

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
May 7, 2007

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in regular session, open to the public, at 7:00 p.m. on the 7th day of May, 2007, at the Authority's office located 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:

Alan J. Rendl	President
Kelly P. Fessler	Vice President
Lenox A. Sigler	Secretary
James D. Pulliam	Treasurer
Ron Graham	Assistant Secretary

All members of the Board were present, except Director Rendl, thus constituting a quorum. Also attending the meeting were: Mrs. Kelly Fessler; Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Mr. Paul Nelson, Planning and GIS Coordinator for the Authority; Mr. Anthony Crisci, P.E., Construction Coordinator 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. Mark McGrath of Null-Lairson, P.C. ("Null-Lairson"), auditors for the Authority; Mr. John Howell of The GMS Group, L.L.C., financial advisor to the Authority; Messrs. Tom Rolon, P.E. and Curtis Villarreal, P.E. of TCB INC. ("TCB"), Program Manager for the Authority; Mr. Charles Shumate, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Messrs. John Peyton, P.E. and Scott Fair, Production Manager of CLR, Inc. ("CLR"), on-call engineers for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc. ("AEI"), on-call engineers for the Authority; Mr. Buddy Barnes, P.E. of Carter & Burgess, Inc., a subcontractor to AEI for Projects 6A and 15A; Mr. Ralph Cox, P.E. of Klotz Associates, Inc., on-call engineers for the Authority; Mr. Brian Cunningham of Project Surveillance, Inc., a subcontractor to TCB and project representative on several Authority projects; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operators for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. John Nelson of LBG-Guyton Associates, on-call engineers for the Authority; Mr. Joe Castronovo, P.E. of Jones & Carter, Inc., on-call engineers for the Authority; Messrs. Sanjay Ram, P.E. and Chetan Vyas, P.E. of ARCADIS G&M, Inc., on-call engineers for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, general counsel and co-bond counsel for the Authority. Numerous members of the public and other consultants to the Authority were also present at the meeting. Copies of the sign-in sheets for those in attendance at the meeting are 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.

PUBLIC COMMENT

Mr. Schindewolf noted that Mr. Roger Blankenheim of Fountainhead Municipal Utility District turned in a blue comment card requesting clarification on a recent letter mailed to his district concerning conversion to surface water. Mr. Schindewolf asked Mr. Blankenheim to speak with Mr. Rolan following the meeting.

REPORTS

STATUS OF ACTIVITIES BY COMMUNICATIONS/PUBLIC INFORMATION COORDINATOR

A copy of Ms. Payne's PowerPoint presentation for the meeting is attached hereto.

Ms. Payne first reported that the Mobile Teaching Lab had been to Ponderosa Elementary School, Bammel Elementary School and Lewis Elementary School in the Spring Independent School District ("ISD") last month and extended thanks to Environmental Development Partners, L.L.C. and Advantage Water Management for transporting the Mobile Teaching Lab. Ms. Payne also reported that Cy-Fair ISD has reserved the Mobile Teaching Lab for six (6) months in the fall.

Ms. Payne then reported that educators have requested copies of the Journey to Pansophigus and the Water Is Life coloring book for the 2007-2008 academic year. Ms. Payne noted that many sponsors are now renewing their prior financial commitments and encouraged other sponsors to do the same.

Ms. Payne noted that summer rehabilitation of the Mobile Teaching Lab is planned and noted that two (2) new exhibits will be added.

GENERAL MANAGER'S REPORT

Mr. Schindewolf then reviewed the General Manager's Report with the Board, a copy of which is attached hereto, and noted that miscellaneous correspondence was included in the Board's meeting packet. Mr. Schindewolf then reported that Phase 1 of the Authority's Geographical Information System ("GIS") has been completed on schedule and under budget. Mr. Schindewolf noted that CLR has completed its GIS work on the first set of the Authority's construction projects, those being the 17 projects that contractors have completed (29.3 miles of water lines, real estate information on 262 parcels and 23 easement encroachments). Mr. Schindewolf also reported that the Online Pumpage Reporting System is now in place and working extremely well.

STATUS OF RIGHT-OF-WAY ("ROW")/EASEMENT ACQUISITIONS

Mr. Schindewolf then stated that in the absence of Mr. Breeding, he would give the status report on the various ROW/easement acquisitions by the Authority. Mr. Schindewolf reported that easement acquisitions were complete on Projects 10A, 10B and 15A. Concerning Projects 6, 6B-1 and 6B-2, Mr. Schindewolf noted that there is one (1) parcel in each project currently in litigation.

UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM - PHASE 1
GROUNDWATER TRANSFER PROGRAM (THE "GTP")

PROGRAM MANAGER'S REPORT

Mr. Rolan then presented the Program Manager's Report, a copy of which is attached hereto.

Mr. Rolan reported that, concerning Project 10A, the contractor has mobilized the tunnel crew and installed 35 feet of liner for the 48-inch water line and has installed and tested 1,634 feet of 16-inch water line.

Mr. Rolan then reported that the contractor for Project 10B has installed the final 864 feet and tested all 1,865 feet of the 20-inch line along Cypresswood Drive and installed 292 feet of the 16-inch line to the Cypress-Klein Utility District's Water Plant. Mr. Rolan added that the tunneling under Cypress Creek is temporarily discontinued due to the recent accident that occurred on such project.

