

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

November 12, 2008

A special meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., November 12, 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:

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|--------------------|----------------|
| 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 |
| David C. Kleimann | Member |

Present were R. Gary Montgomery, Joseph V. Turner, John H. Stibbs, Joseph L. Stunja, and David C. Kleimann 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; Paulette Sokoya,

Accountant; Janelle May, Human Resources/Office Manager; Mitch Page, Schwartz, Page & Harding, LLP, General Counsel; Dave Scholler, P.E., Brown & Gay Engineering, Program Manager, Montgomery County Alternative Water Supply Program; Jan Bartholomew, RBC Dain Rauscher, Inc, Financial Advisor; and numerous other guests.

Mr. Montgomery called the meeting to order at 7:58 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 October 7, 2008, meeting which was before the Board for consideration. Upon motion by Mr. Stibbs, seconded by Mr. Stunja, and unanimously carried, the minutes of the October 7, 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 September, 2008. Mr. Jackson briefly discussed the unaudited financial statements with the Board. After discussion, motion was made by Mr. Stibbs, seconded by Mr. Turner, and unanimously carried to approve the unaudited financial statements for the month of September, 2008, as presented.

Mr. Montgomery then indicated the next item to ratify all actions taken at the October 7, 2008 board meeting. Mr. Houston indicated that this action was necessary as there was a procedural defect in the copy of the posting agenda that was posted at the Montgomery County Court House. After a brief discussion, motion was made by Mr. Kleimann, seconded by Mr. Stibbs, and unanimously carried to ratify all actions taken at the October 7, 2008 board meeting.

Mr. Montgomery then moved to the next item to discuss surface water issues and an update on the status of the Joint WRAP. Mr. Houston stated that the Authority had sent out about 350 invitations to a WRAP Workshop scheduled for November 13, 2008, and had received approximately 60 RSVPs.

Mr. Montgomery then laid out the next item to consider and act upon a resolution regarding amendment of Certificate of Adjudication 10-4963. Mr. Eichelberger and Mr. Kelling discussed the item with the Board. After discussion, motion was made by Mr. Kleimann, seconded by Mr. Stibbs, and unanimously carried to adopt a resolution entitled "A Resolution of the Board of Directors of the San Jacinto River Authority Authorizing the Filing of an Amendment to Certificate of Adjudication No. 10-4963," attached hereto as Exhibit "A."

Mr. Montgomery then proceeded to the next item to consider and act upon a resolution regarding amendment of Water Right Permit 5809. Mr. Eichelberger discussed the item with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Stibbs, and unanimously carried to adopt a resolution

entitled "A Resolution of the Board of Directors of the San Jacinto River Authority Authorizing the Filing of an Amendment to Water Use Permit No. 5809," attached hereto as Exhibit "B."

Mr. Montgomery then moved to the next item to consider and act upon a resolution authorizing the General Manager to execute a Project Agreement and related documents with the Natural Resources Conservation Service related to debris removal in The Woodlands. Mr. Eichelberger and Mr. Kelling discussed the item with the Board. After discussion, motion was made by Mr. Turner, seconded by Mr. Stunja, and unanimously carried to adopt a resolution entitled "Resolution Authorizing the Execution of a Project Agreement and Related Documents with the Natural Resources Conservation Service Related to Debris Removal in the Bear Branch and Panther Branch Floodway Corridor," attached hereto as Exhibit "C."

Mr. Montgomery then moved on to the next item to consider and act upon an authorization for the General Manager to execute a land swap boundary adjustment with Douglas A. Joslyn. Mr. Eichelberger and Mr. Kellum discussed the item with the Board. After a brief discussion, motion was made by Mr. Stibbs, seconded by Mr. Kleimann, and unanimously carried to authorize the General Manager to execute a land swap boundary adjustment with Douglas A. Joslyn.

