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

August 28, 2014

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 A.M., August 28, 2014, at the San Jacinto River Authority General and Administration Building, 1577 Dam Site Road, Conroe, Texas 77304. The roll was called of the duly constituted members of the Board as follows:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Mike Bleier	Member
Fredrick Koetting	Member
John D. Eckstrum	Member

Present were Lloyd B. Tisdale, Mary L. Rummell, Mike Bleier, Fredrick Koetting, and John D. Eckstrum thus constituting a quorum. Also present were Jace Houston, General Manager; Ron Kelling, Deputy General Manager; Tom Michel, Director of Financial and Administrative Services; David Parkhill, Director of Raw Water Enterprise; Jodi Chaney, Administrative Services Manager; Ronda Trow, Public Relations Manager; SuEllen Staggs, Woodlands Division Manager; Mark Smith, GRP Division Manager; Phil Smith, Surface Water Plant Construction Manager; Doug Haude, Senior Project Manager/Construction Manager; Dr. Robert Hill, SCADA Manager;

Mitchell Page, Schwartz, Page & Harding, LLP (SPH), General Counsel and Bond Counsel; Jan Bartholomew with RBC Capital Markets, LLC; and numerous other guests.

Mr. Tisdale 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. Tisdale requested that Ms. Rummell lead the Pledge of Allegiance to the United States flag and the Texas flag.

Mr. Tisdale continued the meeting by inviting comments from the public; there were none.

Mr. Tisdale moved to the next item to receive updates from the Operational Divisions and General & Administration Division related to ongoing projects, staff reports, and items on the consent agenda. Mr. Houston reported that there were no general updates.

Ms. Trow provided an update on ongoing Public Relations Department projects, including various outreach efforts related to construction of the GRP's waterlines and future updates to the Lake Conroe and Highlands Division websites. She stated that traffic has been restored on Research Forest Drive in front of The Woodlands High School, and on Grogran's Mill Road from Southmill Bend to Sawmill Drive, prior to the start of the school year, and continued by thanking the Authority's contractors and staff for their efforts in ensuring the segments were completed on time. Ms. Trow discussed the Woodlands Division's water quality campaign and reported that "Patty Potty" (aka Public Relations Assistant Michelle Simpson) has been very busy presenting campaign information to the various Municipal Utility Districts (MUDs) in The Woodlands. In closing, Ms. Trow announced that she has been asked to coordinate a public

relations panel discussion at the October Texas Water Conservation Association (TWCA) Conference, and that the South County Chamber of Commerce has asked that she serve on the Strategic Planning Committee for the upcoming 2015 legislative agenda.

Mr. Michel provided an update on the G & A Division. He discussed Item No. 5c on the consent agenda and explained that the bank needs a formal resolution to move forward with last month's action related to refinancing the existing loan on the G & A Building.

Mr. Parkhill provided an update on the Raw Water Enterprise Program. He explained that Item Nos. 5d-5e on the consent agenda are for engineering services related to dam safety for the Lake Conroe and Bear Branch Dams, and that Item No. 5f is a resolution confirming the creation of reserve funds for the Lake Conroe Division, Highlands Division, and General and Administration Division, and establishing policies and procedures for same. In closing, Mr. Parkhill briefly discussed Item No. 5g related to the annual interlocal agreement for law enforcement services for the Lake Conroe Dam and campus.

Ms. Staggs provided an update on the Woodlands Division and discussed ongoing emergency/hurricane preparedness efforts. She complimented the Flush Campaign's spokesperson, "Patty Potty," on her efforts to educate the public about the long-term effects of flushing personal wipes down the toilet, and briefly discussed Item 5h on the consent agenda related to adoption of a resolution creating reserve funds for the Woodlands Division.

Shifting the order of the agenda, Mr. Tisdale announced that the Board would consider the consent agenda. Motion was then made by Ms. Rummell, seconded by Mr. Eckstrum and unanimously approved, to: (i) approve the minutes of the July 24, 2014, and August 8, 2014, Board of Directors meetings; (ii) approve the unaudited financial statements for the month of

July 2014; (iii) adopt the *Resolution Approving Terms for Refinancing of Note and Authorizing the Execution and Delivery of Certain Documents in Connection Therewith*, for the refinancing of existing Promissory Note for the General & Administration Building, attached hereto as Exhibit "A"; (iv) authorize the General Manager to execute Work Order No. 8 with Freese and Nichols, Inc., in an amount not to exceed $20,000.00, for general dam safety engineering services for the Lake Conroe Dam; (v) authorize the General Manager to execute Work Order No. 9 with Freese and Nichols, Inc., in an amount not to exceed $5,000.00, for professional engineering services for the Bear Branch Dam; (vi) adopt the *Resolution Confirming Creation of Certain Funds for Lake Conroe Division, Highlands Division, and General and Administration Division; Establishing Policies and Procedures Related to the Use of Such Funds; and Establishing Policy Related to the Sufficiency of Fees, Rates, and Charges,* attached hereto as Exhibit "B"; (vii) authorize the General Manager to execute an interlocal agreement with Montgomery County for law enforcement services at the Lake Conroe Dam and campus; and (viii) adopt the *Resolution Creating Operating Reserve, Repair and Replacement Fund and Emergency Reserve for the Woodlands Division; Establishing Related Policies and Procedures; and Establishing Policies Related to the Sufficiency of Fees, Rates, and Charges,* attached hereto as Exhibit "C". Mr. Tisdale asked that the record reflect that he abstained from voting on Item No. 5c.

Mr. Mark Smith provided an update on the GRP Division. He presented the Groundwater Reduction Plan Program's Monthly Progress Report and stated that the program's complexion is changing from the construction phase into the operations phase. Mr. Smith reported that all items on the agenda were presented to and recommended by the GRP Review

Committee for approval and went on to provide a brief overview of ongoing public relations activities related to the GRP's waterlines.

Mr. Phil Smith provided the Groundwater Reduction Plan Program's Monthly Construction Progress Report to the Board. He provided photographs of the work taking place on the Surface Water Facility Project and reported that the project is on schedule and still within budget.

Mr. Doug Haude provided an update on the Surface Water Transmission System Project. He presented photographs depicting transmission line segments and provided updates and timelines for same.

Dr. Robert Hill provided an update on the SCADA system programming and configuration progress. He presented photographs depicting various equipment and systems that will be used to monitor and control the Surface Water Plant, and explained the configuration and function of each.

Mr. Tisdale continued on to the regular agenda. Mr. Michel discussed the proposed operating budgets for Fiscal Year 2015 and addressed questions related to same. Mr. Tisdale stated that the Finance Committee recommended the Fiscal Year 2015 operating budgets for approval and thanked staff for their efforts on same. Motion was then made by Mr. Eckstrum, seconded by Ms. Rummell and unanimously approved, to approve the Fiscal Year 2015 Operating Budgets.

Moving to the next item on the agenda, Mr. Houston explained that the Authority has maintained an annual joint funding agreement with the United States Geological Survey (USGS) for certain water quantity and quality data collection activities that are beneficial to the

Authority. He stated that this year's participation reflects a reduction in program costs due to the installation of a new USGS station downstream of Lake Houston that was paid for in the prior year's agreement. Following a brief discussion, motion was made by Mr. Koetting, seconded by Ms. Rummell and unanimously approved, to authorize the General Manager to execute a joint funding agreement for water resource investigations with the United States Geological Survey, in the amount of $182,350.00, for data collection activities during the period of October 1, 2014, to September 30, 2015.

Mr. Mitch Page presented the next item on the agenda to consider and act upon the adoption of a rate order for raw water sales. Mr. Parkhill explained that since January 1, 2014, the SJRA prevailing raw water rate has been $110.79 per acre foot ($0.3400/1000 gallons), with the exception of raw water contracts with a term of six months or less, and one existing raw water customer with special contract conditions. He continued by stating that based on the results of the recently updated raw water rate study, the proposed rate of $120.57 per acre foot ($0.37/1000 gallons), with an effective date of January 1, 2015, is recommended. Following a short discussion, motion was made by Mr. Eckstrum, seconded by Mr. Koetting and unanimously approved, to adopt the proposed rate order for raw water sales entitled, *San Jacinto River Authority Rate Order (Raw Water Customers),*attached hereto as Exhibit "D".

Continuing to the next item on the agenda, Mr. Parkhill explained that, as a result of increased demands for water supply by customers on the Authority's East Canal, an amendment to the Coastal Water Authority's (CWA) water conveyance contract is necessary to add an additional diversion point at the intersection of the CWA Canal and the East Canal, and to allow the Authority to construct, own, and operate an pumping station at that location. A

brief discussion ensued. Motion was then made by Mr. Eckstrum, seconded by Mr. Stunja and unanimously approved, to authorize the General Manager to execute the Amendment to the Water Conveyance Contract with the Coastal Water Authority.

Mr. Tisdale then proceeded to the next item to discuss the preparation and filing of an application to the Texas Water Development Board for financial assistance through the Development Fund II Loan Program in order assist the Authority with the financing of certain costs for the Highlands Capital Improvement Program, to include adoption of a resolution authorizing same. Mr. Parkhill, Ms. Bartholomew, and Mr. Page discussed the item with the Board. After further discussion, motion was made by Mr. Koetting, seconded by Mr. Eckstrum and unanimously approved, to adopt the *Resolution Authorizing Application for Financial Assistance to Texas Water Development Board; Designating Authorized Representatives for Such Purpose; and Containing Other Provisions Relating to the Subject,* attached hereto as Exhibit "E".

Mr. Tisdale then moved to the next item to consider authorizing expenditure for the repair and reinstallation of Pump No. 3 at the Lake Houston Pump Station. Mr. Parkhill briefly explained that the Authority had to shut down Pump No. 3 over the July 4th weekend due to motor malfunction. He stated that the motor and pump were removed and evaluated under an existing annual service contract with Weisinger Incorporated and that this is the first thorough investigation of the condition of the pump and motor to be undertaken since 1996. Mr. Parkhill continued by explaining that Pump No. 3 was one of the original three pumps to be installed in the early 1950's and that its last refurbishment was conducted in the early 1980's. He stated that significant additional repair and refurbishment work are recommended for the pump and

motor prior to being placed back into service. A brief discussion ensued, then motion was made by Ms. Rummell, seconded by Mr. Koetting and unanimously approved, to authorize a purchase order for repairs and refurbishment to Pump No. 3 at the Lake Houston Pump Station in accordance with the existing annual contract with Weisinger Incorporated, in an amount not to exceed $284,384.00, and contract modifications up to $15,116.00.

