

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of October 15, 2008 (the "Effective Date"), is entered into by and between The Woodlands Township (the "Township") and Don Norrell (sometimes referred to as the "President").

I. Agreement to Employ/Acceptance of Employment

The Township hereby agrees to employ Don Norrell as President of the Township, and Don Norrell hereby agrees to accept such employment, all subject to the terms and conditions of this Agreement.

II. Term of Employment

The initial term of employment of the President and this Agreement shall be from the Effective Date through December 31, 2011, and such employment and this Agreement shall continue indefinitely for successive, one-year periods thereafter, subject to either party's ability to terminate employment and this Agreement, as elsewhere provided in this Agreement.

III. Residency

The President agrees to continuously maintain his principal residence within The Woodlands during his employment with the Township.

IV. Duties

The President's powers, duties and responsibilities shall include, but not be limited to, the following:

- A. Overall supervision and management of the Township and its employees, agents and affiliated organizations, which may include, directly or indirectly, The Woodlands Township Convention and Visitors Bureau and/or one or more other companies or organizations hereafter affiliated with the Township by virtue of funding or governing board appointments by the Township ("Affiliates").
- B. Responsibility to the Board of Directors of the Township (the "Board") and to the governing boards of such Affiliates (the "Governing Boards") for the administration of all of their business affairs.
- C. Discharging the responsibilities of the Township and such Affiliates with respect to all of their existing and future agreements, commitments and other legal obligations.
- D. Authority over the hiring, promotion, discipline, termination and training of employees of the Township and its Affiliates, except that no president, vice president, or other position of equal or greater authority may be hired or discharged without prior

consultation with, and the prior consent of, the Township Board or the appropriate Governing Board.

- E. Fixing compensation of all employees of the Township and its Affiliates within the limits established by a budget approved, and in accordance with personnel rules and regulations adopted, by the Board or the appropriate Governing Board.
- F. Attendance at all Board and standing or ad hoc committee meetings and other meetings requested by any Governing Board of an Affiliate, unless excused by the Chairman of the Board or such Governing Board President.
- G. Informing the Board and such Governing Boards (collectively, the "Boards") as to the financial condition and needs of the Township and such Affiliates and making such recommendations to them as he deems necessary or expedient.
- H. Preparation of and submission to the Boards of annual budgets and periodic financial forecasts, together with responsibility for the administration and implementation of same.
- I. Maintaining complete records of his office and rendering as often as may be required by the Boards a full report of their respective operations.
- J. Managing the use of all of the Township's and such Affiliates' properties subject to policy guidelines established by the appropriate Board or Governing Board, together with the maintenance and repair of such property and the preparation of plans and supervision of work on all construction, reconstruction, alteration, improvements and other undertakings of the Township and such Affiliates.
- K. Ensuring faithful execution, performance and compliance with all laws, provisions of this Agreement, acts of the Boards and policies and procedures of the Township and such Affiliates.
- L. Negotiation of all contracts on behalf of the Township and such Affiliates and execution and performance of same within his authority, as delegated by the Boards from time to time.
- M. Purchasing all supplies, materials and equipment for all activities of the Township and such Affiliates.
- N. Maintaining a full and complete inventory of all property of the Township and such Affiliates, both real and personal.
- O. Refraining from engagement in any outside employment or other outside activities that could reasonably be construed to interfere with the efficient and effective performance of his job responsibilities or to create a conflict of interest with respect to his duty of loyalty to the Township, absent prior notification to and consent of the Board or, in the event that Board approved outside activities require his presence during the business

hours of the Township on a recurring basis or during hours scheduled for meetings of the Boards, with prior notification to and the consent of the Chairman or President of the affected Board(s); provided, that nothing in this paragraph shall be deemed or construed to restrict the President's duties to provide transitional oversight and directions as described in Paragraph P. below.

