



To Whom It May Concern:

We understand that you have inquired as to the superiority of charges and liens created under Covenants or Restrictions of the Woodlands Community Association (WCA), The Woodlands Association (TWA), and the Woodlands Commercial Owners Association (WCOA) recorded in the Official Public Records of Montgomery and Harris Counties, Texas (the "Covenants"), which have been assigned effective January 1, 2010 to The Woodlands Township as a "Successor Entity". We offer the following guidance to assist in understanding the superiority of this lien, the history thereof and to provide information to hopefully assist in understanding the requirement of superiority and management of any risk associated with these rights.

The History of The Superiority of The Woodlands Covenant Lien:

The Covenants were originally created in the 1970's by the developer in working in conjunction with the Department of Housing and Urban Development (HUD) in the development of a unique master-planned community in south Montgomery County, Texas known as "The Woodlands". In establishing the Covenants, the developer created a means and organization for the assurance of consistency in property development and maintenance, and therefore, hopefully, a means of support for long-term property values in The Woodlands. In doing so, the Covenants contained a provision that assures the superiority of charges and liens created there under (see Sections 3.01 (WCA); 3.01 (TWA); and/or 4.01 (WCOA)) to other subsequently created liens. This superiority of lien rights, and the inability to subordinate such rights, over the history of The Woodlands, has allowed for covenant administration and enforcement to maintain its superior position, and therefore, allowing for property values to be supported by that assurance, benefiting homeowners and mortgage holders alike. Over these many decades, lenders and borrowers have enjoyed a lending environment in The Woodlands that has been mutually beneficial while maintaining the superiority of the Covenant lien to that of subsequent mortgage holders. Over more than thirty-five years, WCA, TWA and WCOA provided adequate assurance to lenders by providing a "90 Day Letter" saying that the lien would not be enforced without at least 90 days prior notice to the lender, providing the lender's ability to address the issue prior to such enforcement.

The Current State of The Covenants and the Covenant Lien

Effective January 1, 2010, The Woodlands Township, a political subdivision of the State of Texas, became the successor entity to the WCA, TWA and WCOA under the Covenants. The provisions with regard to superiority of the lien in the Covenants have not changed over all these years, nor have they changed as a part of this assignment to The Woodlands Township. In fact, the Covenants, including this superiority provision, cannot be modified without the approval of a large number of those subject to the Covenants. Any modification of the Covenants (in word or by act through subordination) without resident approval as provided under the Covenants would, in our opinion, be unlawful and actionable. As part of the assignment and succession, The Woodlands Township, under its enabling legislation, has levied an ad valorem tax for 2010 in lieu of assessments, and has no present intention to levy any assessment under the Covenants, intending to continue an annual ad valorem tax levy in lieu of such assessments. The Woodlands Township believes this action as part of the transition has actually lessened risk to lenders related to the Covenants, there no longer being any annual assessments levied under the Covenants which would be superior to any other lien. Therefore, the current risk related to lien rights is isolated to matters associated with Covenant enforcement rather than assessment collection. That being said, The Woodlands Township intends to continue the decades of practice as established in The Woodlands by continuing to provide 90 Day Letters to lenders requesting assurance with regard to the superiority of the Covenant lien. This practice has allowed hundreds of thousands of mortgages to be underwritten and collected on properties subject to the Covenants over those many years. We look forward to working with residents and lenders alike to borrow and lend on properties subject to the Covenants. If you have any additional concern, need us to contact your current or proposed lender, or would like a list of mortgage lenders and title companies which have been found to be willing to lend on the basis provided herein, please feel free to contact us.

THE WOODLANDS TOWNSHIP,
a political subdivision of the State of Texas



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