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March 5, 2010

San Jacinto River Authority
P. O. Box 329
Conroe, Texas 77305

RE: GRP Contract presented to MSEC Enterprises, Inc.

Attention: Jace Houston

Dear Jace:

This will confirm our recent conversation regarding the execution of the GRP Contract with SJRA. As I advised, my client is interested in working with SJRA, and would like to be one of the initial participants that purchases water from SJRA. I thought it would be best to reduce some of our requests and concerns to writing so that your staff may consider all issues while addressing the inclusion of MSEC.

Section 2.02 (b) of the proposed Contract leaves that determination solely to SJRA. MSEC would like the opportunity to negotiate its inclusion on the front end of the creation of the system. MSEC's primary plant serving Montgomery Trace and several other subdivisions, including the growing Woodforest Subdivision, is located just south of the Lake Conroe Dam, and may be adjacent to the planned transmission line.

My client would like to resolve the inclusion of it into the water purchasing group before execution of a contract. MSEC does not want to be subject to exclusion "without regard to Participant's proximity to the Project", as indicated in the current draft of the contract.

Also, 2.02 (e) allows amendment of the Contract by SJRA, without recourse on any participant who builds facilities and then may be taken out of receiving water by amendment, at SJRA's sole discretion. This should not be the case where a participant has constructed facilities to receive purchased water.

MSEC would like the opportunity to be elected by its peers to a position on the Committee to be

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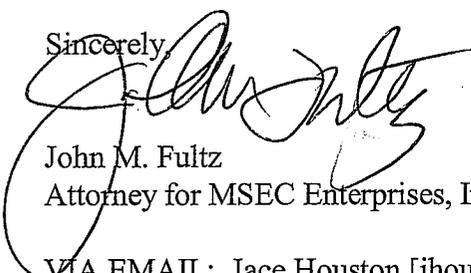
established, rather than seeking possibly appointment out of a group by the Administrator. This Committee should be given some authority to review amendments prior to discretionary implementation, or the authority to review on appeal, with a meeting with SJRA Board to air concerns and reach resolution.

We look forward to working with SJRA to resolve some of these issues. We understand that others are also currently in negotiations with SJRA, and we request to be treated under a "most favored nation" type provision if our contract issues are resolved and a contract executed in advance of the resolution of the other negotiations.

Please review this request and advise accordingly.

Thank you for your consideration.

Sincerely,



John M. Fultz
Attorney for MSEC Enterprises, Inc.

VIA EMAIL: Jace Houston [jhouston@sjra.net]
AND REGULAR MAIL