Mr. Parkhill discussed the next item on the agenda and motion was made by Mr. Eckstrum, seconded by Mr. Koetting and unanimously approved, to authorize the General Manager to execute Work Order No. 2 with Freese and Nichols, Inc., in an amount not to exceed $48,782.00, for evaluation and design of Siphon 6 (Gum Gully) rehabilitation in the Highlands.

Moving to the next agenda item, motion was made by Ms. Rummell, seconded by Mr. Eckstrum and unanimously approved, to authorize the General Manager to execute Work Order No. 11 with Freese and Nichols, Inc., in the amount of $404,000.00, for preliminary, final design, and procurement phase services for design improvements to HCFCD Ditch Siphon and for East Canal levee improvements in the Highlands.

Mr. Parkhill presented the next item on the agenda and explained that Entergy Texas, Inc.'s ten-year contract for raw water supply from Lake Conroe expires on September 30, 2014, and that discussions are underway to modify the contract terms to more closely follow the latest standard provisions for industrial water supply contracts. He stated that a temporary extension of the existing contract has been developed to maintain current contract terms for up to six months or until the new long-term contract is executed. Following a brief discussion, motion was made by Mr. Eckstrum, seconded by Mr. Koetting and unanimously approved, to

authorize the General Manager to execute a six-month temporary extension and amendment to the water supply contract with Entergy Texas, Inc.

Mr. Staggs discussed the next item on the agenda and motion was made by Ms. Rummell, seconded by Mr. Eckstrum and unanimously approved, to authorize the General Manager to execute a professional services agreement and Work Order No. 1 with KIT Professionals, Inc., in the amount of $149,693.38, for water modeling and GIS integration services for the Woodlands Division.

Mr. Smith presented the next item on the agenda and explained that construction of the GRP pipelines in The Woodlands required the removal of trees, shrubs, decorative plantings, and irrigation systems in roadway medians and the area adjacent to same. He continued by stating that, in a Memorandum of Understanding with Montgomery County Precinct 3, the Authority committed to replace every tree or shrub removed from within the county rights-of-way with plantings of similar size and variety. He explained that the proposed Letter of Intent lays out a plan for accomplishing the restoration of affected areas through an agreement between the Authority and The Woodlands Township. Following discussion, motion was made by Mr. Koetting, seconded by Ms. Rummell and unanimously approved, to: (i) authorize the GRP Administrator to execute a Letter of Intent for reforestation of vegetation with The Woodlands Township; and (ii) authorize the General Manager to execute an Interlocal Agreement with The Woodlands Township upon approval of reforestation plan and costs therefor.

Mr. Tisdale continued to the next item on the agenda to authorize the General Manager, or his designee, to execute letter(s) of assurance to Lone Star Groundwater

Conservation District (LSGCD), confirming that a GRP Participation contract will be executed for applicants that choose to join the Authority's GRP, and approve the GRP contract(s) as presented and authorize the execution of same by the General Manager. The item was tabled as there were none to consider.

Mr. Tisdale then announced that the Board would recess into Executive Session. At 9:33 a.m. the Board recessed into Executive Session. With a quorum still present, the Board reconvened at 9:58 a.m.

Mr. Tisdale announced the next Board meeting date of September 25, 2014, at 7:30 a.m. There being no further business to come before the Board, the meeting was adjourned at 9:58 a.m.

Mary L. Rummell
Secretary
San Jacinto River Authority

Exhibit A

RESOLUTION APPROVING TERMS FOR REFINANCING OF NOTE AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the San Jacinto River Authority (the "Authority"), is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Act"); and

WHEREAS, in accordance with the Act and the general laws of the State of Texas, the Authority has issued that certain Commercial Promissory Note payable to First Bank of Conroe (now First Bank, N.A., and hereinafter the "Lender") in the aggregate principal amount of $4,000,000, and initially dated as of December 24, 2009 (the "Note"), for the financing of the Authority's general and administrative building; and

WHEREAS, the Board of Directors of the Authority has considered the refinancing of the Note and, in such regard, has considered the proposed refinancing terms submitted by the Lender under correspondence dated July 14, 2014 (the "Commitment"); and

WHEREAS, the Board of Directors of the Authority has determined that the refinancing of the Note in accordance with the terms set forth in the Commitment is in the best interests of the Authority.

NOW THEREFORE, be it resolved by the Board of Directors of the San Jacinto River Authority that:

Section 1: Each of the recitals stated in this Resolution are hereby adopted as findings of fact of the Board of Directors.

Section 2: The Commitment and the terms set forth therein are hereby approved. The General Manager of the Authority is hereby authorized to execute any and all loan commitment documents, a modifications to the existing Note or a commercial promissory note to be issued to retire the existing Note, security agreements, UCC filing statements, and related certificates and instruments to conclude and document such the refinancing of the Note; provided, however, that upon the conclusion of such refinancing, the modified Note, or any commercial promissory note issued to retire the Note, shall be payable solely from the Net Revenues of the System, as defined in the Resolution Authorizing the Issuance, Sale and Delivery of $4,950,000 Water Revenue Bonds, Series 2003; Prescribing the Terms and Provisions Thereof; Making Provision for the Payment of the Interest Thereon and the Principal Thereof; and Containing Other Provisions Relating to the Subject, adopted by the Board of Directors of the Authority on June 19, 2003.

Section 3: The loans, notes and related documents referred to hereinabove (the "Note Documents") shall not constitute an indebtedness of the Authority, within the meaning of the

Texas Constitution. The authority for issuance, execution and delivery of the Note Documents is not subject to the budgetary discretion of, and continues, without further actions, proceedings or appropriations by, the current or any future Board of Directors of the Authority, until the modified Note, or any commercial promissory note issued to retire the Note, is paid in full. The Authority is authorized by the Act and the general laws of the State of Texas to enter into such transactions. The Note Documents, when duly executed and delivered by the General Manager of the Authority and the authorized representatives of the Lender, shall constitute binding and enforceable obligations of the Authority enforceable in accordance with their terms

PASSED AND ADOPTED on this 28th day of August, 2014.

SAN JACINTO RIVER AUTHORITY

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

347195.1

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

I, the undersigned General Manager of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That I am the duly qualified and acting General Manager of the Authority, and that as such, I have custody of the minutes and records of the Authority.

2. That the Board of Directors of the Authority convened in Regular Session on August 28, 2014, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Fred Koetting	Director
Mike Bleier	Director
John D. Eckstrum	Director

and all of said persons were present, except Director(s) Montgomery and Stunja, thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

RESOLUTION APPROVING TERMS FOR REFINANCING OF NOTE AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

was duly introduced for the consideration of the Board of Directors. With Director Tisdale abstaining, it was then duly moved and seconded that such Resolution be adopted and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: 4.
NOES: Ø. Director Tisdale abstained from vote

3. That a true and correct copy of such Resolution adopted at such meeting is attached to and follows this certificate; that such Resolution has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and foregoing Paragraph 2. were the duly chosen, qualified and acting officers and members of the

Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the canvassing of the officers and members of the Board of Directors present at and absent from such meeting and of the votes of each on such motion, as set forth in the above and foregoing Paragraph 2., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 28th day of August, 2014.

General Manager

(SEAL)

347402.1

Exhibit B

RESOLUTION CONFIRMING CREATION OF CERTAIN FUNDS FOR LAKE CONROE DIVISION, HIGHLAND DIVISION AND GENERAL AND ADMINISTRATION DIVISION; ESTABLISHING POLICIES AND PROCEDURES RELATED TO THE USE OF SUCH FUNDS; AND ESTABLISHING POLICY RELATED TO THE SUFFICIENCY OF FEES, RATES AND CHARGES

WHEREAS, the San Jacinto River Authority (the "Authority"), is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Act"); and

WHEREAS, the Authority is authorized by the Act, and the general laws of the State to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend, inside and outside its boundaries, any and all works, improvements, facilities, plants, equipment and appliances necessary to provide a raw water storage, supply and delivery system (the "System") for serving its needs and/or the needs of its customers; and

WHEREAS, the Authority has created its Lake Conroe Division to provide for the operation and maintenance of the Lake Conroe Dam and Reservoir pursuant to contractual arrangements with the City of Houston, Texas, said dam and reservoir being part of the System; and

WHEREAS, the Authority has created its Highland Division to provide for the operation and maintenance of that portion of the System located in eastern Harris County, Texas; and

WHEREAS, the Authority has also created a General and Administration Division ("G&A Division") to provide management, administrative, human resources, accounting, technical and other support for the aforesaid operating division of the Authority; and

WHEREAS, the Authority has created certain funds and accounts to provide reserve, working capital, emergency and contingency funds for the Lake Conroe Division, Highlands Division and G&A Division, and the Board of Directors of the Authority deems it necessary and proper at this time to confirm the creation of such funds and accounts and to establish written policies related to such funds and accounts; and

NOW, THEREFORE, be it resolved by the Board of Directors of the San Jacinto River Authority that:

ARTICLE I

FINDINGS; EFFECTIVE DATE

Section 1.01: Findings. Each of the recitals stated in this Resolution are hereby adopted as findings of fact of the Board of Directors.

Section 1.02: Effective Date. This Resolution shall be effective as of September 1, 2014 (the "Effective Date").

ARTICLE II

DEFINITIONS; INTERPRETATIONS; REFERENCES

Section 2.01: Definitions. In addition to terms defined elsewhere in this Resolution, and unless the context requires otherwise, the following terms used in this Resolution shall have the following meanings and, to the extent applicable, shall serve to supplement terms defined elsewhere in this Resolution:

"Act" is defined in the recitals hereto and means and includes any amendments to the Act.

"Authority" is defined in the recitals hereto and means and includes the legal successors or assigns of the Authority.

"Bonds" is defined in the Series 2013 Resolution and, for purposes of this Resolution only, means and includes the terms "Outstanding Bonds" and "Additional Bonds" as also defined in the Series 2013 Resolution.

"Debt Service Fund" shall have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

"Debt Service Reserve Fund" shall have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

"Emergency Condition" shall have the meaning ascribed to such term under the prevailing Purchasing Policy approved by the Board of Directors of the Authority.

"Fiscal Year" shall mean the annual fiscal period for the Authority from September 1, through August 31, or such other annual fiscal period as may hereafter be established by the Authority.