Mr. Montgomery then proceeded to the next item to consider and act upon a resolution adopting a fourth supplement to the Summary Plan Description for the San Jacinto River Authority Pension Plan. Mr. Houston briefly discussed the

resolution with the Board. After discussion, motion was made by Mr. Kleimann, seconded by Mr. Stunja and unanimously carried to adopt a resolution entitled "Resolution to Adopt a Fourth Supplement to Summary Plan Description for San Jacinto River Authority Pension Plan," attached hereto as Exhibit "D."

Mr. Montgomery then moved to the next item to consider authorizing the General Manager to allow a limited rollover of vacation hours into the first half of 2009 for certain employees due to recent emergency operations. Mr. Eichelberger briefly discussed the reasoning for this authorization request and further requested that he be authorized to approve the rolling of up to two weeks of 2008 vacation time into 2009 for use during the first half of 2009. After a brief discussion, motion was made by Mr. Kleimann, seconded by Mr. Stunja, and unanimously carried to authorize the General Manager to approve rollover of up to two weeks of vacation time for use during the first half of 2009 for employees impacted by the 2008 emergency operations.

Mr. Montgomery then laid out the next item to consider and act upon a recall and reissue of the 2007 Annual Financial Report requested by the Authority's auditor to correct a cross-reference. Mr. Jackson briefly discussed the item with the Board. After discussion motion was made by Mr. Kleimann, seconded by Mr. Stunja, and unanimously carried to approve a recall and reissue of the 2007 Annual Financial Report requested by the Authority's auditor to correct a cross-reference.

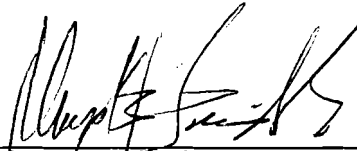
Mr. Montgomery then proceeded to the item to consider and act upon a resolution designating a Public Information Coordinator. Mr. Eichelberger discussed the item with the Board. After discussion, motion was made by Mr. Stibbs, seconded by Mr. Kleimann, and unanimously carried to rescind the prior resolution designating a Public Information Coordinator and to adopt a new resolution entitled "Resolution Appointing Public Information Coordinator," attached hereto as Exhibit "E."

Mr. Montgomery then moved to the item to consider authorizing the General Manager to execute a planning grant contract with the Texas Water Development Board on behalf of the Region H Water Planning Group for development of the 2011 Region H Regional Water Plan. Mr. Eichelberger discussed the item with the Board. He also explained the relationship of the next item on the agenda, to consider and act upon a Professional Services Agreement with AECOM related to development of the 2001 Region H Regional Water Plan as authorized by the Region H Water Planning Group. After discussion, motion was made by Mr. Kleimann, seconded by Mr. Stunja and unanimously carried to (i) authorize the General Manager to execute a planning grant contract with the Texas Water Development Board on behalf of the Region H Water Planning Group for development of the 2011 Region H Regional Water Plan and (ii) to approve a Professional Services Agreement with AECOM related to the development of the 2011 Region H Regional Water Plan and an authorization for the General Manager to execute such Professional Services Agreement.

Mr. Montgomery stated that the next Board meeting would be held on December 11th at 7:30 a.m. Mr. Eichelberger then asked Mr. Kelling and Mr. Houston to go over a brief synopsis of the WRAP presentation that would be shown at the November 13th WRAP meeting. A power point presentation was reviewed and a brief discussion followed.

At 9:00 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 9:45 a.m. With no further business to come before the Board, the meeting was dismissed at 9:48 a.m.



