

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

May 19, 2003

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 7:00 p.m. on the 19th day of May, 2003, at the Authority's office at 3648 FM 1960 West, Houston, Texas, a public 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:

Ron Graham	President
Lenox A. Sigler	Vice President
Kelly P. Fessler	Secretary
Jim Pulliam	Treasurer/Investment Officer
Alan J. Rendl	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mrs. Kelly Fessler; Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Lisa Randecker, Executive Assistant for the Authority; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Mr. Tom Rolen, P.E. of AECOM Enterprises, Inc., Engineer Manager for the Authority; Mr. John Howell of The GMS Group, L.L.C., co-financial advisors for the Authority; Messrs. Gene Shepherd and Duncan Lamme of Legg Mason Wood Walker, Inc. ("Legg Mason"), co-financial advisors for the Authority; Mr. Fred Facker, editor for The 1960 Sun; Mr. Terry Thornton of Goldman Sachs & Co., underwriters for the Authority; Mr. Art Morales of Banc of America Securities LLC, underwriters for the Authority; Mr. Craig Brast of UBS PaineWebber, Inc., underwriters for the Authority; Messrs. Mike Bartolotta and Trey Cash of First Southwest Company, underwriters for the Authority; Messrs. Robert Collie and Marcus Deitz of Andrews & Kurth L.L.P., co-bond counsel for the Authority; and Mr. Andrew P. Johnson, III, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys and co-bond counsel for the Authority. Numerous members of the public were also present at the meeting. A copy of the sign-in sheets for those in attendance is attached hereto.

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.

MESSAGE FROM THE PRESIDENT AND BOARD MEMBER COMMENTS

Director Graham announced that it was Mr. Schindewolf's birthday.

PUBLIC COMMENTS

No public comments were given.

PRESENTATION OF SUMMARY FOR FINANCIAL PLAN FOR PAYMENT OF THE AUTHORITY'S PAYMENT TO THE CITY OF HOUSTON (THE "COH")

Mr. Schindewolf first reported that since the Authority's May 5th meeting, he, the Engineer Management Team, Co-Bond Counsel and the Finance Team had been working extremely hard on the financial plan for the payment of the Authority's July 1st payment to the COH and for the construction of a portion of the 2010 Water Distribution and Transmission System.

Mr. Lamme then addressed the Board and explained that the Board meeting packet for tonight's meeting included the following documents for Board action: 1) Resolution Amending Resolution Making Official Findings Concerning Issuance of Debt and Establishing Procedures for Utility Districts to Make Capital Contributions; 2) proposed Capital Contribution Contract; and 3) Resolution of Intent to Make Capital Contribution in Lieu of Participating in Bonds Issued by the Authority. Copies of such documents are attached hereto.

Concerning the Authority's payment to the COH, Mr. Lamme explained that he, Mr. Shepherd and Mr. Howell were working on establishing a line of credit to enable the Authority to draw funds as needed when the Authority's payment to the COH is due on July 1st. Mr. Lamme further explained that the line of credit would give the Authority flexibility to either issue bond anticipation notes or to draw down on the line of credit, whichever makes the most economic sense for the Authority.

Mr. Lamme then announced that he and Mr. Shepherd would be leaving Legg Mason within the next 30 days and assured the Board that they would continue to work diligently with the Finance Team on the Authority's behalf.

ADOPT RESOLUTION AMENDING RESOLUTION MAKING OFFICIAL FINDINGS CONCERNING ISSUANCE OF DEBT AND ESTABLISHING PROCEDURES FOR UTILITY DISTRICT TO MAKE CAPITAL CONTRIBUTIONS (THE "AMENDING RESOLUTION")

Mr. Johnson explained that at the March 3, 2003 meeting, the Board adopted a Resolution Making Official Findings Concerning Issuance of Debt and Establishing Procedures for Utility Districts to Make Capital Contributions, which included the Authority's Notice of Intent to Issue Bonds that afforded the utility districts with 270 days' advance notice of the Authority's intent to issue bonds. Mr. Johnson went on to explain that based on the advice of the Finance Team, the Board has determined that it is in the best interest of the Authority to issue bonds earlier than initially proposed and, therefore, it is necessary to amend the Resolution and the related Capital Contribution Contract. Mr. Johnson added that the bond market is very favorable now and that the Finance Team wants to take advantage of the low interest rates, rather than wait until October, 2003 to issue bonds. Mr. Johnson then reviewed the Amending Resolution and noted that it and the revised Notice of Intent Letter provide for a 90-day notice of the Authority's intent to issue bonds as prescribed in House Bill 2965, which would allow the Authority to issue bonds around August 15, 2003.

