

## SECOND AMENDMENT TO TRANSITION AGREEMENT

**THIS SECOND AMENDMENT TO TRANSITION AGREEMENT** (the "**Second Amendment**"), effective as of January 28, 2009 (the "Second Amendment Effective Date"), is made and entered into by and among **THE WOODLANDS TOWNSHIP**, a political subdivision of the State of Texas duly created and operating pursuant to Chapter 289, Acts of the 73<sup>rd</sup> Texas Legislature, Regular Session, 1993, as amended (the "Act"), acting herein by and through its Board of Directors and pursuant to a resolution duly adopted by said Board of Directors and pursuant to the authority contained in the Act ("the Township"), **THE WOODLANDS COMMUNITY ASSOCIATION, INC.**, a Texas non-profit corporation ("WCA"), **THE WOODLANDS ASSOCIATION, INC.**, a Texas non-profit corporation ("TWA"), **THE WOODLANDS COMMERCIAL OWNERS ASSOCIATION, INC.**, a Texas non-profit corporation ("WCOA"), **THE WOODLANDS COMMUNITY SERVICE CORPORATION**, a Texas non-profit corporation ("WCSC"), **THE WOODLANDS RECREATION CENTERS, INC.**, a Texas non-profit corporation ("WRC"), and **THE WOODLANDS FIRE DEPARTMENT, INC.**, a Texas non-profit corporation ("WFD"). The WCOA, WCA and TWA shall each be individually referred to as an "Association" and collectively referred to as the "Associations." The WRC, WCSC and WFD shall each be individually referred to as a "Service Company" and collectively referred to as the "Service Companies." Each signatory hereto shall be individually referred to as a "Party" and collectively referred to as the "Parties."

### RECITALS

**WHEREAS**, a Transition Agreement, effective as of February 1, 2008 (the "Agreement") as amended by the First Amendment to the Transition Agreement, effective as of October 15, 2008 (the "First Amendment"), was executed by the Parties with the stated mutual goals of, among other items, the accomplishment of a seamless consolidation of the functions and services provided by the Parties into a single, community-wide governmental organization, and the funding of the services by the most efficient and cost effective means to the taxpayers of the community, while preserving and continuing the current high level and quality of such functions and services by utilizing existing personnel, management, programs, and structures, and ensuring continuity of management and elected leadership; and

**WHEREAS**, under the First Amendment, the transition to a single service organization was accelerated to be completed on or about January 1, 2010; and

**WHEREAS**, the Parties have determined that additional provisions need to be addressed in order to seamlessly accelerate the early transition and to assure consistency between the provisions of the Agreement and the First Amendment; and

**WHEREAS**, the Parties agree that due to proposed legislation that may prohibit the direct employment of fire protection personnel by the Township until January 1, 2012, operation of the WFD as a service organization may need to continue through January 1, 2012; and

**WHEREAS**, the Parties agree that accelerating the timeline for transfer of WCSC, WFD and WRC assets to on or prior to January 1, 2010, would be more consistent with the existing timelines

for accelerating the transfer of operations to the Township;

**WHEREAS**, the transfer of WFD assets to the Township should proceed on or prior to January 1, 2010, with a lease agreement which makes those assets available to the WFD in order for WFD to continue operations through December 31, 2011 through funding provided by the Township pursuant to the terms of the Agreement; and

**WHEREAS**, the Parties agree that the WCSC and the WRC are expected to discontinue operations as of January 1, 2010, so appointments to those Boards for terms extending beyond December 31, 2009 will be unnecessary; and

**WHEREAS**, the Parties agree that the Township will be making all appointments to the WFD Board effective on or after January 1, 2010; and

**WHEREAS**, the parties desire to enter into this Second Amendment to the Agreement for the purpose of amending certain terms and provisions of the Agreement;

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by the Parties as follows:

1. WFD Operations. The acceleration provisions of the First Amendment are hereby modified and amended to provide that WFD will consolidate functions and services into a single, community-wide governmental organization through the Township on January 1, 2012, but will continue separate operations as WFD from the date hereof through December 31, 2011.

