

**FIRST AMENDED
MUTUAL BENEFIT AGREEMENT**

The Woodlands Community Association, Inc.

The Woodlands Association, Inc.

The Woodlands Commercial Owners Association

The Woodlands Community Service Corporation

The Woodlands Fire Department, Inc.

The Woodlands Land Development Company, L.P.

Dated

July 1, 1998

FIRST AMENDED
MUTUAL BENEFIT AGREEMENT

THIS AGREEMENT is entered into on the 1st day of July, 1998 between and among The Woodlands Land Development Company, L.P. ("TWLDC"), a Texas Limited Partnership, The Woodlands Community Association, Inc. ("WCA"), a Texas non-profit corporation, The Woodlands Association, Inc. ("TWA"), a Texas non-profit corporation, The Woodlands Community Service Corporation ("WCSC"), a Texas non-profit corporation, The Woodlands Fire Department, Inc. ("WFD"), a Texas non-profit corporation, and The Woodlands Commercial Owners Association ("WCOA"), a Texas non-profit corporation.

RECITALS

WCA, TWA, WCSC, WFD, WCOA and The Woodlands Corporation ("TWC") entered into a Mutual Benefit Agreement ("MBA") dated March 1, 1992. The purposes of the MBA were to assure the continued high quality, uniform and cost efficient delivery of community association services throughout the existing and newly developed portions of The Woodlands, and to establish a uniform vehicle for the provision of services on a community-wide, cohesive basis.

Under the terms of the MBA the rights, duties and obligations of TWC under that agreement terminated upon the sale by Mitchell Energy & Development Corp. of 51% or more of the stock of TWC. Effective July 31, 1997, Mitchell Energy & Development Corp. sold to the Crescent Group and the MSREF Group (hereafter defined) 100% of the stock of TWC. TWLDC, owned by the Crescent Group and the MSREF Group, is the successor in interest to the rights of TWC under the MBA.

By mutual agreement the parties have continued the rights, duties and obligations of TWLDC under the MBA, on a temporary basis. By this agreement the parties amend certain provisions of the MBA and reinstate the rights of TWLDC under the MBA as amended.

NOW THEREFORE, for and in consideration of the mutual covenants, conditions, benefits, burdens, obligations, duties and responsibilities set out below, the parties covenant and agree as follows:

DEFINITIONS

1. Affiliate means one or more members of the Crescent Group or the MSREF Group, or one or more entities owned in whole or in part by a member or members of the Crescent Group or the MSREF Group.
2. Non-Participating Association has the meaning set out in paragraph 9.1 of this agreement.
3. Crescent Group means Crescent Real Estate Equities Limited Partnership, Crescent Operating, Inc., and The Woodlands Land Company, Inc. or their successors by merger or corporate reorganization.
4. Future MBA Association has the meaning set out in paragraph 9.2 of this agreement.
5. MSREF Group means MS/TWC Joint Venture and MS TWC, Inc. or their successors by merger or corporate reorganization.
6. The Woodlands is a generally contiguous tract of land being developed by TWLDC and its Affiliates or sold to third parties for development, and which is encumbered by restrictive covenants designating it as a part of The Woodlands. The exact boundary of The Woodlands is subject to the sole discretion of TWLDC. Nothing in this agreement is intended to require or imply that any land currently owned or hereafter acquired by TWLDC will be or become a part of The Woodlands (except as required by Articles III and IX of this agreement), nor do the parties intend to limit the ability of TWLDC to add additional land to The Woodlands.
7. TWA Area means the land subject to the Covenants, Restrictions, Easements, Charges and Liens of The Woodlands filed for record at Film Code No. 908-01-1585 of the Official Public Records of Real Property of

Montgomery County, Texas, and the land added to the TWA Area from time to time by recorded annexation documents.

8. WCA Area means land subject to the WCA Covenants.

9. WCA Covenants means the Covenants, Restrictions, Easements, Charges and Liens of The Woodlands recorded at Volume 841, Page 297 of the Deed Records of Montgomery County, Texas, and filed for record in File Nos. 9014247 and 9024117 of the Official Public Records of Real Property of Montgomery County, Texas, and the land added to the WCA Area from time to time by recorded annexation documents.

I

THE WOODLANDS COMMUNITY SERVICE CORPORATION

1.1 Duties. WCSC agrees to provide to WCA, TWA and WCOA, on a non-profit basis, all administrative, managerial and operational services required by WCA, TWA and WCOA. Each of the associations will enter into a Service Agreement under the terms of which WCSC will provide administrative, managerial and operational services for each association, with the costs incurred by WCSC to be paid by the associations, as more particularly set forth in the Service Agreement. WCSC further agrees to manage and administer the terms and performance of contracts entered into between one or more of the associations and third party vendors who provide services not otherwise provided by WCSC (e.g., police, fire, trash collection and emergency medical services).

1.2 Services to Other Associations. Under the terms of its charter and by-laws, WCSC has the right to provide managerial, administrative and operational services to other community associations serving lands within and outside of The Woodlands. Services to Future MBA Associations will be provided under the terms of a Service Agreement as set out in Article II below. Services to Non-Participating Associations will be provided under the terms and subject to the limitations of paragraph 9.1 below. Services may be provided to any other association at the discretion of WCSC under the terms of agreements acceptable to WCSC, provided that the fees charged for services to be rendered to such other associations will be at least equal to the fees charged for those services to associations which are parties to a Service Agreement.

1.3 Board of Directors. The board of directors of WCSC will initially consist of seven persons, four appointed by WCA, two appointed by TWA and one appointed by WCOA. At the first annual appointment of WCSC directors following the date when there are as many occupied dwelling units in the TWA Area as in the WCA Area, and thereafter, the board of directors of WCSC will consist of three persons appointed by WCA, three persons appointed by TWA (one of whom must be a resident- elected TWA director), and one person appointed by WCOA.

II

SERVICE AGREEMENTS

2.1 Parties; Services and Service Standards. WCA, TWA and WCOA each agree to enter into a Service Agreement with WCSC in the form of attached Exhibit B, which includes schedules of the Uniform Minimum Streetscape Standards, Uniform Fire and Emergency Medical Standards and Uniform Minimum Residential Development Standards which are applicable to all lands within the jurisdiction of WCA, TWA and WCOA. Each Service Agreement may contain supplemental schedules setting out any enhancement to the Uniform Minimum Streetscape and Residential Development Standards, and other services and service standards agreed upon by WCSC and the other party to each Service Agreement.

2.2 Termination.

A) If WCA or TWA fail to renew their Service Agreement, the other of such parties (the "Non-Terminating Party") will have the option to cause WCSC to purchase the Terminating Party's share of WCSC assets or to convey to the Terminating Party the Terminating Party's share of WCSC assets. If the Non-Terminating Party has not given notice of its election to the Terminating Party within 60 days following receipt of the Terminating Party's notice of termination or non-renewal of its Service Agreement, the Terminating Party's share of WCSC assets will be conveyed to the Terminating Party. The

share of each association and the purchase price of its share is the book value of all WCSC assets, less all liabilities, on the date of termination, pro-rated among the WCA, TWA and WCOA based upon the Assessed Valuation of all Assessable Property within the jurisdiction of the Terminating Party on the first day of September of the year prior to the calendar year for which the value is being calculated, relative to the combined Assessed Valuation of all Assessable Property within WCA, TWA and WCOA. Assessed Valuation and Assessable Property have the definitions set out in paragraph 6.5 below. Payment for assets purchased will be in cash at closing. Closing of the asset conveyance will occur on the effective date of expiration or termination of the Terminating Party's Service Agreement.

B) Upon receipt of its share of WCSC assets or payment for such share, WCSC directors appointed by the Terminating Party will be removed from office, the right to fill the director positions previously held by the Terminating Party will become the right of the Non-Terminating Party, and the Terminating Party will be deemed to have released any right, title or interest in WCSC or its assets and to be released from any future obligations under the Service Agreement.

C) Not later than ninety days prior to the closing described in A) above, WCSC agrees to provide to the Terminating Party a copy of all custom computer data, programs and program documentation, to the extent permitted by applicable licensing agreements.

D) If a party terminates its Service Agreement in violation of this MBA or its Service Agreement, the rights and obligations set out in this Paragraph 2.2 will be in addition to any remedies available at law or in equity.

E) If WCOA terminates or fails to renew its Service Agreement, WCSC will have the option to purchase WCOA's share of WCSC assets or to convey the share to WCOA. The purchase or conveyance of WCOA's share will be completed in accordance with the requirements of paragraphs A) through D) above, except that the value of WCOA's share will be reduced by the total credit applied toward the allocable portion of WCSC and WFD costs payable by WCOA as a result of the agreements regarding WCOA assessment abatements set out in a letter agreement among WCA, TWA, WCSC, WFD and TWLDC, of even date herewith. In no event will WCOA incur a liability to WCA or TWA if the cumulative amount of the reduction it receives exceeds the value of its share of WCSC assets.

III

LAND IN WCA

3.1 **Covenants.** TWLDC agrees to legally impose the WCA Covenants or alternative covenants which comply with the terms of paragraphs 4(b) and 4(c) of the Consent of the Secretary of the Department of Housing and Urban Development, dated the 21st day of April, 1983, and which require the payment of maintenance assessments to WCA, upon all land developed following the date of this agreement within those portions of the Villages of Grogan's Mill, Panther Creek, Cochran's Crossing and Indian Springs outlined in attached Exhibit C. The WCA Covenants will be imposed on any portion of a tract which is sold to a third party, or upon which buildings, structures or other improvements defined as real property under applicable law for the purpose of ad valorem taxation by the State of Texas or Montgomery County have been constructed, prior to the sale or upon the completion of construction of buildings, structures or other improvements for initial use of the land, whichever occurs first.

3.2 **Tracts Included Within WCA Area.** The land described in paragraph 3.1 above includes a) all land currently owned or subsequently acquired by TWLDC or an Affiliate within those areas, b) all other land within those areas where the WCA Covenants or alternate covenants described in paragraph 3.1 above are imposed from time to time, upon terms and conditions mutually agreed upon by WCA, TWLDC and the owners of such land, and c) any additional land added by TWLDC, in its sole discretion, to the areas described in Exhibit C. The land included within the areas defined in paragraph 3.1 above and this paragraph 3.2 includes land developed for residential, commercial, institutional or any other land use.

3.3 **Development of WCA Land.** TWLDC agrees to continue development of lands within those portions of the Villages of Grogan's Mill, Panther Creek, Cochran's Crossing and Indian Springs outlined in

attached Exhibit C at a time and in a manner consistent with the master plan for the development of The Woodlands, subject to any changes required by economic conditions, laws or regulations, or other material factors not within the control of TWLDC.

3.4 **Successors and Assigns.** TWLDC agrees to include in any deed, assignment, merger or other conveyance provisions to make its obligations under this Article III legally and validly binding upon the successors and assigns of TWLDC.

3.5 **Termination of Obligation.** The obligations of TWLDC under this Article III shall terminate upon the occurrence of a material default by WCA in the performance of its obligations under this agreement or its Service Agreement.

IV

STREETSCAPE MAINTENANCE

WCA, TWA, WCOA and WCSC agree that, upon request by TWLDC, TWLDC will be selected as the vendor to provide streetscape maintenance services throughout the area of each association so long as the cost of services from TWLDC is comparable to the fees charged by other qualified vendors who would provide service of the same quality and frequency. The right of TWLDC to provide streetscape maintenance services is also subject to acceptable contractual provisions providing penalties to TWLDC for non-performance, and termination in the event of a material breach. WCA agrees to pay WCSC one half of the cost of streetscape maintenance for the portions of Grogan's Mill Road, Kuykendahl Road, Woodlands Parkway, Lake Woodlands Drive, Gosling Road and Research Forest Drive which lie within the WCA Area, and that portion of the cost of streetscape maintenance for collector streets within the WCA Area equal to the percentage of land served by those collector streets which has been developed from time to time, as determined on an annual basis. A current list of collector streets in the WCA Area is attached as Exhibit D and will be supplemented from time to time. Until the date of merger of TWA and any Future MBA Associations with WCA as provided for under Article X of this agreement, TWLDC agrees to pay or cause other entities to pay the remaining portion of the costs of streetscape maintenance for major thoroughfares and collector streets within the WCA Area. For purposes of this paragraph, "developed" means that a home or other structure necessary for the initial use of the tract has been constructed.

V

DEVELOPMENT STANDARDS COMMITTEE

5.1 **Members of DSC.** From the date of this agreement until the earliest to occur of (i) the fifth anniversary of said date, (ii) any of the conditions described in paragraphs A), B) or C) of Article X below, or (iii) the relinquishment by TWLDC of its rights under this Paragraph 5.1, WCA agrees to appoint to the WCA Development Standards Committee (the "DSC") four persons designated from time to time by TWLDC, who have experience in architecture, engineering, contracting, building code enforcement or a related field. The remaining members of the DSC will be persons designated by WCA. If the duty of WCA to appoint four persons designated by TWLDC to the DSC terminates because of the condition set out in subsection 5.1(i) above, WCA agrees to reinstate, for an additional five year period, the rights of TWLDC under this paragraph 5.1 upon a determination by WCA, in its sole reasonable discretion, that TWLDC is committed to and capable of continuing the development and maintenance of The Woodlands consistent with the land use, design, and quality development standards under which The Woodlands was developed through 1997. If WCA elects to not reinstate the rights of TWLDC in accordance with the provisions of this paragraph, WCA agrees to appoint, for at least 5 years, three persons to the DSC designated from time to time by TWLDC, and the scope of Developer DSC Functions set out in paragraph 5.2, A below will thereafter be limited as described in paragraph 5.2, C below.

5.2 DSC Functions.

A) Developer DSC Functions means all DSC functions with regard to:

- i) residential apartments,
- ii) the initial construction of any improvements on lots to be used for residential

townhomes, residential condominiums, detached single family residential structures or other single family residential structures,

iii) commercial and institutional facilities (including without limitation office, retail, warehousing and manufacturing),

iv) lakes located in non-residential areas,

v) street rights-of-way and medians for major thoroughfares and collector streets, except political signs and event signs, and

vi) artwork, Houston Open Golf Tournament signage, and signs marketing TWLDC development activities in The Woodlands, located on any street right-of-way.

B) Residential DSC Functions means all DSC functions not specified in paragraph 5.2, A above, including without limitation all DSC functions with regard to:

i) all improvements on lots upon which completed townhouses, residential condominiums, detached single family residential structures or other single family residential structures are built,

ii) pathways and open space reserves,

iii) parks within which facilities have been constructed,

iv) street rights-of-way and medians for streets other than major thoroughfares and collector streets, except artwork, Houston Open Golf Tournament signage, and signs marketing TWLDC development activities in The Woodlands, and

v) lakes located in developed residential areas.

C) Limited Developer DSC Functions. If, on the fifth anniversary of the date of this agreement, WCA does not reinstate the rights of TWLDC to appoint a majority of the members of the DSC for an additional five year period as provided for in Paragraph 5.1 above, then:

i) all DSC functions with regard to facilities or improvements located, or which may be located on the land described as *Limited Developer DSC Area* on attached Exhibit E (the "Limited Developer DSC Area") will become the Limited Developer DSC Functions for a period of five years, or such longer period as may be agreed to by the WCA, from the fifth anniversary of the date of this agreement, and thereafter will become Residential DSC Functions; and

ii) all other Developer DSC Functions defined in paragraph 5.2, A above will become Residential DSC Functions

From and after the date that certain of the Developer DSC Functions become Limited Developer DSC Functions, all facilities and improvements within the Limited Developer DSC Area must comply with the applicable Initial or Amended Land Use Designation, the Commercial Development Standards adopted by the DSC from time to time, and the Golf Course Development Standards attached hereto as Exhibit F. Variances from or modifications, alterations or amendments to the Golf Course Development Standards may be approved only by a 2/3rds vote of all members of the DSC. In the event of a conflict between the Golf Course Development Standards and any other DSC promulgated rule, regulation or directive which references or concerns the Limited DSC Development Functions, the Golf Course Development Standards will control.

D) Release of Developer DSC Functions. TWLDC may at any time relinquish its right to conduct one or more of the Developer DSC Functions or Limited Developer DSC Functions by written notice to WCA, in which case the function will become a Residential DSC Function subject to WCA indemnity as described in Paragraph 5.9; provided that WCA will remain indemnified by TWLDC in accordance with Paragraph 5.8 against any liability with regard to that DSC function arising prior to the effective date of the TWLDC notice.

5.3 Delegation of DSC Authority. In accordance with the authority provided for in Paragraph 9.5 of the WCA Covenants the DSC has delegated to one DSC member designated by TWLDC the right to approve plans and specifications for initial construction of single family detached residences within the WCA Area. WCA also agrees to cause the DSC members designated by WCA to delegate full DSC authority to approve plans and specifications to one or more DSC members designated by TWLDC with respect to such Limited Developer DSC Functions described in Paragraph 5.2, C above, in accordance with the authority set out in Paragraph 9.5 of the WCA Covenants. The parties agree that no further or additional DSC functions may be delegated to one or more members of the DSC without the consent of 2/3rds of the members of the full DSC.

5.4 Deference. TWLDC will cause the DSC members designated by TWLDC to give all reasonable deference and regard to the opinions, objectives and requests of the DSC members designated by WCA in casting votes regarding the Residential DSC Functions, and WCA will cause the DSC members designated by WCA to give all reasonable deference and regard to the opinions, objectives and requests of the DSC members designated by TWLDC in casting votes with regard to the Developer DSC Functions and the Limited Developer DSC Functions.

5.5 Record of DSC Actions. The rules of the DSC will require that a record of all actions taken by members of the DSC will be promptly entered into the official minutes of the DSC. Notwithstanding the foregoing, the rules will require that copies of all plans for the initial construction of single family residential structures, and the action of the DSC with respect to such plans will be entered in the minutes of the DSC not later than the commencement of construction of the improvements, and that copies of plans for all improvements other than single family residential structures, and the action of DSC with respect to such plans, will be entered in the minutes of the DSC not later than one week prior to the commencement of construction of the improvements. The requirements of this paragraph will not apply to a) improvements within the exterior walls of a building, b) improvements performed by persons other than TWLDC or an Affiliate for which no plans were submitted to the DSC, and c) work required due to an emergency condition. Inadvertent failure to comply with the requirements of this paragraph with reference to improvements having a value of less than \$50,000 will not constitute a material violation of this agreement. For purposes of this paragraph, the commencement of construction means the pouring of concrete foundations or footings for new construction, or the actual commencement of on-site building activity in the case of repairs or alterations.

5.6 DSC Staff Support. WCSC agrees to provide to each association which is a party to the MBA all required staff support services for the DSC functions, including the preparation of standards and field monitoring for compliance.

5.7 Compensation of DSC Members. Members of the DSC designated by TWLDC will receive no compensation from WCA or WCSC for their service as a member of the DSC.