Mr. Johnson stated that the utility districts would be given an extended deadline of May 30, 2003 to provide notice of whether or not they will participate with the Authority in the initial bond issue. Director Rendl asked why the deadline had been extended from May 15th to May 30th. Mr. Johnson stated that he and Mr. Schindewolf believed that since the Authority is changing the rules to include a mandatory deadline for Intent Resolutions, and since the original deadline has already passed, that extension of the deadline to the end of May would allow any districts wishing to participate to give notice of intent to do so before the mandatory deadline passes. Director Graham then asked if the Authority had heard from more districts than the 16 districts listed on tonight's agenda. Mr. Johnson responded that to date, there were 24 districts that intend to make a capital contribution to the Authority in connection with the first bond issue. Ms. Plunkett stated that she had distributed an updated list of such districts to the Board prior to the meeting, a copy of which is attached hereto.

Upon motion by Director Sigler, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Amending Resolution, a copy of which is attached hereto.

APPROVE CAPITAL CONTRIBUTION CONTRACTS

The Board then reviewed the updated list of the 24 utility districts that had notified the Authority that they would make capital contributions for their pro rata share of the Authority's upcoming bond issue. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the form of the Capital Contribution Contract and the Resolution of Intent to Make Capital Contribution in Lieu of Participating in the Bonds Issued by the Authority, copies of which are attached as exhibits to the Amending Resolution, to approve the list of 24 districts and any districts notifying the Authority before the May 30th deadline of their intent to make a capital contribution, and authorize the General Manager to prepare and distribute for execution Capital Contribution Contracts for all districts notifying the Authority of their intent to make a capital contribution by the May 30, 2003 deadline.

Mr. Schindewolf then reported that Mr. Collie would present information concerning agenda item nos. 6 and 7.

ADOPT RESOLUTION DECLARING INTENTION TO REIMBURSE PROJECT EXPENDITURES

Mr. Collie explained that the proposed Resolution provides for the expenditures of Authority funds for the costs of the design, acquisition, construction and equipment of the groundwater transfer projects between now and the issuance of bonds, which would then be reimbursed to the Authority's General Fund with bond proceeds. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto.

ADOPT MASTER RESOLUTION AND FIRST SUPPLEMENTAL RESOLUTION REGARDING
ISSUANCE OF SENIOR LIEN REVENUE BONDS

Mr. Collie then referred to the drafts of the Master Resolution and First Supplemental Resolution Regarding Issuance of Senior Lien Revenue Bonds included in the Board meeting packet, copies of which are attached hereto. Mr. Collie explained that the Master Resolution and First Supplemental Resolution would be used as evidence in the Authority's bond validation suit that is scheduled to be filed on May 20th or May 21st, and noted that these were not the final form of the documents to be used for the August bond issue.

Director Graham inquired who other than the Attorney General of Texas (the "Attorney General") needed to approve the issuance of the Authority's bonds. Mr. Collie responded that only the Attorney General is required to approve the issuance of the Authority's bonds and noted that the bond validation suit would justify the legal authority of the Authority to issue bonds.

Director Fessler asked Mr. Collie about the bond validation suit process. Mr. Collie explained that after the suit is filed, notice of the suit must be given to the Attorney General, that a court hearing date would be set in mid-June, 2003, that notice of the hearing would be published, and that a hearing would be held, subsequent to which the court would issue a judgment on the suit, which would be effective within 30 days of issuance. Mr. Collie estimated that the process would be over by mid-July, 2003. Mr. Johnson noted that a copy of the Bond Validation Petition would be mailed to all of the attorneys representing utility districts within the Authority after the Petition has been filed. A discussion then ensued regarding the length of time it has taken to file the bond validation suit. Mr. Johnson explained that the Board began discussing the suit two (2) years ago and because of various timing issues and Mr. Schindewolf's recent hiring, the Authority has not proceeded with filing the suit. Mr. Johnson added that the Finance Team is in favor of proceeding with the bond validation suit immediately.

Upon motion by Director Rendl, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Master Resolution and First Supplemental Resolution in substantially the forms presented, copies of which are attached hereto.

PUBLIC COMMENTS

No public comments were given.

There being no further business to come before the Board, the meeting was adjourned at 7:40 p.m.

PASSED, APPROVED AND ADOPTED this 7th day of July, 2003.

/s/Kelly Fessler

Secretary, Board of Directors

(SEAL)

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