

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
January 7, 2008

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 January, 2008, 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:

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| James D. Pulliam | President/Investment Officer |
| Alan J. Rendl | Vice President |
| Ron Graham | Secretary |
| Lenox A. Sigler | Treasurer |
| Kelly P. Fessler | 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; Mr. Paul Nelson, Planning and GIS Coordinator for the Authority; Mr. Anthony Crisci, P.E., Construction Coordinator for the Authority; Mr. Showri Nandagiri, P.E., Engineering 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; Messrs. Tom Rolen, P.E. and Curtis Villarreal, P.E. of TCB INC. ("TCB"), Program Manager for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Buddy Barnes, P.E. of Carter & Burgess, Inc. ("Carter & Burgess"), on-call engineers for the Authority; Mr. John Peyton, P.E. of CLR, Inc., on-call engineers for the Authority; Mr. Carl McConnell, P.E. of Dannenbaum Engineering Corporation ("Dannenbaum"), on-call engineers for the Authority; Mr. Dave Scholler, P.E. of Brown & Gay Engineers, Inc., on-call engineer for the Authority; Mr. Tom Matkin, P.E. of AEI Engineering, Inc., on-call engineers for the Authority; Mr. J. E. Pate, P.E. of Pate Engineers, Inc., on-call engineers for the Authority; Mr. W. John Seifert, Jr., P.E. of LBG-Guyton Associates, 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. Mark Breeding of Andrews Kurth LLP, right-of-way ("ROW")/easement acquisition attorneys for the Authority; Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc. ("STES"), operators for the Authority; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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.

BOARD MEMBER COMMENTS

The Board wished everyone a Happy New Year.

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 provided a report of the activity on the Authority's website during the month of November. Ms. Payne reported that during the past month, there had been 48,104 hits on the Authority's website.

Ms. Payne went on to report that the Mobile Teaching Lab is booked every week from January through March at Klein Independent School District ("KISD") schools. Ms. Payne also reported that 4,260 Journey to Pansophigus books have been distributed to the KISD fifth (5th) grade classrooms and extended thanks to the sponsors, including Carter & Burgess, Dannenbaum and JRPB. Ms. Payne noted that more sponsors are needed to meet the demands for the educational materials.

Ms. Payne further reported that Director Rendl will give presentations to the Tower Oaks Garden Club on January 21, 2008 and to the Champions Forest Garden Club on February 14, 2008, and noted that the garden clubs in the area are a new audience for the Authority and are interested in water conservation.

GENERAL MANAGER'S REPORT

Mr. Schindewolf first noted that he recently celebrated his fifth (5th) anniversary as General Manager of the Authority.

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.

Concerning the Luce Bayou Interbasin Transfer Project (the "Luce Bayou Project"), Mr. Schindewolf reported that the Authority, the West Harris County Regional Water Authority, the North Fort Bend Regional Water Authority and the City of Houston (the "City") had approved a draft form of agreement concerning participation in the Luce Bayou Project, which then allowed the Coastal Water Authority (the "CWA") to proceed with its application for funding to the Texas Water Development Board (the "TWDB") on December 21, 2007. Mr. Schindewolf further explained that the CWA application requests \$30,100,090 in funding to cover costs of route studies, preliminary engineering, environmental and geotechnical studies, and State and Federal permitting associated with the Luce Bayou Project. Mr. Schindewolf added that it is anticipated that a TWDB staff

recommendation on the CWA application would be presented at the February or March TWDB Board meeting.

STATUS OF ROW/EASEMENT ACQUISITIONS

Mr. Schindewolf next called on Mr. Breeding to give the status report on the various ROW/easement acquisitions by the Authority.

Mr. Breeding first noted that the ROW/easement acquisitions for Project 7C-3 are in process, and that a tentative agreement had recently been reached with the Windrose Golf Club.

Concerning Project 17 (Segments 1, 2, 3 and 4), Mr. Breeding reported that easement acquisitions are moving along well on Segment 1, and that one (1) judgment was signed on January 3, 2008 and one (1) condemnation case is scheduled for January 16, 2008. Mr. Breeding next reported that four (4) judgments had been signed in connection with Project 17, Segment 2. Concerning Project 17, Segment 3, Mr. Breeding reported that the ROW/Easement Acquisition Team is continuing to negotiate with Houston Pipe Line Company, L.P. ("Houston Pipe Line"), and that one (1) condemnation case was held on January 4, 2008. Mr. Breeding further noted that the ROW/Easement Acquisition Team is also working on negotiations for a tri-party agreement by and between the Authority, Houston Pipe Line and Harris County regarding parcel acquisitions for Project 17, Segment 4.

