



Summary of The Woodlands' Transition in Governance

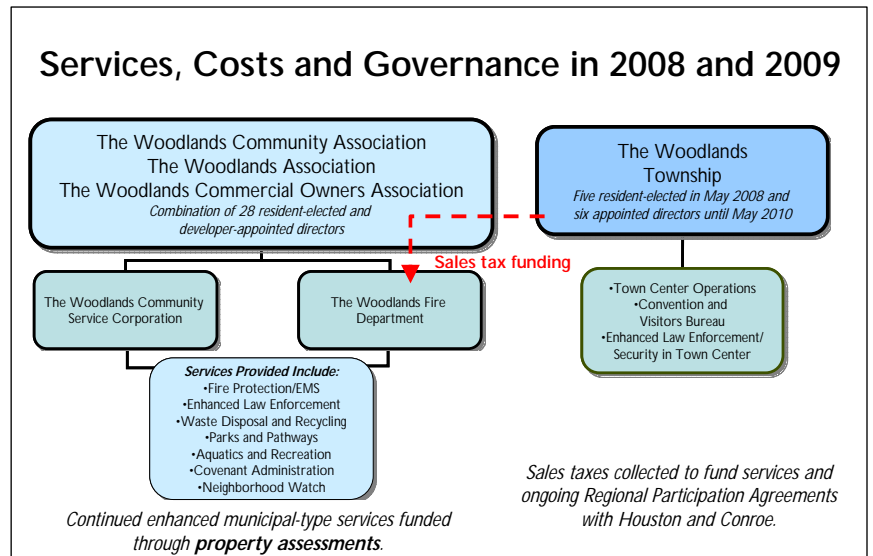
In February, 2008, the Community Associations and The Woodlands Township signed a Transition Agreement that outlines the transition of service delivery from the Associations to the Township. This action was followed by an amendment to the transition agreement in October 2008. The following summary provides a brief explanation of the transition process.

For the next two years, through the end of 2009, the Community Associations will continue operations and the employees of The Woodlands Community Service Corporation and The Woodlands Fire Department will continue to provide existing services to the community. These municipal-type services include covenant enforcement, emergency medical services, fire protection, garbage, yardwaste and recycling collection, parks and recreation programs and activities, swimming pools, neighborhood watch, additional law enforcement and many other services and programs.

In 2008 and 2009, The Woodlands Township will fund a portion of the Fire Department through sales tax proceeds. In exchange for the funding, The Woodlands Township will have representation on The Woodlands Fire Department Board of Directors in 2008 and on The Woodlands Community Service Corporation and The Woodlands Recreation Center Boards in 2009.

All Associations' 2008 assessment rates were lowered by at least 15% based on anticipated sales tax proceeds from The Woodlands Township to help fund The Woodlands Fire Department. The Woodlands Township committed to \$6.1 million for fire services funding from a partial year sales tax collection beginning in June, 2008.

For 2009, all Associations' assessments will be further reduced based on sales tax proceeds. An additional 16% reduction is projected, due to an anticipated \$13.7 million in funding for fire services from Township sales tax revenues.



Beginning in 2010¹, the covenant and service responsibilities of the Associations will be fully assumed by The Township, which will fund the community services now provided by the Associations. The Township will assume functions and employees of The Woodlands Community

¹ Legislation will be pursued in 2009 to allow the Association abatements to be assumed by The Woodlands Township. This timeline is based on the assumption that any required legislation is passed during the 2009 Legislative Session.

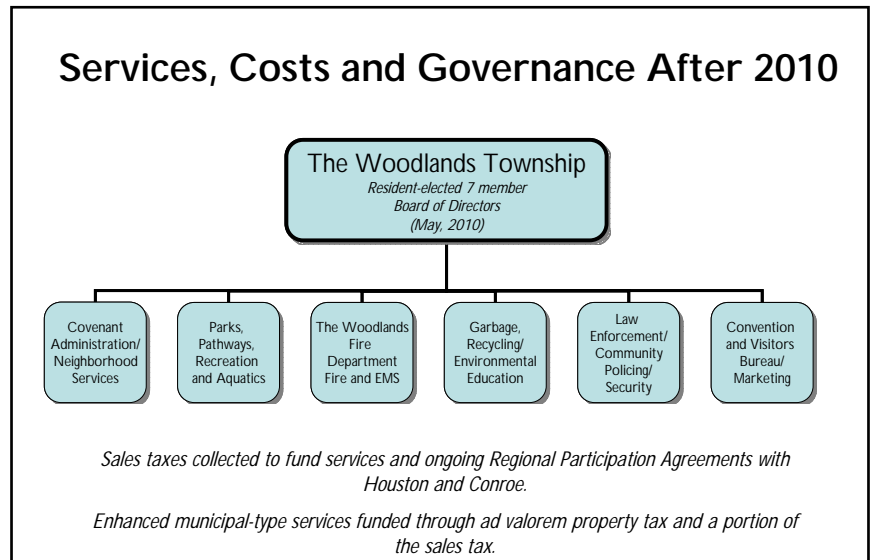
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Service Corporation and will fund The Woodlands Fire Department in full in 2010. Existing community services will continue to be provided by The Woodlands Township under this agreement.

As part of the transition, in 2010 the Association assessments will be replaced by The Woodlands Township's ad valorem property tax. The property tax rate will be uniform for all residential and commercial properties throughout The Woodlands.

The impact of these changes includes more consolidated government, a fully resident-elected Township Board of Directors and a property tax levy that is deductible.

It is the intent of all parties that throughout the transition process, service programs and service quality will continue at current levels.



Next Steps: A brief timeline

- On **May 10, 2008**, Woodlands voters elected the first five at-large representatives to The Woodlands Township. Six members of the existing Township board continue in office until May 2010.
- On **January 1, 2010**, The Woodlands Township assumes full responsibility for Association services and implementation of a property tax levy to replace Association assessments.
- In **May 2010**, The Woodlands Township holds an election and the board transitions to a fully resident-elected board with seven members.
- **May 29, 2014**, is the earliest date when The Woodlands voters may decide if they want to change the governance structure, including consideration of incorporating as a city.