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13,772
3,398
17170

CERTIFICATION AND ACCEPTANCE

The Woodlands Development Corporation, GMA Development Corporation and Mitchell Energy & Development Corp. hereby certify as follows:

On August 1, 1972, The Woodlands Development Corporation (the "Developer") purchased from GMA Development Corporation ("GMA") some 13,772 acres of land and the right to purchase an additional 3,398 acres of land for the total consideration moving to GMA of $42,923,546 and to others of $8,041,454 for a total price of $50,965,000. This total is made up of the following:

(a) 13,772 acres were sold in fee by GMA to the Developer for $36,335,950, which is the appraised value of the property as approved by HUD.

(b) GMA had an option to purchase 3,398 acres of land at a purchase price moving to the seller of $8,041,454. These options were sold to the Developer for $6,587,596, which was their acquisition cost to GMA. The total acquisition price for the optioned land to be paid by the Developer is, therefore, the option purchase price paid to GMA ($6,587,596) plus the sales price payable to

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the sellers ($8,041,454) for a total cost of $14,629,050, which is the appraised value of the land to be acquired as approved by HUD.

The sum of consideration of $42,923,546 to GMA and the sales price payable to the sellers of $8,041,454 is the appraised value of the property as approved by HUD, or $50,965,000. An additional $51,975 of interest expense occurring after August 1, 1972 increases the September 6, 1972 Real Estate Asset to $51,016,975.

GMA advances on behalf of the Developer certain land development costs. The Secretary has allowed as Actual Costs of Land Development $2,736,791. (As of the present the Secretary has disallowed land development costs in the claimed amount of $916,605.)

If and to the extent the Secretary may determine that any of such costs may be Actual Costs of Land Development, such costs will be handled as follows:

(1) the first such costs allowed up to $263,209 shall be considered Subordinated Indebtedness as that term is defined in the Subordination Agreement, and shall be repaid pursuant to the standard set forth in Section 3(i) of the Subordination Agreement; and

(2) the remainder of such costs, if any,

shall be repaid by the Developer to GMA.

If and to the extent the Secretary may determine that any or all of such costs may not be included as Actual Costs of Land Acquisition, such not included costs shall not be repaid to GMA except in accordance with Section 6.13 of the Project Agreement.

The purchased land and land development costs are entered in the accounts of the Developer as of September 5, 1972 as follows:

Note (as defined in the Subordination Agreement)		$ 20,146,940
Additional contributed Capital		10,000,000
Option down payments (paid)		840,396
New mortgage debt on options	7,563,558	
Assumed mortgage notes payable	15,513,397	23,076,955
		$ 54,064,291

$23,076,955 minus principal payments of $45,646 equals the $23,031,309 shown on the Developer's pro forma balance sheet as of 9/6; the $45,646 is included in the $97,621 "Accounts Payable."

The $6,637,000 required "hard equity" for the Project is provided as follows: Mitchell Energy & Development Corp. and its subsidiaries' acquisition cost for the approximately 17,170 acres is $28,616,000, minus the $23,917,000 to be paid from the proceeds of the Title VII borrowings, results in $4,699,000 "hard equity." $1,938,000 of the $2,736,791 contributed land development costs is part of the amount being fully subordinated pursuant to Section 3(ii) of the Subordination Agreement dated September 6, 1972, which results in $1,938,000 additional "hard equity." In addition any advances to the Developer from the $3,500,000 letter of credit will be considered contributions to "hard equity" by ME&D, to be repaid only in accordance with *Section 6.13 of the Project Agreement.*

Of the $30,146,940 (which is the sum of the $10,000,000 Additional Contributed Capital and the $20,146,940 Note (as defined in the Subordination Agreement) shown on the Developer's pro forma balance sheet as of September 6), "hard equity" totals $6,637,000. Of that total $798,791 has been contributed to the Developer but may be repaid pursuant to Section 3(i) of the Subordination Agreement and does not constitute "hard" or "soft equity." Soft equity thus totals $22,711,149.