"General Fund" shall have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

"Gross Revenues" shall have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

"Investment Policy" means and refers to the orders of resolutions adopted by the Board of Directors of the Authority pursuant to Chapter 2256, Texas Government Code, as amended, and Section 49.199, Texas Water Code, as amended, establishing investment rules, regulations and policies applicable to the investment of Authority funds.

"Net Revenues" shall have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

"Operation and Maintenance Expenses" shall mean all costs, payments and expenses necessary to provide for the administration, efficient operation and adequate maintenance of the System, together with such other costs and expenses as many now or hereafter be defined by applicable law as proper operation and maintenance expenses of the System, including all expenses of the G&A Division which have not, directly or indirectly, been allocated to the Authority's Woodlands Division and/or GRP Division for payment or reimbursement.

"Rate Order" shall mean the order adopted by the Board of Directors of the Authority establishing, among other items, the fees, rates and charges applicable to sale of raw water from the System.

"Required Debt Service Reserve Fund Amount" shall have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

"Reserve Contributions" means and refers to Net Revenues transferred or to be transferred to the Operating Reserve Fund, the Emergency Reserve Fund or the Capital Repair and Replacement Reserve Fund pursuant to Section 4.02 of this Resolution.

"Series 2013 Resolution" means the resolution of the Board of Directors of the Authority adopted on February 28, 2013, authorizing the issuance, sale and delivery of the Authority's Water Revenue Bonds, Series 2013, in the original aggregate principal amount of $6,730,000, and all amendments and supplements thereto.

"System" is defined in the recitals hereto and shall be understood to have the meaning ascribed to such term under Section 2.01 of the Series 2013 Resolution.

Section 2.02: Interpretations. The article, section, subsection and paragraph headings of this Resolution are included herein for convenience of reference purposes only and shall not constitute a part of this Resolution or affect its interpretation in any respect. Except where the context otherwise requires, words imparting the singular number shall include the plural and vice versa. References to an entity refer to the legal successors of such entity, and to the board of directors, officers, or other officials of such entity where appropriate.

Section 2.03: References. For the avoidance of doubt, any reference in this Resolution to a document shall mean such document and all exhibits thereto, as amended or supplemented from time to time.

ARTICLE III

CONFIRMATION OF FUNDS; USE OF FUNDS; FUNDING; EXPENDITURE AUTHORIZATION

Section 3.01: General Fund.

(a) *Creation.* The prior creation of the General Fund is hereby confirmed.

(b) *Use of Fund.* The General Fund shall be used in accordance with the Series 2013 Resolution as the general operating fund for the Lake Conroe Division, the Highlands Division and the G&A Division. In summary, Gross Revenues shall be deposited from time to time, as received by the Authority, into the General Fund. Operation and Maintenance Expenses shall be paid directly from the General Fund.

(c) *Funding.* The General Fund shall be funded in accordance with the Series 2013 Resolution and this Resolution.

(d) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures from Gross Revenues on deposit in or to the credit of the General Fund for payment of Operation and Maintenance Expenses or to transfer Reserve Contributions in accordance with this Resolution: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required (1) for Operation and Maintenance Expenses included in the budget for the Fiscal Year, (2) for Operation and Maintenance Expenses not included in the budget for the Fiscal Year that are within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority, (3) in the event of an Emergency Condition, or (4) to transfer Reserve Contributions in accordance with this Resolution. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required.

Section 3.02: Operating Reserve Fund.

(a) *Creation.* The prior creation within the General Fund of the Operating Reserve Fund is hereby confirmed.

(b) *Use of Fund.* It is the policy of the Authority that amounts on deposit in the Operating Reserve Fund shall be used for (1) cash flow management, (2) rate stabilization, (3) revenue stabilization. Amounts in the Operating Reserve Fund may be transferred to the General Fund for such purposes in the event that Gross Revenues and other funds in the General Fund are

insufficient to pay Operation and Maintenance Expenses and to make any required transfer of Net Revenues from the General Fund to the Debt Service Fund and the Debt Service Reserve Fund in accordance with Section 4.02 of this Resolution and the Series 2013 Resolution.

(c) *Funding.* The Operating Reserve Fund shall be funded in accordance with Section 4.02 of this Resolution.

(d) *Target Fund Balance.* For the Fiscal Year beginning September 1, 2014, the Target Fund Balance for the Operating Reserve Fund shall be an amount equal to three (3) months of budgeted Operation and Maintenance Expenses for the said Fiscal Year. For each Fiscal Year thereafter, the Authority shall incrementally increase the Target Fund Balance for the Operating Reserve Fund such that for the Fiscal Year beginning September 1, 2019, and for each Fiscal Year thereafter, the Target Fund Balance for the Operating Reserve Fund shall be an amount equal to six (6) months of budgeted Operation and Maintenance Expenses for the then-current Fiscal Year. Such incremental increases to the Target Fund Balance need not be established by written order or resolution of the Board of Directors of the Authority. Among other means or methods, the increases to the Target Fund Balance may be established by line item or in the notes of the operating budget(s) adopted by the Board of Directors of the Authority for a Fiscal Year.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures or transfers from the Operating Reserve Fund for the purposes described under subsection (b), above: General Manager, Deputy General Manager, and Director of Finance and Administration, and the designees of such persons. Approval of such expenditures by the Board of Directors of the Authority shall not be required (1) for Operation and Maintenance Expenses included in the budget for the Fiscal Year, (2) for Operation and Maintenance Expenses not included in the budget for the Fiscal Year that are within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority, or (3) in the event of an Emergency Condition. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required.

Section 3.03: Emergency Reserve Fund.

(a) *Creation.* The prior creation within the General Fund of the Emergency Reserve Fund is hereby confirmed.

(b) *Use of Fund.* It is the policy of the Authority that amounts in the Emergency Reserve Fund shall be used only for the purpose of providing a full or partial source of funds for the unplanned or emergency repairs or replacements of System capital assets or other Authority capital assets, exclusive of the capital assets of the Woodlands Division and the GRP Division, which are necessary, as reasonably determined by the Authority, (1) to address actual or potential interruptions in service, (2) to address actual or potential violations of applicable state or federal regulatory requirements, or (3) for any other reason, but which cannot be funded within the current Fiscal Year as part of Operation and Maintenance Expenses without a significant, short-term adjustment in Rates. Amounts on deposit in the Emergency Reserve Fund may be used for

such purposes along with any other funds available to the Authority for such purposes, subject to the remaining provisions of this Resolution.

(c) *Funding.* The Emergency Reserve Fund shall be funded in accordance with Section 4.02 of this Resolution.

(d) *Target Fund Balance.* The Target Fund Balance for the Emergency Reserve Fund shall be an amount equal to six (6) months of budgeted Operation and Maintenance Expenses for the then-current Fiscal Year.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures or transfers from the Emergency Reserve Fund for the purposes described under subsection (b), above: General Manager, Deputy General Manager, and Director of Finance and Administration, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required (1) for repair and replacement projects within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority, or (2) in the event of an Emergency Condition. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required.

Section 3.04: Capital Repair and Replacement Reserve Fund.

(a) *Creation.* The prior creation within the General Fund of the Capital Repair and Replacement Reserve Fund is hereby confirmed.

(b) *Use of Fund.* It is the policy of the Authority that amounts in the Capital Repair and Replacement Reserve Fund shall be used for the purpose of providing a full or partial source of funds for capital improvements to the System, expansions, extension or modifications of the System or other additions to System capital assets, and planned or unplanned repairs or rehabilitation of existing System capital assets, or for any other capital assets of the Authority, exclusive of the capital assets of the Woodlands Division and the GRP Division. Amounts in the Capital Repair and Replacement Reserve Fund may be used for such purpose along with any other funds available to the Authority for such purpose.

(c) *Funding.* The Capital Repair and Replacement Reserve Fund shall be funded as set forth in Section 4.02 of this Resolution.

(d) *Target Annul Contribution Amount.* The Target Annual Contribution Amount for each Fiscal Year is an amount equal to the annual depreciation expense of the Authority's capital assets, exclusive of the capital assets of the Woodlands Division and the GRP Division, as reflected in the Authority's annual financial report for the prior Fiscal Year.

(d) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures or transfers from the Capital Repair and Replacement Reserve Fund for the purposes described under subsection (b), above: General Manager, Deputy General Manager, and Director of Finance and Administration, and the

designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required for items within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required.

Section 3.05: Debt Service Fund.

(a) *Creation.* The creation of the Debt Service Fund pursuant to the Series 2013 Resolution is hereby confirmed.

(b) *Use of Fund.* The Debt Service Fund shall be used in accordance with the Series 2013 Resolution to make principal and interest payments on Bonds.

(c) *Funding.* During each Fiscal Year while any Bonds remain outstanding, the Authority shall deposit or cause to be deposited into the Debt Service Fund, monthly as collected, Net Revenues in an amount not less than one-twelfth (1/12) of the sum of the principal and interest payments scheduled to come due on any Bonds in such Fiscal Year; provided, however, such monthly deposits may be reduced or curtailed, as appropriate, based on the amount of funds already on hand in the Debt Service Fund. Subject to certain restrictions, the Authority may capitalize and debt-fund deposits to the Debt Service Fund.

(d) *Target Annul Contribution Amount.* The Target Annual Contribution Amount for the Debt Service Fund shall be an amount equal to the scheduled amount of principal and interest payments to come due on the Bonds in the then-current Fiscal Year.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make payments on Bonds from the Debt Service Fund in accordance with the Series 2013 Resolution: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required.

Section 3.06: Debt Service Reserve Fund.

(a) *Creation.* The creation of the Debt Service Reserve Fund pursuant to the Series 2013 Resolution is hereby confirmed.

(b) *Use of Fund.* The Debt Service Reserve Fund shall be used in accordance with the Series 2013 Resolution to pay the principal of and interest on any Bonds remaining outstanding, if and whenever sufficient funds for such purpose are not available in the Debt Service Fund, and may be used to pay and retire the last of the Bonds to mature or to be redeemed.

(c) *Funding.* As provided under the Series 2013 Resolution, during each Fiscal Year while any portion of the Bonds remain outstanding, after making the required deposits to the

Debt Service Fund, the Authority shall deposit or cause to be deposited into the Debt Service Reserve Fund, monthly as collected out of Net Revenues, an amount not less than one-sixtieth (1/60) of the Required Debt Service Reserve Fund Amount described in subsection (d), below, until the amount therein equals the Required Debt Service Reserve Fund Amount. Subject to certain restrictions, the Authority may capitalize and debt-fund deposits to the Debt Service Reserve Fund.