5.8 TWLDC Indemnity. TWLDC agrees to defend, indemnify and hold WCA harmless from any cost, liability or damage, including attorney fees, arising from:

- A) acts or omissions of the DSC prior to August 23, 1992,
- B) acts or omissions of the DSC members designated by TWC or TWLDC from August 23, 1992 through the date of this agreement,
- C) acts or omissions of the DSC after the date of this agreement with regard to Developer DSC Functions or the Limited Developer DSC Functions, subject to the provisions of Paragraph 5.2 D) above,
- D) acts or omissions of the DSC after the date of this agreement with regard to a Residential DSC Function if the majority vote of the WCA designated DSC members voting was defeated by the vote of the TWLDC designated DSC members, and
- E) an allegation of constitutionally prohibited discriminatory treatment of signs within street rights of way which are Residential DSC Functions relative to signs within street rights of way which are Developer DSC Functions.

WCA will give TWLDC immediate notice of any claims, suits or actions against WCA which WCA contends come within the scope of the TWLDC indemnity. The notice will describe the nature of the suit or claim and include copies of all pleadings and correspondence in the possession of WCA setting forth the nature or basis of the suit or

claim. Within ten (10) days of receipt of the notice TWLDC will give notice to WCA confirming to WCA that it will provide WCA a defense in the suit or action described in the notice or stating with particularity why, in its opinion, the matter is not subject to the indemnification required by this Paragraph. When defending a matter covered by this indemnity, TWLDC will have the right to select the attorneys to represent WCA, which attorneys may be the same attorneys who represent TWLDC, subject to the approval of WCA, which approval will not be unreasonably withheld or delayed. WCA will cooperate with TWLDC in the defense of WCA. TWLDC will have the right to control the defense of WCA and to settle the case.

5.9 WCA Indemnity. WCA agrees to defend, indemnify and hold TWLDC harmless from any cost, liability or damage, including attorneys fees, arising from (A.) any act or omission of the DSC members designated by WCA, from and after August 23, 1992 through the date of this agreement, and (B.) any act or omission of the DSC after the date of this agreement with regard to Residential DSC Functions, unless the majority vote of the WCA designated DSC members voting was defeated by the vote of the TWLDC designated DSC members. TWLDC will give WCA immediate notice of any claims, suits or actions against TWLDC which TWLDC contends come within the scope of the WCA indemnity. The notice will describe the nature of the suit or claim and include copies of all pleadings and correspondence in the possession of TWLDC setting forth the nature or basis of the suit or claim. Within ten (10) days of receipt of the notice WCA will give notice to TWLDC confirming to TWLDC that it will provide TWLDC a defense in the suit or action described in the notice or stating with particularity why, in its opinion, the matter is not subject to the indemnification required by this Paragraph. When defending a matter covered by this indemnity, WCA will have the right to select the attorneys to represent TWLDC, which attorneys may be the same attorneys who represent WCA, subject to the approval of TWLDC, which approval will not be unreasonably withheld or delayed. TWLDC will cooperate with WCA in the defense of TWLDC. WCA will have the right to control the defense of TWLDC and to settle the case.

5.10 Commercial Development Standards. Notwithstanding the provisions of Paragraph 5.5 above, TWLDC agrees to prepare for adoption of the DSC during 1998 revised and upgraded commercial development standards. TWLDC agrees to consult with WCA, TWA and WCOA to permit their input towards and review of the revised commercial standards. Adoption of the commercial standards is a Developer DSC Function.

5.11 DSC Jurisdiction. The DSC will have no jurisdiction over any land except the WCA Area.

5.12 DSC and Development Records. TWLDC agrees to make available to WCA and WCSC, upon request and at TWLDC's cost, one copy of any maps, engineering data, recorded plats, recorded covenants, recorded initial land use designations, DSC records and other documents as may be necessary for the operation of the DSC and the Residential Design Review Committees within the WCA Area. Additional copies of any such records or documents will be provided to WCA and WCSC at a reasonable charge.

VI

THE WOODLANDS FIRE DEPARTMENT

6.1 Obligation to Provide Fire Service. WCA, TWA, WCOA and WFD covenant and agree that WFD will provide fire prevention, fire suppression and emergency medical services as may be required for all areas of The Woodlands, subject to the further provisions of this Article VI.

6.2 Board of Directors. The Board of Directors of WFD will be comprised of those persons serving as directors of WCSC.

6.3 WCSC Services. WCSC agrees to provide all financial, accounting, contracting, human resources, purchasing, clerical and staff support services required by WFD, and perform all managerial and administrative duties and functions with respect to WFD, except those managerial and administrative duties which require the knowledge and experience of a professional firefighter.

6.4 Payment of Cash Requirements. WCA, TWA and WCOA agree to pay to WFD their pro rata share (as defined in paragraph 6.5 below) of all cash sums required by WFD to purchase, own, operate and construct its equipment and facilities, and to operate and provide fire prevention and suppression services and emergency medical services in the manner and at uniform levels throughout the area of the associations at least equal to those required by the terms of the Uniform Fire & Emergency Medical Standards attached to this

agreement as Exhibit G. Such costs and expenses include, without limitation, all operating expenses, debt service, reserves and administration expenses payable by WFD to WCSC.

6.5 Pro Rata Share. The pro rata share of WFD cash requirements payable by WCA, TWA and WCOA under paragraph 6.4 above will be initially allocated to and paid by each association based upon the ratio of the Beginning Assessment Roll of each association relative to the combined Beginning Assessment Roll of WCA, TWA and WCOA. Payments made by each association will be adjusted as of the last day of each fiscal year (for accounting purposes) of WFD so that the portion paid by each association equals the percentage determined by dividing the average of the association's Beginning Assessment Roll and its Ending Assessment Roll, by the average of the Beginning Assessment Roll and Ending Assessment Roll of WCA, TWA and WCOA. Beginning Assessment Roll means the Assessed Valuation of all Assessable Property within the jurisdiction of an association on the first day of September of the year prior to the calendar year for which the expense allocation is being calculated, and Ending Assessment Roll means the Assessed Valuation of all Assessable Property within the jurisdiction of an association on the first day of September of the calendar year for which the expense allocation is being calculated. WCSC is authorized to debit or credit the account of each association as required to complete the year-end adjustment in accordance with this paragraph. Assessable Property means, for any association, all land upon which that association's restrictive covenants have been imposed, and all improvements thereon which are taxable as real property from time to time by the county in which the property is located, save and except any land and improvements thereon which is owned by a governmental entity, owned by the association and/or is exempt from ad valorem taxation by both the county in which the property is located and the State of Texas. Assessed Valuation means the value placed on the land and improvements by the county in which the property is located for the purposes of ad valorem taxation according to the county tax roll in effect on September 1 of the applicable year, without considering any adjustment made to the value due to the application of an assessment ratio, and regardless of any increase or decrease of such valuation following September 1. Assessed Valuation with respect to existing taxable improvements which are not on the tax roll of the county in which the property is located is the true market value of the improvements as determined by the association's board of directors based upon sales price, bona fide appraisal or such other means satisfactory to the association's board of directors.

6.6 Method of Payment. During the time while an association is a party to a Service Agreement with WCSC, WCSC will debit the account of that association as and when required to meet the cash requirements of WFD. Any association which terminates or fails to renew its Service Agreement with WCSC will make quarterly payments to WFD in advance, of its pro rata portion of the projected cash requirements of WFD based upon the annual budget of WFD as adopted and amended from time to time. Supplemental payments to meet unbudgeted expenses must be made within 10 days following written demand from WFD. Payments will be adjusted quarterly based upon the actual cash requirements for the preceding quarter.

6.7 Financing. WCA, TWA and WCOA agree to enter into such agreements, pledges, security agreements, guaranties or other arrangements, on a pro rata basis, as may be required to obtain any financing necessary to acquire or construct facilities and equipment deemed necessary for the operation of WFD by the Board of Directors of WFD.

6.8 Additional Fire Stations. The parties to this agreement will cause WFD to construct, equip and operate fire stations to serve future development within the TWA, WCA and WCOA Areas when requested by the association within which the station will be located, if necessary to provide fire service in compliance with Uniform Fire and Emergency Medical Standards attached to this agreement as Exhibit G. Stations will be equipped and staffed to achieve The Goals For Fire And Emergency Medical Service set out in the Uniform Fire and Emergency Medical Standards. All capital and operating costs for additional stations will be borne and paid by WCA, TWA and WCOA pro rata as provided in paragraphs 6.4 and 6.5 above.

6.9 Fire Service to Other Associations. Future MBA Associations will be entitled to receive fire prevention and suppression and emergency medical services from WFD upon becoming a party to this agreement (as further provided for in Article IX below), and payment of their obligations under this agreement. Non-Participating Associations will be entitled to receive fire prevention and suppression and emergency medical services from WFD of the same level and quality as those provided to associations who are parties to this agreement upon payment of their Fire Service Fee (as defined in paragraph 9.1, D of this agreement). Other community associations within The Woodlands will be entitled to receive fire prevention and suppression and emergency

medical services from WFD upon execution of an agreement satisfactory to WFD providing for the payment of the reasonable cost to WFD to provide the service, as determined by WFD in its good faith judgment. Payment for services to Non-Participating Associations and other associations must be made quarterly in advance.

6.10 **Extraordinary Hazards.** TWLDC agrees to impose restrictive covenants or other covenants running with the land, binding upon TWLDC and all persons or entities who purchase lands used for purposes other than residential dwellings, which require that, so long as the tract(s) are provided fire suppression service by WFD, the owners of such lands and their successors and assigns will pay to WFD all WFD costs for training, equipment, supplies or other expenses incurred by WFD solely for the purpose of the protection of persons or property from fire, chemical or other unusual hazards caused by the use of the tract and which are not commonly found in retail, warehousing, light manufacturing or high rise office land uses.

VII

CONSTRUCTION OF RECREATIONAL FACILITIES

7.1 **Agreement to Construct.** TWLDC agrees to cause recreational facilities to be constructed in all newly developed neighborhoods within the TWA Area.

7.2 **Development Plans.** The number, size, location and time of construction of the recreational facilities will be determined by TWLDC consistent with development within the TWA; provided that TWLDC agrees to cause the construction of recreational facilities within the TWA Area according to a plan consistent with the construction of recreational facilities within the WCA Area.

7.3 **Standard Recreation Package.** The obligation of TWLDC to construct recreational facilities within the TWA Area is limited to the construction of the "Standard Recreation Package" as described on attached Exhibit H; provided, that nothing contained in this agreement will limit the ability of TWA, in its sole discretion, to construct other or additional recreational facilities as it may deem necessary or appropriate.

VIII

SHARED AMENITIES

WCA, TWA and WCOA mutually covenant and agree that all members of WCA, TWA and WCOA will have the reciprocal right, license and privilege to use all parks, pathways, open spaces and other recreational facilities now owned or hereafter acquired by WCA, TWA or WCOA (the "Shared Amenities"), at all times they are available for use by the members of the association owning each Shared Amenity, and subject to the same rules, regulations, limitations and conditions applicable to use by members of the owner association. The owner of each Shared Amenity will retain the full, exclusive and unrestricted right and obligation to operate and maintain each Shared Amenity owned by it in the manner deemed most beneficial to the interests of the members of all associations. Each association agrees to keep all of its Shared Amenities in good operating condition, and open and available for use at all times (subject to normal wear and tear and periods of unavailability as are common to similar facilities), and will remain liable for all capital and operating expenses, debt service and other costs incurred in the ownership, operation and maintenance of its Shared Amenities. The reciprocal rights and obligations under this Article VIII are to be perpetual, and will be evidenced by an instrument of record in the Real Property Records of Montgomery County, Texas and any other county in which the Shared Amenities are located.

IX

FUTURE ASSOCIATIONS

9.1 **Non-Participating Associations.**

A) TWLDC or an Affiliate has the right to develop up to six hundred (600) acres (gross) of the undeveloped land shown as area 5 on attached Exhibit A with restrictive covenants which do not include Merger Covenants (as defined in Article X of this agreement), and which do not require the community association created to administer such restrictive covenants (referred to in this agreement as a "Non-Participating Association") to become a party to this agreement or a Service Agreement.

B) If developed by TWLDC or an Affiliate, the area within the Non-Participating Association shall include amenities and facilities which, when taken as a whole, and taking into consideration any specific needs of the future members of the Non-Participating Association, and the size of the Non-Participating Association, would be judged by a reasonable person, professionally qualified and familiar with The Woodlands development, as being comparable in quality to the facilities and amenities of other similar neighborhoods in The Woodlands, as they have been developed through 1998; however, in no event shall this provision be construed so as to require TWLDC to duplicate in the Non-Participating Associations amenities and facilities in existing portions of The Woodlands.

C) Any land within a Non-Participating Association must be encumbered with restrictive covenants prior to sale or upon completion of construction of improvements for initial use of the land (whichever occurs first) which, at a minimum:

i) require all improvements constructed on lots within the Non-Participating Association to comply with the development and design standards requiring a quality of construction substantially similar to that adopted by the TWA as of June 6, 1998, as same may be amended from time to time,

ii) require plans for all initial improvements on lots to be approved in advance by a committee with experience in architecture, engineering, building code enforcement, construction, land development or related fields, and require plans for modifications to existing improvements to be approved in advance by a committee comprised of members of the Non-Participating Association.

iii) include restrictive covenants governing the maintenance and appearance of lots and providing for maintenance of common areas and other improvements within the Non-Participating Association, at least as restrictive as the TWA Covenants for similar types of properties, and

iv) provide the Non-Participating Association and the owners of land within the boundaries of the Non-Participating Association the legally enforceable right to enforce the restrictive covenants.

D) Each Non-Participating Association will be created with the legally enforceable obligation to:

i) pay to WCSC an annual Community Benefit Fee equal to the Assessed Valuation of the Non-Participating Association times TWA's projected cost per \$100 of Assessed Valuation for law enforcement (currently Montgomery County Sheriff), street lighting, streetscape maintenance and park and pathway maintenance, as set out in its annual budget for that year, and \$.03/\$100 of Assessed Valuation for general administration expenses. Notwithstanding the method used in calculation of the Community Benefit Fee, it is understood and agreed that the only services which WCSC will perform within or on behalf of the Non-Participating Association will be the maintenance of signs and landscaping at the entrance to the association area, and the payment of energy costs for street lighting within the area of the association. To the extent the Community Benefit Fee exceeds the cost of the enumerated services, it is acknowledged that the fee is being paid in compensation for the benefit derived by members of the Non-Participating Association from services provided by WCA, TWA and WCOA within the areas of WCA, TWA and WCOA. Owners and residents of property in Non-Participating Associations are not members of WCA, TWA or WCOA, and shall be entitled to use parks, pathways, recreation facilities and other amenities owned by said associations only on the terms by which same are available to non-residents of The Woodlands; and

ii) pay to WFD a Fire Service Fee equal to the Assessed Valuation of the Non-Participating Association times TWA's budgeted cost per \$100 of Assessed Valuation, for fire and emergency medical services provided by WFD.

iii) The Community Benefit Fee and Fire Service Fee are payable in equal quarterly installments, in advance, and will be credited against the costs allocated by WCSC and WFD to associations who are parties this agreement. Assessed Valuation will be determined as provided

in paragraph 6.5 above.

9.2 **Future MBA Associations.** All land developed after the date of this agreement by TWLDC or an Affiliate within the Villages of Indian Springs and Alden Bridge (shown as areas 4 and 6 on attached Exhibit A), and all land developed after the date of this agreement by TWLDC or an Affiliate within area 5 on attached Exhibit A which is not in a Non-Participating Association, will be subjected by TWLDC or any successor in title to such lands, to restrictive covenants causing it to become part of TWA or another community association which will, upon creation, execute an addendum to become a party to this agreement (referred to as a "Future MBA Association"). The restrictive covenants will be imposed on the land prior to sale or upon the completion of construction of improvements for initial use of the land, whichever occurs first. Each Future MBA Association will be bound by the obligations and subject to the benefits of Articles I, II, IV, VI, VII, and VIII of this agreement, with its obligation for payment of the costs of WFD under Article VI, limited to its pro rata share as defined in that Article, assuming the name of the newly added party was included in the formula set out in paragraph 6.5 above. For purposes of this Article IX, "developed" means the installation of streets, utilities, drainage, parks or pathways on the land, or the construction of other improvements or facilities on the land for its initial use.

9.3 **Other Community Associations.** Other community associations serving lands in The Woodlands may become parties to this agreement by addendum, in accordance with the provisions of paragraph 9.2.

X

MERGERS

10.1 TWLDC agrees to impose or cause its Affiliates to impose WCA Covenants (to the extent required by Article III of this agreement) or Merger Covenants on all land developed by TWLDC or an Affiliate within areas 1, 2, 3, 4, 6 and those portions of area 5 (all as shown on attached Exhibit A) which are not within a Non-Participating Association. Land will be developed, for purposes of this Article X, upon the installation of streets, utilities, drainage, parks, pathways on the land, or upon the construction of other improvements or facilities on the land for its initial use. Said restrictive covenants will be imposed on the land prior to sale or upon the completion of construction of improvements for initial use of the land, whichever occurs first. "Merger Covenants" means recorded restrictive covenants which, among other provisions, will cause TWA and any Future MBA Association to merge with WCA, at the option of WCA, upon the occurrence of any of the following events:

- A) when 85% of the land within the 22,179 acres in areas 1, 2, 3, 4, 5, 6 and 7 (all as shown on attached Exhibit A) is encumbered by Merger Covenants,
- B) when all undeveloped land owned by TWLDC within the land described on attached Exhibit A is sold to third parties, excluding one or more entities in which an Affiliate owns at least a 30% interest and holds management control,
- C) upon a declaration by TWLDC (or its successor in title to undeveloped land in areas 1-7 shown on attached Exhibit A) of its intention to discontinue development of such land, or
- D) at any time upon the consent of TWLDC.

10.2 Land within Non-Participating Associations and undeveloped land sold by TWLDC without Merger Covenants in areas 1-7 shown on attached Exhibit A, will be deducted from the acreage specified in Paragraph 10.1, A above.

10.3 TWLDC agrees to provide WCA an annual report of the size and location of tracts within Future MBA Associations, within Non-Participating Associations, encumbered with Merger Covenants, and sold unencumbered by Merger Covenants. TWLDC further agrees to provide WCA notice of the occurrence of any of the events described in 10.1 A through D above within 30 days following the date of occurrence.

10.4 The option of WCA to cause a merger upon the occurrence of any of the events above will terminate unless WCA gives TWLDC, TWA and the Future MBA Associations written notice of its irrevocable election to merge within 180 days from the date TWLDC notifies WCA of the occurrence of any of the events described in paragraphs A) through D) of paragraph 10.1 above.

10.5 TWLDC will retain exclusive control over all matters regarding lands not subject to restrictive covenants on the date of a merger under this Article X, including without limitation the establishment and enforcement of development standards and land use restrictions, and the review and approval of construction plans and specifications.

XI

OTHER GOVERNMENTAL ENTITIES

If all or any portion of the lands within the jurisdiction of WCA, TWA, WCOA or any community association which becomes a party to this agreement under the provisions of Article IX above, should be annexed to, incorporated in or otherwise become a part of a governmental entity which provides all or any portion of the services provided to the association by this agreement or its Service Agreement, and funds those services by an ad valorem tax or other mandatory assessment upon the residents or property owners, the association will be relieved of its obligations under this agreement or its Service Agreement to pay for those services being provided by the governmental entity. The parties agree to permit an amendment to the Service Agreement of that association to equitably reduce its obligations.

