

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 1, 2010

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 207 W Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on January 12, 2010.

Vice President Love called the meeting to order at 9:08 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present, with the exception of Director Tramm, Director Weisinger, and Director Eichelberger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian Sledge, General Counsel; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

After a proper and legally sufficient announcement to the public by Vice President Love, the Board of Directors went into a Closed Executive Session at 9:10 a.m. as authorized by the Open Meetings Act, Section 551.071, Government Code, to consult with the District's attorney regarding pending or contemplated litigation, settlement offers, or on matters in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated.

Director Weisinger arrives at 9:30 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 10:09 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 10:10 a.m.

Vice President Love declared a 10 minute recess before beginning the Hearing on Operating Permits.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF FEBRUARY, 2010.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 12, 2010

MINUTES OF PUBLIC HEARING ON PERMIT APPLICATIONS

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on January 12, 2010.

Vice President Love called to order the Public Hearing on Permit Applications at 10:15 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present, with the exception of Director Tramm and Director Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian L. Sledge, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Kathy Turner Jones, General Manager, stated the Board should disregard permit applications #3 and #5, as they required additional information.

3. Montgomery County MUD #119, for a proposed amendment to OP, increase of 10 mg annually, Birnham Woods, Spring, Public Supply (PWS) use;
5. Crystal Springs Water (Timberland Estates), for a proposed amendment to OP, increase of 2.231691 mg annually, 310 Lake Meadows Dr, Montgomery, Public Supply (PWS) use.

Item #1, **Pavers Supply (1572 FM 1485)** – This is an application for a New Operating Permit, requesting allocation only. This application is associated with an existing Historic Use Permit. Based on Technical Review of information supplied by application, it is the General Manager's recommendation to approve authorization, but that 2009 amount be limited to the total usage registered by meter as of December 31, 2009, and that the allocation requested for this permit for 2010 be approved as submitted. A motion was made by Director Baker, seconded by Director Eichelberger to approve the recommendations of the General Manager. Motion passed. (NOTE: The General Manager wanted the Board to know that Pavers Supply has changed their name to Smith and Company.)

Item #2, **David Carter** – Applicant has requested 200,000 gallons for 2009 and annually thereafter. This is an existing well, operating since 1979 for the Chantilly Event facility that staff found in non-compliance. Based on technical review of information supplied by application, it is the General Manager's recommendation to authorize, for 2009, the total usage registered by meter as of December 31, 2009, and that the allocation requested for this permit for 2010 be approved as submitted. A motion was made by Director Wesley, seconded by Director Baker to approve the permit application in accordance with the recommendation of the General Manager. Motion passed.

Item #3, **Montgomery County MUD #119** – NO ACTION

Item #4, **Joe Worthy** – Applicant has requested 100,000 gallons for 2009 and annually thereafter. This is an existing well, operating with the current owner since 1990 for a workshop that staff found in non-compliance. Based on technical review of information supplied by application, it is the General Manager's recommendation to authorize for 2009 the total usage registered by meter as of December 31, 2009 and authorizes a reduced amount of 10,000 gallons annually thereafter. A motion was made by Director Stinson, seconded by Director Wesley to approve the permit application in accordance with the recommendation of the General Manager. Motion passed.

Item #5, **Crystal Springs Water (Timberland Estates)** – NO ACTION

Ms. Jones reported that the below four (4) applications are all amendments to existing permits. Based on technical review, it is the General Manager's recommendation to approve authorization, but that the 2009 authorization be limited to the total usage registered by meter as of December 31, 2009. The General Manager further recommends that the increase requested for each of these permit amendments for 2010 be approved as submitted. Following the permit recommendations, a motion was made by Director Wesley and seconded by Director Stinson, to approve permit amendments #6, #8, #9 and #14, in accordance with the recommendations of the General Manager.