- P. Additional responsibilities of the President as set forth in the First Amendment to Transition Agreement, effective as of October 15, 2008 (the "First Amendment"), to coordinate, direct and manage all activities related to the consolidation of services of the Township and of The Woodlands Community Association, Inc., The Woodlands Association, Inc., The Woodlands Commercial Owners Association, Inc., The Woodlands Community Services Corporation, The Woodlands Fire Department, Inc. and The Woodlands Recreation Centers, Inc. (collectively, the "Association Affiliates") into one central organization on or about January 1, 2010, including, specifically:
1. Serving as the liaison between the Board and the governing Boards of the Association Affiliates (the "Association Affiliate Boards") and providing recommendations to them regarding consolidation issues;
 2. Communicating the transition plan to the employees of the Township and the Association Affiliates to stabilize the work force for all organizations;
 3. Working with and directing the Association Affiliates' staff efforts regarding the Transition Agreement, dated as of February 1, 2008, as amended by the First Amendment;
 4. Developing a 2010 budget and capital plan for the Township and the Association Affiliates that addresses the issues of a consolidated service organization;
 5. Developing plans for the full consolidation of service delivery systems in 2010, including reviewing existing operating policies of the Township and the Association Affiliates and recommending appropriate operating policies and procedures for a combined organization;
 6. Developing a plan for a combined employee benefit structure beginning in 2010;
 7. Reviewing existing law enforcement contracts and developing a long term law enforcement management strategy to service both business and residential needs;
 8. Considering consolidation of facility management and maintenance functions where similar services are currently being performed by both the Township and the Association Affiliates, such as parks and pathways;
 9. Considering consolidation of contract management functions;

10. Considering coordination or consolidation of internal services, such as finance, accounting, human resources, information technology and records management, and providing a plan for full implementation of these functions in 2010;
 11. Identifying potential consolidation cost savings in the 2010 budget and developing an implementation strategy and timeline;
 12. Working immediately with the staff and legal counsel of all organizations to resolve issues that result from the Township's assumption of the Association Affiliates' responsibilities in 2010;
 13. Identifying and managing issues resulting from the change from property assessments to a property tax of the Township; and
 14. Informing the public on issues related to the transition.
- Q. Execution of such other duties as may be assigned to him by the Boards from time to time.

V. Compensation

- A. The Township agrees to pay the President for his services rendered pursuant hereto an annual base salary of \$198,000, less applicable withholdings, payable in installments at the same time as other full-time employees of the Township are paid.
- B. Performance of the President will be reviewed at least annually. The Township agrees to consider salary increases and payment to the President of an annual bonus in such amounts as the Board may determine reasonable in conjunction with such annual performance reviews. Any such base salary increase or bonus may be accomplished by appropriate personnel action by the Township without the necessity for amendment of this Agreement.
- C. The President shall receive \$1,400.00 per month automobile allowance for expenses associated with his private vehicle in the pursuit of the business of the Township or its Affiliates within 100 miles of The Woodlands.

VI. Professional Expenses

The Township agrees to budget annually for the President's use a sum to cover the following professional expenses:

- A. Travel and subsistence expenses incurred in connection with attendance at meetings, short courses, institutes, seminars and other gatherings necessary to the President's professional development relevant to the performance of his job duties or to the pursuit of official functions of the Township, or its Affiliates.

- B. Professional dues and subscriptions necessary for the President's participation in professional and civic organizations, including national, regional and local associations or organizations related to the job duties of the President.

Full and complete records of reimbursable expenditures shall be subject to the approval of the Board.

VII. Other Benefits

- A. The President and his current employer have contributed funds for investment in a 401(k) retirement plan sponsored by such employer, but the President is not fully vested in such plan, and termination of his current employment will cause his partial loss of the employer contributed portion of such plan. Accordingly, the Township shall establish and maintain for the President an Executive Benefit Plan to which the Township shall contribute the amount of the President's actual loss of such prior 401(k) plan funds and investments (taking into account any lost employer contributions, and the market value of any such investments on the Effective Date) in three (3) equal annual installments on or before January 1 of 2009, 2010 and 2011. In the event of termination of his employment with the Township prior to December 31, 2011, the Township shall have no further obligation to make any subsequent annual installment payments. Contributions into the Executive Benefit Plan will become 100% vested upon the President's attainment of age 63, involuntary termination of employment, death or disability. Any amounts (and any investments derived therefrom) not vested in the President at the date of such termination shall belong to the Township and may be withdrawn from such plan by the Township. The President may, at his option and expense, maintain the vested balance of such funds and investments in the 401(k) plan of his current employer, or he may transfer same, at his risk and expense, to one or more of the Township's employee retirement plans.
- B. In addition to the employer contributions described in A. above, but subject to the limitations below, the Township shall provide the President with an annual allowance equal to 24% of the President's then current base salary, with which the President, in his discretion, may select and fund existing or future Township employee benefits for health, life, dental and short and long term disability insurance coverages and retirement plan contributions (up to the maximum annual amounts, if any, allowed by law for the Executive Benefit Plan and any existing or future Township employee retirement plans); provided, however, that contributions made to the Executive Benefit Plan pursuant to this Paragraph B. shall be subject to the vesting parameters described in Paragraph A.
- C. The Township agrees to provide the President a total of four (4) weeks (160 hours) of paid vacation time and ten (10) days (80 hours) of sick leave per calendar year to be used and accrued in accordance with the Township's personnel policies, as the same may be amended from time to time; provided, however, that vacation time must be used during the calendar year in which it is accrued or be forfeited, but sick time may be accrued and aggregated from year to year, up to a maximum of 720 hours or 90 days. In the event of termination of or retirement from employment, unused vacation

