

MINUTES OF MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

March 5, 2001

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:00 p.m. on the 5th day of March, 2001, at the offices of the Authority, 3648 FM 1960 West, Suite 110, Houston, Texas, a regular meeting place within the boundaries of the Authority; whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Alan J. Rendl	-	President
Jim Burke	-	Vice President
Lenox A. Sigler	-	Secretary
Jim Pulliam	-	Treasurer
Dwight "Clint" Moore	-	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mr. Ed Shackelford, General Manager for the Authority; Messrs. Gene Shepherd and Duncan Lamme of Legg Mason Wood Walker, Inc. and Mr. John Howell of The GMS Group, Inc., financial advisors to the Authority; Mr. Al Morales of Morgan Stanley; Messrs. Alan Potok, P.E. and Michael Baugher, P.E. of Turner Collie & Braden, Inc., Program Manager and alternate source study engineering consultant for the Authority; Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Winstead Sechrest & Minick P.C. and Mr. Andy Johnson of Johnson Radcliffe & Petrov L.L.P., attorneys for the Authority.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

STATUS OF CITY OF HOUSTON PROPOSAL

Mr. Shackelford first briefly reviewed with the Board a term sheet between the City of Houston (the "COH") and the West Side Surface Water Steering Committee, a copy of which is attached hereto. Mr. Shackelford suggested that the term sheet be discussed at a later time since it had just been received earlier in the day.

EXECUTIVE SESSION

Director Rendl then adjourned the regular meeting at 6:13 p.m. and announced that the Board would convene in executive session pursuant to Sections 551.071(2) and 551.072, Texas Government

Code, as amended, to consult with its attorneys regarding matters covered by the attorney-client privilege and to deliberate on certain matters concerning real property.

Messrs. Shepherd, Lamme, Morales and Howell then exited the meeting.

Mr. Johnson then entered the meeting at 6:16 p.m.

#### RECONVENE IN OPEN SESSION

Director Rendl then reconvened the meeting in open session at 6:42 p.m., at which time Messrs. Shepherd, Lamme, Morales and Howell were asked to re-enter the meeting. Mr. Shackelford informed the financial advisors that the Authority was considering a proposal to purchase water rights from a private source and that in connection with the proposed purchase, the Authority would be required to issue bonds within 120 days of entering into a purchase agreement for the water rights. Mr. Shackelford then requested input from the financial advisors on a proposed bond issue, including the timing for issuing the bonds, the due diligence that would be required and any other problems or issues the Board should be made aware of. Mr. Shepherd responded that if the debt was being issued for a legal purpose of the Authority, there should be no problem issuing debt. Mr. Shepherd then suggested that the Board consider short call bonds in lieu of permanent financing with this type of asset purchase transaction. A discussion then ensued regarding the exit strategies available to the Authority in connection with the water rights purchase. Mr. Johnson noted that other prospective purchasers of the water rights already have existing markets and the necessary permits to sell the water rights and would be interested in purchasing the water rights from the Authority, if necessary.

A discussion then ensued regarding the usage and availability of the water rights and whether an option contract with another entity to acquire the water rights from the Authority would be advisable. Mr. Shepherd responded that an option contract would likely be helpful in marketing the bonds. Ms. Bobbitt and Mr. Johnson stated that they would research the ability to obtain a secured interest in the water rights in connection with the proposed transaction. Mr. Shepherd also suggested that the Board may want to obtain a valuation analysis on the water rights.

Messrs. Shepherd, Lamme, Morales and Howell then exited the meeting at 7:15 p.m. and Director Rendl announced a ten (10) minute recess.

#### EXECUTIVE SESSION

At 7:28 p.m., Director Rendl announced that the Board would convene again in executive session pursuant to Sections 551.071(2) and 551.072, Texas Government Code, as amended, to consult with its attorneys regarding matters covered by the attorney-client privilege and to deliberate on certain matters concerning real property.

RECONVENE IN OPEN SESSION

Director Rendl then reconvened the meeting in open session at 8:27 p.m., at which time no action was taken by the Board.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 22nd day of March, 2001.

/s/Lenox A. Sigler

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Secretary, Board of Directors

(SEAL)