6. Aqua Pure (Beau Vie), for a proposed amendment to OP, increase of 1 mg annually, Northwest Corner of Overstreet & Longstreet, Willis, Public Supply (PWS) use;
8. C & R Water Supply Inc (Emerson Estates), for a proposed amendment to OP, increase of 1.6 mg annually, Carmen Rd, Conroe, Public Supply (PWS) use;
9. C & R Supply Inc (Clear Water Cove), for a proposed amendment to OP, increase of 2 mg annually, 1097 Clear Water West, Montgomery, Public Supply (PWS) use; and
14. Bailey Properties, LLC, for a proposed amendment to OP, increase of 4 mg annually, 1900 Westview Blvd., Conroe, Lake Replenishment.

Ms. Jones reported that the three (3) applications below are amendments to existing permits. Based on technical review, it is the General Manager's recommendation to approve authorization, but that the 2009 amount be limited to the total usage registered by meter as of December 31, 2009. The General Manager further recommends that the increase requested for each of these permit amendments for 2010 also be limited to the total usage registered by meter as of December 31, 2009. Following the permit recommendations, a motion was made by Director Baker and seconded by Director Eichelberger, to approve permit amendments #7, #10, and #11, in accordance with the recommendations of the General Manager.

7. Aqua Texas, Inc. (Lake Conroe Village), for a proposed amendment to OP, increase of 0.5 mg annually, 229 Riverside, Montgomery, Public Supply (PWS) use;
10. Montgomery County MUD #15, for a proposed amendment to OP, increase of 10 mg annually, 16995 Gleneagles Dr, Conroe, Public Supply (PWS) use; and
11. Woodland Oaks Utility Co. Inc., for a proposed amendment to OP, increase of 10 mg annually, 6710 Woodlands Oaks Dr, Magnolia, Public Supply (PWS) use.

Item #12, Crystal Springs Water (Deer Glenn) – This is an application for a New Operating Permit requesting drilling authorization only. This application is associated with an existing Historic Use Permit. Based on technical review, it is the General Manager's recommendation to approve that which is being requested. A motion was made by Director

Stinson, seconded by Director Eichelberger to approve the permit application in accordance with the recommendation of the General Manager. Motion Passed.

Item #13, **Hilltop Ranch POA** – Applicant has requested 5,300,000 gallons for 2009, and annually thereafter. These are two existing wells, operating since 2001 for irrigation of common areas and to maintain a 4 acre lake that staff found in non-compliance. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize for 2009 the total usage registered by meter as of December 31, 2009, and authorizes 4,688,000 gallons annually thereafter. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Baker to approve the permit application in accordance with the recommendation of the General Manager. Motion passed.

Continuation of a Permit Hearing originally held on November 10, 2009, to Consider Granting, Denying, or Amending Application for the following Operating Permit:

1. George Turek, for a proposed operating permit not to exceed 0.5 mg annually, 199 N Tranquil Path, The Woodlands, Irrigation Use.

Applicant has requested 500,000 gallons for 2009 and annually thereafter. This is an existing well, supplying water for lawn irrigation for a single family residence. Due to increased well casing greater than 5”, well is required to be permitted under District Rules. Based on technical review, it is the General Manager’s recommendation to authorize, for 2009; the total usage registered by meter, as of December 31, 2009, and authorizes the amount requested for 2010 and annually thereafter. It has been brought to the District’s attention that the homeowner does not own the mineral rights, including the water rights under the property. Director Stinson is hoping that something amicable can be worked out between the applicant and the owner of the water, The Woodlands Development Company, although, to date, there has been no correspondence. It is the General Manager’s recommendation to approve the permit as presented. A motion was made by Director Wood, seconded by Director Baker, with Director Stinson voting nay, to approve the permit application in accordance with the recommendation of the General Manager.

Vice President Love adjourned the Public Hearing on Permit Applications at 10:28 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF FEBRUARY, 2010.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 12, 2010

MINUTES OF SHOW CAUSE HEARING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on January 12, 2010.