XII

MISCELLANEOUS

12.1 **Term of Agreement.** This agreement continues in force and effect until the 31st day of December, 2023, after which time this agreement will be automatically extended for successive periods of ten (10) years each unless sooner terminated by mutual agreement of the parties.

12.2 **Warranties and Representations.** Each of the parties to this agreement which is a corporation warrants and represents that (i) the execution of this agreement has been duly authorized by corporate resolution adopted by its Board of Directors; (ii) this agreement has been properly executed and delivered by one of its duly authorized officers; (iii) all corporate action necessary to authorize the execution, delivery and performance of this agreement has been duly and validly taken by its Board of Directors; (iv) this agreement is a valid obligation of the corporation, legally binding upon and enforceable against the corporation in accordance with its terms; and (v) the execution, delivery and performance of all obligations contained in this agreement by the corporation will not violate the terms of any covenants or other agreements binding upon the corporation. TWLDC warrants and represents that (a) this agreement has been properly executed and delivered by a duly authorized officer of its Authorized Agent; (b) all action necessary to authorize the execution, delivery and performance of this agreement has been duly and validly taken by its Executive Committee; (c) this agreement is a valid obligation of the limited partnership, legally binding upon and enforceable against the limited partnership in accordance with its terms; and (d) the execution, delivery, and performance of all obligations contained in this agreement by the limited partnership will not violate the terms of any covenants or other agreements binding upon the limited partnership. All parties to this agreement acknowledge and agree that each has changed its position and has acted in reliance upon all of the terms of this agreement.

12.3 **No Oral Agreement.** This agreement and the contemporaneous agreements referred to in this agreement replace and supersede any and all other written or oral, expressed or implied prior or contemporaneous agreements or understandings among any of the parties hereto relating to the subject matter of this agreement.

12.4 **Notice.** Any notice, consent or approval required or permitted by the terms of this agreement must be given in writing and delivered in person or by mail to the addresses shown below. Any notice, consent or approval is deemed given on the date actually received, or three business days after depositing same in the U.S. mail, postage prepaid, registered or certified mail. Notice given in any other manner is effective upon receipt by the party to be noticed. Unless changed by notice given in accordance with this paragraph, the address for each party is as follows:

WCA: President
The Woodlands Community Association, Inc.
P.O. Box 7859

TWA: President
The Woodlands Association, Inc.,
P.O. Box 5050

The Woodlands, TX 77387

WCOA: President
The Woodlands Commercial
Owners Association
P.O. Box 5050
The Woodlands, TX 77387

WCSC: Chairwoman
The Woodlands Community
Service Corporation
P.O. Box 7859
The Woodlands, TX 77387

The Woodlands, TX 77387

TWLDC: Chief Executive Officer
The Woodlands Land Development
Company, L.P.
P.O. Box 5050
The Woodlands, TX 77387

WFD: President
The Woodlands Fire
Department, Inc.
P.O. Box 7859
The Woodlands, TX 77387

12.5 Assignment. No party to this agreement may transfer or assign its rights, duties or obligations under this agreement to any person or entity without the consent of all other parties. TWLDC may transfer or assign all or any portion of its rights, duties and obligations under this agreement to an entity which is managed and at least 30% owned by one or more Affiliates.

12.6 TWLDC Termination. WCA may terminate the rights, duties and obligations of TWLDC under this agreement, except the duties of TWLDC set out in paragraph 3.4 above (the "Termination Option"), upon the first to occur of the following: a) sixty days following the date an Affiliate fails to maintain a 30% ownership interest in and management control of TWLDC, b) sixty days following a sale or transfer by TWLDC of all of its interest in the undeveloped land within the tracts described on attached Exhibit A to any individual or entity other than an Affiliate, or c) on each tenth anniversary of the date of this agreement. The Termination Option will expire, if not exercised, 180 days following TWLDC notification to WCA that either of the events in a) or b) has occurred, or 180 days following the applicable anniversary. WCA will not exercise the Termination Option unless it determines, in its sole reasonable discretion, that the person(s) or entity(s) who own or control development of The Woodlands are not committed to and capable of continuing the development and maintenance of The Woodlands consistent with the land use, design, and quality development standards under which The Woodlands was developed through 1997. Following the exercise by WCA of the Termination Option, WCA agrees to appoint three (3) persons to the DSC designated by TWLDC. All rights of TWLDC and its successor under this agreement terminate automatically upon the sale by TWLDC's successor of ownership to the land described in attached Exhibit A or the transfer of control from TWLDC's successor in management of the development of the Woodlands. Time is of the essence with respect to this paragraph. WCA will not have the right to exercise the Termination Option in the event of (i) the sale, transfer or assignment of interests between the existing partners of TWLDC or between Affiliates, or (ii) the sale, transfer or assignment of interests in Affiliates, so long as the Affiliate maintains at least a 30% ownership interest in and management control of TWLDC.

12.7 Partial Invalidity. The invalidity or unenforceability of any provision of this agreement will not invalidate or terminate all or any portion of the remaining provisions of this agreement, and same will remain in full force and effect, amended as may be required to fulfill the intentions of the parties to the greatest extent possible despite the unenforceability or invalidity of one or more of the provisions of this agreement.

12.8 No Third Party Benefit. This agreement is for the sole benefit of the parties hereto, and no other person or entity is entitled to rely upon, receive any benefit from or enforce any provision of this agreement.

12.9 Amendments. Except as required by law or permitted by its express terms, this agreement may not be modified, amended or terminated in whole or in part, without the prior written agreement of all parties.

12.10 Recordation. The parties agree that neither this agreement nor any memorandum or other evidence of this agreement be recorded in the real property records of Montgomery County or any other county in which any portion of the Woodlands is located, except for the limited recordation required by Article VIII above.

EXECUTED at The Woodlands, Texas, in multiple counterparts, each of equal dignity, but constituting a single agreement, on the date first above written.

THE WOODLANDS COMMUNITY
ASSOCIATION, INC.

By: _____

Peggy S. Hausman
President

THE WOODLANDS COMMERCIAL
OWNERS ASSOCIATION

By: _____

Eric Wojner
President

THE WOODLANDS LAND
DEVELOPMENT COMPANY, L.P.

By: The Woodlands Operating Company, L.P.,
its authorized agent

By: _____

Roger L. Galatas
Chief Executive Officer

THE WOODLANDS
ASSOCIATION, INC.

By: _____

Joel L. Deretchin
President

THE WOODLANDS COMMUNITY
SERVICE CORPORATION

By: _____

Peggy S. Hausman
Chairwoman of the Board

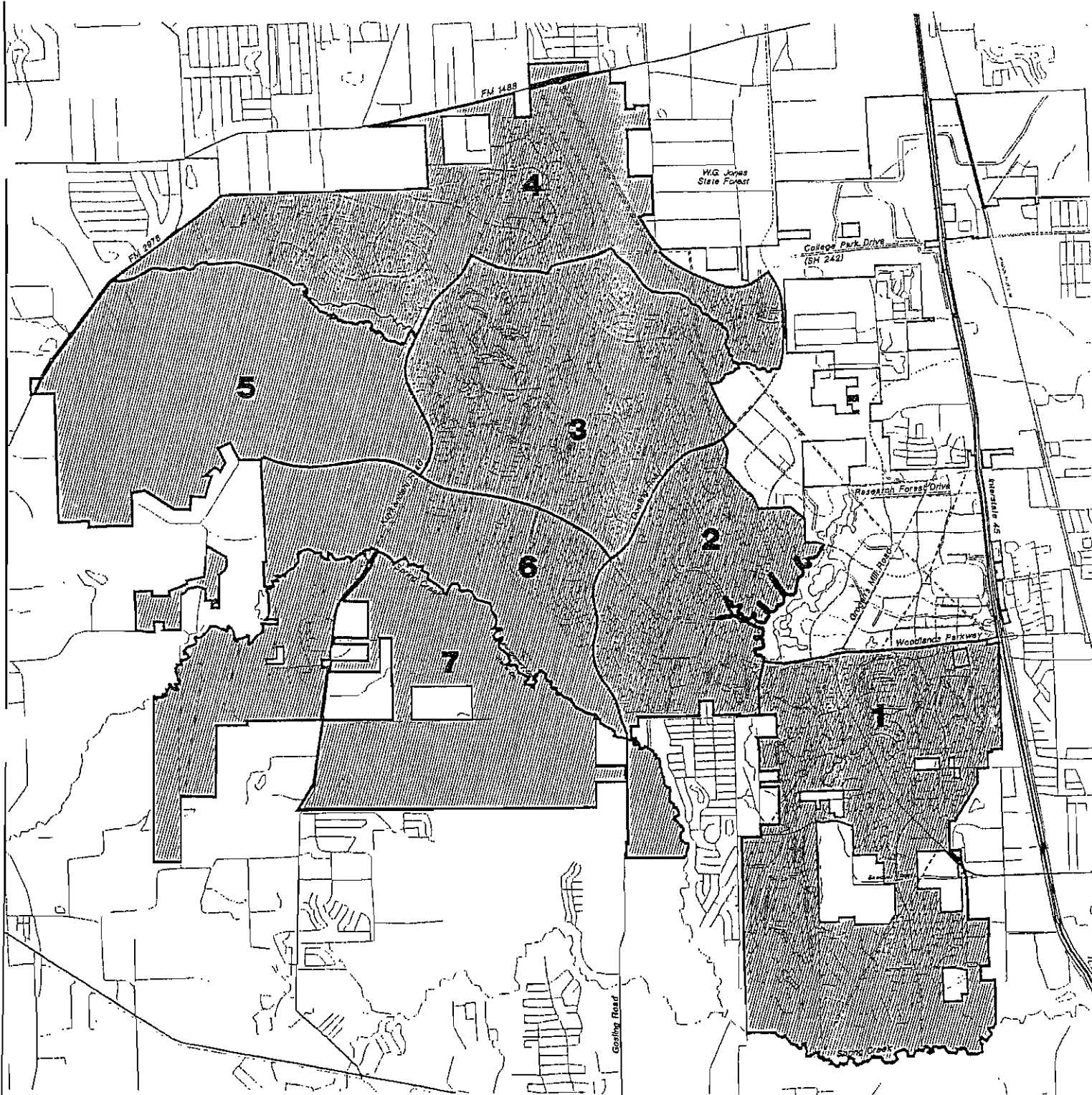
THE WOODLANDS FIRE
DEPARTMENT, INC.

By: _____

Kenny Speight
President

List of Exhibits

Exhibit A	The Woodlands
Exhibit B	Service Agreement
Exhibit C	WCA Area
Exhibit D	Collector streets in WCA
Exhibit E	Limited Developer DSC Function Area
Exhibit F	Golf Course Development Standards
Exhibit G	Uniform Fire & Emergency Medical Standards
Exhibit H	Standard Recreation Package



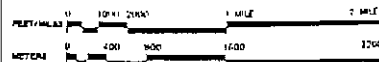
The Woodlands Exhibit "A"

LEGEND

- | | | | |
|--|--------------------------------|--|-----------|
| | Village 1 (Grogan's Mill) | | Village 7 |
| | Village 2 (Panther Creek) | | |
| | Village 3 (Cochran's Crossing) | | |
| | Village 4 (Alden Bridge) | | |
| | Village 5 | | |
| | Village 6 (Indian Springs) | | |

Note:
This map or drawing is a preliminary
concept plan only, is not a recorded
plat, and the boundaries and other
information hereon are subject to
change at any time without notice.

DATE: 10/1/83
BY: J. L. B. / J. L. B.
CHECKED: J. L. B. / J. L. B.
APPROVED: J. L. B. / J. L. B.



Prepared By:
The Woodlands Operating Company, L.P.
Montgomery County, Texas

EXHIBIT B
FIRST AMENDED MUTUAL BENEFIT AGREEMENT

SERVICE AGREEMENT

This Agreement, dated as of the 19 day of August, 1998, is entered into between THE WOODLANDS COMMUNITY SERVICE CORPORATION ("WCSC"), a Texas non-profit corporation with offices in The Woodlands, Texas, and THE WOODLANDS COMMUNITY ASSOCIATION, INC. (the "Association"), a Texas non-profit corporation with offices in The Woodlands, Texas.

The Association is a Texas non-profit corporation established as a community association to provide services and amenities, collect annual assessments, enforce the terms of the Covenants and perform such other duties as may be permitted or required by the terms of the Articles of Incorporation or Bylaws of the Association or the Covenants; and

WCSC is a Texas non-profit corporation empowered to provide administrative, managerial and operational services by contract to community associations having jurisdiction over lands located within and outside of The Woodlands; and

WCSC and the Association are parties to that certain First Amended Mutual Benefit Agreement dated July 1, 1998 which, among other provisions, provides for the execution of Service Agreements between WCSC and the Association, The Woodlands Association, Inc. ("TWA"), The Woodlands Commercial Owners Association ("WCOA") and other community associations serving lands within The Woodlands; and

The Association seeks to employ WCSC to perform certain management, administrative and operational services vested in or delegated to the Association under the terms of the Articles of Incorporation or Bylaws of the Association and the Covenants.

DEFINITIONS

As used in this Service Agreement:

(a) "The Woodlands" is a generally contiguous tract of land developed by The Woodlands Land Development Co. ("TWLDC") or sold to third parties for development, and which is encumbered by restrictive covenants designating it as a part of The Woodlands. The exact boundary of The Woodlands is subject to the sole discretion of TWLDC. Nothing contained herein shall require or imply that any land currently owned or hereafter acquired by TWLDC will be or become a part of The Woodlands, nor shall anything contained herein be construed to limit the ability of TWLDC to add additional land to The Woodlands;

(b) "Covenants" means the restrictive covenants recorded at Volume 841, Page 297 of the Deed Records of Montgomery County, Texas, and the like covenants executed and recorded from time to time annexing additional land to the lands encumbered by the covenants referred to above;

(c) "WCA Area" means lands subject to the Covenants.

In consideration of the mutual covenants, conditions, obligations and payments set out herein, the parties agree as follows.

ARTICLE I WCSC

The Association hereby employs WCSC to perform those duties set out below on behalf of the Association, and conveys and delegates to WCSC the right and authority to perform on behalf of the Association the following duties and obligations, either directly with its own employees or by means of third party vendors, and WCSC hereby agrees to perform or cause third party vendors to perform on behalf of the Association the following duties and obligations:

1.1 Administration. Provide all managerial, financial, administrative, operational and staff services required by the Association to perform its duties and functions under the terms of the Covenants, the Association Bylaws, the Association Articles of Incorporation and the policies and directives established by the Board of Directors of the Association from time to time.

1.2 Annual Assessments. Provide all services required by the Covenants to maintain accurate records of properties subject to the Covenants, recommend to the Association appraised values for all properties subject to assessment, recommend to the Association exemptions from assessment, recommend to the Association the rate of annual assessment, prepare an assessment roll, mail assessment statements to property owners and mortgagees, hear and determine protests, collect current and delinquent assessments, prepare and record such notices of delinquency and notices of non-delinquency as may be deemed necessary, keep full and accurate records of all actions taken and sums collected, and perform such other duties with regard to the collection of annual assessments as may be required by the Covenants. The Association shall have the full and final authority to set the rate of Annual Assessment, determine exemptions, establish the assessment roll and levy the Annual Assessments as provided by the Covenants. All Annual Assessments collected on behalf of the Association shall be deposited to a separate account of the Association in a national bank or other insured depository selected by the Association.

1.3 The Woodlands Fire Department, Inc. Provide all financial, accounting, contracting, human resources, purchasing, clerical and staff support services required by The Woodlands Fire Department, Inc., and perform all managerial and administrative duties and functions with respect to The Woodlands Fire Department, Inc., except those managerial and administrative duties which require the knowledge and experience of a professional firefighter.

1.4 Financial Activities. Prepare annual capital and operating budgets of WCSC and of the allocable portion of the WCSC budget payable by the Association, and present them to the Board of Directors of the Association annually on or before the first day of October preceding the commencement of each year; prepare and provide to the Board of Directors of the Association a monthly schedule of receipts, expenditures, accounts receivable, accounts payable, cash position and investment status of WCSC; obtain and deliver to the Association an independent auditor's report on the income statement, balance sheet and statements of operations, cash flow and changes in member's equity of WCSC on or before 180 days following the last day of each fiscal year, and prepare and file all tax returns and regulatory reports required of the Association.

1.5 Parks, Pathways and Facilities. Supervise and manage the construction of parks, pathways, recreation areas, buildings or other facilities to be constructed by the Association or WCSC, monitor all construction projects undertaken by third parties on behalf of the Association, and operate and maintain all such properties and facilities, including the adoption of appropriate fees for the use of such facilities, and the establishment of rules, regulations and procedures for the use of such properties and facilities; provided that the Board of Directors of the Association shall have the right from time to time to review and amend or terminate any rules, regulations, procedures or user fees established by WCSC with reference to properties or facilities owned by the Association.

1.6 Elections. WCSC shall conduct and administer elections for directors of the Association in accordance with the terms of the Covenants, the Bylaws and the Articles of Incorporation.

1.7 Development Standards Committee ("DSC"). WCSC shall, upon request by the Association, provide all staff and administrative services required to perform the duties of the Association with regard to the Development Standards Committee and all Residential Design Review Committees established under the terms of the Covenants, including the preparation of development criteria and standards, the review of plans for improvements, inspections of improvements, issuance of certificates of compliance, the establishment and collection of fees for plan review and

inspections, and the enforcement of those provisions of the Covenants binding on residents and property owners in ASSOCIATION Area regarding the use of property, maintenance and appearance of properties, and the compliance by members of the Association with the design and development criteria set out in the Covenants or established by the Development Standards Committee under the authority provided by the Covenants; provided, however, that WCSC shall not have authority to commence legal proceedings to enforce the requirements set out in this paragraph 1.7 without the prior consent of the Association. The Association retains the right to make appointments of persons to serve as members of the Development Standards Committee as set out in the Covenants and the First Amended Mutual Benefit Agreement.

1.8 Law Enforcement. WCSC shall act as a liaison with the office of the Sheriff of Montgomery County, Texas, or such other law enforcement agencies providing law enforcement services to The Woodlands.

1.9 Enhanced or Additional Services. In addition to the services set out in Paragraphs 1.1 through 1.8 above, WCSC shall provide, either directly or through third party vendors, those additional or enhanced services requested by the Association from time to time, subject to the ability of WCSC to accurately allocate to the Association the expense incurred in performing the requested services.

ARTICLE II PAYMENTS TO WCSC

2.1 Amounts Payable. The Association agrees to pay to WCSC its share of all capital and operating costs and other cash requirements incurred by WCSC. The allocable portion the cash requirements of WCSC which is payable by the Association shall be determined as follows:

A. Streetscape maintenance, trash collection, street lighting, the construction, maintenance and repair of parks, playgrounds, pathways and open space areas within the ASSOCIATION Area (excluding construction costs incurred to construct certain facilities under the terms of the Recreational Facilities Development Agreement) shall be directly charged to the Association based upon the actual items, amounts and costs of work performed within the jurisdiction of the Association.