Lloyd B. Tisdale
Secretary
San Jacinto River Authority

Exhibit “A”

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN JACINTO RIVER AUTHORITY
AUTHORIZING THE FILING OF AN AMENDMENT TO
CERTIFICATE OF ADJUDICATION NO. 10-4963**

WHEREAS, the San Jacinto River Authority (the "Authority"), a River Authority duly formed by the Texas Legislature, is listed as the co-owner of Certificate of Adjudication No. 10-4963 ("COA No. 10-4963") with the City of Houston and the Texas Water Development Board ("TWDB"); and

WHEREAS, the TWDB no longer has an interest in COA No. 10-4963; and

WHEREAS, COA No. 10-4963 authorizes the impoundment of water within Lake Conroe and the diversion from Lake Conroe of 66,000 acre-feet of water per annum for municipal purposes, 28,500 acre-feet of water per annum for industrial purposes, and 5,500 acre-feet of water per annum for mining purposes at a maximum rate of diversion of 700 cfs; and

WHEREAS, the Authority has the need and desire to supply and divert its portion of water available for diversion from Lake Conroe at a greater rate of diversion and for multiple purposes of use, including municipal, industrial, and agricultural purposes; and

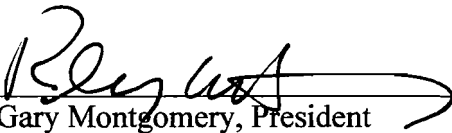
WHEREAS, it is necessary for the Authority to apply to the Texas Commission on Environmental Quality ("TCEQ") for a water right amendment to COA No. 10-4963 in order to reflect a change in ownership and to increase the rate of diversion and add multiple purposes of use for the Authority's portion of water available for diversion from Lake Conroe; and

WHEREAS, the Board of Directors further wishes to authorize the General Manager or his designee to prepare, make, execute, file, prosecute, amend, settle and compromise any and all applications to the TCEQ to amend COA No. 10-4963 and to employ the services of such consultants to assist in the prosecution of such applications, as he shall deem to be in the best interest of the Authority.

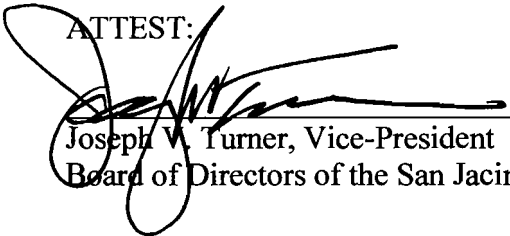
NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY:

1. The General Manager or his designee is hereby authorized and directed on behalf of the Authority to prepare, or cause to be prepared, and to make, file, prosecute, amend, settle and compromise any and all applications to the TCEQ to amend COA No. 10-4963 in order to 1) reflect a change in ownership, 2) to increase the rate of diversion, and 3) to add multiple purposes of use to the Authority's portion of water available for diversion from Lake Conroe, as he shall deem necessary and appropriate, and to employ the services of such consultants to assist in the prosecution of such applications, as he shall deem to be in the best interest of the Authority.
2. A certified copy of this resolution shall be provided to the TCEQ and to all persons interested in the subject matter hereof.

ADOPTED AND EFFECTIVE this 12th day of November, 2008.



R. Gary Montgomery, President
Board of Directors of the San Jacinto River Authority

ATTEST:


Joseph W. Turner, Vice-President
Board of Directors of the San Jacinto River Authority

Exhibit “B”

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN JACINTO RIVER AUTHORITY
AUTHORIZING THE FILING OF AN AMENDMENT TO
WATER USE PERMIT NO. 5809**

WHEREAS, the San Jacinto River Authority (the "Authority"), a River Authority duly formed by the Texas Legislature, is the owner of Water Use Permit No. 5809 ("Permit No. 5809"); and

WHEREAS, Permit No. 5809 authorizes the diversion of 14,944 acre-feet of groundwater-based effluent return flows, and any future groundwater-based effluent return flows, from SJRA's three wastewater treatment plants located in Montgomery County in the San Jacinto River Basin; and

WHEREAS, the customers of SJRA's three wastewater treatment plants in Montgomery County are currently receiving groundwater sources for municipal use; and

WHEREAS, Montgomery County is in the process of converting from reliance on groundwater sources to surface water sources; and

WHEREAS, the Authority recognizes that the source of effluent return flows for Permit No. 5809 will include a combination of groundwater-based and surface water-based return flows, and will also, over time, include surface water sources from both within the San Jacinto River Basin and imported from other river basins; and