time shall be payable to the President to the extent accrued for that calendar year, but accrued and unused sick time will not be compensable.

D. The Township agrees to pay those costs necessary and appropriate for bond, insurance and/or indemnity arrangements incident to the course and scope of the President's employment by the Township

E. The President shall receive the non-assignable right to use, while employed by the Township, a Township-owned corporate full family membership in The Woodlands Country Club, with all initiation fees and monthly dues paid by the Township. The President agrees to pay or reimburse the Township all other expenses relating to personal or family use of such membership.

\$400/month

VIII. Other Terms and Conditions of Employment

Except as otherwise provided herein, all Township rules, regulations and policies relating to holidays, fringe benefits and working conditions, as they now exist or hereafter may be adopted or amended, shall apply to the President.

IX. Termination and Severance Pay

A. The Township may terminate the President's employment and this Agreement by written notice to the President for "Good Cause" (as defined below). In such event, the Township shall have no obligation to continue the President's employment or to pay him any termination or severance pay, other than for accrued and unused vacation time.

B. If the President's employment and this Agreement are terminated without Good Cause, the Township shall so notify the President in writing and in addition to accrued but unused vacation time, shall pay to the President a sum equal to his then current monthly base salary for the longer of (i) twelve (12) months, or (ii) the remaining initial term or any extended term of this Agreement. Such amounts constitute the sole and exclusive liability of terminating the President without Good Cause. The President acknowledges that such payments will be subject to federal withholding and FICA deductions. The Township shall be entitled to condition such payment upon the President's execution of a release of the Township and the respective officers, directors and employees of the Township from liability for any and all claims arising out of or relating to the employment relationship between the President and the Township.

C. If the President terminates his employment, he shall receive no severance or termination pay, with the exception of payment of accrued but unused vacation time, provided that he gives written notice of such termination to the Township at least ninety (90) days in advance of his resignation date.

D. In addition to termination of employment pursuant to the preceding paragraphs of this Section IX, (i) the President's employment is terminated by death, with payment by

the Township to his estate for any earned but unpaid time in service since the previous pay period and for accrued but unused vacation time, and with such life insurance and retirement benefits as may have been earned hereunder, or (ii) his employment may be terminated by the Township, without severance or termination pay, except for earned but unpaid time in service since the previous pay period and for accrued but unused vacation time, and with any short or long term disability benefits to which he may be entitled hereunder, for the disability or incapacity of the President which the Board may determine, in good faith, renders the President unable to resume normal and complete duties required of him hereunder, as performed by him prior to such time, at the conclusion of 180 days after the commencement of such disability or incapacity. If the disabling or incapacitating event is not a clear and distinct happening, such 180-day period shall begin at the time that the Board shall determine that the President has been unable to perform the duties required under this Agreement for thirty (30) calendar days. During such 180-day period, the President shall be compensated for earned but unpaid time in service since the previous pay period and for accrued but unused vacation time, and he may utilize any accrued but unused sick time, together with any short or long term disability benefits to which he may be entitled hereunder. Otherwise, the President shall be considered on leave without compensation. Before any termination by the Township based on the Board's determination of disability or incapacity shall become effective, the President shall be entitled, within three (3) business days of written notice of such determination, to request, in writing (and except as hereinafter provided), to receive within thirty (30) days thereafter, a hearing before the Board on such determination of disability or incapacity. The President hereby agrees to appear for and to submit to such medical or similar examinations or evaluations as the Board may deem necessary and proper in making such determination, either during or after such 180-day period, but only after a reasonable period of recuperation. The President and the Township agree that the time period specified above for such hearing may be delayed by the Board for conclusion of such examinations or evaluations.