B. To the extent same are not paid under the provisions of Paragraph A of this Section 2.1, the cash requirements of WCSC to provide administration, management and clerical services, to provide for fire and law enforcement, and to provide the other services described in Paragraphs 1.1 through 1.7, and 1.9 above will be allocated to and paid by each association which is a party to a Service Agreement with WCSC. The pro rata share payable by the Association shall be initially based upon the ratio of the Beginning Assessment Roll of the Association relative to the combined Beginning Assessment Roll of the ASSOCIATION, TWA and WCOA. Payments made by the Association shall be adjusted as of the last day of each fiscal year so that the portion paid by the Association shall equal the percentage determined by dividing the average of the Association's Beginning Assessment Roll and its Ending Assessment Roll, by the average of the Beginning Assessment Roll and Ending Assessment Roll of the ASSOCIATION, TWA and WCOA. Beginning Assessment Roll shall mean the Assessed Valuation of all Assessable Property within the boundary of the Association on the first day of September of the year prior to the calendar year for which the expense allocation is being calculated, and Ending Assessment Roll shall mean the Assessed Valuation of all Assessable Property within the boundary of the Association on the first day of September of the calendar year for which the expense allocation is being calculated. WCSC shall be authorized to debit or credit the account of the Association as required to complete the year-end adjustment in accordance with this paragraph. Assessable Property shall mean all land upon which the Association's restrictive covenants have been imposed, and all improvements thereon which are taxable as real property by Montgomery County, Texas, from time to time, save and except any land and improvements thereon which is owned by a governmental entity, owned by the Association and/or is exempt from ad valorem taxation by both Montgomery County and the State of Texas. Assessed Valuation shall mean the value placed on the land and improvements by Montgomery

County, Texas for the purpose of ad valorem taxation according to the tax roll of Montgomery County in effect on September 1 of the applicable year, without considering any adjustment made to said value due to the application of an assessment ratio, and regardless of any increase or decrease of such valuation following September 1. Assessed Valuation with respect to existing taxable improvements which are not on the tax roll of Montgomery County, Texas shall be the true market value of said improvements as determined by the Association's board of directors based upon sales price, bona fide appraisal or such other means satisfactory to the Association's board of directors.

C. The cost of Development Standards Committee and Residential Design Review Committee functions defined in Section 1.7 above will be allocated pro-rata among the associations receiving these services from time to time. The pro rata portion shall be based on the Assessed Valuation of land within each Association receiving these services relative to the Assessed Valuation of properties within the jurisdiction of all associations receiving such services, calculated in the manner set out in paragraph 2.1, B above.

D. The cost of any enhanced or additional services requested the Association will be paid in full by the Association.

E. All services performed by WCSC or by third parties shall be billed to the Association and other associations which are parties to a Service Agreement at WCSC's cost, on a non-profit basis.

2.2 Terms of Payment. WCSC shall have the right to debit the account of the Association to pay sums due WCSC under this Agreement to the extent that there are funds in the Association's account. To the extent there are not sums immediately available in the Association's account, any additional sums due shall be paid by the Association within 30 days following the date of an invoice from WCSC, together with interest at the rate equal to the lesser of a) four percent (4%) per annum above the announced prime rate of interest charged by the Association's depository bank, from time to time, or b) the highest lawful non-usurious rate of interest, from the date due until paid. Notwithstanding anything in this Agreement to the contrary, WCSC shall have the right to terminate any or all services provided under this agreement upon the failure of the Association to pay all sums due hereunder.

ARTICLE III ADDITIONAL DUTIES OF WCSC

3.1 Standards of Performance. WCSC agrees to perform all duties under this Agreement in a good and workmanlike manner, in compliance with all applicable local, state and federal laws, regulations and court decisions. WCSC agrees to employ competent and experienced personnel and provide adequate training and supervision so that the services rendered are performed in an orderly, cost effective manner which contributes to the health, safety and welfare of the members of the Association.

3.2 Records. WCSC agrees to keep complete and correct records of its activities under this Agreement and to make same available to the directors of the Association for inspection and copying at reasonable times during business hours. Upon the termination or expiration of the term of this Agreement without renewal or extension, WCSC agrees to provide the Association the original of all contracts, correspondence, plans, maps and other documents of any kind regarding the Association, its members, property of the Association or its members, or in any other way relating to the affairs of the Association; provided, that if the document relates to the business or affairs of the Association and other parties to a Service Agreement with WCSC, then WCSC shall be entitled to retain the original and provide the Association with a true copy of the original document; and provided further, that the Association shall pay all costs incurred to provide WCSC with a true copy of all original documents transferred to the Association, and to provide the Association a true copy of original documents retained by WCSC. Notwithstanding anything herein to the contrary, any documents prepared exclusively for and at the cost of one or more associations (but not by and for all associations who are parties to a Service Agreement) may be labeled by the sponsoring association(s) as proprietary, and same shall

not thereafter be distributed or made available to any other association or its members or representatives, except as required by the independent auditors of WCSC.

3.3 Uniform Services. WCSC agrees to provide all services on a uniform, consistent, non-discriminatory basis to all associations who are parties to service agreements, to attempt to achieve uniform procedures, policies, fees and minimum service levels throughout all portions of The Woodlands for which WCSC performs services under the terms of a service agreement. WCSC shall have the right to refuse the request of the Association to perform any service which, due to the nature of the service or the manner in which the service is to be performed, would increase the cost of providing that service relative to the cost of that service in other areas served by the WCSC, unless said increased cost of that service is paid by the Association. WCSC agrees to comply and cause other service providers to comply with the Uniform Minimum Streetscape Standards, Uniform Minimum Residential Development Standards and Uniform Fire Standards attached to this agreement as Exhibits A, B and C, respectively.

3.4 Other Associations. WCSC shall have the right to enter into an agreement with TWA, WCOA and other community associations representing lands within The Woodlands under the same terms and conditions as set out in this Agreement, subject to the obligation of each party to pay the actual costs incurred for any enhanced or additional services in accordance with the provisions of Article II above.

ARTICLE IV RELEASE AND INDEMNITY

It is agreed that all third parties performing services to the Association are independent contractors, and the Association agrees to release and hold WCSC harmless from any loss or damages incurred by the Association arising out of the actions or omissions of said third parties. The Association further agrees to release, indemnify and hold WCSC harmless from any claim cost, expense or liability arising from the performance by WCSC of its duties under this Agreement unless caused solely by the gross negligence or willful or wanton acts of WCSC or its agents or employees. It is the intention of the parties that WCSC shall be released from liability for and indemnified against loss, claims, costs or liabilities caused in whole or in part by the ordinary negligence of WCSC or its agents or employees.

ARTICLE V TERM

The initial term of this Agreement shall commence on August 1, 1998 and expire on December 31, 2002. The initial term shall be automatically extended for successive periods of three (3) years each unless notice of non-renewal is received by WCSC at least 180 days prior to the expiration of the initial or extended term.

ARTICLE VI MISCELLANEOUS PROVISIONS

6.1 Notice. Unless otherwise provided in this Agreement, any notice or consent required or permitted to be given must be in writing and it shall be deemed given upon actual delivery to an officer of the other party, or if mailed, three days after the same is deposited in the United States Mail, postage prepaid, certified or registered, and properly addressed to the address set out in the first paragraph of this Agreement. Either party shall have the right to change its notice address by notice to the other party in accordance with the terms of this paragraph.

6.2 Approvals. Whenever this Agreement requires or permits approvals or consents to be given by the parties, the parties agree that such approvals or consents will not be unreasonably withheld. Approvals or consents shall be evidenced by an order or resolution adopted by the governing body of the party or by a certificate of resolution executed by a duly authorized officer.

6.3 Modification. This Agreement shall be amended in whole or in part only with the mutual consent of the governing bodies of each of the parties.

6.4 Assignability. This Agreement shall not be assignable by either party without the prior written consent of the other party.

6.5 Parties in Interest. This Agreement shall be for the sole and exclusive benefit of WCSC and the Association and shall not be construed to confer any benefit or right upon any other person or entity.

6.6 Severability. The provisions of this Agreement are severable, and if any word, phrase, clause, sentence, paragraph, section or other part of this Agreement or the application thereof to any person or circumstance shall be held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this agreement or the application thereof to other persons or circumstances shall not be affected thereby.

6.7 Entire Agreement. This Agreement and the First Amended Mutual Benefit Agreement constitute the sole and entire agreement between the parties relative to the subject matter hereof. There will be and are no agreements, covenants, representations or warranties between the parties other than those expressly stated herein.

IN WITNESS WHEREOF, this Agreement has been executed in multiple counterparts each of equal dignity, but constituting a single agreement, as of the date and year first hereinabove written.

THE WOODLANDS COMMUNITY
SERVICE CORPORATION

THE WOODLANDS COMMUNITY
ASSOCIATION, INC.

By: _____

Peggy S. Hausman
Chairwoman of the Board

qu
Sub

By: _____

Scott Frezza
Vice President

SK
Sub

UNIFORM MINIMUM STREETScape MAINTENANCE STANDARDS

The rights-of-way along all major thoroughfare and collector streets in The Woodlands shall be maintained through the services and at the minimum frequencies as follows:

<u>Service</u>	<u>Frequency</u>
Trash Removal	104 times per year
Mow and Edge	23 times per year
Sweep and Clean	35 times per year
Prune	10 times per year
Weed-General	15 times per year
Fertilize	1 time per year
Weed-Lovegrass	3 times per year
Irrigation	As Needed
Insect Control	As Needed
Visibility Pruning	As Needed
Plant Materials	As Needed

Frequencies are subject to weather conditions and seasonal climate variances. "As Needed" services must be provided as needed to keep a consistent cover of plant material, and to keep all plant material free of insects, irrigated enough to remain healthy, and pruned.

UNIFORM MINIMUM RESIDENTIAL DEVELOPMENT STANDARDS

To ensure that the architectural integrity in all residential areas in The Woodlands remains consistent, The Woodlands Residential Development Standards, dated February 1, 1996, deletions or amendments to these Uniform Minimum Residential Development Standards will be adopted by the mutual consent of the WCA Development Standards Committee, the TWA Design Review Committee, and the like committees established by any Future Residential Association (as defined in the Mutual Benefit Agreement) which is at that time a party to a Service Agreement.

EXHIBIT B/SERVICE AGREEMENT

UNIFORM FIRE AND EMERGENCY MEDICAL STANDARDS

Goals for Fire and Emergency Services

The goal of the planning, construction, and acquisition of fire prevention and protection facilities and equipment and the operation of fire protection and prevention services in the WFD service area is:

- A. To maintain an ISO rating of 4 or better,
- B. To maintain fire protection and emergency medical services in the WFD service area that are uniform throughout the service area and comparable to the levels of protection that were in place on January 1, 1998, and

New Fire Station Criteria

There are many criteria that must be considered to determine when a new fire station should be added and to determine the staffing level of that station. Listed below are several criteria which can be used to judge the timing of new resources required. These criteria are not intended to provide in every instance statistically precise and immutable evidence that more resources are necessary by a certain date. Nor is it necessary that all criteria be met. Instead, these criteria represent a check list which can be compared to conditions within the WFD service area and to organizational capabilities to judge whether service levels are being maintained. With this qualification, an additional fire station can be justified and should be placed in service when the following criteria and measures for service in the area of the new station are achieved:

	<u>1997 Actual</u>
1. The General Manager and Fire Chief recommend the station in the proposed 5-year plan and annual Budget	
2. Average response times exceed 5 minutes	4.86 minutes avg.
3. 16% or more of the responses exceed 8 minutes	4%
4. 3,000 dwelling units to be served	4,414 per station
5. At least \$400 million in assessed value	--

Community-wide Measures

1. Population per engine company exceeds 15,000	12,500
2. Firefighter per 1,000 population is less than .9	1.04
3. Assessed value per station exceeds 800 million	675 million

EXHIBIT B
FIRST AMENDED MUTUAL BENEFIT AGREEMENT

SERVICE AGREEMENT

This Agreement, dated as of the 27th day of August, 1998, is entered into between THE WOODLANDS COMMUNITY SERVICE CORPORATION ("WCSC"), a Texas non-profit corporation with offices in The Woodlands, Texas, and THE WOODLANDS ASSOCIATION, INC. (the "Association"), a Texas non-profit corporation with offices in The Woodlands, Texas.

The Association is a Texas non-profit corporation established as a community association to provide services and amenities, collect annual assessments, enforce the terms of the Covenants and perform such other duties as may be permitted or required by the terms of the Articles of Incorporation or Bylaws of the Association or the Covenants; and

WCSC is a Texas non-profit corporation empowered to provide administrative, managerial and operational services by contract to community associations having jurisdiction over lands located within and outside of The Woodlands; and

WCSC and the Association are parties to that certain First Amended Mutual Benefit Agreement dated July 1, 1998 which, among other provisions, provides for the execution of Service Agreements between WCSC and, The Woodlands Community Association, Inc. ("WCA"), the Association The Woodlands Commercial Owners Association ("WCOA") and other community associations serving lands within The Woodlands; and

The Association seeks to employ WCSC to perform certain management, administrative and operational services vested in or delegated to the Association under the terms of the Articles of Incorporation or Bylaws of the Association and the Covenants.

DEFINITIONS

As used in this Service Agreement:

(a) "The Woodlands" is a generally contiguous tract of land developed by The Woodlands Land Development Co. ("TWLDC") or sold to third parties for development, and which is encumbered by restrictive covenants designating it as a part of The Woodlands. The exact boundary of The Woodlands is subject to the sole discretion of TWLDC. Nothing contained herein shall require or imply that any land currently owned or hereafter acquired by TWLDC will be or become a part of The Woodlands, nor shall anything contained herein be construed to limit the ability of TWLDC to add additional land to The Woodlands;

(b) "Covenants" means the restrictive covenants recorded in File No. 9348561 of the Real Property Records of Montgomery County, Texas, and the like covenants executed and recorded from time to time annexing additional land to the lands encumbered by the covenants referred to above;

(c) "WCA Area" means lands subject to the Covenants.

In consideration of the mutual covenants, conditions, obligations and payments set out herein, the parties agree as follows.

ARTICLE I WCSC

The Association hereby employs WCSC to perform those duties set out below on behalf of the Association, and conveys and delegates to WCSC the right and authority to perform on behalf of the Association the following duties and obligations, either directly with its own employees or by means of third party vendors, and WCSC hereby agrees to perform or cause third party vendors to perform on behalf of the Association the following duties and obligations:

1.1 Administration. Provide all managerial, financial, administrative, operational and staff services required by the Association to perform its duties and functions under the terms of the Covenants, the Association Bylaws, the Association Articles of Incorporation and the policies and directives established by the Board of Directors of the Association from time to time.

1.2 Annual Assessments. Provide all services required by the Covenants to maintain accurate records of properties subject to the Covenants, recommend to the Association appraised values for all properties subject to assessment, recommend to the Association exemptions from assessment, recommend to the Association the rate of annual assessment, prepare an assessment roll, mail assessment statements to property owners and mortgagees, hear and determine protests, collect current and delinquent assessments, prepare and record such notices of delinquency and notices of non-delinquency as may be deemed necessary, keep full and accurate records of all actions taken and sums collected, and perform such other duties with regard to the collection of annual assessments as may be required by the Covenants. The Association shall have the full and final authority to set the rate of Annual Assessment, determine exemptions, establish the assessment roll and levy the Annual Assessments as provided by the Covenants. All Annual Assessments collected on behalf of the Association shall be deposited to a separate account of the Association in a national bank or other insured depository selected by the Association.

1.3 The Woodlands Fire Department, Inc. Provide all financial, accounting, contracting, human resources, purchasing, clerical and staff support services required by The Woodlands Fire Department, Inc., and perform all managerial and administrative duties and functions with respect to The Woodlands Fire Department, Inc., except those managerial and administrative duties which require the knowledge and experience of a professional firefighter.

1.4 Financial Activities. Prepare annual capital and operating budgets of WCSC and of the allocable portion of the WCSC budget payable by the Association, and present them to the Board of Directors of the Association annually on or before the first day of October preceding the commencement of each year; prepare and provide to the Board of Directors of the Association a monthly schedule of receipts, expenditures, accounts receivable, accounts payable, cash position and investment status of WCSC; obtain and deliver to the Association an independent auditor's report on the income statement, balance sheet and statements of operations, cash flow and changes in member's equity of WCSC on or before 180 days following the last day of each fiscal year, and prepare and file all tax returns and regulatory reports required of the Association.

1.5 Parks, Pathways and Facilities. Supervise and manage the construction of parks, pathways, recreation areas, buildings or other facilities to be constructed by the Association or WCSC, monitor all construction projects undertaken by third parties on behalf of the Association, and operate and maintain all such properties and facilities, including the adoption of appropriate fees for the use of such facilities, and the establishment of rules, regulations and procedures for the use of such properties and facilities; provided that the Board of Directors of the Association shall have the right from time to time to review and amend or terminate any rules, regulations, procedures or user fees established by WCSC with reference to properties or facilities owned by the Association.

1.6 Elections. WCSC shall conduct and administer elections for directors of the Association in accordance with the terms of the Covenants, the Bylaws and the Articles of Incorporation.

1.7 Development Review Committee ("DRC"). WCSC shall, upon request by the Association, provide all staff and administrative services required to perform the duties of the Association with regard to the Development Review Committee and all Residential Design Review Committees established under the terms of the Covenants, including the preparation of development criteria and standards, the review of plans for improvements, inspections of improvements, issuance of certificates of compliance, the establishment and collection of fees for plan review and

inspections, and the enforcement of those provisions of the Covenants binding on residents and property owners in Association Area regarding the use of property, maintenance and appearance of properties, and the compliance by members of the Association with the design and development criteria set out in the Covenants or established by the Development Review Committee under the authority provided by the Covenants; provided, however, that WCSC shall not have authority to commence legal proceedings to enforce the requirements set out in this paragraph 1.7 without the prior consent of the Association. The Association retains the right to make appointments of persons to serve as members of the Development Review Committee as set out in the Covenants and the First Amended Mutual Benefit Agreement.

1.8 Law Enforcement. WCSC shall act as a liaison with the office of the Sheriff of Montgomery County, Texas, or such other law enforcement agencies providing law enforcement services to The Woodlands.

1.9 Enhanced or Additional Services. In addition to the services set out in Paragraphs 1.1 through 1.8 above, WCSC shall provide, either directly or through third party vendors, those additional or enhanced services requested by the Association from time to time, subject to the ability of WCSC to accurately allocate to the Association the expense incurred in performing the requested services.

ARTICLE II PAYMENTS TO WCSC

2.1 Amounts Payable. The Association agrees to pay to WCSC its share of all capital and operating costs and other cash requirements incurred by WCSC. The allocable portion the cash requirements of WCSC which is payable by the Association shall be determined as follows:

A. Streetscape maintenance, trash collection, street lighting, the construction, maintenance and repair of parks, playgrounds, pathways and open space areas within the Association Area (excluding construction costs incurred to construct certain facilities under the terms of the Recreational Facilities Development Agreement) shall be directly charged to the Association based upon the actual items, amounts and costs of work performed within the jurisdiction of the Association.