Mr. Breeding then reported that the ROW/Easement Acquisition Team has received a draft agreement from the Burlington Northern Santa Fe Railroad regarding a key parcel in connection with Project 6A-1. Mr. Breeding also reported that the Lakewood Grove Homeowners Association condemnation case will go to court on February 18th.

Mr. Schindewolf thanked Mr. Breeding for his presentation.

UPDATE ON 2010 WATER DISTRIBUTION AND TRANSMISSION SYSTEM (THE "SYSTEM")

Mr. Schindewolf then called on Mr. Rolen to review the status of the various projects and efforts underway to complete development of the System.

PROGRAM MANAGER'S REPORT

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

Mr. Rolen first reported that the contractor for Project 6A-1 had been issued the Notice to Proceed effective January 7, 2008. Mr. Rolen stated that the contract provides for substantial completion of the work within 240 days.

Mr. Rolen next reported that the contractor for Project 10A has completed installation of the 48-inch water line, is performing the hydrostatic testing of the water line, has initiated site cleanup, has completed all pavement replacement, and is approximately 99% complete with the connections

within the Harris County Municipal Utility District No. 20 and Northwest Harris County Municipal Utility District No. 44 water plants.

Mr. Rolan went on to report that the contractor for Project 10B has installed a total of 4,819 feet of 42-inch water line to date and completed an additional 283 feet on the tunnel between Cypress Creek and Cypresswood Drive. Regarding the tunnel under Cypress Creek, Mr. Rolan reported that the contractor is preparing to re-mobilize and start work on the tunnel under Cypress Creek that will be run adjacent to the original tunnel. Mr. Rolan also reported that the contractor has completed the connection to the ground storage tank and the meter and pressure/flow control stations on the Cypress Klein Utility District water plant site.

Mr. Rolan next reported on Project 15A, stating that the contractor installed an additional 1,000 feet of 36-inch water line, for a total of 4,440 feet, and completed an additional 758 feet of primary liner for the 36-inch water line, for a total of 3,927 feet.

Mr. Rolan then noted that to date, the Authority has installed a total of approximately 32.8 miles of water line ranging in size from 12-inch to 60-inch.

Mr. Rolan went on to report that 12 bids were received and opened on December 18, 2007 for the construction of Project 17, Segment 1, ranging in cost from \$9,425,410 to \$12,949,228.63. Mr. Rolan stated that the project consists of the installation of approximately 8,900 feet of 54-inch water line, connection to the Greens Road water line and construction of a flow metering station. Further, Mr. Rolan noted that substantial completion of the project is specified within 270 calendar days. Mr. Rolan reported that SER Construction Partners, Ltd. ("SER") submitted the low bid in the amount of \$9,425,410, and that BRH-Garver Construction, L.P. ("BRH-Garver") submitted the second low bid in the amount of \$9,438,769. Mr. Rolan noted that TCB tabulated the bids and reviewed the qualification statements and experience information submitted by SER and BRH-Garver and, based on such review, recommends that the construction contract be awarded to BRH-Garver based on such company's experience and qualifications. Mr. Rolan stated that award of the construction contract for Project 7, Segment 1 is on the agenda for action by the Board later in the meeting.

Concerning the Greens Road water line project, Mr. Rolan reported that he and Mr. Nelson are working with representatives of the City on the final cost "true-up" for such project.

Director Fessler then inquired why TCB was meeting with Harris County Toll Road Authority (the "HCTRA"). Mr. Rolan explained that the HCTRA has a fiber optics line installed in the same general area along Greens Bayou where the Authority will be constructing a water line.

Mr. Rolan then reported that the Groundwater Transfer Program (the "GTP") systems continue to operate effectively, and that approximately 2.13 million gallons of water per day had been sold to Buyer districts during the last month.

Concerning other activities, Mr. Rolan reported that during the prior month, TCB had assisted with efforts concerning the Luce Bayou Project; received bids for Project 17, Segment 1; continued to oversee engineering efforts on 17 projects; provided construction administration and

project representatives on Projects 10A, 10B and 15A and construction administration on Project 6A-1; supported the acquisition of easements for Authority projects; provided oversight of STES' operation of the Authority's GTP systems; and continued efforts on the development of the 2010 to 2019 Preliminary Surface Water Conversion Strategy.