WHEREAS, the Authority has the need and desire to also divert surface water-based effluent return flows, future surface water-based effluent return flows, imported surface water-based effluent return flows, and future imported surface water-based effluent return flows from SJRA's three wastewater treatment plants located in the San Jacinto River Basin; and

WHEREAS, it is necessary for the Authority to apply to the Texas Commission on Environmental Quality ("TCEQ") for a water right amendment to Permit No. 5809 in order to authorize the diversion of surface water-based effluent return flows, future surface water-based effluent return flows, imported surface water-based effluent return flows, and future imported surface water-based effluent return flows from SJRA's three wastewater treatment plants located in the San Jacinto River Basin; and

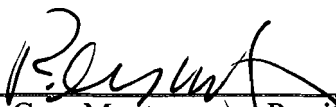
WHEREAS, the Board of Directors further wishes to authorize the General Manager or his designee to prepare, make, execute, file, prosecute, amend, settle and compromise any and all applications to the TCEQ to amend Permit No. 5809 and to employ the services of such consultants to assist in the prosecution of such applications, as he shall deem to be in the best interest of the Authority.

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

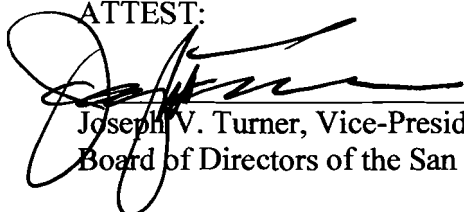
1. The General Manager or his designee is hereby authorized and directed on behalf of the Authority to prepare, or cause to be prepared, and to make, file, prosecute, amend, settle and compromise any and all applications to the TCEQ to amend Permit No. 5809 in order to authorize the diversion of surface water-based effluent return flows, future surface water-based effluent return flows, imported surface water-based effluent return flows, and future imported surface water-based effluent return flows from SJRA's three wastewater treatment plants located in the San Jacinto River Basin, as he shall deem necessary and appropriate, and to employ the services of such consultants to assist in the prosecution of such applications, as he shall deem to be in the best interest of the Authority.

2. A certified copy of this resolution shall be provided to the TCEQ and to all persons interested in the subject matter hereof.

ADOPTED AND EFFECTIVE this 12th day of November, 2008.



R. Gary Montgomery, President
Board of Directors of the San Jacinto River Authority

ATTEST:


Joseph V. Turner, Vice-President
Board of Directors of the San Jacinto River Authority

Exhibit “C”

**RESOLUTION AUTHORIZING THE EXECUTION OF A PROJECT AGREEMENT
AND RELATED DOCUMENTS WITH THE NATURAL RESOURCES
CONSERVATION SERVICE RELATED TO DEBRIS REMOVAL IN THE BEAR
BRANCH AND PANTHER BRANCH FLOODWAY CORRIDOR**

WHEREAS, the San Jacinto River Authority (the "Authority"), a river authority duly formed by the Texas Legislature, previously entered into a Contract for Financing, Acquisition, Operation, and Maintenance of the Bear Branch Reservoir System (the "Contract") with certain municipal utility districts in The Woodlands, Texas, namely Montgomery County Municipal Utility District No. 7, Montgomery County Municipal Utility District No. 46, Montgomery County Municipal Utility District No. 47, Montgomery County Municipal Utility District No. 60, and Montgomery County Municipal Utility District No. 67 (collectively, the "Service Area Districts"); and

WHEREAS, pursuant to the Contract and subject to reimbursement by the Service Area Districts, the Authority is responsible for maintaining the Bear Branch and Panther Branch floodway corridors, which are drainage easements under the control of the Authority, and such maintenance includes activities necessary to remove hazards that impair the watershed; and

WHEREAS, on September 13, 2008, Hurricane Ike passed through Montgomery County causing widespread damage due to high winds and heavy rains, including damage to numerous trees throughout the floodway corridors, which create hazards and impair the intended function of the watershed; and

