

EXHIBIT B

City of Conroe Annexation Service Plan For Annexation Parcels 2011-04

I. TERRITORY

This service plan is applicable to 36.163 acres of land located in the A-248 F.K. Henderson Survey in Montgomery County, Texas. The territory is located in the general vicinity northeast of the intersection of State Highway 75 North and FM 830. A map of the area is attached hereto and incorporated herein by reference. The territory consists primarily of R&M Energy Systems, LP.

II. GENERAL PROVISIONS

a. Effective Term. This service plan shall be in effect for a ten-year period commencing on the effective date of the annexation.

b. Amendment or Renewal. This service plan may be amended from time to time as provided by Local Government Code, Sec. 43.056(k). Renewal of the service plan shall be at the sole option of the City Council.

c. Intent. It is the intent of the City of Conroe that this service plan shall provide for the delivery of full municipal services to the annexed area in accordance with State law. The failure of this plan to describe any particular service shall not be deemed to be an attempt to omit the provision of such services from the annexed area. The delivery of municipal services may be accomplished through any means permitted by law.

d. Level of Services to be Provided. It is the intent of the City of Conroe to provide the level of services required by State law. The City Council finds and determines that the level of services, infrastructure and infrastructure maintenance provided within the area prior to annexation is not greater than is provided in the City. The City Council finds and determines that the services, infrastructure and infrastructure maintenance proposed by this plan are comparable to that provided to other parts of the City with topography, land use, and population density reasonably similar to the annexed area. The City Council finds and determines that implementation of this plan in the manner proposed will not reduce the level of fire, police, and emergency medical services available within the City.

III. SERVICES TO BE PROVIDED AT ANNEXATION

These services will be provided within the annexed area immediately upon the effective date of the annexation.

a. Police Protection. Police services include criminal investigations, routine patrol, traffic enforcement, and dispatched response to both emergency and non-emergency service calls.

No new patrol officers or patrol units are necessary as a result of this annexation and it is anticipated that police services within the annexed area will be provided utilizing existing levels of personnel and equipment.

Currently, the nearest police station is located at Conroe Police Headquarters on FM 2854.

b. Fire Protection. The Conroe Fire Department will provide emergency fire suppression and routine fire prevention services within the annexed area.

The Conroe Fire Department does not provide primary EMS services. The Montgomery County Hospital District currently provides EMS services throughout the County. Fire fighters may be dispatched to the scene of accidents or other medical emergencies to assist Hospital District EMS personnel or to provide “first responder” services pending the arrival of EMS personnel.

The Fire Department currently operates five fire stations that are located on North Loop 336 East, East Foster Drive, Sgt. Ed Holcomb Blvd., Carter Moore Drive (N FM 3083 West) and Walter Woodson Drive. Each station responds to service calls within a primary zone but may be called upon to provide support within other areas of the City as necessary. The annexed area will initially be incorporated in the zones served by Fire Station No. 5 on Carter Moore Drive (FM 3083). The station(s) assigned to the annexed area may be altered from time to time in response to service demands, shifts or growth in population, future annexations or other relevant considerations.

Montgomery County Emergency Services District No. 1 currently provides fire protection services to the area. After the area is annexed to Conroe, the City will require the ESD to remove the area from the territory of the ESD.

c. Solid Waste Collection. The City provides fee based household garbage collection services to single family residences. The City does not collect garbage from most commercial establishments. Commercial garbage collection and disposal is available from privately owned collection businesses within the City. Apartments and other multifamily buildings are considered commercial and

must obtain collection services from private business. The City may, at its discretion, agree to provide service to small commercial establishments that generate waste collection demands similar to a single-family residence.

The City currently provides residential garbage collection and recycling for single-family residences at the street curb using a contract service provider. The current contract provider employs an automated collection system that requires use of a specific collection container. In accordance with the currently established policy, each household will be provided, without charge, a collection container for waste disposal and recycling. Additional containers may be obtained for a fee.

Privately owned solid waste management service providers currently provide collection services within the annexed area and shall continue to provide such services. Prior to the second anniversary of the effective date of annexation, providers shall be prohibited from the further provision within the proposed annexation's residential areas. Pending the expiration of such two year period the City shall not apply any fee for solid waste management services or be required to provide solid waste collection services within the proposed annexation's residential areas. The City will commence residential collections services prior to the second anniversary of annexation if requested to do so in writing by any property owner. Any such request must be made at least 90 days prior to the proposed effective date for initiation of City service.

d. Maintenance of Water and Wastewater Facilities. Public water or wastewater facilities within the City's extraterritorial jurisdiction may be operated by water related special districts (units of government) or by privately owned retail utilities that are granted exclusive operating rights within a specified area. Upon annexation the City is required to assume the ownership and operation of the utility systems of water related special district. The City is prohibited by law from providing water or wastewater utility services within areas in which another retail utility has been granted exclusive service rights.

There are no water related special districts in the annexed area. There are no retail public utilities in the annexed area.