(d) *Target Fund Balance*. As provided under the Series 2013 Resolution, the Required Debt Service Reserve Fund Amount is an amount equal to the sum of the average annual principal and interest payments scheduled to become due on any Bonds remaining outstanding.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make transfers or expenditures from the Debt Service Reserve Fund in accordance with the Series 2013 Resolution: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required.

ARTICLE IV

SEPARATION OF FUNDS; FLOW OF FUNDS; SECURITY AND INVESTMENT OF FUNDS

Section 4.01: Separation of Funds. The funds described in Article III of this Resolution shall be kept separate and apart from each other, and separate and apart from all other funds of the Authority. The Authority reserves the right to create, establish and maintain one or more additional funds or accounts within any of the funds described in Article III of this Resolution; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

Section 4.02: Flow of Funds.

(a) *General*. Gross Revenues received by the Authority shall be deposited into the General Fund and, together with any balance in the General Fund, shall be applied as follows:

(1) Operation and Maintenance Expenses shall be paid directly from the General Fund.

(2) After payment of Operation and Maintenance Expenses in accordance with the above, remaining Net Revenues in the General Fund shall be transferred to the Debt Service Fund in accordance with the Section 3.05(b) of this Resolution.

(3) After the above transfer of Net Revenues, remaining Net Revenues in the General Fund shall then be transferred to the Debt Service Reserve Fund in accordance with the Series 2013 Bond Resolution.

(4) After the above transfer of Net Revenues, any remaining Net Revenues in the General Fund shall then be transferred to the Operating Reserve Fund until the amount in such fund equals the applicable Target Fund Balance.

(5) After the above transfer of Net Revenues, any remaining Net Revenues in the General Fund in excesses of the General Fund Minimum Balance shall then be transferred to the Emergency Reserve Fund until the amount in such fund equals the applicable Target Fund Balance.

(6) After the above transfer of Net Revenues, any remaining Net Revenues in the General Fund shall then be transferred to the Capital Repair and Replacement Reserve Fund.

(b) *Frequency*. The transfer of Reserve Contributions in accordance with the above subsection (a) shall be undertaken at least once per quarter in a given Fiscal Year, and may be undertaken more often at the discretion of the Authority.

Section 4.03: Valuation of Funds. For purposes of determining from time to time whether a fund contains the balance prescribed by this Resolution, all investments belonging or allocable to the fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

Section 4.04: Security of Funds. Any cash balance in any of the funds described in Article III of this Resolution, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured as, if and to the extent required by the Series 2013 Resolution and/or the Investment Policy.

Section 4.05: Investment of Funds. Moneys in any of the funds described in Article III of this Resolution may be invested or reinvested in accordance with the Series 2013 Resolution and/or the Investment Policy. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund may be transferred to the Debt Service Fund. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale, the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken.

ARTICLE V

SUFFICIENCY OF FEES, RATES AND CHARGES

Section 5.01: Coverage.

(a) *Minimum Coverage*. It is the policy of the Authority that the fees, rates and charges under the Rate Order shall be adopted, maintained, billed and collected in such a manner as will be at least sufficient, in conjunction with other funds lawfully available to the Authority for such purposes, to generate Gross Revenues to make all of the payments, transfers and deposits in the target amounts described in Section 4.02 of this Resolution, to maintain the target balances or in the target amounts described in Article III of this Resolution, without reliance upon existing balances in the General Fund.

(b) *Additional Coverage*. In advance of the issuance of additional Bonds or other obligations of the Authority which will be secured by a pledge of and lien on Net Revenues, whether in whole or in part, the fees, rates and charges under the Rate Order may be adopted, maintained, billed and collected in such a manner as will generate Gross Revenues in excess of those necessary to make all of the payments, transfers and deposits described in Section 4.02 of this Resolution, if it is reasonably determined by the Board of Directors of the Authority that (1) such additional coverage is a required as a condition to the issuance of such additional Bonds or other obligations (e.g., to satisfy an "additional bonds test"), (2) such additional coverage will reduce the borrowing costs of the Authority (e.g., by enhancing the credit rating assigned to the additional Bonds or other obligations), or (3) such additional coverage is justified by any other compelling factor in connection with issuance of such additional Bonds or other obligations.

ARTICLE VI

MISCELLANEOUS

Section 6.01: Implementation. The General Manager, Deputy General Manager and other officers and staff of the Authority are hereby authorized and directed to implement this Resolution and the policies adopted hereunder. In the event that the provisions of this Resolution authorizing the expenditure of Authority funds shall be in conflict with any other orders, resolutions, policies or procedures relating to the expenditure of Authority funds which have been or may be adopted or approved by the Board of Directors of the Authority, the provisions of this Resolution shall prevail and control.

Section 6.02: Conflicts. In the event that any provision of this Resolution is in conflict with any provision of the Series 2013 Resolution, the provisions of the Series 2013 Resolution shall prevail and control.

Section 6.03: Future Amendments. As determined necessary by the Authority, the Authority reserves the right to amend this Resolution and the policies set forth herein, subject to

any provisions of the Series 2013 Resolution. The Authority specifically reserves the right to open, close, transfer or consolidate the funds described in this Resolution by subsequent resolution, order, agreement, or other action authorized by its Board of Directors, subject to the provisions of the Series 2013 Resolution.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

PASSED AND APPROVED on August 28, 2014.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

347068.2

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

I, the undersigned General Manager of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That I am the duly qualified and acting General Manager of the Authority, and that as such, I have custody of the minutes and records of the Authority.

2. That the Board of Directors of the Authority convened in Regular Session on August 28, 2014, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Fred Koetting	Director
Mike Bleier	Director
John D. Eckstrum	Director

and all of said persons were present, except Director(s) Montgomery and Stunja thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

RESOLUTION CONFIRMING CREATION OF CERTAIN FUNDS FOR LAKE CONROE DIVISION, HIGHLAND DIVISION AND GENERAL AND ADMINISTRATION DIVISION; ESTABLISHING POLICIES AND PROCEDURES RELATED TO THE USE OF SUCH FUNDS; AND ESTABLISHING POLICY RELATED TO THE SUFFICIENCY OF FEES, RATES AND CHARGES

was duly introduced for the consideration of the Board of Directors. It was then duly moved and seconded that such Resolution be adopted and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: All members present voted "Aye".
NOES: None.

3. That a true and correct copy of such Resolution adopted at such meeting is attached to and follows this certificate; that such Resolution has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and

foregoing Paragraph 2. were the duly chosen, qualified and acting officers and members of the Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the canvassing of the officers and members of the Board of Directors present at and absent from such meeting and of the votes of each on such motion, as set forth in the above and foregoing Paragraph 2., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 28th day of August, 2014.

General Manager

(SEAL)

347412.1

Exhibit C

RESOLUTION CREATING OPERATING RESERVE, REPAIR AND REPLACEMENT FUND AND EMERGENCY RESERVE FOR THE WOODLANDS DIVISION; ESTABLISHING RELATED POLICIES AND PROCEDURES; AND ESTABLISHING POLICIES RELATED TO THE SUFFICIENCY OF FEES, RATES AND CHARGES

WHEREAS, the San Jacinto River Authority (the "Authority"), is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Act"); and

WHEREAS, the Authority is authorized by the Act and the general laws of the State to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend, inside and outside its boundaries, any and all works, improvements, facilities, plants, equipment and appliances necessary to provide a water supply system and waste disposal system for serving its needs and/or the needs of its customers; and

WHEREAS, the Authority has entered into certain contracts (the "Customer Contracts"), as amended and supplemented from time to time, for the financing, construction and operation of the Water Supply System and the Waste Disposal System (as defined in the Customer Contracts) to serve the following conservation and reclamation district customers (the "Customers") of the Woodlands Division of the Authority: Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 40, 46, 47, 60 and 67; The Woodlands Municipal Utility District No. 2; The Woodlands Metro Center Municipal Utility District; and Harris-Montgomery Counties Municipal Utility District No. 386; and

WHEREAS, each of the Customer Contracts authorizes the Authority to own, operate and maintain the Water Supply System and the Waste Disposal System in order to provide regional or centralized water supply and wastewater transportation, treatment and disposal facilities to serve the Customers; and

WHEREAS, each of the Customer Contracts authorizes the Authority to fix and, from time to time, alter and revise rates for the water supply and waste disposal services to be furnished and made available through the Water Supply System and/or the Waste Disposal System so that the gross revenues received by the Authority from the Customers will at all times be not less than an amount sufficient to pay or provide for the payment of all operation and maintenance expenses of said Systems and, as and if issued, to pay debt service on any bonds of the Authority secured by a pledge of and lien on the revenues of said Systems and to meet any related bond covenants; and

WHEREAS, each of the Customer Contracts provides that the operation and maintenance expenses of the Water Supply System and the Waste Disposal System include a reasonable operating reserve consisting of at least two (2) months' estimated operation and maintenance

expenses and a reasonable reserve for ordinary and extraordinary repairs and replacements related to said Systems; and

WHEREAS, the Board of Directors of the Authority deems it necessary and proper at this time to formally create (i) an operating reserve for the Woodlands Division, (ii) a fund for the Woodlands Division for ordinary repairs and replacement related to said Systems, and (iii) a reserve for the Woodlands Division for extraordinary repairs and replacement related to said Systems, and to establish policies related to the foregoing.

NOW THEREFORE, be it resolved by the Board of Directors of the San Jacinto River Authority that:

ARTICLE I

FINDINGS; EFFECTIVE DATE

Section 1.01: Findings. Each of the recitals stated in this Resolution are hereby adopted as findings of fact of the Board of Directors.

Section 1.02: Effective Date. This Resolution shall be effective as of September 1, 2014 (the "Effective Date").

ARTICLE II

DEFINITIONS; INTERPRETATIONS; REFERENCES

Section 2.01: Definitions. In addition to terms defined elsewhere in this Resolution, and unless the context requires otherwise, the following terms used in this Resolution shall have the following meanings and, to the extent applicable, shall serve to supplement terms defined elsewhere in this Resolution:

"Act" is defined in the recitals hereto and means and includes any amendments to the Act.

"Authority" is defined in the recitals hereto and means and includes the legal successors or assigns of the Authority.

"Capacity Charges" means and refers to charges paid or to be paid by the Customers to the Authority pursuant to the Customer Contracts and any related contractual agreements between the Authority and all or any of the Customers for or in respect of reserved capacity in the Water Supply System or the Waste Disposal System, or to address changes in regulatory requirements or to replace obsolete components of said Systems.

