

MINUTES OF SPECIAL MEETING
BOARD OF DIRECTORS
PECAN GROVE MUNICIPAL UTILITY DISTRICT

January 11, 2007

The Board of Directors of Pecan Grove Municipal Utility District met in special session, open to the public, at 5:30 p.m., on Thursday, January 11, 2007, inside the boundaries of the District at its regular meeting place, Pecan Grove Country Club, Highway 359 at Plantation Drive, Richmond, Texas 77469, and the roll was called of the duly constituted officers and members of the Board, to-wit:

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| Joe Taylor | President |
| Stephen Crow | Vice President |
| G.E. Kluppel | Secretary |
| Charles Bertrand | Investment Officer |
| Holly E. Zarate | Assistant Vice President/ Assistant Secretary |

and all of said directors were present, thus constituting a quorum.

Also present were the following: Rick Partain and Jayson Peterson of Pecan Grove Country Club; Michael Ammel of Environmental Development Partners, L.L.C.; Cliff Kavanaugh of First Southwest Company; Trent Slovak of Malcolm Pirnie, Inc.; Tobin Synatschk and Adam Lambert of Jones & Carter, Inc.; and Richard Muller and Josh Hancock of Allen Boone Humphries Robinson LLP ("ABHR").

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Mr. Slovak discussed the Surface Water Treatment Plant Study with the Board.

Mr. Synatschk distributed and reviewed a Surface Water Rate Projection Comparison with the Board, a copy of which is attached. Director Bertrand requested that Mr. Synatschk revise the rate comparison to delete the use of credits.

Director Zarate discussed the engineering water reuse feasibility study with the Board and stated that the study must be completed by January 22, 2007.

Director Zarate stated that the District may want to contact Fort Bend County Municipal Utility District No. 25 regarding participation with the District in its groundwater reduction plan if the Board decides to prepare a groundwater reduction plan for the District.

Director Zarate reviewed the steps the Board is currently taking to evaluate surface water conversion options with representatives of the Pecan Grove Country Club. Director Taylor stated that the Board is interested in the Pecan Grove Country Club's participation in a groundwater reduction plan with the District.

RECEIVE REPORT FROM FINANCIAL ADVISOR AND AUTHORIZE APPROPRIATE ACTION

Mr. Kavanaugh reviewed various cash flow projections with the Board. Director Zarate asked Mr. Kavanaugh to prepare a summary of cost for the Board on a possible bond issue and/or bond anticipation note to fund a surface water treatment plant. Mr. Kavanaugh stated that he will work with the District's engineer to prepare a cost summary for a bond issue.

RECEIVE REPORTS FROM BOARD MEMBERS AND AUTHORIZE APPROPRIATE ACTION

The Board discussed different ways to structure a groundwater reduction plan with Pecan Grove Country Club participation.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551,071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ITS ATTORNEY TO DISCUSS BRAZOS RIVER AUTHORITY PERMIT PROTEST

At 7:57 p.m., Director Taylor announced that the Board would convene in executive session.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION AND APPROVE AND AUTHORIZE EXECUTION OF SETTLEMENT AGREEMENT AND WATER PURCHASE CONTRACT

Director Taylor announced the Board would reconvene in open session at 8:15 p.m. After review and discussion, Director Kluppel moved that the Board authorize any officer of the Board to sign (1) a Settlement Agreement with the Brazos River Authority and (2) a Surface Water Supply Agreement for the Purchase of Raw Surface Water with the Brazos River Authority. Director Crow seconded the motion, which passed by unanimous vote.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

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