

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

June 17, 2008

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in special session, open to the public, on the 17th day of June, 2008, 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; Claudia Wright of R&W Real Estate; Bobby Jones and Jason Kirby of Jones & Carter, Inc. ("J&C"); Andrew Phelps of Environmental Development Partners, LLC; Trent Slovak, Robert McCollum, and Gary Rabalais of Malcolm Pirnie, Inc.; and Hannah Brook and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

REVIEW BIDS FOR THE SALE OF THE DISTRICT'S \$4,140,000 UNLIMITED TAX BONDS, SERIES 2008

Mr. Kavanaugh stated that the Board received two bids for the District's Series 2008 Bonds. He reviewed a bid from First Southwest Company, with a net effective interest rate of 3.991023% and Sterne, Agee & Leach, Inc., with a net effective interest rate of 4.301879%. Mr. Kavanaugh stated that good faith checks had been submitted by both of the bidders as required. He stated that he would verify the accuracy of the bids.

AWARD OF SALE OF THE DISTRICT'S \$4,140,000 UNLIMITED TAX BONDS, SERIES 2008

The Board next considered awarding the sale of the District's Series 2008 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 First Southwest Company. After review and discussion, Director Stolleis moved to award the sale of the District's Series 2008 Bonds to First Southwest Company, whose bid contained the lowest net effective interest rate. Director Kluppel seconded the

motion, which passed by unanimous vote. A copy of the accepted bid from First Southwest Company is attached.

ADOPT RESOLUTION AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$4,140,000 UNLIMITED TAX BONDS, SERIES 2008

Ms. Brook reviewed the Resolution Authorizing the Issuance of the District's \$4,140,000 Unlimited Tax Bonds, Series 2008. After review and discussion, Director Kluppel moved to adopt the Resolution Authorizing the Issuance of the District's \$4,140,000 Unlimited Tax Bonds, Series 2008, 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. Brook 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 Trust Company, N.A., and direct that the Agreement be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed by unanimous vote.

APPROVE OFFICIAL STATEMENT

Mr. Kavanaugh stated that the Preliminary Official Statement will be updated to include information regarding the bond sale. After discussion, Director Kluppel moved to approve the Official Statement for the Series 2008 Bonds. Director Crow 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. Brook 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 2008 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.

AUTHORIZE EXECUTION OF AMENDMENT TO THE INFORMATION FORM

Ms. Brook stated that the Texas Water Code requires the District to file an Amendment to the Information Form with Fort Bend County and the Texas Commission on Environmental Quality (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.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

Ms. Brook reviewed a Resolution Expressing Intent to Reimburse the Operating Account ("Resolution") with the Board. She stated that the Resolution reflects that the District will reimburse the District's Operating Account for the costs used to finance a surface water treatment plant, including engineering fees, with future bond funds. After review and discussion, Director Crow moved to adopt the Resolution Expressing Intent to Reimburse the Operating Account and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

REPORT ON FIRE AND SECURITY MATTERS, SHERIFF CONTRACT, FIRE PLAN AND EXECUTE TRESPASS AFFIDAVIT

Director Minchew reported that the Pecan Grove Volunteer Fire Department audit has not been completed. He then reported on forming a citizen committee on security matters. Director Minchew added that he is researching the current contract for law enforcement in order to prepare for the upcoming renewal of the contract in September. Director Minchew stated that he is reviewing the possibility of the District entering into a Law Enforcement Agreement solely with Fort Bend County and including a monthly fee for security on the water bill. He added that he will report on the Trespass Affidavit at a future meeting.

APPROVE AGREEMENT BETWEEN THE DISTRICT AND GULF COAST WATER AUTHORITY FOR TRANSPORT OF SURFACE WATER

Ms. Brook reviewed an Agreement between the District and Gulf Coast Water Authority ("GCWA") for the transport of surface water. Following review and discussion, Director Kluppel moved to approve the Agreement between the District and the GCWA and direct that the Agreement be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE CHAPTER 551.072, TEXAS GOVERNMENT CODE TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

At 6:20 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase of real property.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

Director Taylor announced the Board would reconvene in open session at 6:31 p.m. After review and discussion, Director Stolleis moved to authorize R&W Real Estate to continue to negotiate on the District's behalf for the purchase of a site for a surface water treatment plant. Director Crow seconded the motion, which passed unanimously.

CONVERSION TO SURFACE WATER, PRESENTATION FROM MALCOLM PIRNIE, INC. ON SCHEDULE FOR SURFACE WATER TREATMENT PLANT, ENGINEERING PROPOSAL, AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. Slovak discussed an implementation schedule of nine months for the design of the surface water treatment plant. Mr. Slovak stated that the operator will need to designate an individual to work with Malcolm Pirnie, Inc. during design and construction of the plant. He added that EDP also will need an operator licensed to operate a surface water plant. Mr. Phelps stated that EDP is reviewing staffing for the plant and license requirements. Director Taylor stated that Malcolm Pirnie, Inc. needs to design the plant with equipment that is readily available. Mr. Slovak stated that he will work on changes requested to Task Order No. 5 to the Master Agreement for Professional Services with Malcolm Pirnie, Inc., send it to ABHR for final review and present it for approval at the next Board meeting.

Mr. Kirby discussed conversion to a chloramine system. The Board requested that the engineer prepare a schedule for the design and implementation of the chloramine conversion system.

Mr. Slovak stated that the TCEQ issued a letter on the pilot surface water plant. He stated that he has been in communication with representatives of the TCEQ to address the letter.

RECERTIFICATION OF LEVEE AND ADOPT ORDER ADOPTING OPERATIONS AND MAINTENANCE MANUAL, AND GEOTECHNICAL SERVICES FOR THE LEVEE

Mr. Kirby reviewed an Operations and Maintenance Manual for the Levee. Following review and discussion, Director Stolleis moved to adopt an Order Adopting Operations and Maintenance Manual and direct that the Order be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE FEDERAL EMERGENCY MANAGEMENT AGENCY FOR RECERTIFICATION OF THE LEVEE SYSTEM

Ms. Brook reviewed a Resolution Authorizing Application to the Federal Emergency Management Agency for Recertification of the Levee System. After review and discussion, Director Stolleis moved to adopt a Resolution Authorizing Application to Federal Emergency Management Agency for Recertification of the Levee System and direct that the Resolution be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

AUTHORIZE RENEWAL OF DISTRICT'S INSURANCE POLICIES

The board tabled discussion on this agenda item.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Director Stolleis stated that he and Director Kluppel will meet with representatives of Fort Bend County Municipal Utility District No. 140 regarding the Brazos River flood study overflow modeling. Mr. Kirby stated that he is investigating the failure of coating on the wet well at the wastewater treatment plant which is no longer under the contractor's warranty. Director Taylor reported on the Texas Instream Program and stated that a program on the Sabine River can be reviewed on the website.

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

accepted bid from First Southwest Company2