

MINUTES  
WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

October 22, 2008

The Board of Directors (the "Board") of the West Harris County Regional Water Authority (the "Authority") met in special session, open to the public, on the 22nd day of October, 2008, at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the Authority, and the roll was called of the members of the Board:

Dan Sallee	President
George L. Rush, Jr.	Vice President
Douglas (Cam) Postle	Secretary
Stacey L. Burnett	Assistant Vice President
Bruce Parker	Assistant Secretary
Art Garden	Director
Larry Weppler	Director
Karla Cannon	Director
Malcolm Beckendorff	Director

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Wayne Ahrens and Carl McConnell of Dannenbaum Engineering Corporation ("DEC"); Mary Jarmon of Myrtle Cruz, Inc.; and Jim Boone, Alex Garcia, and Linda Sotirake of Allen Boone Humphries Robinson LLP ("ABHR").

DISCUSS INVESTMENT ADVISORY SERVICES AND FIRMS

Mr. Garcia reviewed the Investment Advisory Agreement proposed by First Southwest Asset Management, Inc. ("First Southwest"). Discussion ensued regarding the indemnification language contained therein. Following discussion, the Board concurred to not engage First Southwest. The Board also concurred to not pursue engaging RBC Public Fund Services or Smith, Graham & Company.

Ms. Jarmon reported that she discussed the Authority's investments with First Southwest and that First Southwest suggested the purchase of a \$20,000,000 certificate of deposit with Compass Bank.

DISCUSS AUTHORITY INVESTMENTS AND APPROVE LETTERS OF CREDIT AGREEMENT

Mr. Garcia said that Compass Bank (the "Bank") proposes to use letters of credit from the Federal Home Loan Bank of Atlanta to secure the District's deposits over the

FDIC insurance amount and that the Bank has requested that the Board approve a Letters of Credit Agreement (the "LOC Agreement"), which would allow letters of credit to be used as set forth in the LOC Agreement. Mr. Garcia also indicated that the Bank has stated that it would continue using the type of collateral that had been used by Texas State Bank, as opposed to the letter of credit, to secure funds over the FDIC insurance amount, if the Board so desired.

After review and extensive discussion about the types of collateral that should be used to secure the Authority's funds, Director Burnett moved to authorize the execution of the LOC Agreement. Director Garden seconded the motion, which carried unanimously.

DISCUSS CAPITAL IMPROVEMENT PLAN AND SECOND SOURCE WATER ALTERNATIVES

Messrs. Ahrens and McConnell reviewed with the Board the second source water alternatives. Discussion ensued.

There being no further matters to come before the Authority, the meeting was adjourned.

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Secretary, Board of Directors

(SEAL)