

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

August 9, 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 9th day of August, 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:

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| 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 Shirley McLennan of McLennan & Associates, L.P.; Greg Ordeneaux of Tax Tech, Inc.; Doug Owen of Environmental Development Partners; Greg Lentz of First Southwest Company; Mr. Keith Dickenson and Mr. Don Turner, District residents; Jason Kirby of Jones & Carter, Inc.; and Hannah Brook of Allen Boone Humphries Robinson LLP

AUTHORIZE LETTER TO PAYNE COMMUNICATIONS REGARDING  
TERMINATION OF SERVICES RELATED TO THE DISTRICT'S NEWSLETTER AS  
CONTAINED IN THE COMMUNICATIONS CONSULTING PROGRAM  
AGREEMENT AND APPROVE AGREEMENT FOR COMMUNICATIONS  
CONSULTING PROGRAM WITH NICOLE WYNN

The Board concurred to engage Nicole Wynn to prepare the District's newsletter. After discussion, Director Kluppel moved to (1) authorize execution of a letter to Payne Communications regarding termination of services related to the District's newsletter as contained in the Communications Consulting Program Agreement and direct that the letter be filed appropriately and retained in the District's official records; and (2) approve an Agreement for a Communications Consulting Program between the District and Nicole Wynn and direct that the Agreement be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried unanimously.

NOTICE TO GULF COAST WATER AUTHORITY REGARDING DISTRICT WATER NEEDS THROUGH DECEMBER 31, 2011

Director Kluppel reported regarding the submission of notice to the Brazos River Authority reflecting that the District has notified the Gulf Coast Water Authority ("GCWA") that it will not use 3,100 acre feet of water allotted for September 1, 2010 to August 31, 2011 and requested that the water be assigned to the GCWA for this time period. He added that a notice has also been sent to the GCWA reflecting that the District will not use 3,100 acre feet of water allotted for September 1, 2011 to December 31, 2011 and that GCWA will sell the water at the current rate of the Brazos River Authority and credit the District for the water sold and that the GCWA will draft a letter agreement to reflect the terms of this arrangement. After review and discussion, Director Minchew moved to authorize Director Taylor or Director Kluppel to executed the letter agreement with the GCWA, and direct that the letter agreement be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which carried unanimously.

APPROVE FEE PARCEL AND TEMPORARY CONSTRUCTION EASEMENT FOR FORT BEND COUNTY MASON ROAD EXPANSION

Ms. Brook reported that discussions are ongoing with Fort Bend County with respect to the conveyance documents for the Fee Parcel and a Temporary Construction Easement from the District to Fort Bend County for the Mason Road expansion. She added that the District engineers are working with Fort Bend County. No action was taken.

ADOPT RESOLUTION RENAMING PLANTATION PARK TO PLANTATION MEMORIAL PARK

The Board discussed the renaming of Plantation Park and discussed community involvement from District residents. After discussion, Director Minchew moved to adopt a Resolution Renaming Plantation Park to Plantation Memorial Park, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously. Mr. Kirby updated the Board on the status of lighting and irrigation improvements.

Director Krahn entered the Meeting.

DISTRICT FIRE PLAN AND REPORT FROM FIRE PLAN COMMITTEE, INCLUDING ENGAGE FIRE PLAN CONSULTANT

The Board discussed the Fire Plan and received a report from the Fire Plan Committee. The Board responded to questions from the public. After discussion, Director Kluppel moved to engage Mike Pietsch as a Fire Plan consultant, approve an engagement agreement subject to ABHR review, and direct that the agreement be filed

appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed unanimously.

Director Taylor entered the Meeting.

CONDUCT BUDGET WORKSHOP FOR FISCAL YEAR END SEPTEMBER 30, 2012

The Board conducted a budget workshop in connection with the budget for the fiscal year ending September 30, 2012. The Board reviewed the proposed budget line by line. The Board also reviewed estimated annual operating costs for the surface water plant, once operational. A copy of the proposed budget submitted for review is attached. The Board then requested that Ms. McLennan make revisions to the budget.

RENEWAL OF CONTRACT FOR ELECTRICITY WITH TXU OR NEW CONTRACT FOR ELECTRICITY BEGINNING JANUARY 1, 2012

Director Taylor discussed pricing for renewal of the contract for electricity with TXU and pricing available from other electricity providers. No action was taken.

SCHEDULE SPECIAL PUBLIC COMMUNITY MEETINGS REGARDING SURFACE WATER CONVERSION

The Board concurred to conduct a public community meeting regarding surface water conversion on October 26, 2011 at 7:00 p.m. at the Pecan Grove Country Club, subject to availability of that location on the selected date.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION, INCLUDING CONDEMNATION PROCEEDINGS

At 7:50 p.m., Director Taylor announced that the Board would convene in executive session to conduct a private consultation with its attorney to discuss pending or contemplated litigation, including condemnation proceedings.

RECONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE AND AUTHORIZE APPROPRIATE ACTION REGARDING PENDING OR CONTEMPLATED LITIGATION, INCLUDING CONDEMNATION PROCEEDINGS

At 8:20 p.m., the Board reconvened in open session and Director Kluppel moved to (1) authorize ABHR to coordinate with SIG/McDonald & Wessendorff on the claim by MK Painting regarding water plant three; (2) authorize Directors Taylor and Kluppel to act on behalf of the Board at the mediation of the pending condemnation proceeding; and (3) authorize ABHR to proceed with negotiations, including condemnation, with

respect to property for the Pecan Lakes levee project from WSG Pecan Grove IV, LP. Director Minchew seconded the motion, which carried unanimously.

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

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

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