

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

December 3, 2009

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in special session, open to the public, on the 3rd day of December, 2009, 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 Alan Sandersen of Sandersen Knox & Company, PLLC; Charles McFarland of Joyce, McFarland + McFarland LLP; Jason Kirby of Jones & Carter, Inc.; Cliff Kavanaugh of First Southwest Company; John Fox of Fox & Bubela, Inc.; and Lynne B. Humphries of Allen Boone Humphries Robinson LLP ("ABHR").

UPDATE ON SERIES 2010 BONDS, INCLUDING TIMING FOR SALE OF BONDS

Mr. Kavanaugh updated the Board on the procedures related to the Series 2010 Bonds and discussed the timing for the sale of the bonds.

APPROVE PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

Mr. Kavanaugh reviewed the Preliminary Official Statement and Official Notice of Sale for the Series 2010 bond issue in the amount of \$32,000,000 with the Board and discussed changes that would be made after the audit is approved, bids are taken, and the Gulf Coast Water Authority ("GCWA") contract is finalized. In response to a question from Director Stolleis, Mr. Kavanaugh explained that 24 months capitalized interest was the maximum amount that would be in the bond issue. Following review and discussion, Director Kluppel moved to approve the Preliminary Official Statement and Official Notice of Sale. Director Crow seconded the motion, which passed unanimously.

APPOINT ESCROW AGENT

After discussion, Director Kluppel moved to appoint Central Bank as the escrow agent. Director Crow seconded the motion, which passed unanimously.

AUTHORIZE ADVERTISEMENT FOR SALE OF THE SERIES 2010 BONDS AND SCHEDULE BOND SALE

After discussion, Director Kluppel moved to authorize advertisement for sale of the Series 2010 Bonds at the appropriate time. Director Crow seconded the motion, which passed unanimously.

APPOINT PAYING AGENT/REGISTRAR

The Board then discussed appointing The Bank of New York Mellon Trust Company, N.A. as the Paying Agent/Registrar for the District's bond issue. After discussion, Director Crow moved to appoint The Bank of New York Mellon Trust Company, N.A. as the Paying Agent/Registrar for the Series 2010 bonds. Director Kluppel seconded the motion, which passed by unanimous vote.

AUTHORIZE FINANCIAL ADVISOR TO BID ON THE BONDS AND ADOPT RESOLUTION PERMITTING FINANCIAL ADVISOR TO BID ON THE SERIES 2010 BONDS

Mr. Kavanaugh requested authorization for First Southwest Company to bid on the bonds. Ms. Humphries then reviewed a Resolution Permitting the District's Financial Advisor to Bid on the Bonds. She stated that the Resolution provides that the financial advisor may bid on the bonds and that the bonds will be awarded to the bidder with the lowest net effective interest rate. After review and discussion, Director Kluppel moved to authorize the financial advisor to bid on the bonds, adopt a Resolution Permitting the District's Financial Advisor to Bid on the Bonds, 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.

AMENDMENT TO THE CONTINUING DISCLOSURE AGREEMENT TO COMPLY WITH SEC RULE 15C2-12

Ms. Humphries explained that in connection with the issuance of the District's bonds, the District agreed (the "Continuing Disclosure Undertaking") to provide updated annual financial information and operating data and audited financial statements (the "Annual Reports") and certain material event notices ("Material Event Notices") to certain nationally recognized municipal securities information repositories ("NRMSIRs") and the appropriate state information depository ("SID") in accordance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"). She added that effective July 1, 2009, the SEC has amended the Rule (the "Amendment") to provide that filing of annual financial and operating information, audited financial statements, and material event notices shall only be filed through an electronic system administered by the Municipal Securities Rulemaking Board ("MSRB"). Ms. Humphries stated that the MSRB, in accordance with the Amendment, has established the Electronic Municipal Market Access System ("EMMA") to receive annual financial information and operating data, audited financial statements and

certain material event notices. She added that when the District issued each series of bonds, the District reserved the right to amend the Continuing Disclosure Undertaking in the event that the SEC amended the Rule. Ms. Humphries then presented an amendment to the District's Continuing Disclosure Undertaking to provide that the District will file all Annual Reports and Material Event Notices with the MSRB through EMMA in accordance with the Rule, as amended. She explained that as provided in the amended Rule, the District shall no longer file its Annual Reports or Material Event Notices with any other NRMSIR or the SID for the State of Texas (the Texas Municipal Advisory Council). After discussion, Director Stolleis moved to approve the Amendment to Continuing Disclosure Undertaking and direct that the Amendment be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Mr. Sandersen reviewed the District's audit for the 2009 fiscal year. Following review and discussion, Director Minchew moved to approve the audit, authorize the President's execution of a representation letter and the President's execution of the Texas Commission on Environmental Quality Annual Filing Affidavit, authorize the filing of the audit with the Texas Commission on Environmental Quality, and direct that the audit be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which was unanimously approved. The Board thanked Sandersen Knox & Company, PLLC for preparing the audit so quickly.

UPDATE ON CONTRACT WITH GULF COAST WATER AUTHORITY

Director Kluppel updated the Board on his conversations with Robert Istre and Director Latimer, President of the Gulf Coast Water Authority ("GCWA"), on the status of the contract. Ms. Humphries updated the Board on her conversations with Ron Freeman, attorney for GCWA.

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

At 6:10 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase of real property.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY, AND AUTHORIZE ENGAGEMENT LETTER WITH JOYCE, MCFARLAND + MCFARLAND LLP TO FILE CONDEMNATION ACTION

Director Taylor announced the Board would reconvene in open session at 7:04 p.m. Director Kluppel moved to: (1) approve an engagement letter with Joyce, McFarland + McFarland LLP to file a condemnation action and direct that the letter be

filed appropriately and retained in the District's official records; and (2) authorize ABHR to write a letter to TxDOT seeking conveyance of a small strip of right-of-way needed for the Pecan Lakes levee. Director Crow seconded the motion. Upon the question being called, Directors Taylor, Kluppel, Minchew, and Crow voted "Aye." Director Stolleis abstained and the motion passed.

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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None.