77381

p 281.210.3950
f 936.273.5438

PARK OPERATIONS

8203 Millennium Forest Dr.
The Woodlands, Texas
77381

p 281.210.3900
f 936.273.4995

July 30, 2001

Michael Richmond
President and CEO
The Woodlands Operating Company, L.P.
P.O. Box 5050
The Woodlands, TX 77387-5050

Dear Michael:

On July 18, 2001 the Board of Directors of The Woodlands Association, Inc. (TWA) voted affirmatively to approve the renewal of the Recreational Facilities Development Agreement with The Woodlands Land Development Company. Please find enclosed the agreement, which has been signed by Joel Deretchin, President of the TWA.

The renewal agreement makes one substantial change to the original agreement. Unpaid invoices will now bear the lesser of an 8% interest rate or the maximum amount allowed by law. Previously, the interest rate was 18%. This provision is found in section C, paragraph 2 of the original agreement.

The TWA Board of Directors asks that the TWLDC approve this agreement, signified by your signature. Once approved and signed, please return to me at the WCSC offices.

Thank you for your consideration. Please feel free to call if you have any questions.

Sincerely,

John P. Rutledge
Interim General Manager

THE WOODLANDS ASSOCIATION, INC.
BOARD OF DIRECTORS MEETING
JULY 18, 2001
MINUTES

The Board of Directors of The Woodlands Association, Inc. held a meeting on Wednesday, July 18, 2001 at The Community Associations Building located at 2201 Lake Woodlands Drive, The Woodlands, Texas. Directors present were Joel Deretchin, Claude Hunter, Lloyd Matthews, Tim Welbes, Paul Lazzaro and Damon Palermo. Director Virgil Yoakum was absent. Also present were Interim General Manager John Rutledge, Assistant General Manager for Finance and Administration Monique Sharp, Management Analyst Kristi Aday, Assistant to the General Manager Bola Akande, Community Relations Manager Mary Connell and Director of Parks and Recreation John Powers of The Woodlands Community Service Corporation.

Joel Deretchin called the meeting to order at 6:06PM.

REVIEW OF THE JUNE 2001 FINANCIALS

Monique Sharp reported that of the \$7.06 million in projected assessment revenues 98.9% or \$6.98 million were collected. Operating revenues year-to-date total \$3.7 million compared to budgeted of \$3.73 million. The unfavorable variance is due to lower pool fees collected and timing differences. Total year-to-date operating expenses were \$2.7 million compared to budgeted of \$3.4 million for a favorable variance due primarily to deferred expenses. Month end debt balance was \$1.65 million.

CONSIDERATION OF RECREATIONAL FACILITIES DEVELOPMENT AGREEMENT RENEWAL

Joel Deretchin reviewed the Recreational Facilities Development Agreement between TWA and The Woodlands Corporation (now The Woodlands Operating Company) that provides for design, development and construction of parks, pathways and other recreational facilities in the TWA. July 31, 2001 is the end of the initial five-year term of agreement. Lloyd Matthews moved to authorize the President of TWA to sign a five-year extension of the agreement presented. Tim Welbes seconded the motion. Joel Deretchin requested that the sentence in Section C, Paragraph 2 read, "Unpaid invoices shall bear interest at the lesser of 8% or the highest amount allowed by law." Instead of 18% as in the original agreement. Claude called the question and the motion was unanimously approved.

DISCUSSION ON EXTENDING THE SERVICE AGREEMENT WITH THE WOODLANDS COMMUNITY SERVICE CORPORATION

The Board discussed renewal of the Service Agreement between TWA and WCSC as directed by the MBA. Joel Deretchin asked directors and staff to review the service agreement for discussion at the August workshop.

CONSIDERATION OF LOAN DOCUMENTS WITH SOUTHWEST BANK FOR CAPITAL FINANCING

John Rutledge presented a status report concerning negotiations with Southwest Bank about possible term changes for capital financing loans. This item will be considered at a future Board meeting.

GENERAL MANAGER'S REPORT

John Rutledge congratulated Marti Fox, Claude Hunter and Kristi Aday for their acceptance to Leadership Montgomery County.

John Rutledge mentioned letters to local newspapers about perceived increased law enforcement visibility and favorable reaction by residents.

August 7 is National Night Out and Neighborhood Services recently had an open house to provide volunteers supplies for that event.

Lloyd Matthews asked that the issue of county reimbursement for mowing services provided by WCSC be addressed before bids are next proposed.

PRESIDENT'S REPORT

Joel updated the Board regarding legal matters pertaining to The Woodlands Fire Department and gave a status report on the General Manager search for WCSC.

Lloyd Matthews moved to adjourn the meeting. Claude Hunter seconded the motion. The motion was unanimously approved and the meeting adjourned at 6:55PM.

Lloyd Matthews
Secretary