

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

December 17, 2012

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 17th day of December, 2012, 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:

Chad Howard	President
Randy Vance	Vice President
Buddy Kluppel	Secretary
Kirk Boyd	Assistant Vice President/ Assistant Secretary
John Minchew	Assistant Vice President/ Assistant Secretary

and all of the above were present.

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Bryan Jordan and Bethany Miller of Jones & Carter, Inc. ("J&C"); Kathy Brittain of Tax Tech, Inc.; Mike Ammel, Breah Campbell, Ben Connelley and Doug Owen of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Deputy James Eleckel of the Fort Bend County Constable's Office, Precinct 3 ("Precinct 3"); Greg Lentz of First Southwest Company; Jonathan Howard of Arcadis U.S., Inc. ("Arcadis"); and Lynne Humphries, Hannah Brook and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

REMARKS FROM THE BOARD PRESIDENT

Director Howard opened the meeting and welcomed attendees.

COMMENTS FROM THE PUBLIC

There was no public comment.

CONSENT AGENDA

Director Howard offered Board members the opportunity to remove items from the consent agenda for individual discussion. There being no response from any Board member, Director Kluppel moved to approve all items on the consent agenda. Director Minchew seconded the motion, which passed by unanimous vote. Copies of all documents approved as part of the consent agenda are attached.

SECURITY MATTERS, INCLUDING SERVICE AGREEMENT FOR SECURITY SERVICES AT DISTRICT FACILITIES

Director Minchew and Deputy Eleckel reported regarding patrol activity and security issues within the District. The Board concurred to defer discussion regarding a service agreement for additional security at District facilities until executive session. Director Minchew discussed with the Board the new fire chief for Pecan Grove Volunteer Fire Department.

SIDEWALK IMPROVEMENTS

Director Minchew and Mr. Owen updated the Board on progress identifying and prioritizing sidewalk repairs needed and coordination with the POA.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of December, 2012, a copy of which is attached, and which was provided in advance to the Board.

Mr. Ammel discussed water accountability in the District, overall water loss and historical use and loss, including surface water amounts pumped.

Mr. Ammel reported on repairs in the District, including follow up regarding a break in a poly vinyl chloride ("PVC") line and addressing repair of leaks generally occurring within the District. Following review and discussion, Director Boyd moved to approve the District operator's report. The motion, which was seconded by Director Vance, passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Mr. Ammel reported that the residents on the delinquent list included in the operator's report were mailed written notice prior to this meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board to explain, contest or correct the utility service bill, and to show reason why utility service should not be terminated for reason of nonpayment. Director Kluppel moved that, because the customers on the termination list were not present at the meeting to address the Board, and did not submit a written statement on the matter, utility service for such customers should be terminated in accordance with the District's Rate Order. Director Minchew seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Mr. Ammel and Ms. Campbell reported regarding the status of publication of the quarterly newsletter.

CONVERSION TO SURFACE WATER

The Board expressed frustration with both Malcolm Pirnie and Arcadis regarding completion of the surface water treatment, including training and addressing deficiencies. Director Howard said the surface water committee is working with Malcolm Pirnie, Arcadis and J&C to address all remaining deficiencies, including warrantable items.

Mr. Jordan, Mr. Howard and Ms. B. Miller reported on progress of addressing all punch list items at the surface water treatment plant and schedules for testing, reviewed an updated minor deficiencies list with the Board and reported regarding recent meetings of Arcadis and Jones & Carter. Mr. Jordan said the permit expires at the end of the year and said he is working with EDP regarding conversion credits. The Board also discussed heating, ventilation, and air conditioning ("HVAC") issues noted by Director Vance upon inspection and Mr. Ammel discussed cleaning postponed due to high water levels.

Mr. Howard discussed door hardware proposals from the architect, continuing issues with the sample pump, EDP's efforts to address and improve the plumbing to the pump and parts inventory for the pump replacement parts. Upon inquiry by Director Boyd regarding lack of parts inventory, Mr. Howard said the pump failure rate is high and uses the spare parts inventory quickly. Mr. Connelly added the ongoing issue with the pumps is lack of overall pressure.