B. To the extent same are not paid under the provisions of Paragraph A of this Section 2.1, the cash requirements of WCSC to provide administration, management and clerical services, to provide for fire and law enforcement, and to provide the other services described in Paragraphs 1.1 through 1.7, and 1.9 above will be allocated to and paid by each association which is a party to a Service Agreement with WCSC. The pro rata share payable by the Association shall be initially based upon the ratio of the Beginning Assessment Roll of the Association relative to the combined Beginning Assessment Roll of WCA, the Association, and WCOA. Payments made by the Association shall be adjusted as of the last day of each fiscal year so that the portion paid by the Association shall equal the percentage determined by dividing the average of the Association's Beginning Assessment Roll and its Ending Assessment Roll, by the average of the Beginning Assessment Roll and Ending Assessment Roll of the WCA, the Association, and WCOA. Beginning Assessment Roll shall mean the Assessed Valuation of all Assessable Property within the boundary of the Association on the first day of September of the year prior to the calendar year for which the expense allocation is being calculated, and Ending Assessment Roll shall mean the Assessed Valuation of all Assessable Property within the boundary of the Association on the first day of September of the calendar year for which the expense allocation is being calculated. WCSC shall be authorized to debit or credit the account of the Association as required to complete the year-end adjustment in accordance with this paragraph. Assessable Property shall mean all land upon which the Association's restrictive covenants have been imposed, and all improvements thereon which are taxable as real property by Montgomery County, Texas, from time to time, save and except any land and improvements thereon which is owned by a governmental entity, owned by the Association and/or is exempt from ad valorem taxation by both Montgomery County and the State of Texas. Assessed Valuation shall mean the value placed on the land and improvements by Montgomery County, Texas for the purpose of ad valorem taxation according to the tax roll of Montgomery County

in effect on September 1 of the applicable year, without considering any adjustment made to said value due to the application of an assessment ratio, and regardless of any increase or decrease of such valuation following September 1. Assessed Valuation with respect to existing taxable improvements which are not on the tax roll of Montgomery County, Texas shall be the true market value of said improvements as determined by the Association's board of directors based upon sales price, bona fide appraisal or such other means satisfactory to the Association's board of directors.

C. The cost of Development Review Committee and Residential Design Review Committee functions defined in Section 1.7 above will be allocated pro-rata among the associations receiving these services from time to time. The pro rata portion shall be based on the Assessed Valuation of land within each Association receiving these services relative to the Assessed Valuation of properties within the jurisdiction of all associations receiving such services, calculated in the manner set out in paragraph 2.1, B above.

D. The cost of any enhanced or additional services requested the Association will be paid in full by the Association.

E. All services performed by WCSC or by third parties shall be billed to the Association and other associations which are parties to a Service Agreement at WCSC's cost, on a non-profit basis.

2.2 Terms of Payment. WCSC shall have the right to debit the account of the Association to pay sums due WCSC under this Agreement to the extent that there are funds in the Association's account. To the extent there are not sums immediately available in the Association's account, any additional sums due shall be paid by the Association within 30 days following the date of an invoice from WCSC, together with interest at the rate equal to the lesser of a) four percent (4%) per annum above the announced prime rate of interest charged by the Association's depository bank, from time to time, or b) the highest lawful non-usurious rate of interest, from the date due until paid. Notwithstanding anything in this Agreement to the contrary, WCSC shall have the right to terminate any or all services provided under this agreement upon the failure of the Association to pay all sums due hereunder.

ARTICLE III ADDITIONAL DUTIES OF WCSC

3.1 Standards of Performance. WCSC agrees to perform all duties under this Agreement in a good and workmanlike manner, in compliance with all applicable local, state and federal laws, regulations and court decisions. WCSC agrees to employ competent and experienced personnel and provide adequate training and supervision so that the services rendered are performed in an orderly, cost effective manner which contributes to the health, safety and welfare of the members of the Association.

3.2 Records. WCSC agrees to keep complete and correct records of its activities under this Agreement and to make same available to the directors of the Association for inspection and copying at reasonable times during business hours. Upon the termination or expiration of the term of this Agreement without renewal or extension, WCSC agrees to provide the Association the original of all contracts, correspondence, plans, maps and other documents of any kind regarding the Association, its members, property of the Association or its members, or in any other way relating to the affairs of the Association; provided, that if the document relates to the business or affairs of the Association and other parties to a Service Agreement with WCSC, then WCSC shall be entitled to retain the original and provide the Association with a true copy of the original document; and provided further, that the Association shall pay all costs incurred to provide WCSC with a true copy of all original documents transferred to the Association, and to provide the Association a true copy of original documents retained by WCSC. Notwithstanding anything herein to the contrary, any documents prepared exclusively for and at the cost of one or more associations (but not by and for all associations who are parties to a Service Agreement) may be labeled by the sponsoring association(s) as proprietary, and same shall not thereafter be distributed or made available to any other association or its members or representatives, except as required by the independent auditors of WCSC.

3.3 **Uniform Services.** WCSC agrees to provide all services on a uniform, consistent, non-discriminatory basis to all associations who are parties to service agreements, to attempt to achieve uniform procedures, policies, fees and minimum service levels throughout all portions of The Woodlands for which WCSC performs services under the terms of a service agreement. WCSC shall have the right to refuse the request of the Association to perform any service which, due to the nature of the service or the manner in which the service is to be performed, would increase the cost of providing that service relative to the cost of that service in other areas served by the WCSC, unless said increased cost of that service is paid by the Association. WCSC agrees to comply and cause other service providers to comply with the Uniform Minimum Streetscape Standards, Uniform Minimum Residential Development Standards and Uniform Fire Standards attached to this agreement as Exhibits A, B and C, respectively.

3.4 **Other Associations.** WCSC shall have the right to enter into an agreement with TWA, WCOA and other community associations representing lands within The Woodlands under the same terms and conditions as set out in this Agreement, subject to the obligation of each party to pay the actual costs incurred for any enhanced or additional services in accordance with the provisions of Article II above.

ARTICLE IV RELEASE AND INDEMNITY

It is agreed that all third parties performing services to the Association are independent contractors, and the Association agrees to release and hold WCSC harmless from any loss or damages incurred by the Association arising out of the actions or omissions of said third parties. The Association further agrees to release, indemnify and hold WCSC harmless from any claim cost, expense or liability arising from the performance by WCSC of its duties under this Agreement unless caused solely by the gross negligence or willful or wanton acts of WCSC or its agents or employees. It is the intention of the parties that WCSC shall be released from liability for and indemnified against loss, claims, costs or liabilities caused in whole or in part by the ordinary negligence of WCSC or its agents or employees.

ARTICLE V TERM

The initial term of this Agreement shall commence on August 1, 1998 and expire on December 31, 2002. The initial term shall be automatically extended for successive periods of three (3) years each unless notice of non-renewal is received by WCSC at least 180 days prior to the expiration of the initial or extended term.

ARTICLE VI MISCELLANEOUS PROVISIONS

6.1 **Notice.** Unless otherwise provided in this Agreement, any notice or consent required or permitted to be given must be in writing and it shall be deemed given upon actual delivery to an officer of the other party, or if mailed, three days after the same is deposited in the United States Mail, postage prepaid, certified or registered, and properly addressed to the address set out in the first paragraph of this Agreement. Either party shall have the right to change its notice address by notice to the other party in accordance with the terms of this paragraph.

6.2 **Approvals.** Whenever this Agreement requires or permits approvals or consents to be given by the parties, the parties agree that such approvals or consents will not be unreasonably withheld. Approvals or consents shall be evidenced by an order or resolution adopted by the governing body of the party or by a certificate of resolution executed by a duly authorized officer.

6.3 **Modification.** This Agreement shall be amended in whole or in part only with the mutual consent of the governing bodies of each of the parties.

6.4 **Assignability.** This Agreement shall not be assignable by either party without the prior written consent of the other party.

6.4 **Assignability.** This Agreement shall not be assignable by either party without the prior written consent of the other party.

6.5 **Parties in Interest.** This Agreement shall be for the sole and exclusive benefit of WCSC and the Association and shall not be construed to confer any benefit or right upon any other person or entity.

6.6 **Severability.** The provisions of this Agreement are severable, and if any word, phrase, clause, sentence, paragraph, section or other part of this Agreement or the application thereof to any person or circumstance shall be held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this agreement or the application thereof to other persons or circumstances shall not be affected thereby.

6.7 **Entire Agreement.** This Agreement and the First Amended Mutual Benefit Agreement constitute the sole and entire agreement between the parties relative to the subject matter hereof. There will be and are no agreements, covenants, representations or warranties between the parties other than those expressly stated herein.

IN WITNESS WHEREOF, this Agreement has been executed in multiple counterparts each of equal dignity, but constituting a single agreement, as of the date and year first hereinabove written.

THE WOODLANDS COMMUNITY
SERVICE CORPORATION

By: 

Peggy S. Hausman
Chairwoman of the Board

THE WOODLANDS ASSOCIATION, INC.

By: 

Joel L. Deretchin
President

UNIFORM MINIMUM STREETSCAPE MAINTENANCE STANDARDS

The rights-of-way along all major thoroughfare and collector streets in The Woodlands shall be maintained through the services and at the minimum frequencies as follows:

<u>Service</u>	<u>Frequency</u>
Trash Removal	104 times per year
Mow and Edge	23 times per year
Sweep and Clean	35 times per year
Prune	10 times per year
Weed-General	15 times per year
Fertilize	1 time per year
Weed-Loosegrass	3 times per year
Irrigation	As Needed
Insect Control	As Needed
Visibility Pruning	As Needed
Plant Materials	As Needed

Frequencies are subject to weather conditions and seasonal climate variances. "As Needed" services must be provided as needed to keep a consistent cover of plant material, and to keep all plant material free of insects, irrigated enough to remain healthy, and pruned.

EXHIBIT A / SERVICE AGREEMENT

UNIFORM MINIMUM RESIDENTIAL DEVELOPMENT STANDARDS

To ensure that the architectural integrity in all residential areas in The Woodlands remains consistent, The Woodlands Residential Development Standards, dated February 1, 1996, will be the Uniform Minimum Residential Development Standards. Subsequent additions, deletions or amendments to these Uniform Minimum Residential Development Standards will be adopted by the mutual consent of the WCA Development Standards Committee, the TWA Design Review Committee, and the like committees established by any Future Residential Association (as defined in the Mutual Benefit Agreement) which is at that time a party to a Service Agreement.

EXHIBIT B / SERVICE AGREEMENT

UNIFORM FIRE AND EMERGENCY MEDICAL STANDARDS

Goals for Fire and Emergency Services

The goal of the planning, construction, and acquisition of fire prevention and protection facilities and equipment and the operation of fire protection and prevention services in the WFD service area is:

- A. To maintain an ISO rating of 4 or better,
- B. To maintain fire protection and emergency medical services in the WFD service area that are uniform throughout the service area and comparable to the levels of protection that were in place on January 1, 1998, and

New Fire Station Criteria

There are many criteria that must be considered to determine when a new fire station should be added and to determine the staffing level of that station. Listed below are several criteria which can be used to judge the timing of new resources required. These criteria are not intended to provide in every instance statistically precise and immutable evidence that more resources are necessary by a certain date. Nor is it necessary that all criteria be met. Instead, these criteria represent a check list which can be compared to conditions within the WFD service area and to organizational capabilities to judge whether service levels are being maintained. With this qualification, an additional fire station can be justified and should be placed in service when the following criteria and measures for service in the area of the new station are achieved:

	<u>1997 Actual</u>
1. The General Manager and Fire Chief recommend the station in the proposed 5-year plan and annual Budget	
2. Average response times exceed 5 minutes	4.86 minutes avg.
3. 16% or more of the responses exceed 8 minutes	4%
4. 3,000 dwelling units to be served	4,414 per station
5. At least \$400 million in assessed value	--

Community-wide Measures

1. Population per engine company exceeds 15,000	12,500
2. Firefighter per 1,000 population is less than .9	1.04
3. Assessed value per station exceeds 800 million	675 million

Exhibit C/SERVICE AGREEMENT

EXHIBIT B
FIRST AMENDED MUTUAL BENEFIT AGREEMENT

SERVICE AGREEMENT

This Agreement, dated as of the 19 day of August, 1998 is entered into between THE WOODLANDS COMMUNITY SERVICE CORPORATION ("WCSC"), a Texas non-profit corporation with offices in The Woodlands, Texas, and THE WOODLANDS COMMERCIAL OWNERS ASSOCIATION, INC. (the "Association"), a Texas non-profit corporation with offices in The Woodlands, Texas.

The Association is a Texas non-profit corporation established as a community association to provide services and amenities, collect annual assessments, enforce the terms of the Covenants and perform such other duties as may be permitted or required by the terms of the Articles of Incorporation or Bylaws of the Association or the Covenants; and

WCSC is a Texas non-profit corporation empowered to provide administrative, managerial and operational services by contract to community associations having jurisdiction over lands located within and outside of The Woodlands; and

WCSC and the Association are parties to that certain First Amended Mutual Benefit Agreement dated July 1, 1998 which, among other provisions, provides for the execution of Service Agreements between WCSC and, The Woodlands Community Association, Inc. ("WCA"), The Woodlands Association, Inc. ("TWA") and the Association and other community associations serving lands within The Woodlands; and

The Association seeks to employ WCSC to perform certain management, administrative and operational services vested in or delegated to the Association under the terms of the Articles of Incorporation or Bylaws of the Association and the Covenants.

DEFINITIONS

As used in this Service Agreement:

(a) "The Woodlands" is a generally contiguous tract of land developed by The Woodlands Land Development Co. ("TWLDC") or sold to third parties for development, and which is encumbered by restrictive covenants designating it as a part of The Woodlands. The exact boundary of The Woodlands is subject to the sole discretion of TWLDC. Nothing contained herein shall require or imply that any land currently owned or hereafter acquired by TWLDC will be or become a part of The Woodlands, nor shall anything contained herein be construed to limit the ability of TWLDC to add additional land to The Woodlands;

(b) "Covenants" means the restrictive covenants recorded in File No. 9357930 of the Real Property Records of Montgomery County, Texas, and the like covenants executed and recorded from time to time annexing additional land to the lands encumbered by the covenants referred to above;

(c) "WCOA Area" means lands subject to the Covenants.

In consideration of the mutual covenants, conditions, obligations and payments set out herein, the parties agree as follows.

ARTICLE I WCSC

The Association hereby employs WCSC to perform those duties set out below on behalf of the Association, and conveys and delegates to WCSC the right and authority to perform on behalf of the Association the following duties and obligations, either directly with its own employees or by means of third party vendors, and WCSC hereby agrees to perform or cause third party vendors to perform on behalf of the Association the following duties and obligations:

1.1 Administration. Provide all managerial, financial, administrative, operational and staff services required by the Association to perform its duties and functions under the terms of the Covenants, the Association Bylaws, the Association Articles of Incorporation and the policies and directives established by the Board of Directors of the Association from time to time.

1.2 Annual Assessments. Provide all services required by the Covenants to maintain accurate records of properties subject to the Covenants, recommend to the Association appraised values for all properties subject to assessment, recommend to the Association exemptions from assessment, recommend to the Association the rate of annual assessment, prepare an assessment roll, mail assessment statements to property owners and mortgagees, hear and determine protests, collect current and delinquent assessments, prepare and record such notices of delinquency and notices of non-delinquency as may be deemed necessary, keep full and accurate records of all actions taken and sums collected, and perform such other duties with regard to the collection of annual assessments as may be required by the Covenants. The Association shall have the full and final authority to set the rate of Annual Assessment, determine exemptions, establish the assessment roll and levy the Annual Assessments as provided by the Covenants. All Annual Assessments collected on behalf of the Association shall be deposited to a separate account of the Association in a national bank or other insured depository selected by the Association.

1.3 The Woodlands Fire Department, Inc. Provide all financial, accounting, contracting, human resources, purchasing, clerical and staff support services required by The Woodlands Fire Department, Inc., and perform all managerial and administrative duties and functions with respect to The Woodlands Fire Department, Inc., except those managerial and administrative duties which require the knowledge and experience of a professional firefighter.

1.4 Financial Activities. Prepare annual capital and operating budgets of WCSC and of the allocable portion of the WCSC budget payable by the Association, and present them to the Board of Directors of the Association annually on or before the first day of October preceding the commencement of each year; prepare and provide to the Board of Directors of the Association a monthly schedule of receipts, expenditures, accounts receivable, accounts payable, cash position and investment status of WCSC; obtain and deliver to the Association an independent auditor's report on the income statement, balance sheet and statements of operations, cash flow and changes in member's equity of WCSC on or before 180 days following the last day of each fiscal year, and prepare and file all tax returns and regulatory reports required of the Association.

1.5 Parks, Pathways and Facilities. Supervise and manage the construction of parks, pathways, recreation areas, buildings or other facilities to be constructed by the Association or WCSC, monitor all construction projects undertaken by third parties on behalf of the Association, and operate and maintain all such properties and facilities, including the adoption of appropriate fees for the use of such facilities, and the establishment of rules, regulations and procedures for the use of such properties and facilities; provided that the Board of Directors of the Association shall have the right from time to time to review and amend or terminate any rules, regulations, procedures or user fees established by WCSC with reference to properties or facilities owned by the Association.

1.6 Elections. WCSC shall conduct and administer elections for directors of the Association in accordance with the terms of the Covenants, the Bylaws and the Articles of Incorporation.

1.7 Development Standards Committee ("DSC"). WCSC shall, upon request by the Association, provide all staff and administrative services required to perform the duties of the Association with regard to the Development Standards Committee and all Residential Design Review Committees established under the terms of the Covenants, including the preparation of development criteria and standards, the review of plans for improvements, inspections of improvements, issuance of certificates of compliance, the establishment and collection of fees for plan review and

425

inspections, and the enforcement of those provisions of the Covenants binding on residents and property owners in ASSOCIATION Area regarding the use of property, maintenance and appearance of properties, and the compliance by members of the Association with the design and development criteria set out in the Covenants or established by the Development Standards Committee under the authority provided by the Covenants; provided, however, that WCSC shall not have authority to commence legal proceedings to enforce the requirements set out in this paragraph 1.7 without the prior consent of the Association. The Association retains the right to make appointments of persons to serve as members of the Development Standards Committee as set out in the Covenants and the First Amended Mutual Benefit Agreement.

1.8 Law Enforcement. WCSC shall act as a liaison with the office of the Sheriff of Montgomery County, Texas, or such other law enforcement agencies providing law enforcement services to The Woodlands.

1.9 Enhanced or Additional Services. In addition to the services set out in Paragraphs 1.1 through 1.8 above, WCSC shall provide, either directly or through third party vendors, those additional or enhanced services requested by the Association from time to time, subject to the ability of WCSC to accurately allocate to the Association the expense incurred in performing the requested services.