WHEREAS, the Authority has the need and desire to accomplish the removal of storm debris from the floodway corridors; and

WHEREAS, the Natural Resources Conservation Service (the "NRCS"), which is the federal agency responsible for emergency watershed protection measures, has proposed a project agreement whereby the NRCS will perform the storm debris removal services and then bill the Authority for the 25 percent sponsor share of the cost pursuant to Section 216 of Public Law 81-516, and Title VI of the Agricultural Credit Act of 1978, Public Law 95-334; and

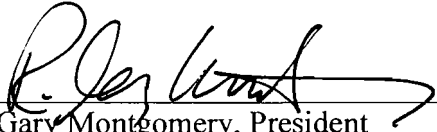
WHEREAS, the Board of Directors of the Authority wishes to enter into a Project Agreement with the NRCS to assist the Authority in relieving the hazards created by Hurricane Ike, which are currently impairing the watersheds under the control of the Authority.

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

1. The attached Project Agreement by and between the Authority and the Natural Resources Conservation Service, United States Department of Agriculture, is hereby approved, and the NRCS is hereby authorized to perform the services outlined in the Project Agreement related to removal of storm debris from the Bear Branch and Panther Branch floodway corridors.

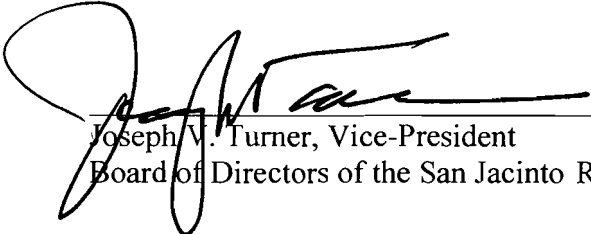
2. The General Manager, Reed Eichelberger, is hereby authorized and directed on behalf of the Authority to execute the attached Project Agreement, the attached Assurances Relating to Real Property Acquisition, and any and all documents necessary for the initiation and completion of the project.
3. The General Manager is further authorized to execute any and all amendments to the Project Agreement that he deems necessary and in the best interest of the Authority for accomplishing the completion of the project.

ADOPTED AND EFFECTIVE this 12th day of November, 2008.



R. Gary Montgomery, President
Board of Directors of the San Jacinto River Authority

ATTEST:



Joseph V. Turner, Vice-President
Board of Directors of the San Jacinto River Authority

Exhibit “D”

RESOLUTION TO ADOPT A FOURTH SUPPLEMENT TO
SUMMARY PLAN DESCRIPTION FOR
SAN JACINTO RIVER AUTHORITY PENSION PLAN

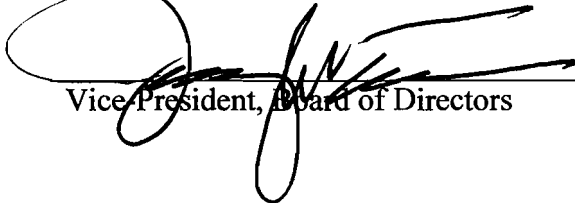
RESOLVED, that a Fourth Supplement to Summary Plan Description for San Jacinto River Authority Pension Plan, a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Authority, be and the same is hereby approved and adopted; and

RESOLVED, that the appropriate officers of the Authority be and they hereby are authorized and directed to do and perform all such acts and things, to sign such documents, amendments and any other instruments, and to take all other steps as they or any of them may deem necessary, advisable, convenient or proper to carry out and effect the foregoing resolution on behalf of the Authority, and acquire and maintain a qualified and exempt status for the Plan under the applicable provision of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended.