"Customers" is defined in the recitals hereto and means and includes the legal successors or assigns of all or any of such conservation and reclamation districts.

"Customer Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the Customer Contracts.

"Effective Date" is defined in Section 1.02 of this Resolution.

"Emergency Condition" has the meaning ascribed to such term under the prevailing Purchasing Policy approved by the Board of Directors of the Authority.

"Fiscal Year" means and refers to the annual fiscal period for the Woodlands Division from September 1 through August 31, or such other annual fiscal period as may hereafter be established by the Authority with respect to the Woodlands Division.

"General Fund" means and refers to the General Fund of the Woodlands Division.

"GRP Fees" means and refers to the fees imposed by the Groundwater Reduction Plan Division of the Authority on the Woodlands Division of the Authority for pumpage from the Woodlands Division's groundwater wells and/or for treated surface water delivered by the Groundwater Reduction Plan Division of the Authority to the Woodlands Division of the Authority, all as further set forth in described in that certain Rate Order (GRP Participants) adopted by the Board of Directors of the Authority on May 22, 2014, and any amendments thereto or succeeding orders adopted thereafter.

"Investment Policy" means and refers to the orders or resolutions adopted by the Board of Directors of the Authority pursuant to Chapter 2256, Texas Government Code, as amended, and Section 49.199, Texas Water Code, as amended, establishing investment rules, regulations and policies applicable to the investment of Authority funds.

"Net Revenues" means and refers to Operating Charges remaining after payment of Operation and Maintenance Expenses, exclusive of any Reserve Contributions.

"Operating Charges" means and refers to charges paid or to be paid by the Customers to the Authority pursuant to Article V of the Customer Contracts for services provided by the Water Supply System and the Waste Disposal System.

"Operation and Maintenance Expenses" shall have the meaning ascribed to such term under the Customer Contracts.

"Rates" means and refers to the rates charged to the Customers under Article V of the Customer Contracts for services provided by the Water Supply System and the Waste Disposal System, which includes Operating Charges and may include Capacity Charges pursuant to the Customer Contracts.

"Reserve Contributions" means and refers to Net Revenues transferred or to be transferred to the Repair and Replacement Fund or to the Emergency Reserve.

"Waste Disposal System" has the meaning ascribed to such term under the Customer Contracts.

"Water Supply System" has the meaning ascribed to such term under the Customer Contracts.

"WJPA Trustees" means and refers to the Board of Trustees of the Woodlands Joint Powers Agency.

Section 2.02: Interpretations. The article, section, subsection and paragraph headings of this Resolution are included herein for convenience of reference purposes only and shall not constitute a part of this Resolution or affect its interpretation in any respect. Except where the context otherwise requires, words imparting the singular number shall include the plural and vice versa. References to an entity refer to the legal successors of such entity, and to the board of directors, officers, or other officials of such entity where appropriate.

Section 2.03: References. For the avoidance of doubt, any reference in this Resolution to a document shall mean such document and all exhibits thereto, as amended or supplemented from time to time.

ARTICLE III

CONFIRMATION OF GENERAL FUND; CREATION OF OPERATING RESERVE, REPAIR AND REPLACEMENT FUND AND EMERGENCY RESERVE; USES OF GENERAL FUND, OPERATING RESERVE, REPAIR AND REPLACEMENT FUND AND EMERGENCY RESERVE; REQUIRED AMOUNTS AND CONTRIBUTIONS; EXPENDITURE AUTHORIZATION

Section 3.01: General Fund.

(a) *Creation.* The prior creation of the General Fund by the Authority is hereby confirmed.

(b) *Use of Fund.* The General Fund shall be used as the general operating fund of the Woodlands Division. In summary, Operating Charges paid through Rates shall be deposited from time to time, as received by the Authority, into the General Fund. Operating Charges shall be used to pay Operation and Maintenance Expenses and to make transfers to accomplish the Reserve Contributions set forth hereinafter.

(c) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures from Operating Charges on deposit in or to the credit of the General Fund for payment of Operation and Maintenance Expenses or to

transfer Reserve Contributions in accordance with this Resolution: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required (1) for Operation and Maintenance Expenses included in the budget for the Fiscal Year, (2) for Operation and Maintenance Expenses not included in the budget for the Fiscal Year that are within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority, (3) in the event of an Emergency Condition, or (4) to transfer Reserve Contributions in accordance with this Resolution. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required. Such expenditures or transfers shall be reported to the Customers on a monthly or other periodic basis and in such format as is acceptable to the Authority and the Customers.

Section 3.02: Operating Reserve.

(a) *Creation.* As an alternative to the creation of a separate operating reserve fund or account by the Authority, the Operating Reserve described hereinafter shall be maintained within the General Fund.

(b) *Use of Reserve.* It is the policy of the Authority that the Operating Reserve shall be used for (1) cash flow management, (2) rate stabilization, and (3) revenue stabilization. To such ends, the Operating Reserve may be used to pay Operation and Maintenance Expenses, save and except Reserve Contributions, in the event that Operating Charges and other funds on hand and available for such purposes in the General Fund are insufficient to make full and timely payment of same.

(c) *Funding.* The Operating Reserve for a given Fiscal Year shall be funded with Net Revenues remaining in the General Fund from the prior Fiscal Year. If such Net Revenues from the prior Fiscal Year are insufficient to fully fund the Operating Reserve, the deficit shall be funded as set forth in Sections 4.02 and 4.03 of this Resolution.

(d) *Required Reserve Amount.* The Required Reserve Amount for the Operating Reserve shall be an amount equal to three (3) months of budgeted Operation and Maintenance Expenses for the then-current Fiscal Year; provided, however, that only for purposes of calculating the Operating Reserve, the following shall be deducted from budgeted Operations and Maintenance Expenses: (1) budgeted revenues to be collected from the Customer Districts for payment of GRP Fees; and (2) Reserve Contributions.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures out of the Operating Reserve for the purposes described under subsection (b), above: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required (1) for Operation and Maintenance Expenses, save and except Reserve Contributions, included in the budget for the Fiscal Year, (2) for Operation and Maintenance Expenses not included in the budget for the Fiscal Year that are within the discretionary spending authority of the General

Manager, as established by the Board of Directors of the Authority, or (3) in the event of an Emergency Condition. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required. Such expenditures or transfers shall be reported to the Customers on a monthly or other periodic basis and in such format as is acceptable to the Authority and the Customers.

Section 3.03: Repair and Replacement Fund.

(a) *Creation.* There shall be created within the General Fund a separate, restricted account designated as the Repair and Replacement Fund (the "R&R Fund" hereinafter).

(b) *Use of Fund.* It is the policy of the Authority that amounts in the R&R Fund shall be used only for the purpose of providing a full or partial source of funds for the planned repair and replacement of Water Supply System and/or Waste Disposal System assets having a significant replacement value and a relatively long-term useful life (generally in excess of ten (10) years) without a significant, short-term adjustment in Rates. Amounts on deposit in the R&R Fund may be used for such purpose along with any other funds available to the Authority for such purpose, subject to the remaining provisions of this Resolution.

(c) *Funding.* The R&R Fund shall be funded as set forth in Sections 4.02 and 4.03 of this Resolution.

(d) *Required Annual Contribution Amount.* It is the policy of the Authority to establish the Required Annual Contribution Amount for the R&R Fund for each Fiscal Year such that amounts are received, deposited and accrued in the R&R Fund as necessary to meet planned expenditures from the R&R Fund over time and without the need for short-term adjustments in Rates. To this end, the Authority adopts the further procedures set forth below.

The Authority shall develop and keep current a summary of proposed capital improvement and/or construction projects ("CIP") for the repair and replacement of Water Supply System and/or Waste Disposal System assets. To the extent practicable, the CIP shall (1) segregate Water Supply System projects from Waste Disposal System projects, (2) include proposed projects to be undertaken over a period that, at a minimum, includes the five succeeding Fiscal Years, (3) include the estimated costs, by Fiscal Year, of implementing proposed projects, and (4) identify any proposed source(s) of funds for implementing proposed projects, if other than the R&R Fund. The CIP is intended as a planning tool with only year-one projects defined with fully developed cost estimates. Projects and cost estimates beyond year-one are based on engineering estimates that are subject to refinement and further revision. The CIP should, as and if prudent maintenance practices allow, schedule projects for implementation such that transfers to and expenditures from the R&R Fund will not require significant adjustments to Rates from Fiscal Year to Fiscal Year. In order to avoid such adjustments, the Authority may accrue funds in the R&R Fund over one or more Fiscal Years. The Authority may expend funds from the R&R Fund to implement a project over one or more Fiscal Years.

The Authority shall present the CIP to the Customers and the WJPA Trustees as part of the annual process of obtaining approval of the Rates and the operating budgets for the Water

Supply System and Waste Disposal System, which process is generally described in Article V of the Customer Contracts. In particular, the Authority shall present the projects in the CIP that are to be implemented in the coming Fiscal Year, and shall recommend the Required Annual Contribution Amount for the coming Fiscal Year. The recommendation of the Required Annual Contribution Amount shall take into consideration the need to (1) continue projects in the CIP that have been previously commenced and that will continue into the next ensuing Fiscal Year, (2) undertake projects in the CIP that are scheduled to be commenced in the next ensuing Fiscal Year, and (3) accrue revenues in the R&R Fund to provide a source of funds for projects in the CIP that will be undertaken after the next ensuing Fiscal Year. The Required Annual Contribution Amount need not be established by written order or resolution of the Board of Directors of the Authority or approved by written orders or resolutions of the Boards of Directors of the Customers or the WJPA Trustees. Among other means or methods, the Annual Contribution Amount may be established by line item or in the notes of the operating budget(s) for the Water Supply System and Waste Disposal System adopted by the Board of Directors of the Authority and approved by the WJPA Trustees for a given Fiscal Year.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures or transfers from the R&R Fund for the purposes described under subsection (b), above: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of by the Board of Directors of the Authority shall not be required for expenditures or transfers within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required. Such expenditures or transfers shall be reported to the Customers on a monthly or other periodic basis and in such format as is acceptable to the Authority and the Customers.

