

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY

May 22, 2008

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., May 22, 2008, at the San Jacinto River Authority General Administrative Offices, 1577 Damsite Road, Conroe, Texas 77304. The roll was called of the duly constituted members of the Board as follows:

R. Gary Montgomery	President
Joseph V. Turner	Vice-President
Lloyd B. Tisdale	Secretary
Mary L. Rummell	Member
John H. Stibbs	Member
Joseph L. Stunja	Member

Present were R. Gary Montgomery, Joseph V. Turner, Lloyd B. Tisdale, Mary L. Rummell, John H. Stibbs, and Joseph L. Stunja, thus constituting a quorum. Also present were Reed Eichelberger, General Manager; Ron Kelling, Deputy General Manager, Operations; Jace Houston, Deputy General Manager, Administration; Don Sarich, Woodlands Division Manager; Tojuana Cooper, Woodlands Deputy Division Manager; John Davidson, Woodlands Construction Manager; Jennie Almerico, Woodlands Division Engineer; Michael Jackson, Controller; Judy Walker, Accounting Assistant; Janelle May, Human Resources/Office Manager; Mike Page and Mitchell Page, Schwartz, Page & Harding, LLP, General Counsel;

Donald Cutler, Chris Canonico, P.E., Camp Dresser & McKee Inc.; Robert B. Higgins, P.E., TCB/AECOM; Lindsey Johnson-Ramrez, Binkley & Barfield Consulting Engineers; David Scholler, P.E. and Mike Kennedy, P.E., Brown & Gay Engineers, Inc.; David Bradley, P.E., KBR; Rod Smith, P.E., Pate Engineering; Alan D. Greer, P.E., Freese and Nichols, Inc.; Jan Bartholomew, RBC Dain Rauscher, Inc.; Richard Derr, The Woodlands Development Corporation; and Barbara Payne, Payne Communications.

Mr. Montgomery called the meeting to order at 8:05 a.m. and announced that notice of the meeting had been posted as required by law, that advance notice of the time, place and subject matter of the meeting had been sent to all Directors, and that a quorum was present.

Mr. Montgomery thanked everyone for attending and inquired if there were any public comments. He stated that there would be an executive session later in the meeting.

Mr. Montgomery then proceeded to the minutes of the April 17, 2008 meeting which was before the Board for consideration. Upon motion by Ms. Rummell, seconded by Mr. Stibbs, and unanimously carried, the minutes of the April 17, 2008 board meeting were approved as presented.

Mr. Montgomery then indicated that the next item to review and act upon was the unaudited financial statements for the months of March and April, 2008. Mr. Jackson briefly discussed the unaudited financial statements with the Board. After discussion, motion was made by Mr. Tisdale, seconded by Mr. Turner, and unanimously carried to approve the unaudited financial statements for the months of March and April, 2008 as presented.

Mr. Montgomery then moved to the next item to discuss surface water issues. Mr. Eichelberger, Mr. Kelling, and Mr. Houston briefly reported on the status of surface water issues. Mr. Houston introduced Barbara Payne with Payne Communications. Ms. Payne briefly discussed the public relations plan with the Board.

Mr. Montgomery then introduced and welcomed Mr. Stunja as the newest member of the Board of Directors. Mr. Stunja briefly discussed his background with the Board.

Mr. Montgomery then proceeded to the next item to acknowledge and congratulate Mr. Turner on his reappointment to the San Jacinto River Authority Board of Directors. Mr. Montgomery congratulated Mr. Turner on his reappointment and thanked him for his continued service.

Mr. Montgomery then indicated the next item to adopt a resolution commending and thanking Ms. Linda Koenig for her service to the San Jacinto River Authority as a Director and Treasurer. Mr. Montgomery spoke briefly regarding Ms. Koenig's dedicated service. After a brief discussion, motion was made by Mr. Turner, seconded by Ms. Rummell and unanimously carried to adopt a resolution commending and thanking Ms. Linda Koenig for her service to the San Jacinto River Authority, attached hereto as Exhibit "A."

Mr. Montgomery then moved to the next item to consider and elect a Board Treasurer. Mr. Turner nominated Ms. Rummell as the Board's next Treasurer. After a brief discussion, motion was made by Mr. Turner, seconded by Mr. Stibbs and unanimously carried to elect Ms. Rummell as the Board's Treasurer.

Mr. Montgomery then laid out the next item to consider and act upon Work Order No. 2 to the Program Management Services Agreement with Brown and Gay Engineers, Inc. for Montgomery County Alternative Water Supply Program. Mr. Eichelberger and Mr. Kelling briefly discussed the item with the Board. After discussion, motion was made by Mr. Tisdale, seconded by Mr. Stibbs and unanimously carried to approve Work Order No. 2 to the Program Management Services Agreement with Brown and Gay Engineers, Inc. for Montgomery County Alternative Water Supply Program, in the amount of \$592,000 and an authorization for the General Manager to execute the required documents.

