

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

October 14, 2009

A special meeting of the Board of Directors of the San Jacinto River Authority was held at 8:00 a.m., October 14, 2009, at the San Jacinto River Authority General Administrative Offices, 1577 Dam Site 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
David C. Kleimann	Member
John H. Stibbs	Member
Joseph L. Stunja	Member

Present were R. Gary Montgomery, Joseph V. Turner, Lloyd B. Tisdale, Mary L. Rummell, David C. Kleimann, and John H. Stibbs, thus constituting a quorum. Also present were Reed Eichelberger, General Manager; Ron Kelling, Deputy General Manager, Operations; Jace Houston, Deputy General Manager, Administration; Michael Jackson, Controller; Paulette Sokoya, Accountant; Kim Wright, Office Manager; Mike Page and Mitchell Page, Schwartz, Page & Harding, LLP, General Counsel; Jan Bartholomew, RBC Dain Rauscher, Inc,

Financial Advisor; Dave Scholler, P.E., Brown & Gay Engineering, Program Manager, Montgomery County Alternative Water Supply Program; and numerous other guests.

Mr. Montgomery called the meeting to order at 8:11 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 announced that there would be an executive session later in the meeting.

Mr. Montgomery then directed the Board's attention to the item on the agenda to review and act upon the minutes of the August 27, 2009, and September 24, 2009, Board of Directors meetings. Motion was made by Ms. Rummell, seconded by Mr. Kleimann, and unanimously carried to approve the minutes of the August 27, 2009, and September 24, 2009, Board of Directors meetings.

Mr. Montgomery then moved to the item to receive an update on the status of campus improvements and consider staff recommendation regarding the use of competitive sealed proposals. Mr. Kelling discussed the status of campus improvements and the process of using competitive sealed proposals. Mr. Montgomery stated that further discussion and a decision on this item would be considered at the next board meeting.

Mr. Montgomery then proceeded to the next item to receive an update on the surface water program. Mr. Eichelberger gave a brief overview of the Lone Star Groundwater Conservation District's Board Meeting. Mr. Houston discussed the GRP and the requirements for groundwater reduction. Mr. Houston then introduced Judd Pritchard with Capitol Alliance Group. Mr. Pritchard gave a brief presentation regarding the results of a public awareness opinion poll on water issues in Montgomery County. Mr. Houston then gave an overview of the Water Summit in which the Authority participated on September 28, 2009. He discussed the lake level data that was presented at the summit. Staff indicated that positive feedback had been received following the summit.

Mr. Montgomery then proceeded to the next items (i) to consider and act upon adoption of a Resolution authorizing the issuance, sale, and delivery of the Authority's \$21,500,000 Special Project Revenue Bonds, Series 2009 (the "Bonds"), to the Texas Water Development Board; (ii) to consider approval and execution of a Paying Agent/Registrar Agreement in connection with the issuance of the Bonds; and (iii) to consider approval and execution of an Escrow Agreement in connection with escrow of certain proceeds of the Bonds. Mr. Mike Page, Mr. Mitchell Page, and Ms. Bartholomew discussed the items with the Board, including the revenues of the Authority pledged as security for payment in respect of the Bonds. Mr. Jackson noted that the Bank of New York Mellon Trust Company, N.A. is proposed to be engaged as the Paying Agent/Registrar, and that Wells Fargo Bank, N.A. is proposed to be engaged as the Escrow Agent.

After discussion, motion was made by Mr. Tisdale, seconded by Mr. Turner and unanimously carried (i) to adopt a resolution entitled "RESOLUTION AUTHORIZING THE ISSUANCE OF \$21,500,000, SAN JACINTO RIVER AUTHORITY, SPECIAL PROJECT REVERNUE BONDS, (GRP PROJECT), SERIES 2009," attached hereto as Exhibit "A;" (ii) to approve the execution of a Paying Agent/Registrar Agreement in connection with the issuance of the Bonds; and (iii) to approve the execution of an Escrow Agreement in connection with escrow of certain proceeds of the Bonds. Mr. Page noted that the resolution authorized the execution of the Paying Agent/Registrar and Escrow Agreement by the General Manager on behalf of the Authority.

Mr. Montgomery then moved on to the item to consider engagement of disclosure counsel in connection with the issuance of the Bonds. Mr. Kleimann then suggested that Mr. Page and the firm of Schwartz, Page & Harding, L.L.P, ("SPH") had a conflict of interest in acting as both general counsel and bond counsel for the Authority. Mr. Page explained that SPH is only serving the interests of the Authority in connection with the issuance of the Bonds, is not serving more than one client with conflicting interests in connection with the issuance of the Bonds, and therefore, no conflict of interest exists. Mr. Page further discussed the role of bond counsel and general counsel, and noted that it is usual and customary for a single law firm to represent an issuer as both bond counsel and general counsel. Ms. Bartholomew confirmed. Mr. Page also noted that a conflict of interest with respect to SPH must be found by the Board as a

whole. After discussion, motion was made by Mr. Turner, second by Ms. Rummell, and unanimously carried to approve the engagement of disclosure counsel in connection with the issuance of the Bonds.

Mr. Montgomery then indicated the next item to consider and act upon any other matters concerning the Bonds, including the approval and execution of various documents presented for inclusion in the transcript of proceedings to be submitted to the Attorney General of the State of Texas and/or to be utilized at the closing on the sale of the bonds. In addition, Mr. Page requested that the Board approve a form of Addendum to the contracts with the various municipal utility districts in The Woodlands, for the purpose of clarifying that certain pumpage fees, surface water rates, and other charges related to the Authority's Groundwater Reduction Plan would be paid by such municipal utility districts to the Authority as an operating expense. Motion was made by Mr. Kleimann, seconded by Mr. Stibbs, and unanimously carried to (i) authorize the execution of such documents related to the issuance of the Bonds by the appropriate officers of the Board, and (ii) approve the form of the Addendum.

Mr. Montgomery then moved to the item to consider adoption of a Rate Order applicable to participants in the Authority's Groundwater Reduction Plan. Mr. Page discussed the item with the Board. After discussion, motion was made by Mr. Tisdale, seconded by Mr. Turner, and unanimously carried to adopt a Rate Order applicable to participants in the Authority's Groundwater Reduction Plan.

At 9:35 a.m., Mr. Montgomery announced that the Board would recess into executive session to deliberate regarding real property, pursuant to Texas Government Code 551.072 and to consult with the Authority's attorney, pursuant to Texas Government Code 551.071.

The Board reconvened at 10:34 a.m. With there being no further business to come before the Board the meeting was adjourned at 10:35 a.m.



Lloyd/B. Tisdale
Secretary
San Jacinto River Authority