The audio recording will serve as the official record for the Show Cause Hearing. The summary below is provided for convenience

Vice President Love called to order the Show Cause Hearing at 10:30 a.m.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present, with the exception of Director Tramm and Director Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian Sledge, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Vice President Love stated this was a Show Cause Hearing directing Mary Lou Kirves (“Respondent”), pursuant to District Rule 2.5, to appear before the Lone Star Groundwater Conservation District Board of Directors and show cause why the District should not issue a cease and desist order, file a civil suit against Respondent in State District Court seeking enforcement of District rules and the collection of all due and owing water use fees, late payment penalties, other civil penalties and attorneys fees and court costs incurred by the District and take all other enforcement action that is necessary and appropriate under the laws of the State of Texas.

Vice President Love then turned the meeting over to Brian Sledge, General Counsel. Mr. Sledge asked if there was anyone in attendance from Mary Lou Kirves (Texas Real Estate Group) and, Mr. Pete Stone, husband of Respondent, stated he was representing Texas Real Estate Group. General Counsel asked the General Manager to give a briefing on the case to the Board regarding Texas Real Estate Group.

For the record, Ms. Jones would like to note that notice was sent under Rule 2.5 and there were no documents received under 2.5(d). Ms. Jones stated that this well was found in non-compliance of District Rules for "Failure to Permit and Meter". In June, 2009, staff made a site visit and, at that time, discovered there was no meter, nor had the well ever been permitted. This property has a commercial business on it, known as Texas Real Estate Group. Numerous letters have been sent requesting cooperation to bring into compliance. Staff has made numerous phone calls to Mr. Stone regarding how the District could be of assistance in helping with the permit application process. In August 2009, District spoke with Mr. Stone and he stated he was having the well plugged, so there would be no need for permit continuation. In October 2009, District made a site visit to re-inspect and make sure the well had been plugged – it had not been plugged. After that point, staff sent a final Notice of Violation (NOV), stating another deadline for compliance or there would be further action taken by the Board. There was no response to the NOV deadline of October 31, 2009. Prior to the December Board Meeting, Ms. Jones stated she asked Counsel to give a courtesy phone call to the property owner, so they would be aware of what the ramifications could be, should this matter continue. Legal counsel contacted Mr. Stone and requested that he attend the December Board meeting to try to resolve the issue. Mr. Stone failed to appear and it was the Board's recommendation to issue a Show Cause Order, which was mailed to Mr. Stone on December 18, 2009. The District has the green card showing that the letter was received by Mr. Stone. To bring the property into compliance, the District will need a completed application, a meter installed and the outstanding dollar amount of \$449.35 to be paid.

Mr. Sledge, General Counsel, stated that there was a copy in the Board Packet of the Show Cause Order sent to Mary Lou Kirves, (Texas Real Estate Group), that identified all of the noncompliance issues that the District has with Texas Real Estate Group, for the basis of the Show Cause Hearing. Mr. Sledge further stated that this was an opportunity for Texas Real Estate Group to come forward and explain the situation to the Board, including any extenuating circumstances, and show cause why it should not proceed with enforcement. General Counsel stated he requested Mr. Stone attend the December Board Meeting and state his case, but Mr. Stone chose not to attend, thus constituting the issuance of a Show Cause Order being sent December 18, 2009.

Mr. Pete Stone wanted the District to explain to him why he had to have an Operating Permit and a meter on his well, since he only had a bathroom with one toilet. Mr. Stone feels the District is over-stepping its authority.

General Counsel stated that under District Rules, the well has to be brought into compliance. The Board has the authority to offer Mr. Stone numerous options. Among them, the first would be to direct Counsel to file a law suit and turn the matter over to local counsel to file a law suit for penalties and equitable relief. The second would be to authorize the General Manager to settle this matter for the amount that has been put before Mr. Stone and give him an additional amount of time to settle and get into compliance, and then if he misses the new deadline, file a law suit. The third option would be to authorize the General Manager to settle for

some lesser amount, if Mr. Stone is willing to do that. But, not doing anything is NOT an option. Mr. Stone has to get into compliance with the District Rules.