ARTICLE II PAYMENTS TO WCSC

2.1 Amounts Payable. The Association agrees to pay to WCSC its share of all capital and operating costs and other cash requirements incurred by WCSC. The allocable portion the cash requirements of WCSC which is payable by the Association shall be determined as follows:

A. Streetscape maintenance, trash collection, street lighting, the construction, maintenance and repair of parks, playgrounds, pathways and open space areas within the ASSOCIATION Area (excluding construction costs incurred to construct certain facilities under the terms of the Recreational Facilities Development Agreement) shall be directly charged to the Association based upon the actual items, amounts and costs of work performed within the jurisdiction of the Association.

B. To the extent same are not paid under the provisions of Paragraph A of this Section 2.1, the cash requirements of WCSC to provide administration, management and clerical services, to provide for fire and law enforcement, and to provide the other services described in Paragraphs 1.1 through 1.7, and 1.9 above will be allocated to and paid by each association which is a party to a Service Agreement with WCSC. The pro rata share payable by the Association shall be initially based upon the ratio of the Beginning Assessment Roll of the Association relative to the combined Beginning Assessment Roll of WCA, TWA, and the ASSOCIATION. Payments made by the Association shall be adjusted as of the last day of each fiscal year so that the portion paid by the Association shall equal the percentage determined by dividing the average of the Association's Beginning Assessment Roll and its Ending Assessment Roll, by the average of the Beginning Assessment Roll and Ending Assessment Roll of the WCA, TWA and the ASSOCIATION. Beginning Assessment Roll shall mean the Assessed Valuation of all Assessable Property within the boundary of the Association on the first day of September of the year prior to the calendar year for which the expense allocation is being calculated, and Ending Assessment Roll shall mean the Assessed Valuation of all Assessable Property within the boundary of the Association on the first day of September of the calendar year for which the expense allocation is being calculated. WCSC shall be authorized to debit or credit the account of the Association as required to complete the year-end adjustment in accordance with this paragraph. Assessable Property shall mean all land upon which the Association's restrictive covenants have been imposed, and all improvements thereon which are taxable as real property by Montgomery County, Texas, from time to time, save and except any land and improvements thereon which is owned by a governmental entity, owned by the Association and/or is exempt from ad valorem taxation by both Montgomery County and the State of Texas. Assessed Valuation shall mean the value placed on the land and improvements by Montgomery

County, Texas for the purpose of ad valorem taxation according to the tax roll of Montgomery County in effect on September 1 of the applicable year, without considering any adjustment made to said value due to the application of an assessment ratio, and regardless of any increase or decrease of such valuation following September 1. Assessed Valuation with respect to existing taxable improvements which are not on the tax roll of Montgomery County, Texas shall be the true market value of said improvements as determined by the Association's board of directors based upon sales price, bona fide appraisal or such other means satisfactory to the Association's board of directors.

C. The cost of Development Standards Committee and Residential Design Review Committee functions defined in Section 1.7 above will be allocated pro-rata among the associations receiving these services from time to time. The pro rata portion shall be based on the Assessed Valuation of land within each Association receiving these services relative to the Assessed Valuation of properties within the jurisdiction of all associations receiving such services, calculated in the manner set out in paragraph 2.1, B above.

D. The cost of any enhanced or additional services requested the Association will be paid in full by the Association.

E. All services performed by WCSC or by third parties shall be billed to the Association and other associations which are parties to a Service Agreement at WCSC's cost, on a non-profit basis.

2.2 Terms of Payment. WCSC shall have the right to debit the account of the Association to pay sums due WCSC under this Agreement to the extent that there are funds in the Association's account. To the extent there are not sums immediately available in the Association's account, any additional sums due shall be paid by the Association within 30 days following the date of an invoice from WCSC, together with interest at the rate equal to the lesser of a) four percent (4%) per annum above the announced prime rate of interest charged by the Association's depository bank, from time to time, or b) the highest lawful non-usurious rate of interest, from the date due until paid. Notwithstanding anything in this Agreement to the contrary, WCSC shall have the right to terminate any or all services provided under this agreement upon the failure of the Association to pay all sums due hereunder.

ARTICLE III ADDITIONAL DUTIES OF WCSC

3.1 Standards of Performance. WCSC agrees to perform all duties under this Agreement in a good and workmanlike manner, in compliance with all applicable local, state and federal laws, regulations and court decisions. WCSC agrees to employ competent and experienced personnel and provide adequate training and supervision so that the services rendered are performed in an orderly, cost effective manner which contributes to the health, safety and welfare of the members of the Association.

3.2 Records. WCSC agrees to keep complete and correct records of its activities under this Agreement and to make same available to the directors of the Association for inspection and copying at reasonable times during business hours. Upon the termination or expiration of the term of this Agreement without renewal or extension, WCSC agrees to provide the Association the original of all contracts, correspondence, plans, maps and other documents of any kind regarding the Association, its members, property of the Association or its members, or in any other way relating to the affairs of the Association; provided, that if the document relates to the business or affairs of the Association and other parties to a Service Agreement with WCSC, then WCSC shall be entitled to retain the original and provide the Association with a true copy of the original document; and provided further, that the Association shall pay all costs incurred to provide WCSC with a true copy of all original documents transferred to the Association, and to provide the Association a true copy of original documents retained by WCSC. Notwithstanding anything herein to the contrary, any documents prepared exclusively for and at the cost of one or more associations (but not by and for all associations who are parties to a Service Agreement) may be labeled by the sponsoring association(s) as proprietary, and same shall

427

not thereafter be distributed or made available to any other association or its members or representatives, except as required by the independent auditors of WCSC.

3.3 Uniform Services. WCSC agrees to provide all services on a uniform, consistent, non-discriminatory basis to all associations who are parties to service agreements, to attempt to achieve uniform procedures, policies, fees and minimum service levels throughout all portions of The Woodlands for which WCSC performs services under the terms of a service agreement. WCSC shall have the right to refuse the request of the Association to perform any service which, due to the nature of the service or the manner in which the service is to be performed, would increase the cost of providing that service relative to the cost of that service in other areas served by the WCSC, unless said increased cost of that service is paid by the Association. WCSC agrees to comply and cause other service providers to comply with the Uniform Minimum Streetscape Standards, Uniform Minimum Residential Development Standards and Uniform Fire Standards attached to this agreement as Exhibits A, B and C, respectively.

3.4 Other Associations. WCSC shall have the right to enter into an agreement with TWA, WCOA and other community associations representing lands within The Woodlands under the same terms and conditions as set out in this Agreement, subject to the obligation of each party to pay the actual costs incurred for any enhanced or additional services in accordance with the provisions of Article II above.

ARTICLE IV RELEASE AND INDEMNITY

It is agreed that all third parties performing services to the Association are independent contractors, and the Association agrees to release and hold WCSC harmless from any loss or damages incurred by the Association arising out of the actions or omissions of said third parties. The Association further agrees to release, indemnify and hold WCSC harmless from any claim cost, expense or liability arising from the performance by WCSC of its duties under this Agreement unless caused solely by the gross negligence or willful or wanton acts of WCSC or its agents or employees. It is the intention of the parties that WCSC shall be released from liability for and indemnified against loss, claims, costs or liabilities caused in whole or in part by the ordinary negligence of WCSC or its agents or employees.

ARTICLE V TERM

The initial term of this Agreement shall commence on August 1, 1998 and expire on December 31, 2002. The initial term shall be automatically extended for successive periods of three (3) years each unless notice of non-renewal is received by WCSC at least 180 days prior to the expiration of the initial or extended term.

ARTICLE VI MISCELLANEOUS PROVISIONS

6.1 Notice. Unless otherwise provided in this Agreement, any notice or consent required or permitted to be given must be in writing and it shall be deemed given upon actual delivery to an officer of the other party, or if mailed, three days after the same is deposited in the United States Mail, postage prepaid, certified or registered, and properly addressed to the address set out in the first paragraph of this Agreement. Either party shall have the right to change its notice address by notice to the other party in accordance with the terms of this paragraph.

6.2 Approvals. Whenever this Agreement requires or permits approvals or consents to be given by the parties, the parties agree that such approvals or consents will not be unreasonably withheld. Approvals or consents shall be evidenced by an order or resolution adopted by the governing body of the party or by a certificate of resolution executed by a duly authorized officer.

6.3 Modification. This Agreement shall be amended in whole or in part only with the mutual consent of the governing bodies of each of the parties.

6.4 **Assignability.** This Agreement shall not be assignable by either party without the prior written consent of the other party.

6.5 **Parties in Interest.** This Agreement shall be for the sole and exclusive benefit of WCSC and the Association and shall not be construed to confer any benefit or right upon any other person or entity.

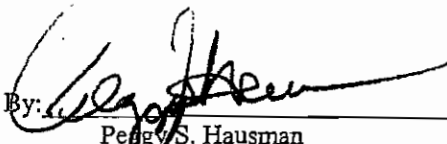
6.6 **Severability.** The provisions of this Agreement are severable, and if any word, phrase, clause, sentence, paragraph, section or other part of this Agreement or the application thereof to any person or circumstance shall be held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this agreement or the application thereof to other persons or circumstances shall not be affected thereby.

6.7 **Entire Agreement.** This Agreement and the First Amended Mutual Benefit Agreement constitute the sole and entire agreement between the parties relative to the subject matter hereof. There will be and are no agreements, covenants, representations or warranties between the parties other than those expressly stated herein.

IN WITNESS WHEREOF, this Agreement has been executed in multiple counterparts each of equal dignity, but constituting a single agreement, as of the date and year first hereinabove written.

THE WOODLANDS COMMUNITY
SERVICE CORPORATION

THE WOODLANDS COMMERCIAL
OWNERS ASSOCIATION, INC.

By: 
Peggy S. Hausman
Chairwoman of the Board

By: 
Eric Wojner
President

UNIFORM MINIMUM STREETSCAPE MAINTENANCE STANDARDS

The rights-of-way along all major thoroughfare and collector streets in The Woodlands shall be maintained through the services and at the minimum frequencies as follows:

<u>Service</u>	<u>Frequency</u>
Trash Removal	104 times per year
Mow and Edge	23 times per year
Sweep and Clean	35 times per year
Prune	10 times per year
Weed-General	15 times per year
Fertilize	1 time per year
Weed-Lovegrass	3 times per year
Irrigation	As Needed
Insect Control	As Needed
Visibility Pruning	As Needed
Plant Materials	As Needed

Frequencies are subject to weather conditions and seasonal climate variances. "As Needed" services must be provided as needed to keep a consistent cover of plant material, and to keep all plant material free of insects, irrigated enough to remain healthy, and pruned.

EXHIBIT A / SERVICE AGREEMENT

UNIFORM MINIMUM RESIDENTIAL DEVELOPMENT STANDARDS

To ensure that the architectural integrity in all residential areas in The Woodlands remains consistent, The Woodlands Residential Development Standards, dated February 1, 1996, will be the Uniform Minimum Residential Development Standards. Subsequent additions, deletions or amendments to these Uniform Minimum Residential Development Standards will be adopted by the mutual consent of the WCA Development Standards Committee, the TWA Design Review Committee, and the like committees established by any Future Residential Association (as defined in the Mutual Benefit Agreement) which is at that time a party to a Service Agreement.

EXHIBIT B / *SERVICE AGREEMENT*

UNIFORM FIRE AND EMERGENCY MEDICAL STANDARDS

Goals for Fire and Emergency Services

The goal of the planning, construction, and acquisition of fire prevention and protection facilities and equipment and the operation of fire protection and prevention services in the WFD service area is:

- A. To maintain an ISO rating of 4 or better,
- B. To maintain fire protection and emergency medical services in the WFD service area that are uniform throughout the service area and comparable to the levels of protection that were in place on January 1, 1998, and

New Fire Station Criteria

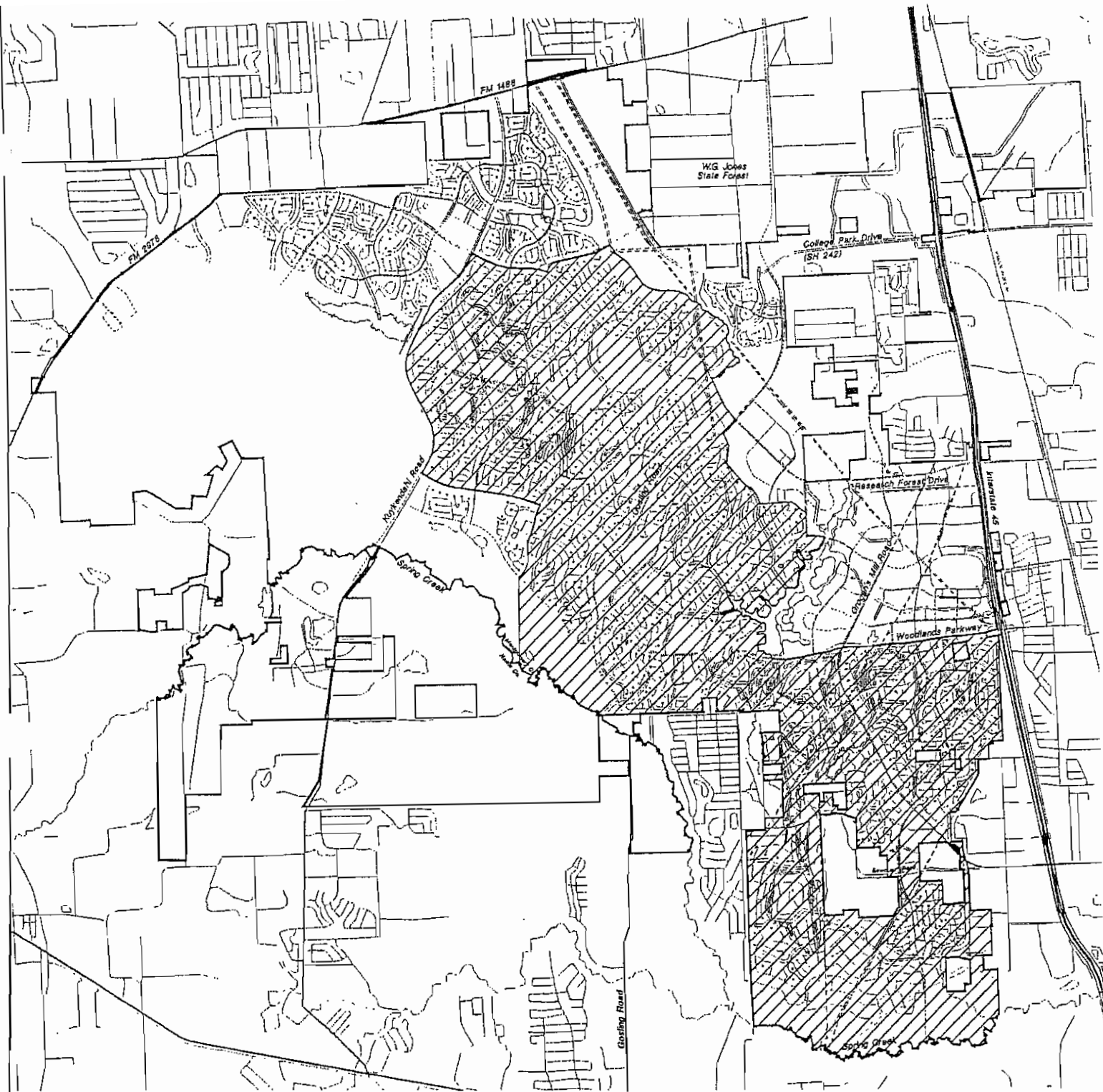
There are many criteria that must be considered to determine when a new fire station should be added and to determine the staffing level of that station. Listed below are several criteria which can be used to judge the timing of new resources required. These criteria are not intended to provide in every instance statistically precise and immutable evidence that more resources are necessary by a certain date. Nor is it necessary that all criteria be met. Instead, these criteria represent a check list which can be compared to conditions within the WFD service area and to organizational capabilities to judge whether service levels are being maintained. With this qualification, an additional fire station can be justified and should be placed in service when the following criteria and measures for service in the area of the new station are achieved:

	<u>1997 Actual</u>
1. The General Manager and Fire Chief recommend the station in the proposed 5-year plan and annual Budget	
2. Average response times exceed 5 minutes	4.86 minutes avg.
3. 16% or more of the responses exceed 8 minutes	4%
4. 3,000 dwelling units to be served	4,414 per station
5. At least \$400 million in assessed value	--

Community-wide Measures

1. Population per engine company exceeds 15,000	12,500
2. Firefighter per 1,000 population is less than .9	1.04
3. Assessed value per station exceeds 800 million	675 million

Exhibit C/SERVICE AGREEMENT



The Woodlands Exhibit "C" WCA Area

LEGEND

 WCA Area

Note:
 This map or drawing is a preliminary concept plan only, is not a recorded plat, and the boundaries and other information hereon are subject to change at any time without notice.

DATE: 10/10/00
 BY: [Signature]
 CHECKED: [Signature]
 APPROVED: [Signature]



Prepared By:
 The Woodlands Operating Company, L.P.
 Montgomery County, Texas

Major Thoroughfares

Woodlands Parkway
Grogan's Mill Road
Gosling Road
Lake Woodlands Drive
Research Forest Drive

Residential Collectors

Many Pines
Six Pines
South Millbend
North Millbend
Fernridge
Cokeberry
Sawmill Road
Grogan's Point Road
Red Sable Drive
Glenloch Drive
Tangle Brush Drive
South Panther Creek Drive
East Panther Creek Drive
West Panther Creek Drive
North Panther Creek Drive
Pinyon Pine
Woodrush
Wedgewood Forest Drive
Shadowbend Place
Sylvan Forest Drive
Golden Sage
Cochran's Crossing Drive
East Cochran's Crossing Drive
Grand Fairway
Flintridge
Rush Haven Drive
Falconwing Drive

Commercial Collectors

Timberloch
High Timbers
Lake Robbins
Evergreen Circle
New Trails
Pinecroft
Lake Front Circle
Medical Plaza Drive
Six Pines



The Woodlands Exhibit E

Sheet 1 of 4 (06/04/98)

LEGEND

 Limited Developer DSC Area

Note:
This map or drawing is a preliminary
concept plan only. It is not a recorded
plat and the boundaries and other
information herein are subject to
change at any time without notice.