Mr. Rolan went on to report that all of the SCADA system sites are now connected, and that the 30-day test period was begun in April and will run through May. Mr. Rolan noted that the contractor is working on the punch list items for such project.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 29.3 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolan next reported that six (6) bids were received on April 3, 2007 for the construction of Project 15A and noted that the award of the construction contract would be handled later in the meeting.

Concerning the Greens Road water line project, Mr. Rolan reported that the City of Houston's (the "City") engineer has issued a new ruling on the contractor's claim on the fourth and final project contract, and the City staff is preparing the final pay estimate and related documents for such project.

Mr. Rolan then reported that the GTP system continues to operate effectively, and that approximately 2.17 million gallons of water per day had been sold to Buyer districts during the month of April. Mr. Rolan added that STES is preparing a portion of the North GTP System to go into service.

Mr. Schindewolf then gave a brief update on the April 3, 2007 tunneling accident on Project 10B, which resulted in the death of a sub-contractor's employee. Mr. Schindewolf stated it is his understanding that the Occupational Safety and Health Administration is in the process of investigating the incident. Mr. Schindewolf also noted that the Board was briefed on the details of the accident at a special meeting held on Monday, April 23, 2007.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB continued to monitor engineering efforts on Projects 4C, 6A-1, 6B-2 and 17, Segment 1 design, the 2010 transmission line (preliminary engineering) and the siting study for the Spears Road Regional Pump

Station; provided construction administration on Projects 10A, 10B and SCADA; supported the acquisition of easements for Projects 4C, 6B-2, 15A and 17; provided oversight of STES operations of the Authority's GTP systems; assisted STES in initial activities to place a portion of the North GTP system into service; initiated interviews with utility district engineers and operators to gather information to develop the 2010-2019 Preliminary Surface Water Conversion Strategy; and continued efforts to expand participation in the GTP and expand the 2010 conversion area in lieu of further construction of wells and related appurtenances.

Mr. Schindewolf then stated that House Bill 2006 regarding eminent domain processes and procedures, authored by Representative Beverly Woolley, was voted out of the House earlier today. Mr. Schindewolf noted that thanks go to Representatives Debbie Riddle, Patricia Harless, Bill Callegari and Corbin Van Arsdale, who assisted the Authority with amending House Bill 2006.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she did not have anything to report.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Fessler then asked for approval of the regular meeting minutes of April 2, 2007, previously distributed to the Board. Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of April 2, 2007, as written.

REVIEW AND APPROVE AUDIT REPORT

Mr. Schindewolf then called on Mr. McGrath, the auditor for the Authority, to review the draft of the Authority's audit report for the fiscal year ending December 31, 2006, a copy of which is attached hereto. Mr. McGrath noted that his review of the Authority's books and records has resulted in an excellent report for the Authority and complimented the Authority's financial and administrative staff on a job well done.

Mr. McGrath then explained that in October 2006, the American Institute of Certified Accountants issued the Statement on Auditing Standard No. 112 ("SAS 112"), which included a requirement for auditors to issue a management letter on audits performed after December 15, 2006. Mr. McGrath noted that Null-Lairson has issued a management letter to the Authority, along with the Authority's audit report, in accordance with SAS 112. Mr. Schindewolf reported that Mr. Howell has stated that SAS 112 should have no impact on the Authority's outstanding debt or the Authority's ability to issue additional debt in the future.

Director Sigler then made a brief statement concerning SAS 112 and expressing support of Ms. Plunkett and the Authority's staff.

Upon motion by Director Graham, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit report for the fiscal year ending December 31, 2006, and authorize filing of same with the appropriate governmental authorities.

FINANCIAL ASSISTANT'S REPORT

Director Fessler next recognized Ms. Plunkett, who reviewed the Authority's Financial Report with the Board, including the monthly investment report, the checks being presented for payment and the budget comparison for three (3) months ending March 28, 2007, a copy of which is attached hereto. Ms. Plunkett noted that the Authority operated under budget for the month ending March 28, 2007.

Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Financial Report, the monthly investment report and the checks being presented for payment.

AWARD CONTRACT FOR CONSTRUCTION OF PROJECT 15A

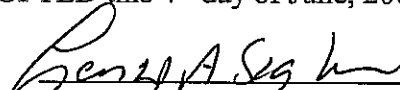
Mr. Schindewolf next reported that six (6) bids were received on April 3, 2007 for the construction of Project 15A, which includes construction of a 36-inch water line along Louetta Road from the Burlington Northern Santa Fe Railroad tracks to Squyres Road. Mr. Schindewolf then recommended award of the construction contract to the lowest qualified bidder, Boyer, Inc. ("Boyer"), based on their bid amount of \$8,563,220.00. Upon motion by Director Pulliam, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for Project 15A to Boyer. Copies of Mr. Schindewolf's and Mr. Rolen's correspondence concerning the contract award are attached hereto.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the next regular meeting of the Board will be held on Monday, June 4, 2007, at 7:00 p.m. at the Authority's office.

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

PASSED, APPROVED AND ADOPTED this 4th day of June, 2007.


Secretary, Board of Directors

