

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

February 16, 2010

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in special session, open to the public, on the 16th day of February, 2010, at the Pecan Grove MUD Customer Service Office, 2035 FM 359, Suite 13, Richmond, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Joe Taylor	President
Stephen Crow	Vice President
G.E. Kluppel	Secretary
Richard Stolleis	Assistant Vice President/Assistant Secretary
John Minchew	Assistant Vice President/Assistant Secretary

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

Also present at the meeting were Cliff Kavanaugh of First Southwest Company; Bobby Jones, Jason Kirby, and Scott Saenger of Jones & Carter, Inc. ("J&C"); Sheldon Buck of Malcolm Pirnie, Inc. ("MP"); and Lynne B. Humphries of Allen Boone Humphries Robinson LLP.

REVIEW BIDS FOR THE SALE OF THE DISTRICT'S \$32,000,000 UNLIMITED TAX BONDS, SERIES 2010

Mr. Kavanaugh reviewed the confirmed "A3" rating from Moody's for the District's Series 2010 Bonds. He stated that the District received three bids for the District's series 2010 Bonds. Mr. Kavanaugh then reviewed a summary of bids, a copy of which is attached. He stated that good faith checks were submitted by all of the bidders as required. Mr. Kavanaugh stated that he would verify the accuracy of the bids.

AWARD OF SALE OF THE DISTRICT'S \$32,000,000 UNLIMITED TAX BONDS, SERIES 2010

The Board next considered awarding the sale of the District's Series 2010 Bonds. Mr. Kavanaugh stated that he had verified the accuracy of the bids. He recommended that the Board accept the bid with the lowest net effective interest rate submitted by Morgan Stanley & Co., Inc., with a net effective interest rate of 4.636198% with Assured Guaranty Insurance. Mr. Kavanaugh also distributed a graph of historical interest rates, a copy of which is attached. He then distributed an updated projected cash flow analysis to include actual interest rates and one year of capitalized interest, a copy of

which is attached. After review and discussion, Director Kluppel moved to award the sale of the District's Series 2010 Bonds to Morgan Stanley & Co., Inc., whose bid contained the lowest net effective interest rate. Director Crow seconded the motion, which passed by unanimous vote. A copy of the accepted bid is attached.

ADOPT RESOLUTION AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$32,000,000 UNLIMITED TAX BONDS, SERIES 2010

Ms. Humphries reviewed the Resolution Authorizing the Issuance of the District's \$32,000,000 Unlimited Tax Bonds, Series 2010. After review and discussion, Director Kluppel moved to adopt the Resolution Authorizing the Issuance of the District's \$32,000,000 Unlimited Tax Bonds, Series 2010, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

APPROVE PAYING AGENT/REGISTRAR AGREEMENT

Ms. Humphries then reviewed the Paying Agent/Registrar Agreement between the District and Bank of New York Mellon Trust Company, N.A. After review and discussion, Director Kluppel moved to approve the Paying Agent/Registrar Agreement with The Bank of New York Mellon Trust Company, N.A., and direct that the Agreement be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

APPROVE ESCROW AGREEMENT

Ms. Humphries stated that pursuant to an Order of the Texas Commission on Environmental Quality ("TCEQ") the District will be required to escrow funds from the Series 2010 bonds. Ms. Humphries reviewed an Escrow Agreement between the District and Central Bank. Following review and discussion, Director Kluppel moved to approve the Escrow Agreement and direct that the Agreement be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

APPROVE OFFICIAL STATEMENT

Mr. Kavanaugh stated that the Preliminary Official Statement will be updated to include information regarding the bond sale. After discussion, Director Crow moved to approve the Official Statement for the Series 2010 Bonds. Director Kluppel seconded the motion, which passed by unanimous vote.