PASSED AND APPROVED this 12th day of November, 2008



President, Board of Directors

ATTEST:


Vice President, Board of Directors

FOURTH SUPPLEMENT TO
SUMMARY PLAN DESCRIPTION FOR
SAN JACINTO RIVER AUTHORITY PENSION PLAN

Since the Summary Plan Description (“SPD”) for the San Jacinto River Authority Pension Plan (the “Plan”) was distributed, the Plan has been amended to include the following:

- The Plan has been amended and restated effective as of November 1, 2007.
- Benefit election forms and the explanation of the Qualified Joint and Survivor Annuity form of distribution may be provided to participants 180 days prior to a participant’s benefit commencement date. In the past, this information could not be provided more than 90 days prior to the benefit commencement date. This amendment reflects a change in the law provided under the Pension Protection Act of 2006.
- The joint and survivor distribution option under the Plan which provides a survivor benefit equal to 66 2/3% of the value of the benefit being paid to the retiree prior to his or her death has been replaced with a 75% joint and survivor option. This amendment reflects a change in the law provided under the Pension Protection Act of 2006. The Plan now provides joint and survivor options allowing for either a 50%, 75% or 100% survivor benefit upon the death of the retiree.
- The Plan now stipulates that participants will be provided with the relative economic value of distribution options when they make their benefit elections. Since the Plan only provides for an annuity type distribution all distribution options are essentially equal in value. To compare the value of the distribution options, each option must be converted to its present value using prescribed mortality and interest rate factors. If converted, all options would be shown to be within 5% of the value of the 50% joint and survivor distribution option. Therefore, participants must take into account other factors such as the value of the monthly payments provided by the distribution option and how the option will provide a survivor benefit when determining the relative economic value of the different distribution options.
- The Plan now stipulates that if a participant elects an early retirement benefit, he or she must also receive information about the right to defer commencement of benefits and a description of how much larger the benefit will be if commencement of distributions is deferred.

You should keep this Supplement with your copy of the SPD.

Exhibit “E”

RESOLUTION APPOINTING PUBLIC INFORMATION COORDINATOR

WHEREAS, Section 552.012, Texas Government Code, requires that each member of the Board of Directors of San Jacinto River Authority (the "Authority") complete certain training requirements concerning the Texas Public Information Act (the "Act") unless the Board of Directors has designated a Public Information Coordinator to satisfy such training requirements and such Public Information Coordinator is primarily responsible for administering the responsibilities of the Authority under the Act; and

WHEREAS, the Board of Directors of the Authority determined to designate a Public Information Coordinator for such purposes; Now, Therefore,

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

Section 1: The person holding the office of General Manager of the Authority is hereby designated as the Public Information Coordinator for the Authority and shall be primarily responsible for administration of the responsibilities of the Authority under the Act.

Section 2: The General Manager of the Authority shall have completed all required training regarding the responsibilities of the Authority under the Act, for and on behalf of the Board of Directors of the Authority, no later than the ninetieth (90th) day after the effective date hereof.

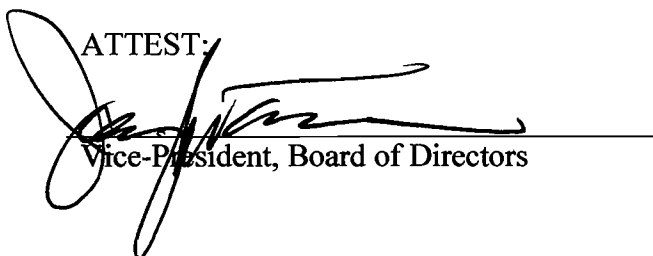
Section 3: The General Manager may delegate his or her responsibilities as Public Information Coordinator to the person or persons holding the office of Deputy General Manager of the Authority, provided that any such Deputy General Manager shall have completed all required training regarding the responsibilities of the Authority under the Act, for and on behalf of the Board of Directors of the Authority.

Section 4: This Resolution shall be and remain in full force and effect from and after the date of its adoption until repealed, revoked or rescinded by official action of the Board of Directors of the Authority.

PASS AND APPROVED this 12th day of November, 2008.



President, Board of Directors

ATTEST:


Vice-President, Board of Directors