2. June 30, 2009 - WFD, WCSC and WRC Board Appointments. The provisions of Section III.A.5. of the Agreement are hereby modified and amended to provide that on or prior to June 30, 2009, the Township and the Associations shall each take all necessary action (in conformity with the amendments to the WFD, WCSC and WRC corporate documents as provided in Section VI.A. of the Agreement) to make the following appointments effective July 1, 2009 to the WFD, WCSC and WRC Boards with such appointees to serve through December 31, 2009, or until their successors are appointed or such entities discontinue operations:

WCSC

1 member – WCA appointment  
1 member - TWA appointment  
1 member - WCOA appointment  
4 members – Township appointments

WRC

1 member – WCA appointment  
1 member - TWA appointment  
3 members – Township appointments

WFD

- 1 member – WCA appointment
- 1 member - TWA appointment
- 1 member - WCOA appointment
- 4 members – Township appointments

3. January 1, 2010 – Township Makes All Appointments to WFD Board. The provisions of Section III.A.10. are hereby modified and amended so that the Township shall make appointments of all members to the WFD Board for terms effective on or after January 1, 2010.

4. Transfer of WFD Assets. The provisions of Section II of the Transition Agreement (as amended by the First Amendment) and the Deed, Bill of Sale, Assignment, Acceptance and Assumptions delivered pursuant thereto are hereby modified and amended so that the WFD agrees to transfer all of the WFD assets to the Township effective as of January 1, 2010. At that time, The Township and the WFD will deliver a written lease agreement pursuant to which the assets of the WFD being assigned on such date will be made available to the WFD for a period of two years in order for WFD to continue operations utilizing such assets until January 1, 2012.


5. Amendment, Assignment and Successors and Assigns. This Second Amendment and the Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors and assigns. Each of the Associations may assign all or any portion of their respective rights and obligations under this Second Amendment and the Agreement to The Township or its successors, or assigns. Upon the execution of a written agreement(s) pursuant to which the Associations assign their respective rights and/or obligations under the Covenants to a Successor Entity (as defined by in the Covenants) and the Successor Entity expressly assumes the duties and obligations of the Covenants, the respective Association shall no longer have any rights or obligations under this Second Amendment and/or the Agreement that arose prior to the effective date of such assignment. Furthermore, upon the discontinuation of business and dissolution of all or any of the Associations, the Successor Entity to such Association shall have the right and authority to approve and enter into any amendment or modification to this Second Amendment and/or the Agreement which is approved and agreed to by all of the remaining Parties hereto.

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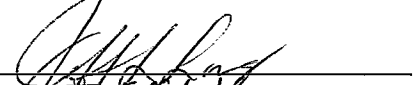
[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have approved and entered into this Amendment as of the last date entered below, but effective as of the Second Amendment Effective Date.

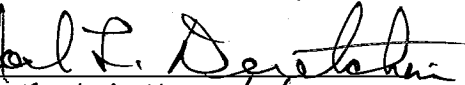
**THE WOODLANDS TOWNSHIP**

BY:   
NAME: NELDA BLAIR  
TITLE: CHAIRMAN  
DATE: 2/6/09

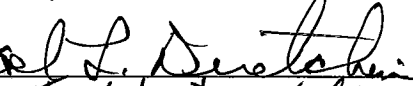
**THE WOODLANDS COMMUNITY ASSOCIATION, INC.**

BY:   
NAME: Jeff C. Wong  
TITLE: President  
DATE: 2/4/09


**THE WOODLANDS ASSOCIATION, INC.**

BY:   
NAME: Joel L. Deretchin  
TITLE: President  
DATE: 2/4/09


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

BY:   
NAME: Joel L. Deretchin  
TITLE: President  
DATE: 2/4/09

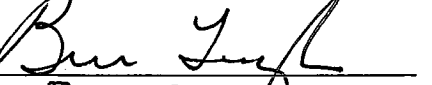
**THE WOODLANDS COMMUNITY SERVICE CORPORATION**

BY:   
NAME: BRUCE TOUGH  
TITLE: CHAIRMAN  
DATE: FEBRUARY 4, 2009

**THE WOODLANDS RECREATION CENTERS, INC.**

BY:   
NAME: Deborah Sargeant  
TITLE: Vice President  
DATE: 2/4/09

**THE WOODLANDS FIRE DEPARTMENT, INC.**

BY:   
NAME: BRUCE TOUGH  
TITLE: PRESIDENT  
DATE: FEBRUARY 4, 2009