

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

October 26, 2011

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in special session, open to the public, on the 26th day of October, 2011, at the Pecan Grove Country Club, Highway 359 at Plantation Drive, Richmond, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Joe Taylor	President
Richard Stolleis	Vice President
G. E. Kluppel	Secretary
John Minchew	Assistant Vice President/ Assistant Secretary
Kevin Krahn	Assistant Vice President/ Assistant Secretary

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

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Bethany Miller of Jones & Carter, Inc. ("J&C"); Doug Owen, Breah Campbell, and Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Sunni Kommineni of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); and Lynne B. Humphries of Allen Boone Humphries Robinson LLP ("ABHR").

PRESENTATION ON SURFACE WATER CONVERSION

Director Taylor made introductions and asked Mr. Ammel to begin the presentation on surface water conversion. Mr. Ammel and Ms. Miller reviewed plans for the new surface water system and connections to the existing three water plants. Ms. Miller said the District will convert to a chloramine disinfection system from a chlorine based system. Mr. Ammel discussed differences between surface water and ground water and responded to questions from the audience. He discussed the blending and flushing planning related to the conversion. Mr. Kommineni said startup of the surface water plant is scheduled for December 6, 2011. Mr. Ammel said testing will be done before the surface water will be blended into the distribution system. He said he expects integration by the end of the first quarter of 2012. In response to a question, Mr. Ammel said residents can call the MUD office to request a tour of the plant. Director Kluppel responded to questions about the District's Brazos River water rights. He also informed the audience that the Pecan Club golf course is a participant in the District's groundwater reduction plan. Mr. Ammel discussed the effect of the chloramination system on dialysis machines and fish tanks and said adjustments will have to be made by homeowners. He added that a letter will be mailed to District customers prior to integration of the system.

Director Taylor then reviewed the history of the District's decision to build its own surface water plant, which gave the District control over its water supply. Director Taylor reviewed the costs of the surface water conversion. He said the District had to increase the debt service tax rate by \$0.08 per \$100 assessed valuation to pay for the cost to design and construct the surface water plant.

Director Kluppel discussed the governance structure of the Gulf Coast Water Authority, from whom the District contracts for water supply and transportation. Director Taylor responded to a question about the relative cost of groundwater versus surface water. Director Kluppel explained the pilot plant the District installed to pre-test equipment and design.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

Exhibit A1