AUTHORIZE THE BOARD OF DIRECTORS TO SIGN ALL DOCUMENTS RELATING TO THE BOND SALE AND AUTHORIZE THE ATTORNEY AND FINANCIAL ADVISOR TO TAKE ALL NECESSARY ACTION TO DELIVER BONDS TO THE PURCHASER

Ms. Humphries stated that it will be necessary for the President and the Secretary of the Board to sign documents relating to the sale of the District's Series 2010 Bonds, and for the attorney to submit a transcript of the bond proceedings to the Attorney General of Texas. She added that the financial advisor also will take necessary action in connection with the delivery of the bonds to the purchaser. After discussion, Director Crow moved to authorize the President and Secretary to sign the documents relating to the bond sale and authorize the attorney and financial advisor to take all necessary action to deliver the bonds to the purchaser. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kavanaugh updated the Board on his discussions with the TCEQ regarding the District's application for change in scope and use of surplus funds. He said the staff memorandum letter approving the application has been drafted and is in peer review at the TCEQ. He stated he expects to receive the approval next week.

AUTHORIZE EXECUTION OF AMENDMENT TO THE INFORMATION FORM

Ms. Humphries stated that the Texas Water Code requires the District to file an Amendment to the Information Form with Fort Bend County and the TCEQ in order to reflect the bonds issued by the District. She then reviewed the Amendment to the Information Form with the Board. After review and discussion, Director Crow moved to authorize execution of the Amendment to the Information Form and direct that it be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

PROPOSAL FOR ENGINEERING SERVICES FOR CONSTRUCTION CONTRACT ADMINISTRATION AND FIELD PROJECT REPRESENTATION FOR SURFACE WATER PLANT

Mr. Jones stated he was unaware that MP had included construction administration for the surface water plant in its contract with the District and J&C had no intention of submitting a proposal if the District was under contract already. He said it was not ethical under Texas engineering rules or State law to bid services, and J&C had no intention of bidding for the services. Discussion ensued regarding what services the Board wants to be performed by J&C and MP. The Board concurred that they do not want any overlap in the services performed by J&C and MP. After discussion, Director Stolleis suggested that the Board determine which tasks each engineering firm will perform and ask each engineering firm to document the tasks to be performed for further review by the Board. After review and discussion, Director Kluppel moved to

authorize Directors Stolleis and Taylor to meet with J&C and MP to determine specific engineering services they will perform for the construction contract administration and field project representation for the surface water plant. Director Crow seconded the motion, which carried unanimously.

DESIGN OF PECAN LAKES FLOOD PLAIN PROTECTION SYSTEM, APPROVAL OF CLOMR TO FEDERAL EMERGENCY MANAGEMENT AGENCY ("FEMA") AND BOND APPLICATION

Mr. Kirby discussed the design of the Pecan Lakes flood plain protection system. He stated that the Pecan Lakes and Expanded Commercial Flood Protection System Request for Conditional Letter of Map Revision (the "CLOMR") has been approved by Fort Bend County and is ready to be submitted to FEMA. Mr. Saenger said that FEMA is to complete review in 90 days, but additional information may be requested. Discussion ensued regarding when construction of the system should begin. Discussion then ensued regarding J&C's proposal for design of the Pecan Lakes flood plain protection system. After review and discussion, Director Stolleis moved to (1) approve the CLOMR; (2) authorize J&C to submit the CLOMR to FEMA; (3) direct that the CLOMR be filed appropriately and retained in the District's official records; and (4) approve the proposal from J&C for design of the Pecan Lakes flood plain protection system, subject to Director Stolleis' review and approval of the proposal. Director Crow seconded the motion, which carried unanimously.

ADOPT RESOLUTION AUTHORIZING ACQUISITION OF REAL PROPERTY INTERESTS

Ms. Humphries reviewed a Resolution Authorizing Acquisition of Real Property Interests for the acquisition of property for the Pecan Lakes Levee, which authorizes negotiation and acquisition, including condemnation, if needed. After review and discussion, Director Crow moved to adopt a Resolution Authorizing Acquisition of Real Property Interests and direct that the Resolution be filed appropriately and retained in the District's official records. Director Minchew seconded the motion which passed by unanimous vote.

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

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Secretary, Board of Directors

(SEAL)

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