The City reserves the right to negotiate with the owners of such utility systems to acquire the service rights of such providers, however, nothing in this service plan shall be construed to obligate the city to provide water or sewer services within the territory of such providers.

Subject to the City's standard policies on the extension of utility services, water and wastewater utility service to the annexed area is presently available from the City of Conroe. Water and sewer utility services will be provided within

the annexed territory on the same basis as provided in other areas of the City served by its municipal water and sewer utility.

e. Maintenance of Roads, Streets and Street Lighting. The City is not responsible for the maintenance of private streets or roads in the annexed area. There are no privately maintained roadways within Annexation 2011-04.

The City will assume the responsibility for maintenance of public streets and roads previously accepted for maintenance by official action of the Commissioners Court of Montgomery County. Any such streets or roads formerly maintained by Montgomery County that become subject to City maintenance will be maintained in a condition which is at least equal to the County maintenance standard, however, the City will not be required to reconstruct or upgrade such streets to a higher standard. There are no County maintained roadways within Annexation 2011-04.

It is the responsibility of the developer to construct or provide those streets or roads necessary to serve the demands of new development in the areas to be annexed. The City may accept the dedication of public streets constructed in accordance with applicable development regulations of the City and will thereafter be responsible for their maintenance.

f. Maintenance of Parks, Playgrounds and Swimming Pools. There are no public parks, playgrounds, or swimming pools within the area to be annexed. Private recreational facilities, open spaces and swimming pools are unaffected by the annexation.

g. Maintenance of any other Public Building, Facility or Service. Annexation does not transfer ownership of most public buildings, facilities or services, all of which should continue to be maintained or provided by the public entity that currently owns or provides them. Privately owned facilities, including privately owned and operated storm water detention facilities, are not affected by the annexation.

An appropriate City Department will be assigned to assume responsibility for the maintenance or provision of any facilities or services which become the responsibility of the City and are not covered by this service plan.

IV. CAPITAL IMPROVEMENTS

Construction of these capital improvements will be substantially completed within 2½ years.

a. Police Protection. No additional capital improvements are needed at this time to provide police services.

b. Fire Protection. No additional capital improvements are needed at this time to provide fire services.

c. Solid Waste Collection. No capital improvements are needed at this time to provide solid waste collection services.

d. Water and Wastewater Facilities. No capital improvements are needed at this time to provide water and wastewater services.

e. Roads, Streets and Streetlights. No new roads, streets or street lights are needed at this time. It will be the responsibility of the developer of the property to provide the roads and streets necessary to serve new development within the annexed area.

f. Parks, Playgrounds and Swimming Pools. No capital improvements are needed at this time to provide recreational services.

g. Other Public Buildings, Facilities or Services. No capital improvements are needed at this time to provide other public services.

V. WATER AND WASTEWATER SERVICE EXTENSION POLICIES

The City provides fee based water and wastewater services to the portions of the City which are not within an area served by another water or wastewater utility. Water and wastewater services are generally only provided to lots that have been properly subdivided or platted. The City may decline to provide service to any property that is not platted.

For lots that have water or wastewater lines in an abutting street or easement, the owner may receive water or wastewater service by applying for a City tap and paying any required fees.

The provision of water and wastewater facilities for new development within the City is primarily governed by the City's building code and subdivision ordinances that are found in Chapters 14 and 94 of the City Code of Ordinances. New development must be served by owner/developer provided public water and wastewater facilities that meet the City's standard requirements. Upon construction and dedication by the owner/developer the City agrees to provide services via the facilities and thereafter to maintain them.

Facilities necessary to serve a new development are provided at the sole cost of the owner/developer. Such facilities include not only those which are located within the owner/developer's property, but also any exterior mains which

must be extended to connect the property under development to the point of connection with the City's existing facilities. The City need not compensate the owner/developer for the ordinary costs of extending exterior mains. The owner/developer may be reimbursed for ordinary exterior main extension costs through the imposition of lot or acreage fees to be levied against other adjacent properties upon connection to the owner/developer constructed mains.

The City may require that the owner/developer provide oversized water or wastewater facilities. In such cases the City will pay the reasonable cost of such oversizing. Whether or not a particular line sizing constitutes "oversizing" is determined upon the basis of generally accepted sound engineering design practices.

In newly annexed areas the City examines the need for line extensions to serve existing development that does not currently receive water or waste water services. The City will determine the need for the construction of lines and facilities to serve existing development after giving due consideration to (1) the topography, (2) land use, (3) population density, (4) the adequacy of existing private water wells and septic tanks and (5) anticipated levels of demand. The City will not undertake line extensions to serve such existing development unless the new lines will be logical, reasonable and prudent extensions of the City's existing facilities.

From time to time, upon the request of an interested property owner the City will consider whether or not line extensions previously deemed unnecessary have become necessary as a result of changed conditions.

The City may recover the capital costs of extending water or wastewater facilities to serve existing development through the use of impact fees, assessments or any other method authorized by law.

Once sewer lines become available in an abutting street or easement the City may require that existing development connect to the City sewer system.