- E. For purposes of this Agreement, "Good Cause" means that 2/3 of the entire membership of the Board has determined, in good faith, that a legitimate business reason for termination of the President exists, based on the conduct of the President, because of: (i) Major Infractions, consisting of (a) conviction of a criminal offense (other than a misdemeanor traffic violation); or (b) conduct that poses an immediate and substantial threat to the health or safety of persons in the workplace; or (ii) Minor Infractions, consisting of (a) violation of clearly established rules or policies of the Township or directives of the Boards; or (b) refusal, gross neglect or repeated failure to perform the duties or job requirements set forth in Section IV; provided, however, that before any termination for specified Major Infractions shall become effective, the President shall be entitled, within three (3) business days of written notice of such termination, to request, in writing, and to receive, within seven (7) business days thereafter, a hearing before the Board on the cause(s) for such termination; and provided further, that Minor Infractions shall not be considered Good Cause until and unless the President has: (a) been notified in writing of the performance deficiency constituting a Minor Infraction; (b) been given a specific time frame by the Township, but not less than thirty (30) days, within which to either correct the

described deficiencies, if such deficiencies relate to personal conduct by the President, or present to the Board an acceptable plan for satisfactory and timely resolution of other performance deficiencies, and (c) failed to correct the described deficiencies within such specified time frame.

X. General Conditions

- A. This Agreement shall constitute the complete and sole agreement between the parties and shall supersede any prior or contemporaneous oral or written agreements.
- B. This Agreement is made and fully performable in Montgomery County, Texas, and venue for any state action hereunder shall lie exclusively in Montgomery County, Texas.
- C. This Agreement shall be construed and interpreted in accordance with the law of the State of Texas and applicable federal law.

Accepted and agreed to as of the Effective Date.

The Woodland Township

By: 

Nelda Blair, Chairman
Board of Directors

By: 

Lloyd W. Mathews, Vice Chairman
Board of Directors



Don Norrell

AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT, made and entered into as of November 3, 2009, by and between The Woodlands Township (the "Township"), and Don Norrell (the "President").

WITNESSETH:

WHEREAS, the Township and the President are parties to an Employment Agreement, dated as of October 15, 2008, (as so amended, the "Employment Agreement");


WHEREAS, the Township and the President desire to amend certain provisions of the Employment Agreement, as set forth herein; and

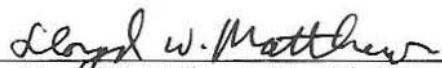
NOW, THEREFORE, the Township and the President agree as follows:

1. Amendment to Sections VI and VII (A, B & C) of Employment Agreement. On the Effective Date, the Amendment to the Employment Agreement attached hereto as Exhibit A shall automatically become effective.
2. This Amendment shall be construed and interpreted in accordance with the law of the State of Texas and applicable federal law.
3. The Amendment is made and fully performable in Montgomery County, Texas and venue for any state action hereunder shall lie exclusively in Montgomery County, Texas.

Accepted and agreed to as of the Effective Date.

The Woodlands Township

By: 
Nelda Blair, Chairman
The Woodlands Township Board of Directors

By: 
Lloyd W. Mathews, Vice Chairman
The Woodlands Township Board of Directors

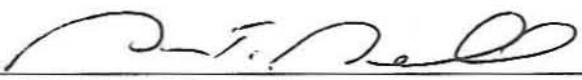
By: 
Don Norrell, President
The Woodlands Township

Exhibit A

Amendment to Sections VI and VII (A, B & C) of Employment Agreement

VI. Professional Expenses

Full and complete records of reimbursable expenditures shall be subject to approval by the Chairman of the Board.

VII. Other Benefits

- A. With the establishment of The Woodlands Township 401a retirement plan in 2010, the President's account balance in The Woodlands Community Service Corporation 401k retirement plan will be rolled into the new plan with funds and investments being retained through the previous vesting schedule.
- B. The Township shall provide the President with an annual allowance equal to 27% of the President's then current base salary, with which the President, in his discretion, may select and fund existing or future Township employee benefits for health, life, dental and short and long term disability insurance coverages and retirement plan contributions (up to the maximum annual amounts, if any, allowed by law for any existing or future Township employee retirement plans).
- C. The Township agrees to provide the President a total of 232 hours Paid Time Off (PTO) per calendar year to be used and accrued in accordance with the Township's personnel policies, as the same may be amended from time to time. In the event of termination of or retirement from employment, the President will be paid for earned PTO, including any prior year carryover, based on each month of service, at termination. The President would be allowed to carry over up to 40 hours of PTO annually.