Mr. Montgomery then proceeded to the next item to discuss the preparation and filing of an application for financial assistance with the Texas Water Development Board, and the taking of any action in connection therewith, including adoption of a written Resolution Authorizing Application to the Texas Water Development Board for Financial Assistance; Designating Authorized Representatives for Such Purpose; and Containing Provisions Related to the Subject. Mr. Eichelberger and Mr. Kelling discussed the item with the Board. Mr. Kelling indicated that the total cost estimate for the application was \$520,000,000. After further discussion, motion was made by Mr. Stibbs, seconded by Ms. Rummell and unanimously carried to adopt a resolution entitled, "Resolution Authorizing Application to the Texas Water Development Board for Financial Assistance; Designating Authorized Representatives for Such Purpose; and Containing Provisions Related to the Subject," attached hereto as Exhibit "B."

Mr. Montgomery then moved to the next item to consider and act upon approval of Change Order No. 7 to the contract between SJRA and Layne-Texas for construction of Water Wells No. 29 and 30 at Water Plant No. 4. Mr. Eichelberger and Mr. Sarich briefly discussed the item. After discussion, motion was made by Mr. Turner, seconded by Ms. Rummell and unanimously carried to approve Change Order No. 7 to the contract between SJRA and Layne-Texas for construction of Water Wells No. 29 and 30 at Water Plant No. 4, in the amount of

\$95,605.97 and an authorization for the General Manager to execute the required documents.

Mr. Montgomery then indicated the next item to consider and act upon a Professional Services Agreement with Langford Engineering, Inc. for a preliminary engineering report associated with the rehabilitation or replacement of a bar screen at The Woodlands Wastewater Treatment Plant No. 2. Ms. Cooper briefly discussed the item with the Board. After discussion, motion was made by Mr. Turner, seconded by Ms. Rummell and unanimously carried to approve a Professional Services Agreement with Langford Engineering, Inc. for a preliminary engineering report associated with rehabilitation or replacement of a bar screen at The Woodlands Wastewater Treatment Plant No. 2, in the amount of \$8,950 and an authorization for the General Manager to execute the required documents.

Mr. Montgomery then moved to the next item to consider and act upon a Professional Services Agreement with Langford Engineering, Inc. for a Preliminary Engineering Report concerning requirements to restore the chlorinated process water system at The Woodlands Wastewater Treatment Plant No. 2 to service. Ms. Cooper discussed the item with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Stibbs and unanimously carried to approve a Professional Services Agreement with Langford

Engineering, Inc. for a Preliminary Engineering Report concerning requirements to restore the chlorinated process water system at The Woodlands Wastewater Treatment Plant No. 2 to service, in the amount of \$10,955 and an authorization for the General Manager to execute any required documents.

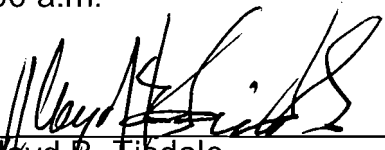
Mr. Montgomery then moved to the next items; (i) to consider and act upon the award of a construction contract for Electrical Duct Banks at Water Wells No. 15 and 16; and (ii) to consider and act upon award of a construction contract for Electrical Duct Banks at Water Wells No. 21 and 22. Mr. Sarich discussed the items with the Board. After discussion, motion was made by Mr. Turner seconded by Mr. Tisdale and unanimously carried to approve (i) the award of a construction contract for Electrical Duct Banks at Water Wells No. 15 and 16, in the amount of \$38,200; and (ii) the award of a construction contract for Electrical Duct Banks at Water Wells No. 21 and 22, in the amount of \$40,100 and an authorization for the General Manager to execute the required documents.

Mr. Montgomery then proceeded to the next item to consider and act upon an engineering services agreement with Espey Consultants for siphon repairs in the Highlands. Mr. Kelling gave a presentation of the siphon repairs and briefly discussed the item with the Board. After discussion, motion was made by Mr. Tisdale, seconded by Mr. Stibbs and unanimously carried to approve an

engineering services agreement with Espey Consultants for siphon repairs in the Highlands in the amount of \$137,600.

At 9:15 a.m., Mr. Montgomery announced that the Board would recess into executive session to consult with the Authority's attorney, pursuant to Texas Government Code 551.071.

The Board reconvened at 9:55 a.m. With no further business to come before the Board the meeting was dismissed at 10:00 a.m.



Lloyd B. Tisdale
Secretary
San Jacinto River Authority

Exhibit

A

RESOLUTION

WHEREAS, on October 20, 1999, the Texas Water Development Board appointed Linda B. Koenig to serve as a member of the Board of Directors of the San Jacinto River Authority; and

WHEREAS, Ms. Koenig brought to the Board a wealth of business, civic, and political experience, as well as her established relationships in Montgomery County and the Greater Houston business community, and her well-earned reputation and credibility in the public affairs field; and

WHEREAS, during her distinguished tenure and, in no small measure, due to her leadership and guidance, the Authority has continued the most productive and exciting period in its operating history of more than seventy years, including development of a surface water conversion plan for the Authority's service area; the restaffing of several key positions in the Authority's senior management; the continued improvement and increased efficiency of the Authority's business operations and financial practices; the continued education of the general public, customers, and political leaders on the water resources of the San Jacinto River Authority; and a number of other equally significant matters; and

WHEREAS, Ms. Koenig has determined to forego reappointment to the Board in order to afford herself more time and opportunity to pursue her business, civic, and personal interests, and while her retirement from the Board is well-deserved, her experience, business skills, professionalism, and advice will be long remembered and often missed; Now, therefore

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT the San Jacinto River Authority hereby expresses to Linda B. Koenig its best wishes for continued success in her future endeavors and its profound thanks and appreciation for her dedicated years of service and many valuable contributions to the Authority, for her leadership and advice, and for her efforts in ensuring a successful future for the Authority, its employees, customers, and constituents.