(f) *Water Supply System and Waste Disposal System Accounts.* If deemed necessary or convenient by the General Manager, Deputy General Manager, Director of Finance and Administration, Controller, or Woodlands Division Manager, or if requested by a simple majority vote of the WJPA Trustees, additional accounts or subaccounts within the R&R Fund may be created to (1) proportionately allocate transfers of the Required Annual Contribution Amount to Water Supply System projects and account for expenditures from such accounts or subaccounts for Water Supply System projects, and (2) proportionately allocate transfers of the Required Annual Contribution Amount to Waste Disposal System projects and account for expenditures from such accounts or subaccounts for Waste Disposal System projects.

Section 3.04: Emergency Reserve.

(a) *Creation.* There shall be created within the General Fund a separate, restricted account designated as the Emergency Reserve.

(b) *Use of Reserve.* It is the policy of the Authority that amounts in the Emergency Reserve shall be used only for the purpose of providing a full or partial source of funds for the unplanned or emergency repairs or replacements of Water Supply System or Waste Disposal System capital assets, which are necessary, as reasonably determined by the Authority, (1) to

address actual or potential interruptions in service, (2) to address actual or potential violations of applicable state or federal regulatory requirements, or (3) for any other reason, but which cannot be funded within the current Fiscal Year as part of Operation and Maintenance Expenses without a significant, short-term adjustment in Rates. Amounts on deposit in the Emergency Reserve may be used for such purposes along with any other funds available to the Authority for such purposes, subject to the remaining provisions of this Resolution.

(c) *Funding*. The Emergency Reserve shall be funded as set forth in Section 4.02 and 4.03 of this Resolution.

(d) *Required Reserve Amount.* For the Fiscal Year beginning September 1, 2014, the Required Reserve Amount for the Emergency Reserve shall equal $1,800,000. For the Fiscal Year beginning September 1, 2015, the Required Reserve Amount for the Emergency Reserve shall equal $2,000,000. For each Fiscal Year thereafter, the Required Reserve Amount for the Emergency Reserve shall be equal to the Required Reserve Amount for the prior Fiscal Year plus an increment equal to the Engineering News Record Construction Price Index for Construction Costs times the Required Reserve Amount for such prior Fiscal Year.

(e) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make expenditures or transfers from the Emergency Reserve for the purposes described under subsection (b), above: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval of such expenditures or transfers by the Board of Directors of the Authority shall not be required (1) for repair and replacement projects within the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority, or, or (2) in the event of an Emergency Condition. Otherwise, approval of such expenditures or transfers by the Board of Directors of the Authority shall be required. Such expenditures or transfers shall be reported to the Customers on a monthly or other periodic basis and in such format as is acceptable to the Authority and the Customers; provided, further, the Authority shall promptly notify the Customers of any withdrawal from the Emergency Reserve in excess of the discretionary spending authority of the General Manager, as established by the Board of Directors of the Authority.

ARTICLE IV

ADDITIONAL FUNDS AND ACCOUNTS; FLOW OF FUNDS; CUSTOMER CONTRIBUTIONS; SECURITY AND INVESTMENT OF FUNDS

Section 4.01: Additional Funds and Accounts. The Authority reserves the right to create, establish and maintain one or more additional funds or accounts within any of the funds described in Article III of this Resolution; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

Section 4.02: Flow of Funds.

(a) *General*. Operating Charges and any other funds on hand in the General Fund, save and except Capacity Charges, shall be applied as follows:

(1) Operation and Maintenance Expenses, save and except Reserve Contributions, shall be paid first from the General Fund.

(2) After payment of Operation and Maintenance Expenses, remaining Net Revenues in the General Fund in excess of the Required Reserve Amount shall then be transferred to the R&R Fund until the cumulative amount of Net Revenues transferred to the R&R Fund during the Fiscal Year equals the Required Annual Contribution Amount.

(3) After the above transfer of Net Revenues, remaining Net Revenues in the General Fund in excess of the Required Reserve Amount shall then be transferred to the Emergency Reserve until the amount on deposit in or to the credit of such account equals the Required Reserve Amount.

(b) *Frequency*. The transfer of Reserve Contributions in accordance with the above subsection (a) shall be undertaken at least once per quarter in a given Fiscal Year, and may be undertaken more often at the discretion of the Authority.

(c) *Transition Provisions*. The Authority has previously created a fund designated as the Excess Reserves Fund. With the consent of the WJPA Trustees, the Authority has from time to time deposited excess Operating Charges accrued in the General Fund into the Excess Reserves Fund to be used for various projects. On or about the Effective Date, amounts on deposit in or to the credit of the Excess Reserves Fund shall be transferred to the R&R Fund and the Excess Reserves Fund shall be closed.

The Authority has also previously created a fund designated as the Extraordinary Maintenance Fund. With the consent of the WJPA Trustees, the Authority has from time to time deposited Operating Charges into the Extraordinary Maintenance Fund in order to provide a source of funds for emergency repairs and replacements. On or about the Effective Date, amounts on deposit in or to the credit of the Extraordinary Maintenance Fund shall be transferred to the Emergency Reserve and the Extraordinary Maintenance Fund shall be closed.

Section 4.03: Additional Customer Contributions.

(a) *Operating Reserve*. If the balance of the Operating Reserve is reduced to less than two-thirds of the Required Reserve Amount at any time during a Fiscal Year, the Authority shall notify the Customers of the current deficit, and any projected deficit for the remainder of the Fiscal Year, and shall utilize uncommitted funds in the R&R Fund that were scheduled for expenditure in future Fiscal Years to eliminate the current and any projected deficit for the remainder of the Fiscal Year. In such event, the Authority shall report transfers of funds from the R&R Fund to the General Fund to the Customers on a monthly or other periodic basis and in such format as is acceptable to the Authority and the Customers. If funds in the R&R Fund are

unavailable or insufficient for such purposes, the Authority shall request contribution from the Customers to eliminate the current and any projected deficit for the remainder of the Fiscal Year. The Authority shall request that each Customer pay its requested contribution within sixty (60) calendar days.

(b) *R&R Fund.* If the balance of the R&R Fund is depleted such that the Authority reasonably determines that it is in risk of defaulting, within sixty (60) calendar days, upon contract payment obligations to contractors, subcontractors, consultants or other vendors or suppliers with respect to an ongoing CIP project, the Authority shall notify the Customers of the current deficit, and any projected deficit for the remainder of the Fiscal Year, and with the prior approval of the WJPA Trustees may utilize funds in the Emergency Reserve to offset the deficit for the remainder of the Fiscal Year. If the WJPA Trustees do not approve such use of Emergency Reserve funds, or if such use of the Emergency Reserve funds would reduce the balance of the Emergency Reserve to less than one-half of the Required Reserve Amount, then the Authority shall request contributions from the Customers to eliminate the current and any projected deficit and avoid default in the R&R Fund. The Authority shall request that each Customer pay its requested contribution within thirty (30) calendar days.

(c) *Emergency Reserve.* If the balance of the Emergency Reserve is reduced to less than one-half of the Required Reserve Amount at any time during a Fiscal Year, the Authority shall notify the Customers of the current deficit, and any projected deficit for the remainder of the Fiscal Year, and request contributions from the Customers to eliminate the current and any projected deficit. The Authority shall request that each Customer pay its requested contribution within ninety (90) calendar days.

Section 4.04: Valuation of Funds. For purposes of determining from time to time whether a fund or account contains the balance prescribed by this Resolution, all investments belonging or allocable to the fund or account shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation; provided, however, that nothing herein shall be deemed or construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

Section 4.05: Security of Funds. Any cash balance in any fund or account described in Article III of this Resolution, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured as, if and to the extent required by the Investment Policy.

Section 4.06: Investment of Funds. Moneys in any fund or account described in Article III of this Resolution may be invested or reinvested in accordance with the Investment Policy. All investments and any profits realized from or interest accruing on such investments shall belong to the fund or account from which the moneys for such investments were taken. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund or account does not have sufficient uninvested funds on hand to meet the obligations payable out of such

fund or account. After such sale, the moneys resulting therefrom shall belong to the fund or account from which the moneys for such investments were initially taken.

ARTICLE V

SUFFICIENCY OF RATES; CUSTOMER REFUNDS

Section 5.01: Sufficiency of Rates. It is the policy of the Authority that Rates shall be adopted, maintained, adjusted, billed and collected in such a manner as will be at least sufficient to generate Net Revenues that will maintain the Operating Reserve at the Required Reserve Amount, allow for the transfer to the R&R Fund of an amount at least equal to the Required Annual Contribution Amount, and maintain the balance in the Emergency Reserve at the Required Reserve Amount.

Section 5.02: Customer Refunds.

(a) *Determination of Excess Funds*. After the Authority has received the results of its annual independent audit report of the accounting records for the Woodlands Division (which may be part of a Comprehensive Annual Financial Report) for a Fiscal Year, the Authority shall determine if excess funds were held by the Authority as of the end of such prior Fiscal Year. For purposes of the foregoing, "excess funds" shall mean:

(1) Any amount of Operating Charges on deposit in the General Fund as of the end of such prior Fiscal Year that exceeds the Required Reserve Amount to be maintained for the current Fiscal Year, after deduction for any deficit in the balance of the Emergency Reserve for such prior Fiscal Year and any deficit in transfers to the R&R Fund for such prior Fiscal Year;

(2) Any amounts transferred to the R&R Fund during such prior Fiscal Year in excess of the Required Annual Contribution Amount for such prior Fiscal Year; and

(3) Any amount on deposit in the Emergency Reserve as of the end of such prior Fiscal Year that exceeds the Required Reserve Amount to be maintained for the current Fiscal Year.

(b) *Refunds*. Any excess funds held by the Authority as of the end of a Fiscal Year shall be distributed to the Customers and/or transferred to the R&R Fund, as determined by the WJPA Trustees and upon approval by simple majority vote of the WJPA Trustees, as soon as reasonably practicable after the sixth month following the end of such Fiscal Year; provided, however, that no distribution of excess funds shall be made if the actual Operating Charges received by the Authority during such six-month period of the current Fiscal Year are less than ninety percent (90%) of the budgeted revenues from Operating Charges for such six-month period. The distribution of excess funds to each Customer will be based on a ratio of the total amount of Operating Charges billed by the Authority to such Customer to the total amount of Operating Charges billed by the Authority to all Customers during such prior Fiscal Year.

(c) *Authorization.* The persons holding the following titles or positions within the Authority shall be authorized to make distribute excess funds to Customers and/or make transfers to the R&R Fund in accordance with subsection (b), above: General Manager, Deputy General Manager, Director of Finance and Administration, and Controller, and the designees of such persons. Approval by the Board of Directors of the Authority shall not be required, but all such distributions shall be subject to the approval and oversight of the General Manager.