Peak cash requirements of the Developer are projected in Case II of the current Financial Plan to total $65,455,000*. Such peak cash requirements will be financed

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* Case II of the current Financial Plan actually projects peak cash requirements to total $66,371,000, but that figure includes $3,730,000 in land development costs or $993,000 more than now allowed by the Secretary. Reducing

as follows:

Debentures	$ 50,000,000
Cash generated at Closing to be reinvested in Developer	10,000,000
Letter of Credit from The Chase Manhattan Bank	3,500,000
Land development costs assumed by ME&D	2,737,000*
	$ 66,237,000

If the Secretary should finally allow the $916,605 of currently disallowed land development costs (or any part thereof) to be included, in accordance with the terms of this Agreement, the peak cash requirements of the Developer of $66,372,000** would be financed as follows:

* $2,737,000 is composed of $1,938,000 fully subordinated pursuant to Section 3(ii) of the Subordination Agreement and $798,791 subordinated pursuant to Section 3(i) of the Subordination Agreement.

** $66,372,000 is determined as follows: $66,371,000 projected in Case II of the Financial Plan minus the $3,730,000 land development costs included therein plus $3,654,000 actual land development costs ($2,737,000 plus $798,791 plus $916,605).

Debentures	$ 50,000,000
Cash generated at Closing to be reinvested in Developer	10,000,000
Letter of Credit from The Chase Manhattan Bank	3,500,000
Land development costs assumed by ME&D	3,000,000*
	$ 66,500,000

The consideration of $42,923,546 moving to GMA consists of the following:

(a)	subordinated debt	$ 20,146,940
(b)	cash	7,263,209
(c)	assumption of mortgage debt	15,513,397
		$ 42,923,546

The $10,000,000 in cash (i.e., the $7,263,209 above, plus the $2,736,791 being paid to GMA as land development costs) being generated at closing is being reinvested in the Developer as equity capital.

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* $1,938,000 fully subordinated pursuant to Section 3(ii) of the Subordination Agreement; $1,062,000 subordinated pursuant to Section 3(i) of the Subordination Agreement.

This Certification and Agreement is intended to be a document contemplated by Section 2.02(c) of the Project Agreement.

IN WITNESS WHEREOF, the above mentioned parties are signing this certification this 6th day of September, 1972.

THE WOODLANDS DEVELOPMENT CORPORATION

By ____________________

By ____________________

GMA DEVELOPMENT CORPORATION

By ____________________

By Paul W. ____________________

MITCHELL ENERGY & DEVELOPMENT CORP.

By ____________________

By ____________________

The Secretary acknowledges the certification of the facts herein contained and approves pursuant to Section 4.01(1) of the Project Agreement the proposed handling of the $916,605 in land development costs set forth herein.

Secretary of Housing and Urban Development
COMMUNITY DEVELOPMENT CORPORATION

By ____________________
Authorized Agent

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Certificate of Actual Costs For Period Ending Sept. 6, 1972

Certificate No. I

Project Name: The Woodlands

Developer: The Woodlands Development Corporation

This certificate is made pursuant to the provisions of the Project Agreement, dated August 23, 1972, between The Woodlands Development Corporation and The United States of America represented by the Secretary of Housing and Urban Development. This Certificate is executed by the undersigned for the purpose of inducing the Secretary to endorse for release to the Developer funds from the Escrow Account, and with the intent that the Secretary rely upon this Certification to determine the Amount Endorsed. The actual costs of Land Acquisition and Land Development in accordance with the Project Agreement, exclusive of all kickbacks, rebates, and discounts, are shown herein. Funds released from the Escrow Account in respect to costs to be paid within 30 days will be expended only for the payments of such costs. The Labor Standards provisions of the Project Agreement have been complied with to the extent applicable.

It is further certified that the amounts shown herein which were paid to a Subsidiary or other identity of interest party do not exceed the cost of equivalent services or goods from sources in which common identity does not exist. All payments shown to identity of interest parties have been properly identified herein.