

**RESOLUTION OF INTENT TO MAKE CAPITAL CONTRIBUTION
IN LIEU OF PARTICIPATING IN BONDS ISSUED BY
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Bond Issue No. 3, Series 2008)**

THE STATE OF TEXAS §

COUNTY OF HARRIS §

_____ DISTRICT §

WHEREAS, _____ (the "District") is a political subdivision of the State of Texas organized under Article 16, Section 59 of the Constitution of the State of Texas, and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended;

WHEREAS, the District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority");

WHEREAS, the District has received a Notice Letter from the Authority stating that the Authority intends to issue Bonds to finance various Project Costs and that the District has the option to make a Capital Contribution and receive a Capital Contribution Credit;

WHEREAS, the District is in the process of consulting with its attorneys, accountants and financial advisors and is carefully considering whether it is in the best interest of and will be a benefit to the District and its customers, and whether it will be feasible for the District to make a Capital Contribution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE _____ DISTRICT, THAT:

1. Definitions. Each of the terms below shall have the meaning this Intent Resolution assigned to each term, as follows:

"Act" means Chapter 1029 (H.B. 2965), Acts of the 76th Texas Legislature, 1999, creating the Authority, as amended by Chapter 1296 (H.B. 1110), Acts of the 77th Texas Legislature 2001, amended by Chapter 381 (S.B. 1725) and Chapter 248 (H.B. 1541), Acts of the 78th Texas Legislature 2003 and amended by Senate Bill 331, Acts of the 79th Texas Legislature 2005.

"Bonds" means the Authority's Bond Issue No. 3, Series 2008, in the approximate amount of \$261,665,000, to be issued and delivered in one or more series upon expiration of ninety (90) calendar days following mailing of the Notice Letter, or such later date

determined by the Authority, in order to finance Project Costs. The final amount of Bonds issued may be changed by the Authority at any time.

"Capital Contribution" means an amount equal to the product of the Project Costs multiplied by the Contribution Percentage of any Participating District, expressed in dollars, determined by the Authority to be the amount which any Eligible District may elect to contribute by becoming a Participating District, or any lesser amount actually contributed.

"Capital Contribution Contract" means a contract between the Authority and an Eligible District, substantially in the form promulgated by the Authority and reviewed and approved by the District, defining the terms under which an Eligible District may make a Capital Contribution.

"Capital Contribution Credit" means an annual amount calculated by the Authority in accordance with the terms of a Capital Contribution Contract.

"Contribution Percentage" means the percentage calculated by the Authority and certified by the Authority's Program Manager to be each Eligible District's pro-rata share of total groundwater production by all Water Utilities during the calendar year 2007.

"Eligible District" means any district created pursuant to Article 16, Chapter 59, Texas Constitution, which, according to the records of the Authority, was an owner of a Non-Exempt Well during the calendar year 2007, is not delinquent in any payment or reporting obligation to the Authority, and has not entered into a Prior Contract and failed to timely pay the Capital Contribution without written approval of the Authority.

"Intent Resolution" means this resolution.

"Non-Exempt Well" has the meaning ascribed to it in the Authority's Order Establishing Well Pumpage Fees and Water Importation Fees for the Fourth Quarter of the 2007 Fiscal Year and the First Through the Third Quarters of 2008 Fiscal Year and Adopting Rules and Regulations Concerning Measuring Well Pumpage and Water Importation and Collecting Fees, approved by the Authority on December 4, 2006.

"Notice Letter" means the letter delivered by the Authority to the District, notifying the District of the Authority's intention to issue the Bonds and of the option of the District to make a Capital Contribution as permitted by the Act.

"Participating District" means any Eligible District which timely delivers an Intent Resolution, a Capital Contribution Contract, and a Capital Contribution, as required by the Procedures.

"Prior Contract" means any Capital Contribution Contract between the District and the Authority relating to a previous bond issue of the Authority.

"Procedures" means the steps established by the Authority by resolution dated May 5, 2008 to enable the payment of Capital Contributions by Eligible Districts, as permitted by the Act.

"Project Costs" means the aggregate amount of capital contributions by the Authority for existing facilities or facilities to be constructed by any other entity on behalf of the Authority; the cost of construction, engineering, site acquisition, right-of-way acquisition, construction management, and any other cost related to any facility to be constructed by the Authority; the principal of, interest on and costs associated with any anticipation note issued by the Authority for any such costs; and any other cost reasonably considered Project Costs by the Authority; all of which costs are to be funded by the Authority from the proceeds of the Bonds, currently estimated by the Authority to be \$224,500,000.

"Water Utility" means any person or entity which owns a Non-Exempt Well, including any district created pursuant to Article 16, Section 59, Texas Constitution.

2. Findings of Fact. The Board of Directors of the District hereby finds as follows:

- a. All facts recited in the recitals of this Resolution are true and correct.
- b. The District is an Eligible District.
- c. Each of the Projects described in the Notice Letter fulfills a governmental purpose of and benefits the District.
- d. It may be in the best interest of and may benefit the District and its customers to execute a Capital Contribution Contract, make its Capital Contribution, and receive a Capital Contribution Credit.
- e. In the event it is determined to be in the best interest of and a benefit to the District, the District intends to execute a Capital Contribution Contract and make a Capital Contribution, as reflected on **Exhibit "A"** attached hereto.
- f. In its best estimation, the District will be able to make its Capital Contribution by October 1, 2008.

3. Intent Resolution. The Board of Directors hereby resolves that it is the District's intent to become a Participating District by accomplishing the following:

- a. On or before June 30, 2008, deliver to the Authority a certified copy of this Intent Resolution;
- b. On or before July 31, 2008, deliver to the Authority a fully executed Capital Contribution Contract; and
- c. On or before October 1, 2008, deposit with the Authority an amount equal to the Capital Contribution required of the District in the Capital Contribution Contract.

4. Time of Performance. The District acknowledges that in the event it fails to timely deliver this Intent Resolution, the Capital Contribution Contract, or the Capital

Contribution as required by Sections 3(a), 3(b) and 3(c), above, the right of the District to make a Capital Contribution shall cease, any funds not timely deposited shall be returned to the District, and the Authority shall have no obligation to the District with respect to the Capital Contribution or any Capital Contribution Credit. Thereafter, the Authority shall be entitled to issue bonds of the Authority to finance any Project Cost which could have been paid or contributed by the District.

5. Authorization to Investigate Feasibility. The Board hereby authorizes:
- a. the attorney for the District to deliver a certified copy of this Intent Resolution to the Authority before June 30, 2008; and
 - b. the consultants of the District, including, but not limited to, the attorney, financial advisor, bookkeeper, and engineer to investigate the feasibility of making a Capital Contribution, including, but not limited to, an analysis of available cash, authorized but unissued bonds, time for submission and approval of a bond issue and/or a bond anticipation note, timing of payment of the Capital Contribution, and terms of credit for or repayment of the Capital Contribution, and to report back to the Board at the earliest possible time.

6. Resolution not Binding. This Intent Resolution expressly does not require the District to enter into a Capital Contribution Contract or make a Capital Contribution.

APPROVED and ADOPTED this _____ day of _____, 2008.

President

ATTEST:

Secretary

(DISTRICT SEAL)

EXHIBIT "A"
TO
Resolution of Intent to Make Capital Contribution In Lieu of Participating in
in Bonds Issued by North Harris County Regional Water Authority
(Bond Issue No. 3, Series 2008)

District: _____

Estimated Capital Contribution Elected to be made: \$ _____