ARTICLE VI

MISCELLANEOUS

Section 6.01: Implementation. The General Manager, Deputy General Manager or other staff of the Authority are hereby authorized and directed to implement this Resolution and the policies adopted hereunder.

Section 6.02: Conflicts. In the event that the provisions of this Resolution authorizing the expenditure of Authority funds shall be in conflict with any other orders, resolutions, policies or procedures relating to the expenditure of Authority funds which have been or may be adopted or approved by the Board of Directors of the Authority, the provisions of this Resolution shall prevail and control. In the event that any provision of this Resolution is in conflict with any Customer Contract provisions and/or any covenants in any resolution or order of the Authority (a "Bond Resolution") authorizing the issuance of bonds payable from Capacity Charges, such Customer Contract provisions and/or Bond Resolution covenants shall prevail and control.

Section 6.03: Applicability of Resolution to Other Funds. To facilitate the purchase, sale and transfer of capacity in Water Supply System and the Waste Disposal System by and among the Customers and the Authority, the Authority has previously created the Woodlands Division Future Facilities Fund. Pursuant to prior Bond Resolutions, the Authority has also previously created The Woodlands Division Water Supply System Construction Fund, The Woodlands Division Water Supply System Debt Service Fund, The Woodlands Division Waste Disposal System Construction Fund, and The Woodlands Division Waste Disposal System Debt Service Fund. Except as may be expressly provided hereinabove, this Resolution shall not be construed to apply to any of said funds or to any funds other than those referred to in Article III hereof.

Section 6.04: Future Amendments. As determined necessary by the Authority, the Authority reserves the right to amend this Resolution and the policies set forth herein, subject to any provisions of the Customer Contracts. The Authority specifically reserves the right to open, close, transfer or consolidate the funds described in this Resolution by subsequent resolution, order, agreement, or other action authorized by its Board of Directors, subject to any provisions of the Customer Contracts.

PASSED AND APPROVED on August 28, 2014.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

340587.8

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

I, the undersigned General Manager of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That I am the duly qualified and acting General Manager of the Authority, and that as such, I have custody of the minutes and records of the Authority.

2. That the Board of Directors of the Authority convened in regular session on August 28, 2014, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Fred Koetting	Director
Mike Bleier	Director
John D. Eckstrum	Director

and all of said persons were present, except Director(s) Montgomery and Stunja, thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

RESOLUTION CREATING OPERATING RESERVE, REPAIR AND REPLACEMENT FUND AND EMERGENCY RESERVE FOR THE WOODLANDS DIVISION; ESTABLISHING RELATED POLICIES AND PROCEDURES; AND ESTABLISHING POLICIES RELATED TO THE SUFFICIENCY OF FEES, RATES AND CHARGES

was duly introduced for the consideration of the Board of Directors. It was then duly moved and seconded that such Resolution be adopted and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: All members present voted "Aye".
NOES: None.

3. That a true and correct copy of such Resolution adopted at such meeting is attached to and follows this certificate; that such Resolution has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and foregoing Paragraph 2. were the duly chosen, qualified and acting officers and members of the

Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the canvassing of the officers and members of the Board of Directors present at and absent from such meeting and of the votes of each on such motion, as set forth in the above and foregoing Paragraph 2., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 28th day of August, 2014.

Jace A. Houston

(SEAL)

347067.1

Exhibit D

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(RAW WATER CUSTOMERS)

ADOPTED: August 28, 2014

EFFECTIVE: January 1, 2015

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SAN JACINTO RIVER AUTHORITY

RATE ORDER

(RAW WATER CUSTOMERS)

THE STATE OF TEXAS	§
	§
COUNTIES OF HARRIS AND MONTGOMERY	§

RECITALS

WHEREAS, the San Jacinto River Authority (the "Authority"), is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Act"); and

WHEREAS, the Authority is the holder of permits and other rights for the storage, diversion and withdrawal of water from Lake Conroe, the San Jacinto River, Lake Houston, and the Trinity River ("Raw Water"); and

WHEREAS, the Authority has entered into certain contracts with customers (the "Raw Water Contracts") for the sale of Raw Water to such customers ("Raw Water Customers"); and

WHEREAS, the Raw Water Contracts generally provide that the Authority may establish and adjust the rates for the sale of Raw Water from time to time, and may also provide that the Authority may establish and adjust fees for the reservation of Raw Water for future purchase; and

WHEREAS, the Authority has entered into certain contracts (the "Customer Contracts") for the financing, construction and operation of the Woodlands Water Supply System (as defined in the Customer Contracts) to serve the conservation and reclamation district customers of the Woodlands Division of the Authority; and

WHEREAS, each of the Customer Contracts has been amended and supplemented by a written addendum, dated as of November 10, 2009 (the "Addenda"), in order to address compliance with groundwater reduction requirements imposed by the Lone Star Groundwater Conservation District (the "Conservation District") and that are applicable to the Authority and the Woodlands Water Supply System; and

WHEREAS, the Authority has entered into contracts (the "GRP Contracts") with certain Large Volume Groundwater Users (as defined in the rules of the Conservation District) in order to address compliance with groundwater reduction requirements imposed by the Conservation District that are also applicable to the water supply systems of such Large Volume Groundwater Users; and

WHEREAS, the Groundwater Reduction Plan Division of the Authority ("GRP Division") has heretofore been created to manage the Authority's operations and responsibilities under the Addenda and the GRP Contracts; and

WHEREAS, the Addenda and the GRP Contracts provide for reservation and sale of Raw Water to the GRP Division for subsequent treatment, distribution, and use as a source of potable water supply in accordance with the Groundwater Reduction Plan administered by the GRP Division; and

WHEREAS, the Addenda and the GRP Contracts provide that the Authority may adjust the reservation fee and/or the rate for the sale of Raw Water to the GRP Division from time to time; and

WHEREAS, the Board of Directors of the Authority has determined to adjust its rate for the sale of Raw Water under the Raw Water Contracts and to the GRP Division pursuant to the Addenda and the GRP Contracts; and

WHEREAS, the Board of Directors of the Authority has determined to continue in effect the uniform Raw Water reservation fee chargeable to Raw Water customers and/or to the GRP Division in consideration for the Authority's undertaking to hold and reserve such Raw Water and to refrain from making long-term contracts with others for the sale and use of such Raw Water; and

WHEREAS, the Board of Directors of the Authority has determined to make certain provisions for the short-term reservation and/or sale of Raw Water, at fees and rates to be determined by the General Manager of the Authority, or a designee of the General Manager, within specified parameters, and to also make provisions for the assessment and collection of application fees for certain raw water sales contract requests;

NOW THEREFORE, be it ordered by the Board of Directors of the San Jacinto River Authority that:

ARTICLE I

FINDINGS; EFFECTIVE DATE; APPLICABILITY

Section 1.01: Findings. Each of the recitals stated in this Rate Order are hereby adopted as findings of fact of the Board of Directors. All statutory and contractual requirements and conditions have been met for the establishment of fees, rates, and charges under this Rate Order.

Section 1.02: Effective Date; Prior Resolutions or Orders. This Rate Order shall be effective as of January 1, 2015. That certain prior Rate Order pertaining to the sale and/or reservation of Raw Water, as passed and approved by the Board of Directors of the Authority on July 25, 2013 and effective as of August 1, 2013, is repealed and superseded hereby in all respects as of January 1, 2015.

Section 1.03: Applicability. This Rate Order shall be applicable to all reservations and sales of Raw Water under any Raw Water Contract, and to the reservation and sale of Raw Water to the GRP Division.

ARTICLE II

DEFINITIONS; INTERPRETATIONS; REFERENCES

Section 2.01: Definitions. In addition to terms defined elsewhere in this Rate Order, and unless the context requires otherwise, the following terms used in this Rate Order shall have the following meanings and, to the extent applicable, shall serve to supplement terms defined elsewhere in this Rate Order:

(a) "Act" is defined in the recitals hereto and means and includes any amendments to the Act.

(b) "Addenda" is defined in the recitals hereto and means and includes any amendments or supplements to the Addenda.

(c) "Authority" is defined in the recitals hereto and means and includes the legal successors or assigns of the Authority.

(d) "Customer Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the Customer Contracts.

(e) "GRP Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the GRP Contracts, and any substantially similar contract or contracts hereafter entered into by the Authority with a Large Volume Groundwater User or Large Volume Groundwater Users relative to achieving compliance with the Conservation District's groundwater reduction requirements.

(f) "Raw Water" is defined in the recitals hereto and shall mean and include all untreated surface water in Lake Conroe, the San Jacinto River, Lake Houston, and the Trinity River, to which the Authority has rights, powers, and authority under or evidenced by Certificate of Adjudication Nos. 10-4963, 10-4964, and 08-4279, and Water Permit Nos. 5271, 5807, 5808 and 5809, as amended, issued by the Texas Commission on Environmental Quality or its predecessors, all untreated groundwater to which the Authority has rights, powers and authority and all future raw water rights; provided, however, that such term does not include any part of the City of Houston's two-thirds interest in untreated surface water in Lake Conroe under or evidenced by Certificate of Adjudication Nos. 10-4963.

(g) "Raw Water Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the Raw Contracts, and any substantially similar contract or contracts hereafter entered into by the Authority customer relative to the sale of Raw Water.

(h) "Raw Water Rate" shall mean the rate set forth in Section 3.01(a) hereof applicable to the sale of Raw Water to customers pursuant to the Raw Water Contracts, or to the GRP Division pursuant to the Addenda and the GRP Contracts.

(i) "Reservation Fee" shall mean the fee shall mean the fee set forth in Section 3.02(a) hereof applicable to the commitment and reservation by the Authority of Raw Water for future use by a customer pursuant to a Raw Water Contract, or by the GRP Division.

(j) "Short-Term Raw Water Contract" shall mean any Raw Water Contract with a term of less than one year.

Section 2.02: Interpretations. The article, section, and subsection headings of this Rate Order are included herein for convenience of reference purposes only and shall not constitute a part of this Rate Order or affect its interpretation in any respect. Except where the context otherwise requires, words imparting the singular number shall include the plural and vice versa. References to an entity refer to the legal successors of such entity, and to the board of directors, officers, or other officials of such entity where appropriate.

Section 2.03: References. Any reference in this Rate Order to a document shall mean such document and all exhibits thereto as amended or supplemented from time to time.