Drawn by
M. Woodland
Checked by
J. Woodland
Date
06/04/98



Scale:
Horizontal: 1" = 100' 0"


Prepared by
The Woodlands Operating Company, L.P.
Montgomery County, Texas



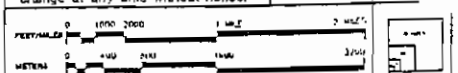
The Woodlands Exhibit E

Sheet 2 of 4 (06/04/98)

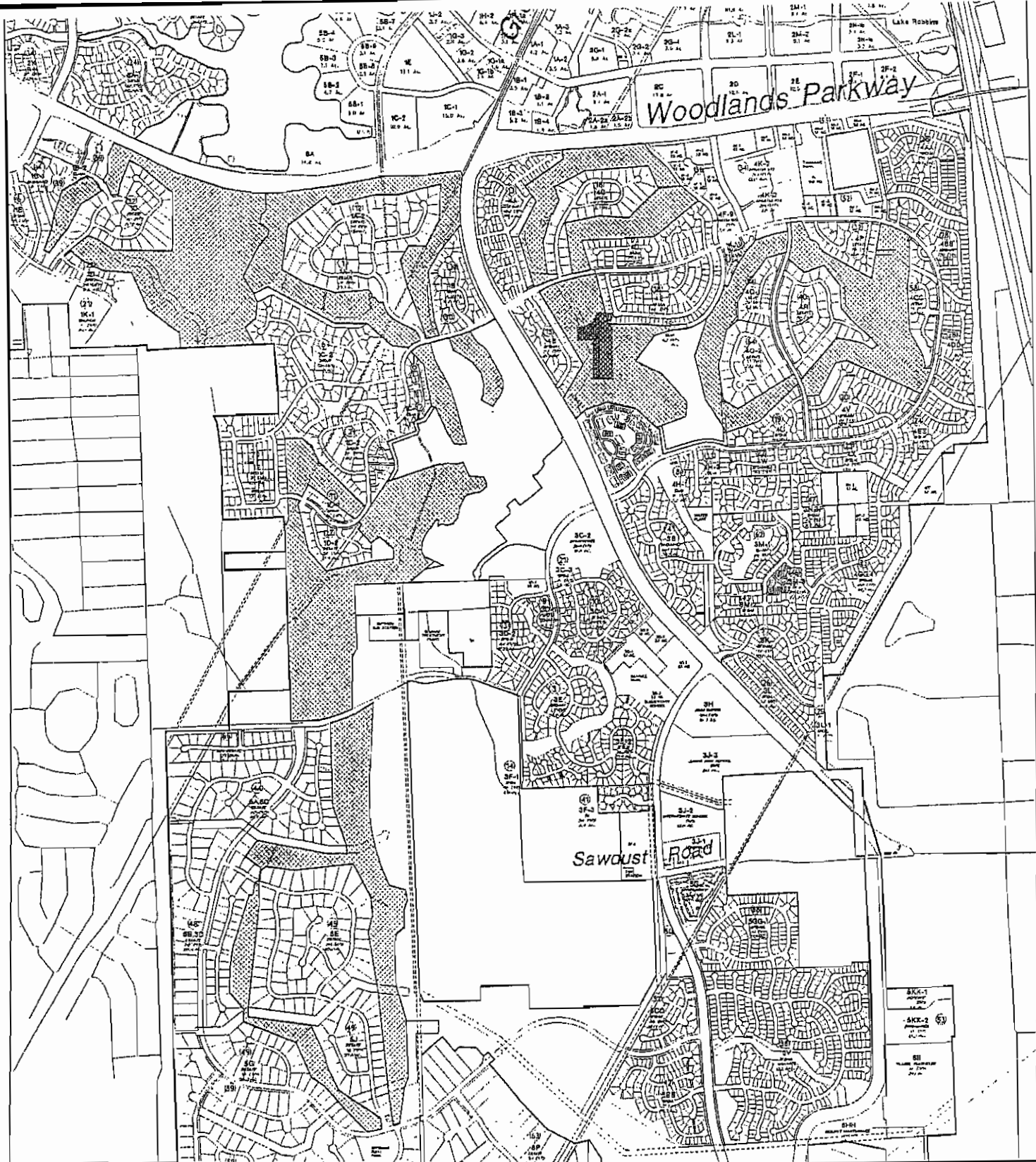
LEGEND

 Limited Developer DSC Area

Note:
This map or drawing is a preliminary
concept plan only, is not a recorded
plat and the boundaries and other
information herein are subject to
change at any time without notice.



Prepared by:
The Woodlands Operating Company, L.P.
Montgomery County, Texas



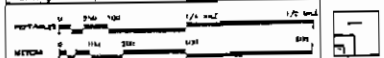
The Woodlands Exhibit E

Sheet 3 of 4 (06/04/98)

LEGEND

 Limited Developer DSC Area

Note:
This map or drawing is a preliminary
concept plan only. It is not a recorded
plat, and the boundaries and other
information herein are subject to
change at any time without notice.



The Woodlands Operating Company, L.P.
Montgomery County, Texas

Presented By
The Woodlands Operating Company, L.P.
Montgomery County, Texas

Conference Center/Resort/Club Facilities/Residential Area

Conference Center/Resort/Club Facilities/Residential Area shall mean that area dot-hatched on Annex 1 and Annex 2 dated June 4, 1998, attached hereto ("Annex 1" and "Annex 2") and shown in Yellow on Map I and Map II dated June 2, 1998, and June 3, 1998, respectively, located at The Woodlands Community Service Corporation offices ("Map 1" and "Map 2").

Buffer Area I (A), (B), (C) and (D). Buffer Area I (A), (B), (C) and (D) consists of those strips of land, 50 feet wide, within the Conference Center/Resort/Club Facilities/Recreational Area shown on Annex 1 and Annex 2 and Map I and Map II. After July 1, 1998, no new uses (other than existing facilities) will be commenced in Buffer Area I (A), (B), (C) and (D) and, except as provided herein, said areas will not be cleared. If a new use is commenced outside Buffer Area I (A), (B), (C) or (D) which is 2 stories high, the strip of land for the applicable Buffer Area will be increased to 75 feet wide, and, if a new use is commenced outside Buffer I (A), (B), (C) (D) which is 3 or more stories high, the strip of land for the applicable Buffer Area will be increased to 95 feet wide.

If the owner of the Conference Center/Resort/Club Facilities/Residential Area commences a new use 4 or more stories high within 100 feet of the 95 foot wide Buffer Area I (A), (B), (C) or (D) ("Multi-Story Structure") and the owner of a residential lot which abuts the portion of the Buffer Area I (A), (B), (C), or (D) which lies adjacent to the Multi-Story Structure requests additional visual screening, the DSC will require the owner of the Multi-Story Structure to reforest a strip of land 5 feet wide lying within the Buffer Area I (A), (B), (C) or (D) adjacent and parallel to the property line of the residential lot abutting the applicable Buffer Area. Any request to the DSC for visual screening pursuant to this standard must be made within 3 months after completion of construction of the Multi-Story Structure.

Nothing contained herein, however, shall prohibit (i) modifications, alterations, or additions to structures existing in the Buffer Area I (A), (B), (C) and (D) as of July 1, 1998, or (ii) the construction, operation, and maintenance of additional tennis courts in Buffer Area I (B) adjacent to The Woodlands Millbend Village Sections 1, 2, and 3, or (iii) the construction, operation, and maintenance of temporary structures in the Buffer Area I (A), (B), (C) and (D), from time to time, in connection with golf course events.

Golf Course Area

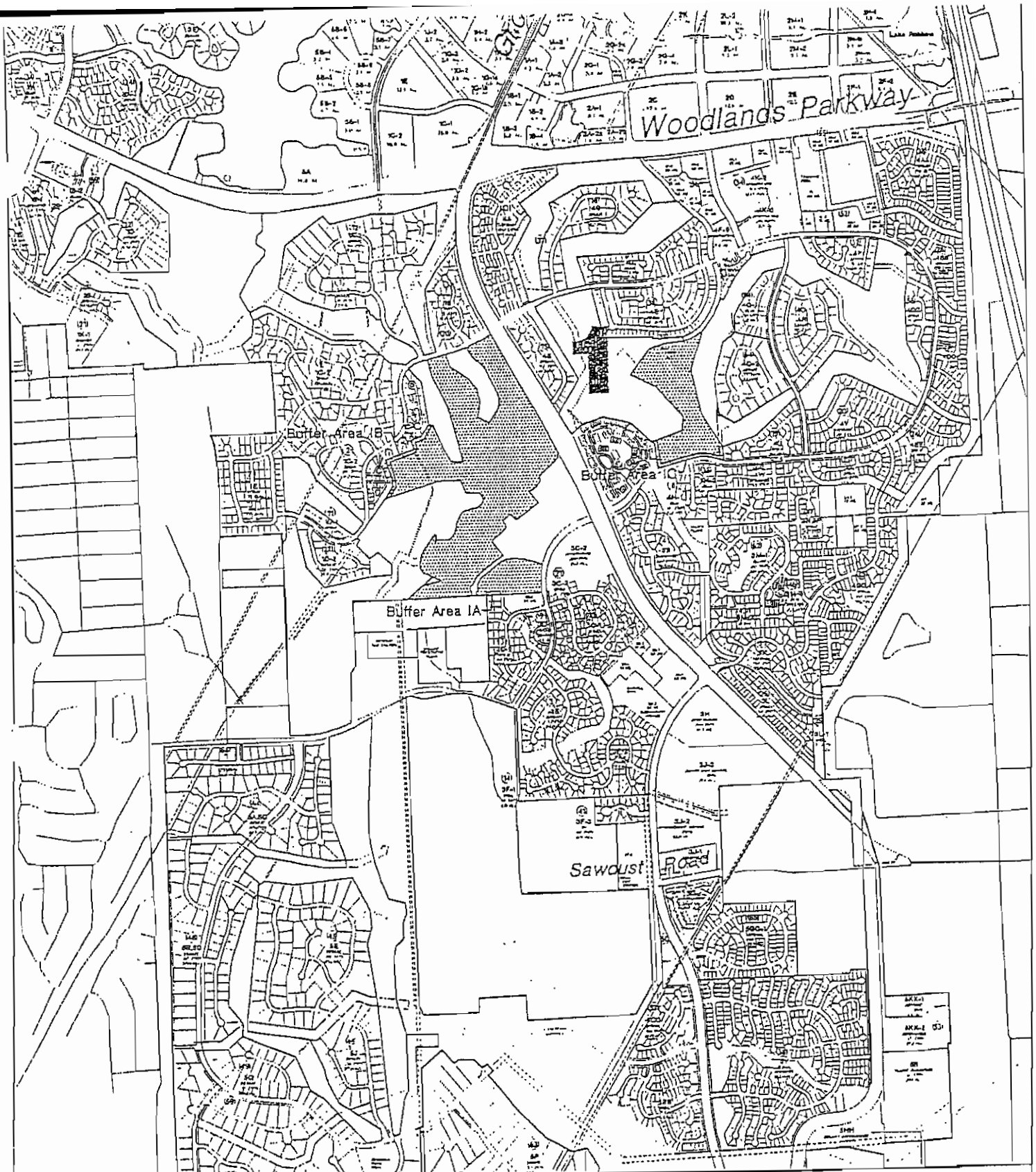
Golf Course Area shall mean that area cross-hatched on Annex 3 and Annex 4 dated June 4, 1998, attached hereto, and shown in Green on Map I and Map II.

1) General. The DSC will use best efforts not to significantly adversely impact residential lots which abut the Golf Course Area, and, to that end, permanent buildings shall be placed as far away from residential lots as practicable, and shall be located with the least negative impact on the residential lots. Nothing contained herein, however, shall prohibit the construction, operation, and maintenance of temporary structures, from time to time, in connection with golf course events.

2) Buffer Area II. Buffer Area II means all those properties within the Golf Course Area within 50 feet of the property line(s) of any residential lot which abuts the Golf Course Area. After July 1, 1998, no new buildings which exceed 400 square feet of floor area or 14 feet in height measured from the slab will be approved for construction in the Buffer Area II. Nothing contained herein, however, shall prohibit the construction, operation, and maintenance of temporary structures in the Buffer Area II, from time to time, in connection with golf course events.

Pre-approved Improvements. The following improvements to golf courses, consistent with a first-class golf course operation, shall be deemed pre-approved so long as they are in compliance with these Golf Course Standards: construction, replacements of and modifications of the course of play, greens, tee boxes, sandtraps, lakes and water traps and the bulkheading thereof, landscaping and drainage ways, irrigation facilities, cart paths, pump stations, pathways, bunkers, berms, roughs, driving range, fairways, practice greens, and practice sandtraps.


w:\r861\ecs\golf5.st



The Woodlands

(06/04/98)

LEGEND

 Limited Developer DSC Area

Annex 1

Note:
This map or drawing is a preliminary
concept plan only. It is not a recorded
plan, and the boundaries and other
information herein are subject to
change at any time without notice.




Prepared by:
The Woodlands Operating Company, L.P.
Montgomery County, Texas



The Woodlands

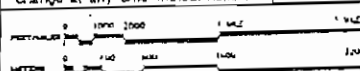
(06/04/98)

LEGEND

 Limited Developer DSC Area

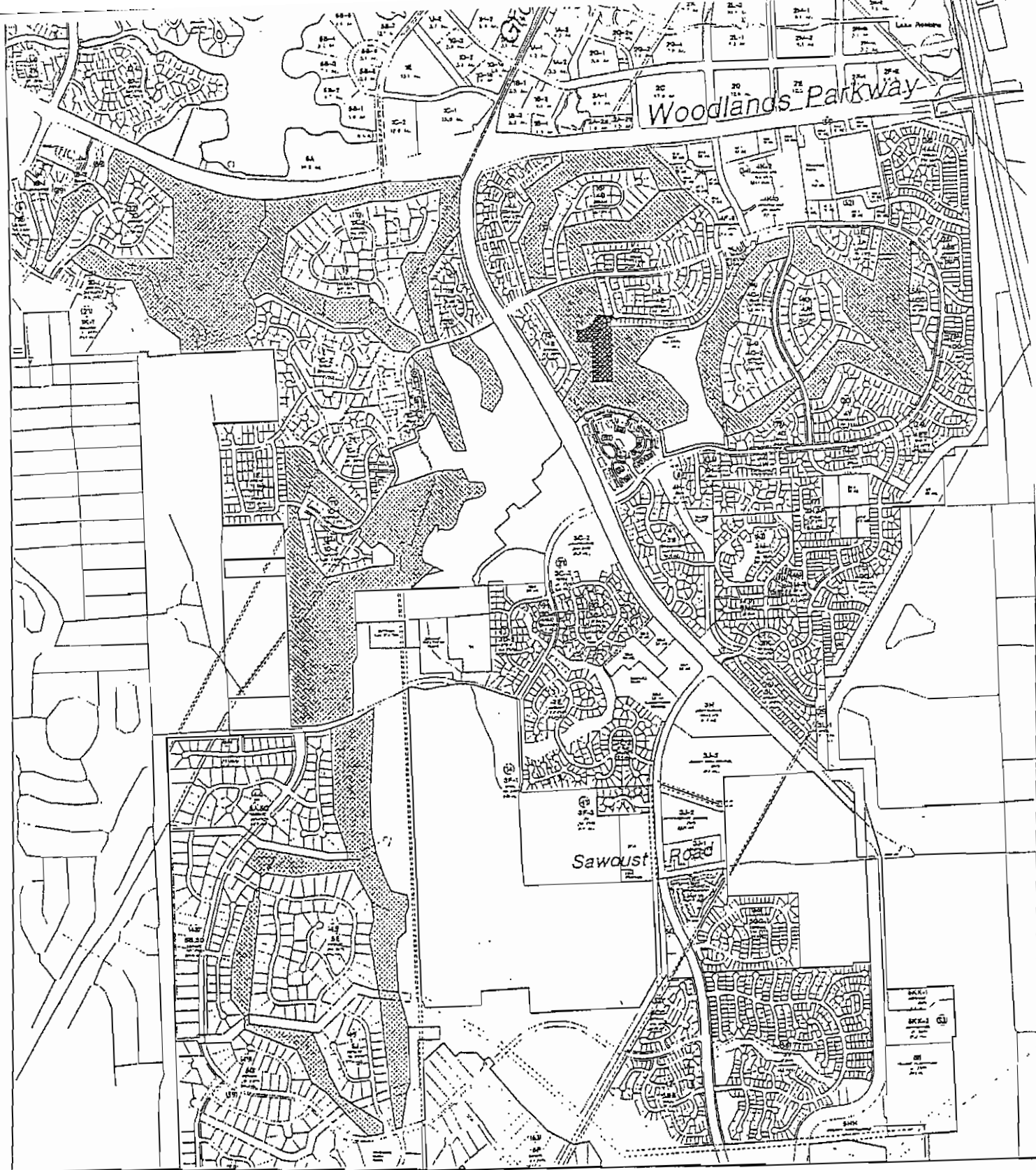
Annex 2

Note:
This map or drawing is a preliminary
concept plan only, is not a recorded
plat, and the boundaries and other
information hereon are subject to
change at any time without notice.



Prepared by:
The Woodlands Operating Company, L.P.
Montgomery County, Texas






The Woodlands

(06/04/98)

LEGEND

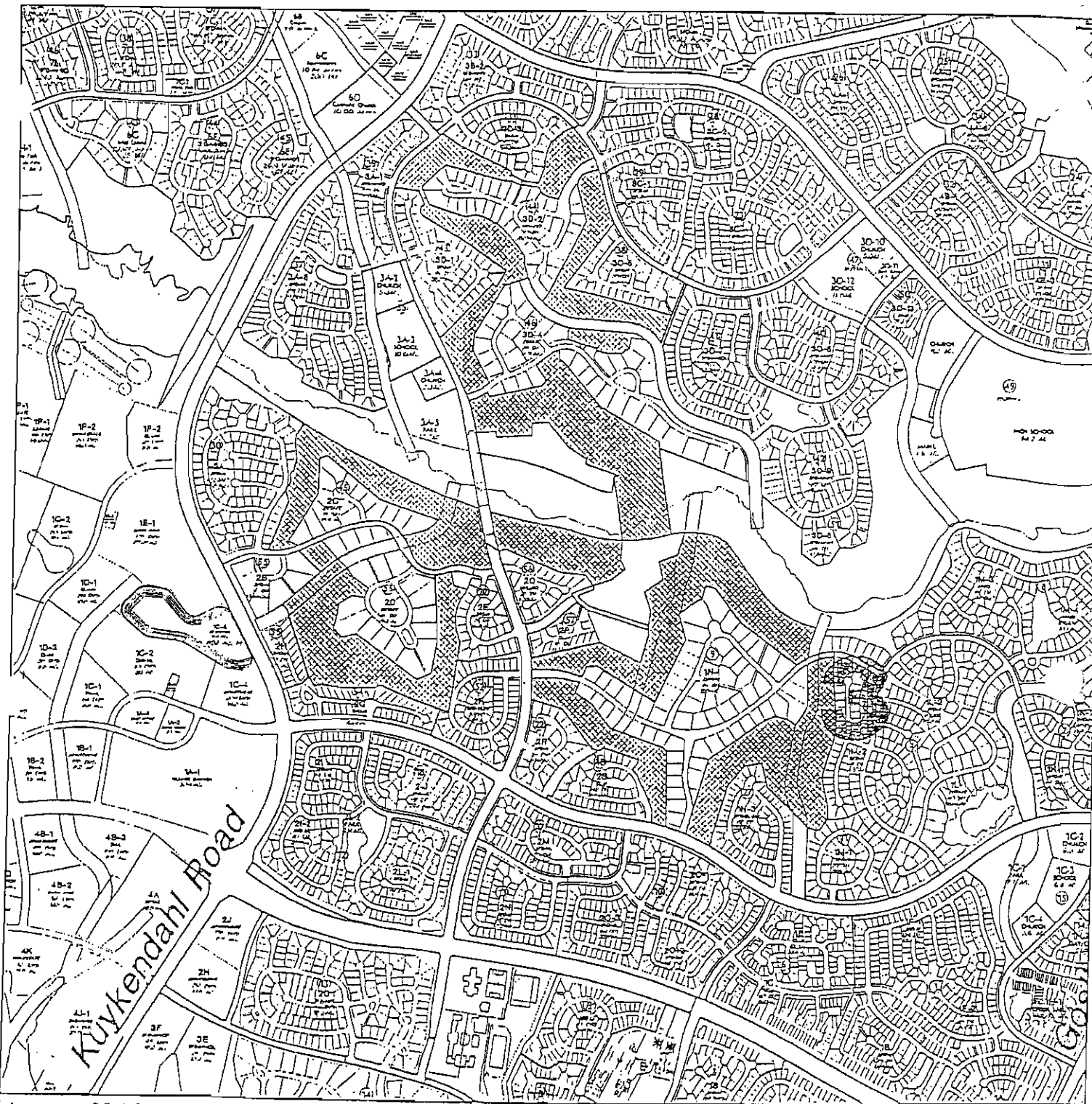
 Limited Developer DSC Area

Annex 3

Note:
This map or drawing is a preliminary
concept plan only, is not a recorded
plat, and the boundaries and other
information herein are subject to
change at any time without notice.