Mr. Howard updated the Board on the repair of raw water pump nos. 2 and 3 failed and the status of scheduling and completing all staff training related to raw water storage. He said he met with the surface water committee and all concurred to interpret the repair to raw water pump nos. 2 and 3 as a warrantable item and that a letter will go out to the manufacturer and supplier today.

Ms. B. Miller updated the Board on operation demonstration and membrane failure testing.

ENGINEERING MATTERS

M. Jordan and Ms. B. Miller reviewed the engineer's report, a copy of which is attached, and which was provided to the directors in advance of the meeting.

Mr. Jordan reported that Pecan Grove County Club remains receptive regarding conveyance of right of way for drainage improvement projects and that plans were forwarded to their corporate office for review.

Mr. Jordan reported the status of preparation of a bid package for sanitary sewer cleaning and televising approximately 35,000 linear feet in Grove 1, Grove 2, Grove 4, Grove 5 and Plantation 4 and 5. The Board discussed the fund budgeted for same. Following discussion, upon a motion by Director Kluppel and a second by Director Boyd, the Board voted unanimously to authorize J&C to authorize advertisement for

sanitary sewer cleaning and televising approximately 35,000 linear feet in Grove 1, Grove 2, Grove 4, Grove 5 and Plantation 4 and 5.

Mr. Jordan discussed the status of camera survey of water well no. 3 and presented contracts from Alsay Incorporated for signature.

Ms. B. Miller reported that J&C is addressing comments received from Texas Commission on Environmental Quality ("TCEQ") regarding the District's bond application.

Mr. Jordan first reported that Fort Bend County will require all levee owners to have an emergency action plan ("EAP"). Mr. Jordan said the additional information required is budgeted for 2013 as a special project.

REPORTS FROM DIRECTORS, COMMITTEES, AND DISTRICT CONSULTANTS

Director Kluppel and Ms. Humphries reported on the most recent meeting of the Gulf Coast Water Authority, including lobbying efforts and the formation of a Brazos River coalition, and Fort Bend County Flood Management Association meetings. The Board concurred to consider on the January 2013 agenda membership dues for the Fort Bend County Flood Management Association.

ATTORNEY'S REPORT

There was no discussion for this agenda item.

ADDITIONAL PARK MATTERS

Ms. Brook confirmed that notice of termination was issued to Terra Management Services, that the YMCA has agreed to continue services on a month to month basis for an indeterminate amount of time and that Director Minchew is working with the YMCA regarding service levels, including cleaning of restrooms in the park and event bookings. Mr. Ammel confirmed that EDP does not have the resources currently to take on the responsibilities now handled by the YMCA. Director Minchew discussed getting proposals from a third party cleaning/scheduling company with proposed oversight by EDP. Director Howard requested that the parks committee meet in January to discuss further.

Ms. Humphries next discussed an available Texas Parks and Wildlife recreational trail grant and the deadline to submit applications. Following discussion, Director Kluppel moved to authorize J&C to prepare and submit the application. Director Boyd seconded the motion, which passed unanimously.

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

The Board did not convene in executive session to conduct a private consultation with attorney to discuss pending or contemplated litigation including condemnation proceedings.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE SECTION 551.076, TEXAS GOVERNMENT CODE, TO DELIBERATE THE DEPLOYMENT OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

At 12:12 p.m., Director Howard announced that the Board would convene in executive session to deliberate the deployment or specific occasions for implementation of security personnel or devices. Ms. J. Miller, Ms. Humphries and Ms. Brook were also present during executive session.

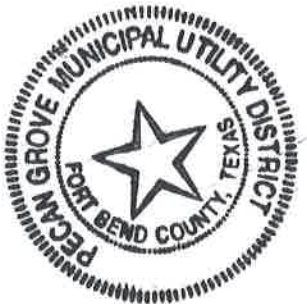
RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DEPLOYMENT OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

At 12:25 p.m. the Board reconvened in open session. Following discussion in executive session, Director Boyd moved to terminate 24 hour manning of the surface water treatment plant, to approve a proposal from DSC for installation of security, including a fire alarm and approve a back up monitoring through ESSI, Inc., as needed. Director Vance seconded the motion, which passed unanimously.

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

The Board did not convene in executive session to deliberate the purchase, exchange, lease, or value of real property.

There being no further business to consider, the meeting was adjourned.



(SEAL)


Secretary, Board of Directors

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