Director Stinson suggested Mr. Stone cap the well, but if he chooses not to, try to enter into negotiations with the General Manager to settle the matter with some less dollar amount and in the event that this can be negotiated, find a company that could install a meter. The General Manager could set him up with someone to install a meter and Mr. Stone could pay that person.

Mr. Sledge reiterated to Mr. Stone that the well has to be permitted, per District Rules, and to get into compliance the District will need Mr. Stone to fill out a permit registration, comply with the metering rules, and pay the fees due the District.

A motion was made by Director Wesley, seconded by Director Baker, for Texas Real Estate Group on or before February 1, 2010, to either plug the well or bring the well into compliance with District Rules, and authorize the General Manager and legal counsel to negotiate a settlement that waives all of the penalties for the violations stated, or otherwise authorize the General Manager and legal counsel after February 1, 2010, to initiate a law suit on behalf of the District to resolve the matter. Mr. Stone stated he chooses to settle the matter in District Court, an mentioned he may call a TV reporter.

The Show Cause Hearing was adjourned at 10:45 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF FEBRUARY, 2010.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 12, 2010

MINUTES OF REGULAR MEETING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on January 12, 2010.

Vice President Love called to order the regular Board of Directors meeting at 10:45 a.m. announcing that it was open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present, with the exception of Director Tramm and Director Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian L. Sledge, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

APPROVAL OF THE MINUTES:

Vice President Love stated the Board would consider all three (3) meeting Minutes listed as one item. Upon review of the following, a motion was made by Director Wood, seconded by Director Eichelberger and unanimously carried, to approve the meeting minutes as presented:

- a) December 8, 2009, Special Board Meeting
- b) December 8, 2009, Public Hearing on Permit Applications
- c) December 8, 2009, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the Rules and Bylaws Committee met December 16, 2009, with the Focus Group, to begin working on rule revisions that will address surface impoundment of groundwater.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last Board Meeting. General Manager, Kathy Turner Jones, stated the District received, in December, the Employee Benefit Package and it had increased significantly from last year. Ms. Jones further stated she is working with Dave Adams, First Continental Diversified, to look into other dental benefit options. Mr. Adams believes that by moving dental from Guardian to Humana, the District will have a greater savings. Ms. Jones and Daphne Walker, District Bookkeeper, will meet later this week to finalize the details.

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood stated that the committee had not met since the last Board Meeting. Director Wood commented that the last time the committee met, it discussed “Low Hanging Fruit” as it pertains to water conservation. At this time Marjie Risk, Education/Public Awareness Coordinator, will give a report regarding her progress on this item.

Ms. Risk followed Director Wood’s comments by stating that at the last committee meeting it was decided that one-on-one conservation meetings would be scheduled with the Cities within Montgomery County and the MUDs in lieu of a large water conservation partnership meeting. Ms. Risk had attempted to schedule several such meetings prior to the holidays, but all contacts asked to schedule in 2010. Ms. Risk did conduct meetings with Conroe and MUD #9 during the first week of January and will attend the next Woodlands Joint Power Authority (WJPA) Water Conservation Committee meeting on January 26, 2010.

Ms. Risk discussed the release of the table tent program for Montgomery County which will be announced through a Press Release. Both the City of Conroe and the WJPA have expressed interest in promoting and helping implement this program.

Ms. Risk discussed the fact that planning efforts were underway for outreach events in 2010 to include participation in an Earth Day Event, Groundwater Awareness Week, EPA Fix a Leak Week, and future educational opportunities with the Boy Scouts. Ms. Risk stated she had presented information on watersheds, water quality and supply to the Boy Scout Winter Camp event held in late December at Camp Strake.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported his committee had not met since the last Board meeting, but a committee meeting is scheduled for January 27, 2010 at 3:00 p.m.

Review of Monthly Financial Reports. Director Stinson stated a review of the monthly financial reports showed that the District was \$65,000 over budget in income and \$729,000 under in expenses through the month of December, 2009.

Review 4th Quarterly Invest Report 2009. Director Stinson stated the Investment Report was included in the Board Packet and he would be glad to answer any questions.