ATTORNEY'S REPORT AND ELECTION AGENDA

Ms. Bobbitt noted that tonight's agenda reflects both Spanish and Vietnamese translations for items dealing with the upcoming Directors Election scheduled for Saturday, May 10, 2008, as required by the Voting Rights Act of 1965, as amended (the "Voting Rights Act"). Director Graham asked how many agendas would require the translations. Ms. Bobbitt explained that any agenda that contains election items will have Spanish and Vietnamese translations of such items.

Ms. Bobbitt then explained that any changes in voting times or polling locations for early voting and election day voting constitute changes in the Authority's election procedures and, therefore, require preparation and submission of a letter to the U.S. Department of Justice (the "DOJ") requesting approval of such changes pursuant to the provisions of Section 5 of the Voting Rights Act. Ms. Bobbitt then requested authorization to prepare the necessary submission letter to the DOJ, once the election information is known.

Upon motion by Director Sigler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to authorize JRPB to prepare the necessary submission letter to the DOJ regarding any changes in voting procedures and/or changes in voting times and/or polling locations in connection with the upcoming Directors Election.

REGULAR AGENDA

APPROVAL OF THE MINUTES

Director Pulliam then asked for approval of the regular and special meeting minutes of December 3, 2007, previously distributed to the Board. 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 approve the minutes of the regular and special meeting minutes of December 3, 2007, as written.

FINANCIAL ASSISTANT'S REPORT

Director Pulliam 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 11 months ended November 30, 2007, a copy of which is attached hereto. Ms. Plunkett noted that the Authority had continued to operate under budget for the month ended November 30, 2007.

Upon motion by Director Sigler, seconded by Director Rendl, 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 17, SEGMENT 1

Mr. Schindewolf then reported that, as mentioned earlier in the meeting by Mr. Rolan, 12 bids were received on December 18, 2007 for the construction of Project 17, Segment 1, for the construction of a 54-inch water line along Greens Bayou and Harris County Flood Control District Unit P145-00-00 from Greens Road to West Rankin Road. Mr. Schindewolf went on to explain that TCB had extensively examined the qualifications and experience information provided by SER, the lowest bidder, and BRH-Garver, the second lowest bidder on the project. Mr. Schindewolf added that he had also conferred with Ms. Bobbitt to determine the Authority's legal authority to award the contract to a bidder other than the lowest bidder. Mr. Schindewolf then recommended award of the construction contract to the second lowest bidder, BRH-Garver, in the amount of \$9,438,769, based on their qualifications and experience. Upon motion by Director Fessler, seconded by Director Graham, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for Project 17, Segment 1 to BRH-Garver. Copies of Mr. Schindewolf's and Mr. Rolan's correspondence and a memorandum by the Authority's General Counsel concerning the contract award are attached hereto.

Mr. Schindewolf then recognized Messrs. Mike Garver and Philip Reed of BRH-Garver as being in attendance at tonight's meeting.

CONFIRM UPCOMING MEETING DATE

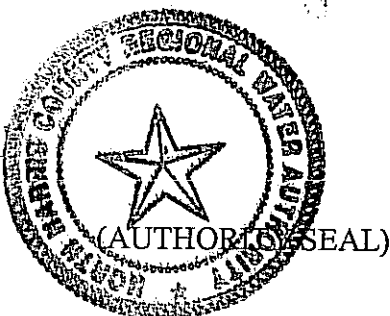
Director Pulliam then stated that the next regular meeting of the Board will be held on Monday, February 4, 2008, at 7:00 p.m. at the Authority's office.

PUBLIC COMMENT

Mr. Schindewolf then addressed a public comment card submitted by Mr. Taylor Broun, director of Northwest Harris County Municipal Utility District No. 10. Mr. Broun's question was whether any thought had been given about the Authority doing a comprehensive study to persuade the Harris-Galveston Subsidence District (the "HGSD") to revise its District Regulatory Plan concerning the conversion to surface water. Mr. Schindewolf responded that the Authority's current focus and efforts are on meeting the 2010 surface water conversion requirement. Mr. Schindewolf noted that once the 2010 surface water conversion begins, the HGSD will likely re-evaluate the Regulatory Plan. Mr. Broun stated that he wants the Authority, not the HGSD, to conduct the study.

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

PASSED, APPROVED AND ADOPTED this 4th day of February, 2008.





Secretary, Board of Directors