ARTICLE III

RAW WATER RATE; RESERVATION FEE

Section 3.01: Prevailing Raw Water Rate. (a) Unless otherwise agreed in writing, the prevailing Raw Water Rate shall equal $120.57 per acre-foot ($0.3700 per 1,000 gallons) as of and after January 1, 2015.

(b) The various provisions of the Raw Water Contracts, the Addenda, and the GRP Contracts shall govern all matters other than the prevailing rate for the sale of Raw Water, including but not limited to quality, quantity, diversion rates, diversion points, operations, repairs, maintenance, re-sales or exchanges, metering, billing, payment, credits against the Raw Water Rate, collections, late fees, penalties and interest, shortages or water and force majeure, in respect of the sale of Raw Water thereunder.

(c) Unless otherwise agreed in writing, the provisions of this Section, including but not limited to the prevailing Raw Water Rate set forth in subsection (a), shall not apply to Short-Term Raw Water Contracts, which contracts are the subject of Article IV hereof.

Section 3.02: Prevailing Reservation Fee. (a) Unless otherwise agreed in writing, the prevailing Reservation Fee shall equal twenty-five percent (25%) of the Raw Water Rate.

(b) The Reservation Fee shall be chargeable to each Raw Water customer of the Authority, and to the GRP Division, for the reservation and commitment by the Authority of Raw Water for future use. The Reservation Fee shall not be applicable to Raw Water purchased at the Raw Water Rate by a customer pursuant to a Raw Water Contract (i.e., all Raw Water under a "take or pay" contract, or any Raw Water actually used under a "requirements" contract), or by the GRP Division, but shall only apply to Raw Water reserved or committed, but not actually used by such customer or by the GRP Division.

(c) Unless otherwise agreed in writing, the Reservation Fee shall be payable monthly. The various provisions of the Raw Water Contracts, the Addenda, and the GRP Contracts shall govern all matters other than the prevailing fee for the reservation of Raw Water for future purchase,

including but not limited to quantity, metering, billing, payment, credits against the Reservation Fee, collections, late fees, penalties and interest, in respect of the reservation of Raw Water thereunder.

(d) Unless otherwise agreed in writing, the provisions of this Section, including but not limited to the prevailing Reservation Fee set forth in subsection (a), shall not apply to Short-Term Raw Water Contracts, which contracts are the subject of Article IV hereof.

ARTICLE IV

SHORT-TERM RAW WATER CONTRACTS; APPLICATION FEES

Section 4.01: Short-Term Raw Water Contract Rates and Reservation Fees. The Board of Directors finds and declares that the adoption of a uniform fee for the reservation of Raw Water for future purchase, and the adoption of a uniform rate for the sale of Raw Water, are not practicable with respect to Short-Term Raw Water Contracts, as the transitory nature of customer demand for short-term Raw Water supply does not generally afford the Board of Directors a reasonable opportunity to study, develop, consider and adopt applicable fees, rates, and customer classes. Therefore, the General Manager of the Authority, or a designee of the General Manager, shall be authorized to approve fees for the reservation of Raw Water for future purchase, and rates for the sale of Raw Water, under Short-Term Raw Water Contracts from time to time, and on a case by case basis, as deemed appropriate; provided, however, that such a reservation fee shall not be in excess of four times the fee specified under Section 3.02(a) hereof, and such Raw Water rate shall not be in excess of four times the rate specified under Section 3.01(a) hereof.

Section 4.02: Application Fees. The General Manager of the Authority shall be authorized to adopt a reasonable and uniform fee or schedule of fees for the processing of an application (or other form of request) for a Raw Water Contract for the sale, based on reasonable expectations, of less than ten (10) acre-feet of Raw Water in total during the term of such contract. The General Manager of the Authority, or a designee of the General Manager, may publish, impose and collect such application fees from time to time. Such fee or schedule of fees shall not exceed $500 in total, as applied to any single application.

ARTICLE V

MISCELLANEOUS

Section 5.01: Raw Water Contracts; Addenda; GRP Contracts. In the event that any provision of this Rate Order is in conflict with any provision of the Raw Water Contracts, the Addenda, or the GRP Contracts, then the terms and provisions of this Rate Order shall control only with respect to the prevailing Raw Water Rate, Reservation Fee or short-term Raw Water Rate, and the Raw Water Contracts, the Addenda, or GRP Contracts shall control with respect to any other matter.

Section 5.02: Future Amendments. As determined necessary by the Authority, the Authority reserves the right to amend from time to time: (1) the rates, charges and fees contained in this Rate Order; and (2) any other terms and provisions of this Rate Order.

PASSED AND APPROVED on August 28, 2014.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

CERTIFICATE

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

I, the undersigned General Manager of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That I am the duly qualified and acting General Manager of the Authority, and that as such, I have custody of the minutes and records of the Authority.

2. That the Board of Directors of the Authority convened in Regular Session on August 28, 2014, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary Marisa Rummell	Secretary
Joseph L. Stunja	Treasurer
Fred Koetting	Director
John Eckstrum	Director
Michael Bleier	Director

and all of said persons were present, except Director(s) Montgomery and Stunja, thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

RATE ORDER
(RAW WATER CUSTOMERS)

was duly introduced for the consideration of the Board of Directors. It was then duly moved and seconded that such Order be adopted and, after due discussion, such motion, carrying with it the adoption of such Order, prevailed and carried by the following vote:

AYES: 45
NOES: Ø

3. That a true and correct copy of such Order adopted at such meeting is attached to and follows this certificate; that such Order has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and foregoing Paragraph 2. were the duly chosen, qualified and acting officers and members of the Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Order would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the canvassing of the officers and members of the Board of Directors present at and absent from such meeting and of the votes of each on such

motion, as set forth in the above and foregoing Paragraph 2., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 28th day of August, 2014.

General Manager

(SEAL)

Exhibit E

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

WHEREAS, the San Jacinto River Authority (the "Authority") is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended (compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (such series of acts being hereinafter collectively referred to as the "Act"); and

WHEREAS, the Authority is authorized by the Act and the general laws of the State of Texas, among other matters, to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend, inside and outside its boundaries, any and all works, improvements, facilities, plants, equipment, contract rights, water rights and interests in property necessary to provide a system for conserving, storing, diverting, appropriating, using, transporting, distributing and delivering untreated surface water to users and customers of such system; and

WHEREAS, the Authority owns and operates a water system (the "System"), which includes all works, facilities, improvements, interests in property, plants, equipment, contract rights, water rights, permits and other assets and properties of the Authority needed for and used in connection with the conservation, storage, diversion, appropriation, use, transportation, distribution or delivery of untreated surface water under or pursuant to the rights, powers, and authority granted under or evidenced by Certificate of Adjudication Nos. 10-4963, 10 4964, and 08-4279, and Water Permit Nos. 5271, 5807, 5808 and 5809, as amended, issued by the Texas Commission on Environmental Quality, or its predecessor, as same may be now or hereafter amended; the Authority's undivided interest in and to the Lake Conroe Dam and Reservoir, located on the West Fork of the San Jacinto River near the City of Conroe, Texas; the Authority's Highlands Reservoir, located in southeast Harris County near the unincorporated community of Highlands, Texas; the Authority's Canal System, extending from Lake Houston to and beyond Highlands Reservoir in southeast Harris County; and all related pump stations, pipelines, canals, siphons and storage, control, diversion, measurement, distribution and delivery facilities and all improvements, extensions, enlargements, replacements, additions or betterments thereto now existing or hereafter purchased, constructed or acquired by the Authority; provided, that the aforesaid system does not include all or any part of any other systems, special projects, assets, funds, revenues, properties, facilities, operations, enterprises or separate operating divisions now or hereafter established, designated, owned, operated or controlled by the Authority, including, without limitation, the Authority's Woodlands Division and/or the Authority's Groundwater Reduction Plan Division; and

WHEREAS, the Authority is authorized by the Act and the general laws of the State of Texas to issue its negotiable revenue bonds for the purpose of financing the purchase, acquisition and provision of improvements, betterments and additions to the System; and

WHEREAS, it is proposed that the Authority issue such bonds in one or more series for the purpose of providing financing for the capital improvements to the System (the "Project"); and

WHEREAS, the Authority desires to file and otherwise make application to the Texas Water Development Board (collectively, the "Board") for financial assistance through the Development Fund II Loan Program (the "Program") in order to assist the Authority with the financing of certain costs for 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 approves the filing of one or more applications for financial assistance from the Program, through a contractual loan agreement, the purchase of the Authority's special project revenue bonds to be issued in one or several series, and/or such other means or requirements as may be applicable in connection with the Program, to facilitate the additional financing through the Board of up to $30,000,000 for the Project.

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 applications to the Board for such financial assistance in such 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 applications, appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such applications, certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such applications and any data, reports or materials included therein, and for all related purposes.

Section 3: The Authority's consulting engineers in connection with such applications, Texas Water Engineering PLLC, Sugar Land, Texas, and the Authority's professional financial advisors in connection with such applications, 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 applications such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such applications.

Section 4: The Authority hereby covenants, represents, warrants and agrees that if such applications for financial assistance are 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 applications and all laws, rules, regulations and related requirements pertaining to such applications 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 applications. 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 applications 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 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 an affidavit, or affidavits, stating that the facts contained in such applications 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 applications, all federal, state and local laws pertaining to the Project and such applications, 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 applications.

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 28th day of August, 2014.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

347065.2

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

I, the undersigned Secretary of the Board of Directors of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That the Board of Directors of the Authority convened in regular session on August 28, 2014, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

Lloyd B. Tisdale	President
R. Gary Montgomery	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Fred Koetting	Director
Mike Bleier	Director
John D. Eckstrum	Director

and all of said persons were present, except Director(s) Montgomery and Stunja, thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

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

was duly introduced for the consideration of the Board of Directors. It was then duly moved and seconded that such Resolution be adopted and, after due discussion, such motion, carrying with it the adoption of such Resolution, prevailed and carried by the following vote:

AYES: All members present voted "Aye".
NOES: None.

2. That a true and correct copy of such Resolution adopted at such meeting is attached to and follows this certificate; that such Resolution has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and foregoing Paragraph 1. were the duly chosen, qualified and acting officers and members of the Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the canvassing of the officers and

members of the Board of Directors present at and absent from such meeting and of the votes of each on such motion, as set forth in the above and foregoing Paragraph 1., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 28th day of August, 2014.

Secretary

(SEAL)

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