Findings and Review Committee – Orval R. Love, Chair. Director Love reported the committee had not heard from USGS and, therefore, had not met since the last Board Meeting. Kathy Turner Jones, General Manager, stated she had received a phone call from Mike Turco, USGS, stating he had received the draft information and she will set up a meeting with Mr. Turco in the next couple of weeks. USGS is still simulating the information into a presentation form.

The General Manager reported to the Board that the District had received back five (5) proposals, out of the ten (10) firms originally selected for enhancing the District's web base database system and the GIS capabilities. Of those five, it was narrowed down to three (3), based on a matrix that our consultant put together, along with District's assistance. The matrix looked at different criteria and the evaluation of those criteria. Notices of the selections were sent out December 31, 2009, with a deadline to submit back to the District of January 21 2010. Following receipt of the final proposals, staff will schedule meetings with the three firms and members of the Findings and Review Committee. The firms will present to the committee their recommendations and hopefully a selection will be brought back to the Board for final approval.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee met on December 21, 2009, to discuss the District's direction I pursuit of alternative space for the District. Ms. Jones stated the committee is looking at numerous options; such as property purchase, lease purchase, and long term lease. Ms. Jones further stated that with today's economy being what it is, there are a lot of opportunities out there for the District. Ms. Jones added she had met with Bandier Realty and they will be serving as the District's agent to provide assistance in locating facilities. Bandier Realty would search for different properties and be able to take lease and purchase scenarios and put them all on paper for evaluation by the committee.

DISCUSS, CONSIDER, AND TAKE ACTION AS NECESSARY TO ADDRESS A PENDING CONTESTED CASE HEARING ON CERTAIN APPLICATIONS BY TEXCOM GULF DISPOSAL, LLC TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (SOAH DOCKET NOS. 582-07-2673 AND 582-07-2674; TCEQ DOCKET NOS. 2007-0204-WDW AND 2007-0362-IHW), INCLUDING PROVIDING INSTRUCTIONS TO THE GENERAL MANAGER AND LEGAL COUNSEL REGARDING STRATEGY AND DELEGATION OF AUTHORITY TO THE BOARD PRESIDENT TO MANAGE FURTHER PROSECUTION OR RESOLUTION OF THE DISTRICT'S PROTEST ON BEHALF OF THE DISTRICT:

Brian Sledge, General Counsel, acknowledged there were several individuals present who have a desire to speak on this issue. First, Mr. Sledge wanted to report to the Board on the TEXCOM activities to date. Mr. Sledge stated the District has received the results of the "fall-off test" that TEXCOM has conducted. Legal is presently evaluating the long term impacts analysis and short term implications of the test. As was discussed in Executive Session, we have discovery scheduled and it would be Counsel's recommendation to the District, as discovery amps up over the next 90 days and the District gets recommendations back from our engineer, that the District have someone of authority, preferably the Board President, to direct prosecution on resolution of the case or to move forward. Since decisions need to be made as we go, it can't wait until the next monthly Board meeting.

Mary Dyer - Ms. Dyer stated she thought the TEXCOM matter should have been stopped before it was ever started and wanted to know what the District was going to do about the situation.

General Counsel stated, in view of local reporters present, he was not going to broadcast the District's legal strategy, but assured the public that the District will continue its fight as long as the project threatens the groundwater resources in Montgomery County.

Rebecca Kaiser – Ms. Kaiser wanted to be assured the District was moving forward and not giving up the fight. Ms. Kaiser stated if the District does not move forward to protect the groundwater, it will be sending a very negative message to the citizens of Montgomery County. Ms. Kaiser also states she fears the District will back off because of the litigation costs.

Mr. Sledge stated that the District Board clearly understands the severity of the situation and will proceed with the recommendations of the experts, after reviewing results of the testing.

Director Baker assured the public it is the Board's intention to protect the groundwater and "we will fight until it is over."

Mike Ward, President of CROW – Mr. Ward is concerned about the District considering a resolution.