Prepared by:
The Woodlands Operating Company, L.P.
Montgomery County, Texas



The Woodlands

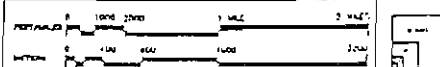
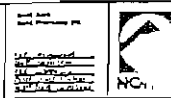
(06/04/98)

LEGEND

 Limited Developer DSC Area

Annex 4

Note:
This map or drawing is a preliminary concept plan only, is not a recorded plat, and the boundaries and other information herein are subject to change at any time without notice.



Prepared by:
The Woodlands Operating Company, L.P.
Montgomery County, Texas

UNIFORM FIRE AND EMERGENCY MEDICAL STANDARDS

Goals for Fire and Emergency Services

The goal of the planning, construction, and acquisition of fire prevention and protection facilities and equipment and the operation of fire protection and prevention services in the WFD service area is:

- A. To maintain an ISO rating of 4 or better,
- B. To maintain fire protection and emergency medical services in the WFD service area that are uniform throughout the service area and comparable to the levels of protection that were in place on January 1, 1998, and

New Fire Station Criteria

There are many criteria that must be considered to determine when a new fire station should be added and to determine the staffing level of that station. Listed below are several criteria which can be used to judge the timing of new resources required. These criteria are not intended to provide in every instance statistically precise and immutable evidence that more resources are necessary by a certain date. Nor is it necessary that all criteria be met. Instead, these criteria represent a check list which can be compared to conditions within the WFD service area and to organizational capabilities to judge whether service levels are being maintained. With this qualification, an additional fire station can be justified and should be placed in service when the following criteria and measures for service in the area of the new station are achieved:

	<u>1997 Actual</u>
1. The General Manager and Fire Chief recommend the station in the proposed 5-year plan and annual Budget	
2. Average response times exceed 5 minutes	4.86 minutes avg.
3. 16% or more of the responses exceed 8 minutes	4%
4. 3,000 dwelling units to be served	4,414 per station
5. At least \$400 million in assessed value	--

Community-wide Measures

1. Population per engine company exceeds 15,000	12,500
2. Firefighter per 1,000 population is less than .9	1.04
3. Assessed value per station exceeds 800 million	675 million

Exhibit G
First Amended MBA

STANDARD RECREATION PACKAGE

<u>Facility</u>	<u>Description</u>	<u>Activity/Equipment</u>
Pathway	An integral part of the circulation and recreation system. The system is designed in continuous convenient loops to allow a choice of experiences based on a hierarchy of needs.	<ul style="list-style-type: none"> ■ neighborhood walk/ride ■ destination points ■ village connections ■ 4', 6', 8' pathway ■ benches, jogging stations, & small events
Neighborhood Park	Small recreation areas located between two or more neighborhoods along the pathway system. Recreation for pre-school & early school children and facilities for their guardians.	<ul style="list-style-type: none"> ■ benches ■ playground equipment (pre-school) ■ picnic tables ■ open space ■ pathway connections
Area Park	Intended for a variety of recreational needs for all ages. Includes active and passive recreation.	<p>Basic Package</p> <ul style="list-style-type: none"> ■ play equipment ■ basketball ■ playfields ■ picnic tables and grills ■ parking lot ■ pathway connections
Village Park	Intended for a wide array of recreational needs for all age groups. Includes active and passive recreation. Park may be located adjacent to elementary schools.	<p>Basic Package (1st Phase)</p> <ul style="list-style-type: none"> ■ play equipment opt. add'l phases ■ swimming pool* ■ tennis courts ■ pavilion/restrooms* ■ volleyball ■ picnic tables & grills ■ playfields ■ basketball court ■ parking lot ■ pathway connections <p>*Construction will not begin on this pool and pavilion until 500 D.U. are occupied. Construction may begin before this point if the developer constructs and operates until 500 D.U. are occupied.</p>

5.11 DSC and Development Records. TWLDC agrees to make available to WCA and WCSC, upon request and at TWLDC's cost, one copy of any maps, engineering data, recorded plats, recorded covenants, recorded initial land use designations, DSC records and other documents as may be necessary for the operation of the DSC and the Residential Design Review Committees within the WCA Area. Additional copies of any such records or documents will be provided to WCA and WCSC at a reasonable charge.

Exhibit E to the First Amended MBA is deleted in its entirety and the attached Exhibit E is inserted in its stead. The attached Exhibits I, J, K, and L are incorporated into the First Amended MBA for all purposes.

Except as specifically provided herein, all of the terms, provisions, covenants, and conditions of the First Amended MBA are hereby ratified and confirmed and shall continue in full force and effect.

EXECUTED at the Woodlands, Texas, in multiple counterparts, each of equal dignity, but constituting a single agreement, effective the 1st day of July, 2003.

THE WOODLANDS COMMUNITY
ASSOCIATION, INC.

THE WOODLANDS ASSOCIATION, INC.

By: 

Bruce C. Tough, President

By: 

Joel L. Deretchin, President

THE WOODLANDS COMMERCIAL
OWNERS ASSOCIATION

THE WOODLANDS COMMUNITY
SERVICE CORPORATION

By: _____

Eric Wojner, President

By: _____

Bruce C. Tough
Chairman of the Board

THE WOODLANDS LAND DEVELOPMENT
COMPANY, L.P., a Texas limited partnership
By: The Woodlands Operating Company, L.P.
its authorized agent

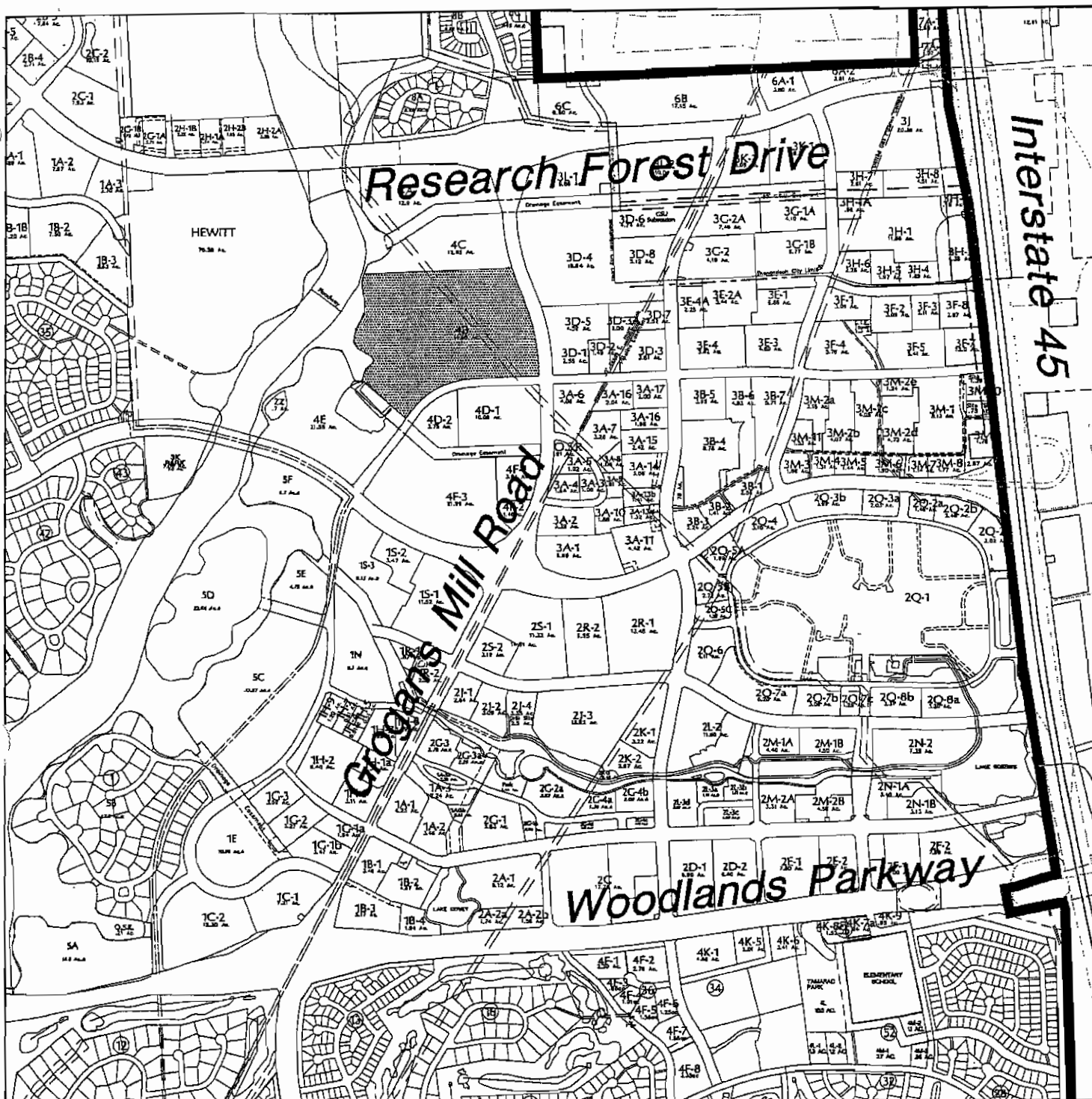
THE WOODLANDS FIRE DEPARTMENT,
INC.

By: _____

Thomas J. D'Alesandro, IV
President and Chief Executive Officer

By: _____

Bruce C. Tough, President



The Woodlands Exhibit "I"

LEGEND

 Developer DSC Area PZ

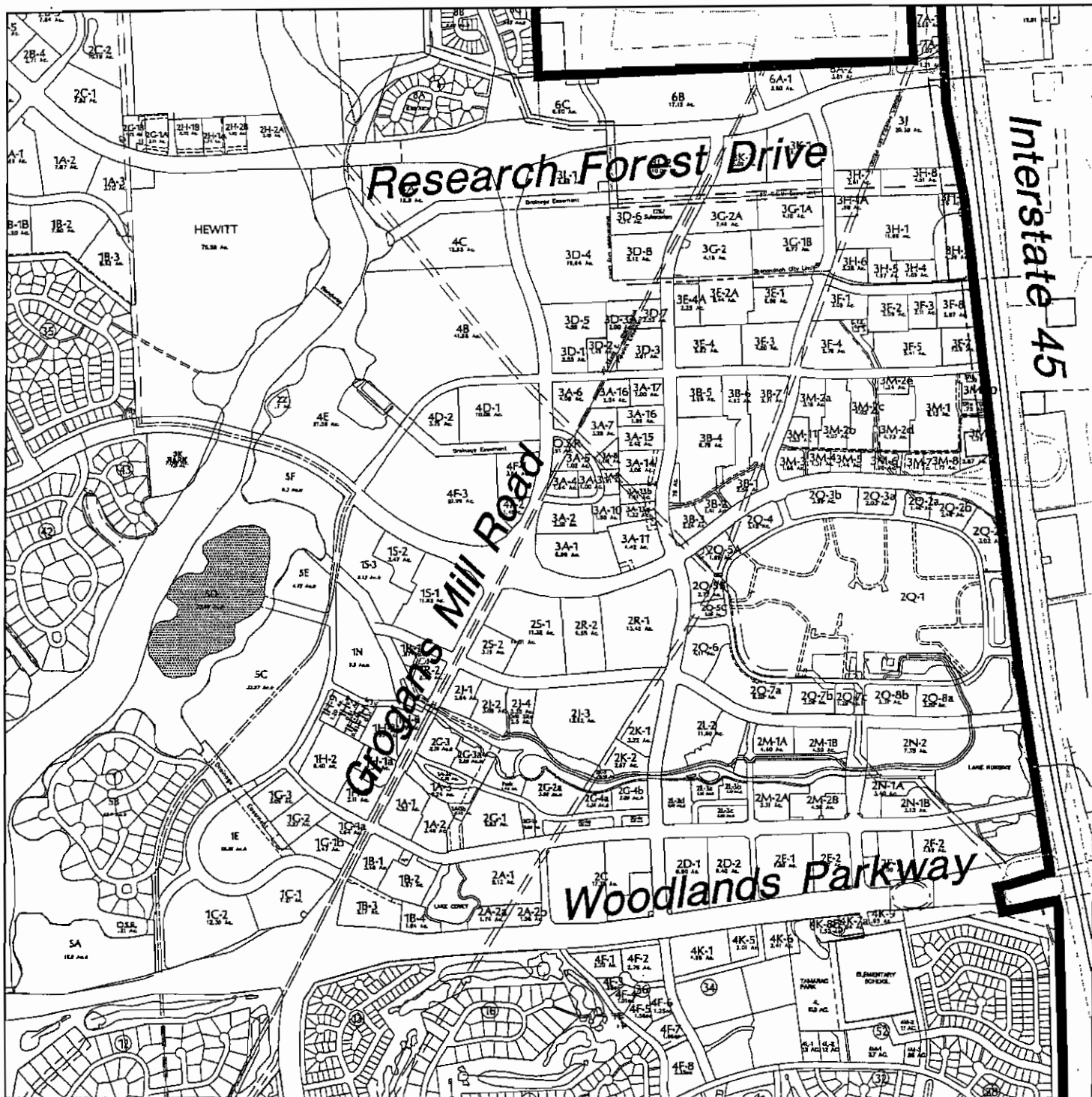
07/02/03

Note:
This map or drawing is a preliminary
concept plan only, is not a recorded
plat, and the boundaries and other
information hereon are subject to
change at any time without notice.



FEET/MILES 0 200 400 1/4 MILE

Prepared by:
The Woodlands Operating Company, LP.
Montgomery County, Texas



The Woodlands Exhibit "J"

LEGEND

 Developer DSC Area MI

07/02/03

Note:
This map or drawing is a preliminary
concept plan only, is not a recorded
plat, and the boundaries and other
information hereon are subject to
change at any time without notice.



0 100 400
FEET/MILES 1/4 MILE

Prepared By:
The Woodlands Operating Company, L.P.
Montgomery County, Texas

EXHIBIT "L"
Architect List

Ken Anderson & Associates, Inc.

Ecs\architect list\7-2-03

11

EXTENSION AGREEMENT

This Agreement dated effective the 25th day of June, 2003, is by and among The Woodlands Land Development Company, L.P. ("TWLDC"), The Woodlands Community Association, Inc. ("WCA"), The Woodlands Association, Inc., The Woodlands Commercial Owners Association, The Woodlands Community Service Corporation, and The Woodlands Fire Department, Inc.

Whereas, on July 1, 1998, the undersigned parties signed the First Amended Mutual Benefit Agreement ("MBA"); and

Whereas, Article V of the MBA addresses rights, duties, and obligations of the TWLDC and WCA with regard to the operation and membership of the Development Standards Committee of The Woodlands as of July 1, 2003; and

Whereas, it is the intent of TWLDC and WCA to maintain the status quo in the composition and makeup of the DSC and to to change the July 1, 2003 date set out in Article V to August 1, 2003, the fifth anniversary of the MBA, as if August 1, 2003 was originally set forth in the MBA, to allow for good faith discussions relative to the rights and obligations of the respective parties.

Now, therefore, in consideration of the mutual covenants and agreements herein contained the undersigned parties agree to amend the date of July 1, 2003 set out in Article V to August 1, 2003, thereby extending all the rights, duties, and obligations of WCA and TWLDC under Article V of the MBA until August 1, 2003. Four (4) TWLDC appointees will remain on the DSC and the provisions of Article V of the MBA dividing the DSC functions between residential and TWLDC appointees and requiring mutual deference to the vote of other members will remain in full force and effect.

••

[INTENTIONALLY LEFT BLANK]

Except with respect to the date change, the MBA remains in full force and effect.

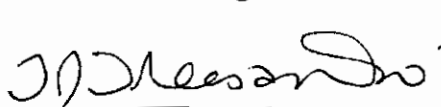
THE WOODLANDS COMMUNITY
ASSOCIATION, INC.

By: 
Name: BRUCE TOUGH
Title: PRES.

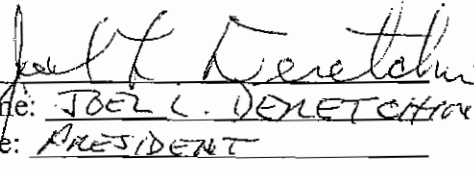
THE WOODLANDS LAND
DEVELOPMENT COMPANY, L.P.

a Texas limited partnership


By: The Woodlands Operating Company,
L.P., its Authorized Agent

By: 
Name: Thomas J. D'Alesandro, IV
Title: President and CEO

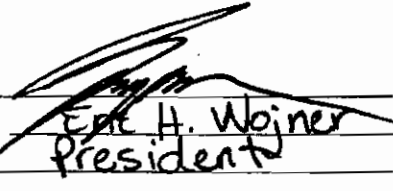
THE WOODLANDS ASSOCIATION, INC.

By: 
Name: JOEL L. VENETCHNIN
Title: PRESIDENT

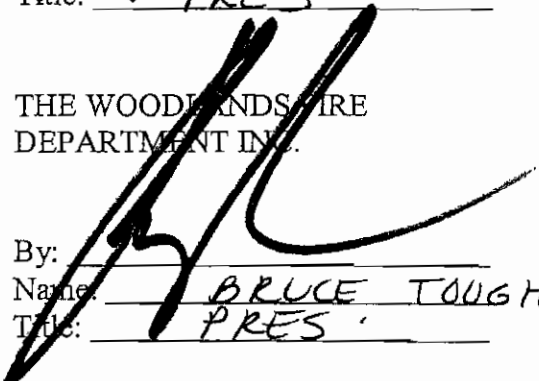
THE WOODLANDS COMMUNITY
SERVICE ASSOCIATION

By: 
Name: BRUCE TOUGH
Title: PRES.

THE WOODLANDS COMMERCIAL
OWNERS ASSOCIATION

By: 
Name: Eric H. Wojner
Title: President

THE WOODLANDS FIRE
DEPARTMENT INC.

By: 
Name: BRUCE TOUGH
Title: PRES.