PASSED AND APPROVED this 22nd day of May, 2008.


President, Board of Directors


Secretary, Board of Directors

Exhibit

B

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the San Jacinto River Authority (the "Authority") presently owns and operates through its Woodlands Division certain water production, disinfection, pressurization, storage and distribution facilities for providing regional water supply services to the area of The Woodlands (the "Woodlands Water Supply Facilities"); and

WHEREAS, the Lone Star Groundwater Conservation District ("LSGCD"), a ground water conservation district located within Montgomery County, Texas, and a political subdivision of the State of Texas, has adopted certain rules and regulations relative to the reduction of ground water withdrawal by certain ground water users in Montgomery County, Texas, such being applicable to the Authority as a result of its ownership and operation of the Woodlands Water Supply Facilities; and

WHEREAS, the Authority deems it necessary and appropriate at this time to take measures to provide for the delivery of surface water to the Woodlands Water Supply Facilities, by and through the planning, design, permitting, construction, and operation of a surface water transmission system, including any property rights, contract rights, appurtenances or administrative facilities needed in connection therewith (the "Project"), in order to comply with the rules and regulations of the LSGCD; and

WHEREAS, the Project may be undertaken in such a manner as to facilitate compliance with LSGCD rules and regulations by ground water users in Montgomery County, Texas, other than the Authority, subject to the Authority and such other ground water users entering into binding agreements or making other satisfactory arrangements with respect to (i) any concomitant modifications to the scope of the Project deemed necessary to supply surface water to ground water users other than the Authority, and (ii) the participation of such other ground water users in the financing of the Project; and

WHEREAS, the Authority desires to make application to the Texas Water Development Board (the "Board") for financial assistance through any funds or programs for which the Authority may qualify in order to assist the Authority with the financing of the Project; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY, THAT:

Section 1: The Authority hereby formally and officially requests the financial assistance of the Board through a contractual loan agreement, the purchase of the Authority's revenue bonds, special project revenue bonds, and/or such other means as may be available in connection with any funds or programs for which the Authority may

qualify to facilitate the financing and construction of the Project, in an amount not to exceed \$520,000,000.

Section 2: The Officers and Directors of the Board of Directors of the Authority, the General Manager of the Authority and all other employees, agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application to the Board for such financial assistance in connection with the Project in such other manner as may now or hereafter be necessary and appropriate for securing such financial assistance, and the Authority's General Manager is hereby officially designated as the Authority's authorized representative for purposes of executing and filing such application, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application and any data, reports or materials included therein, and for all related purposes.

Section 3: The Authority's consulting engineers in connection with such application, Brown & Gay Engineers, Inc., Houston, Texas, and the Authority's professional financial advisors in connection with such application, RBC Capital Markets Corporation, Houston, Texas, and the Authority's bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application.

Section 4: The Authority hereby covenants, represents, warrants and agrees that if such application for financial assistance is granted by the Board, the Authority shall completely and continuously comply in all material respects with the terms, conditions, provisions, covenants and requirements of such application and all laws, rules, regulations and related requirements pertaining to such application and the granting of such financial assistance by the Board.


Section 5: The Officers and Directors of the Authority's Board of Directors, the Authority's General Manager, and the Authority's agents, representatives and consultants are each and all hereby authorized, instructed and directed to take such other actions, steps and proceedings as may be necessary and appropriate in connection with such application. All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application are hereby in all things ratified, confirmed, approved and adopted.

Section 6: A certified copy of this Resolution shall be presented to the Board and shall constitute the Authority's application and request for financial assistance to the Board pursuant to the applicable rules of the Board, and the Authority's General Manager is hereby authorized, instructed and directed to prepare,

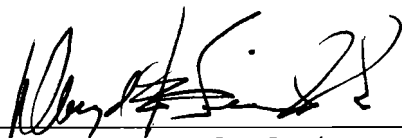
execute and furnish to the Board in connection with this application an affidavit stating that the facts contained in such application are true and correct to his best knowledge and belief and a certificate to the effect that the Authority is in compliance with all representations contained in such application, all federal, state and local laws pertaining to the Project and such application, and all rules and published policies of the Board relating thereto. Certified copies of this Resolution shall also be provided to all other persons having a proper interest in such application.

Section 7: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

PASSED AND APPROVED this 22nd day of May, 2008.



President, Board of Directors



Secretary, Board of Directors

(SEAL)