

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

June 26, 2008

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., June 26, 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	Treasurer
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; Jennie Almerico, Woodlands Division Engineer; Blake Kellum, Lake Conroe Division Manager; Michael Jackson, Controller; Janelle May, Human Resources/Office Manager; Raymond Johnson, Information Technology Manager; Tina Wienecke, Safety and Industrial Relations Officer; Mike Page and

Mitchell Page, Schwartz, Page & Harding, LLP, General Counsel; Chris Canonico, P.E., Donald Cutler, P.E., and Danny Shannon, P.E., Camp Dresser & McKee Inc.; Steve Berckenhoff, P.E., TCB/AECOM; Mike Machala, P.E., Binkley & Barfield Consulting Engineers; David Scholler, P.E. and Mike Kennedy, Brown & Gay Engineers, Inc.; Eric Hall, P.E., KBR; Alan D. Greer, P.E. and Dan Gise, P.E., Freese and Nichols, Inc.; Stan Williams, HDR; Jon Strange, P.E., JNS Consulting Engineers, Inc.; Wayne Ahrens, P.E., Dannenbaum Engineering Corporation; and Jan Bartholomew, RBC Dain Rauscher, Inc.

Mr. Montgomery called the meeting to order at 7:55 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 May 22, 2008 meeting which was before the Board for consideration. Upon motion by Ms. Rummell, seconded by Mr. Stunja, and unanimously carried, the minutes of the May 22, 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 month of May, 2008. Mr. Jackson briefly discussed the unaudited financial statements with the Board. After discussion, motion was made by Mr. Stibbs, seconded by Ms. Rummell, and unanimously carried to approve the unaudited financial statements for the month of May, 2008 as presented.

Mr. Montgomery then moved to the next item to review and act upon the Quarterly Investment Report for the quarter ended May 31, 2008. Mr. Jackson briefly discussed the report with the Board. After discussion, motion was made by Ms. Rummell, seconded by Mr. Stunja and unanimously carried to approve the Quarterly Investment Report for the quarter ending May 31, 2008.

Mr. Montgomery then moved to the next items to discuss surface water issues and an update on the status of the Joint WRAP proposal and communications efforts related to the surface water conversion program. Mr. Eichelberger, Mr. Kelling, and Mr. Houston briefly reported on the status of surface water issues. Mr. Houston reported that as of the date of the meeting 172 entities out of 213 had joined the Authority's WRAP. He indicated that there was an ongoing effort by Authority staff and the Public Relations firm to contact the remaining entities. Mr. Kelling reported on the status of the Authority's

funding efforts. Mr. Eichelberger reported that there was an ongoing effort to keep local elected officials updated on the status of the surface water conversion project.

Mr. Montgomery then moved to the next item to consider authorizing the General Manager to execute a proposed Agreement for Joint Development of Water Resources Assessment Plan between SJRA and Water System Owners. Mr. Eichelberger and Mr. Houston briefly discussed this item with the Board. With the deadline of inclusion in the original WRAP agreement having passed, they indicated that the new agreement would require additional participants to pay an additional cost for joining the WRAP at a later date than other entities. After discussion, motion was made by Mr. Stibbs, seconded by Ms. Rummell and unanimously carried to approve the proposed Agreement for Joint Development of Water Resources Assessment Plan with Water System Owners who had not yet signed up 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 approval of Amendment No. 1 to Professional Services Agreement by and between SJRA and Leggett, Brasheirs & Graham, Inc. dba LBG-Guyton Associates, for The Woodlands Well Production Study. Mr. Eichelberger briefly discussed the item with the Board. After discussion, motion was made by Mr.

Turner, seconded by Mr. Tisdale and unanimously carried to approve Amendment No. 1 to Professional Services Agreement by and between SJRA and Leggett, Brasheirs & Graham, Inc. dba LBG-Guyton Associates, for The Woodlands Well Production Study, in the amount of \$9,400.00 and an authorization for the General Manager to execute the required documents.

Mr. Montgomery indicated the next item to consider and act upon approval of a Professional Services Agreement by and between SJRA and Freese and Nichols, Inc. for the West Side Channel Evaluation. Mr. Eichelberger, Mr. Kelling and Mr. Kellum briefly discussed the project with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Tisdale and unanimously carried to approve a Professional Services Agreement by and between SJRA and Freese and Nichols, Inc. for the West Side Channel Evaluation, in the amount of \$37,500.00 and to authorize the General Manager to execute the required documents.

Mr. Montgomery then moved to the next item to consider and act upon approval of a Professional Services Agreement with TCB, Inc. related to the new Ground Storage Tank No. 2 at Water Plant No. 1. Mr. Eichelberger briefly discussed the item with the Board. After discussion, motion was made by Mr. Stibbs, seconded by Ms. Rummell and unanimously carried to approve the Professional Services Agreement with TCB, Inc. related to the new Ground

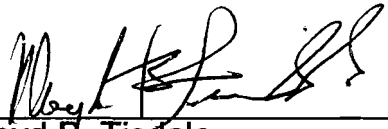
Storage Tank No. 2 at Water Plant No. 1, in the amount of \$146,400.00 and to authorize the General Manager to execute the required documents.

Mr. Montgomery then moved to the next item (i) to consider and act upon approval of a proposal from Schwartz, Page & Harding to act as Bond Counsel for issuance of bonds by the Texas Water Development Board for Montgomery County Alternative Water Supply Program; (ii) to consider and act upon adoption of a Resolution Authorizing Application to the Texas Water Development Board for Financial Assistance; Designating Authorized Representatives for Such Purposes; and Containing Provisions Related to the Subject; and (iii) discussion of the preparation and filing of an Application for financial assistance with the Texas Water Development Board. Mr. Page discussed the bond counsel agreement, the resolution, and the funding application in depth with the Board. He indicated that a different structure in the normal fees for bond counsel and financial advisory services would be appropriate for a project the size of the one being considered, and he outlined the provisions of the proposed bond counsel agreement and financial advisory agreement with RBC Dain Rauscher, Inc. After discussion, motion was made by Mr. Turner, seconded by Mr. Tisdale and unanimously carried to: (i) approve the proposal from Schwartz, Page & Harding to act as bond counsel for issuance of bonds by the Texas Water Development Board for Montgomery County Alternative Water Supply Program, and (ii) adopt a resolution entitled "Resolution Authorizing Application to the Texas Water

Development Board for Financial Assistance; Designating Authorized Representatives for Such Purposes; and Containing Provisions Related to the Subject,” attached as Exhibit “A” and repealing the prior resolution.

At 9:05 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 9:35 a.m. With no further business to come before the Board the meeting was dismissed at 9:40 a.m.



Lloyd B. Tisdale
Secretary
San Jacinto River Authority

Exhibit

A

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 is anticipated to 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 of the costs of land acquisition, preliminary engineering, environmental studies, and such other aspects of the Project as may be presented in the Authority's application for financial assistance to the Board, in an amount not to exceed \$30,100,000.

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 26th day of June, 2008.



President, Board of Directors



Secretary, Board of Directors

(SEAL)