Jennifer Real - Ms. Real wanted to know the District's mission statement and had concerns about the District not pursuing the case. Ms. Real stated that if the District dropped the case, they would be sending a negative message to the rest of Montgomery County regarding how the District is protecting the groundwater.

Melvin Remley – Mr. Remley stated the problem is not the well, but the odor and there were no facilities included to control the odor. Mr. Remley suggested putting pressure on the City of Conroe to move the well site into the city limits so the city could require codes regarding the odor. Mr. Remley further stated there is no need for this type of facility in Montgomery County as no one in the County will use the facility.

A motion was made by Director Wesley, seconded by Director Stinson, and unanimously carried, for the Board **NOT** to delegate its authority to prosecute or resolve the case at this time, but rather retain its authority over managing the matter, and direct the General Manager and Legal Counsel to act in accordance with the legal advice received in Executive Session, and to report back to the Board on the matter at the February Board Meeting.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated he has been involved with the selection process for the IT update for the District and has been involved in laying out the strategy as to how that will be done. Mr. Lowry stated he had prepared draft correspondence and worked with staff to assist in developing the evaluation matrix so that there would be a logical process as to why selections were made and the reasoning for that selection

Mr. Lowry stated he has continued to work on permits and is concentrating on whether or not permits are reasonable in regard to the amount of water being requested.

In conclusion, Lowry added is completing a paper this month for staff review that will be presented at the April meeting of the Texas Section of American Water Works Association to be held in Corpus Christi. Mr. Lowry wanted the Board to know that this is something he is doing on his own time and coordinating with the District because it is the District's data that he is using. Mr. Lowry stated he would be talking about how the District looks at permits and how the District screens permits to determine the reasonable amount of water requested.

Director McCoy leaves at 11:40 a.m.

GENERAL COUNSEL'S REPORT:

Brian Sledge, General Counsel, stated it has been a slow month, but has a number of items on his short list. Mr. Sledge stated the District will need to get the permitting protocols in place before next month when the annual pumpage reports are due.

The Rules and Bylaws Committee need to schedule a meeting to go back and make revisions that were discussed, so the District Rules will be reflective of the District Regulatory Plan A and Phase II(B).

Another ongoing task the District has ongoing, is a drafting preliminary Desired Future Conditions (DFC) with GMA 14. Counsel stated he would be working with staff and engineers, as these will ultimately have big implications to the District. Counsel wants to make sure there are no inconsistencies with what the District has in the GRP.

The Aspermont case, is still pending before the Texas Supreme Court on petition for review.

Mr. Sledge mentioned that next week, January 20-21, 2010, the Water Development Board is holding a conference in Austin on "The Desired Future Conditions".

GENERAL MANAGER'S REPORT:

Kathy Turner Jones stated that General Counsel had covered most of her report, but would like to mention that SJRA will be holding a Group Stakeholder Meeting, January 14, 2010, at the Lone Star Convention Center.

PUBLIC COMMENT:

J. R. Martin, Top Branch POA – Mr. Martin wanted to know if the District was going to increase water usage charges in the near future. Kathy Turner Jones, General Manager, stated the current water rate is \$.06 per 1,000 gallons of water for 2010. If the District chooses to

change that amount, it would more than likely be only by a penny, in either direction but that no increases for know are anticipated.

Tom Baudat, T&W – Mr. Baudat asked if the District and Board had knowledge of the recent press release issued by the City of Conroe regarding the GRP proposed by SJRA.

Director Eichelberger, speaking for SJRA and **NOT** as a District Board Director, stated that SJRA is putting out a plan open to the public. The City of Conroe wants to pursue other options and he commends them for their efforts. Mr. Eichelberger reiterated that the more who join a GRP, the more cost effective it will be for everyone.

Director Baker leaves at 11:53 a.m.

NEW BUSINESS:

None

There being no further business, upon a motion by Director Wood, seconded by Director Eichelberger, the meeting was adjourned at 11:55 a.m. The next regular meeting of the Board of Directors is scheduled for February 9, 2010, at 10:00 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF FEBRUARY, 2010.

Sam W. Baker, Board Secretary