

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

January 8, 2010

Ms. LaDonna Castañuela
Office of the Chief Clerk
Texas Commission on Environmental Quality
P.O. Box 13087, MC-105
Austin, Texas 78711-3087

Re: Application from Grimes County Municipal Utility District (MUD) No. 1 for authorization to proceed in federal bankruptcy in Grimes County, Texas; TCEQ Docket No. 2009-0010-DIS

Dear Ms. Castañuela:

Enclosed for filing with the Texas Commission on Environmental Quality is the original plus seven copies of the following backup materials for the January 27, 2010, agenda item on the above referenced matter:

1. Staff technical memorandum;
2. Caption;
3. Grimes County MUD No. 1's application filed on October 27, 2008, and declared administratively complete on November 4, 2008;
4. Public comment filed in response to the application; and
5. Proposed order.

Please contact me at 239-0575 or sskogen@tceq.state.tx.us if you have any questions regarding this material. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stefanie Skogen".

Stefanie Skogen
Staff Attorney
Environmental Law Division

Enclosure

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

January 8, 2010

Ross J. Radcliffe
Johnson Radcliffe Petrov & Bobbitt PLLC
1001 McKinney, Suite 1000
Houston, Texas 77002-6424

Re: Application from Grimes County Municipal Utility District No. 1 for authorization to proceed in federal bankruptcy in Grimes County, Texas; TCEQ Docket No. 2009-0010-DIS

Dear Mr. Radcliffe:

This letter is to inform you that the above-referenced application has been set on the agenda for consideration by the Texas Commission on Environmental Quality (TCEQ or Commission). This agenda will occur on January 27, 2010, at 9:30 a.m. in Building E, Room 201S, 12100 Park 35 Circle, Austin, Texas. Included with this letter are the agenda backup materials to be considered by the Commission.

Persons with disabilities who plan to attend this hearing and who need special accommodations at the agenda should call the TCEQ Office of Public Assistance at 1-800-687-4040 or 1-800-RELAY-TX (TDD) at least one week prior to the hearing. If you have any procedural questions, you may contact the TCEQ Office of Public Interest Counsel at 1-512-239-6363. If you have any other questions about this matter, you may contact me at 1-512-239-0575 or sskogen@tceq.state.tx.us.

Sincerely,

A handwritten signature in cursive script that reads "Stefanie Skogen".

Stefanie Skogen
Staff Attorney
Environmental Law Division

Enclosure

cc: Mailing List

1

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: *R* Texas Commission on Environmental Quality Date: September 24, 2009

Thru: *DA* Todd Chenoweth, Director, Water Supply Division
AA Doug Holcomb, P.E., Manager, Utilities & Districts Section
AA Alex A. (Skip) Ferris, P.E., Leader, Districts Review Team

From: Districts Review Team

Subject: Docket No. 2009-0010-DIS: Application by Grimes County Municipal Utility District No. 1 for Approval to Proceed under Federal Bankruptcy Code Chapter 9 (11 U.S.C. Sections 901-946) pursuant to Texas Water Code Section 49.456

TCEQ Internal Control No. 10272008-D05; CN: 600740385; RN: 101417681

A. GENERAL INFORMATION

The Commission received an application from Grimes County Municipal Utility District No. 1 (District) requesting authorization for the District to proceed with filing a petition in bankruptcy, pursuant to Chapter 9 of the Federal Bankruptcy Code.

Notice required by TAC 30 §293.88(b) was evidenced by proof of publication received for publication in the *Texas Bond Reporter* on May 15, 2009, in the *Navasota Examiner* on May 13 and May 20, 2009 and an affidavit provided by the Chief Clerk's office indicating that notice had been made to appropriate parties as listed in the District's application on May 7, 2009. The comment period ended June 19, 2009. TCEQ has received one comment opposing the authorization from bondholder Marvin Lebman.

The District was created pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code through an order issued by the Texas Water Rights Commission on November 15, 1972. The preliminary engineering report for the District included design criteria indicating that the water and waste water systems would serve 469 home sites with a potential reserve to be developed of 567 dwelling units. According to the District's audited financial statements, the District has reported eight (8) or less active connections since 1994. The active connections include a golf club maintenance facility and a club house.

The District filed bankruptcy in 1980 and has been discharged from bankruptcy court. The plan of reorganization effectively forgave much of the interest on the bonded indebtedness but did not release the District from obligations to pay the principal on the bonds. \$1,440,000 of principal is outstanding for the District's Series 1974 Bonds. The original principal for bonds issued is \$1,860,000. The last maturity date for these bonds was March 1, 1999. Principal amounts due from March 1, 1989 through March 31, 1999 are all due and unpaid.

The District is seeking reorganization in bankruptcy which includes discharge of all obligations to pay the remaining principal and interest outstanding on the Series 1974 Bonds.

The District's attorney for collection of delinquent accounts reported at the time the application was filed that the District has 82 total lots in suit for foreclosure, 14 suits for 25 lots in which judgment is taken with auction for sale pending and 23 suits currently pending including 57 lots, and 110 total lots already foreclosed upon. Additional charges, such as standby fees, to vacant lots would more than likely increase the number of foreclosures.

B. FINANCIAL ANALYSIS

The District has indicated in its application that it does not currently collect enough revenues to pay for operations and make payments on principal and interest for the bonds outstanding without jeopardizing operations; and that the District, having never benefited from the build out of the lots within its boundaries, has been unable to make payments on the outstanding bonds. The following facts are noted from the audited financial statements:

1. The District is in default on the net principal amount outstanding for the Water and Sewer System Combined Unlimited Tax and Revenue Bonds, Series 1974 and has been in default for at least 20 years;
2. The District has experienced an excess of expenditures over revenues in the general fund every year since 1990 (previous years' financial statements are unavailable at this time). The deficit has been covered by depletion of cash reserves and transfers from the debt service fund;
3. Infrastructure has a depreciated value of \$251,953 with the original cost of \$1,743,445, indicating that the water and wastewater systems are nearing the end of their useful lives. Likelihood of incurring necessary and substantial repairs to the infrastructure to maintain continuous and adequate water and wastewater services to the existing customers in the near future is high because of the age of the infrastructure;
4. The District's cash and equivalents equaled \$389,851 on March 31, 2008;
5. The District has been unable to collect tax revenues sufficient to pay its liabilities and debt service obligations;
6. The District has a higher than average tax rate of \$2.00 per \$100.00 of property value.

C. ENGINEERING ANALYSIS

The District has provided an engineering study indicating that the overall condition of the potable water plant is fair and the plant is nearing the end of its design life with the exception of the well. The nominal rating of the well within the water system is 167 equivalent connections. The wastewater treatment plant is in good condition. Both the water plant and the wastewater treatment systems need significant upgrades and repairs to accommodate any development. Both plants have been in service for 30 years. Sander Engineering Corporation has prepared a letter summarizing repair/replacement cost estimates for the District. The total cost without engineering fees is estimated at \$4,143,300.

F. CONCLUSIONS

1. Based on review of the audited financial statements and the District's application and assertions, the District cannot, through the full exercise of its rights and powers under the law of this state, reasonably expect to meet its debts and other obligations as they mature.

September 24, 2009

2. Based upon the application and information provided, the District has fully exercised its rights and powers under the law in attempts to collect revenues for payment of debts and other obligations.
3. The recommendation is made under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

G. RECOMMENDATION

Staff recommends approval of the District's application to proceed under Federal Bankruptcy Code, Chapter 9.

A handwritten signature in cursive script that reads "Debi Loockerman". The signature is written in black ink and is positioned above the printed name and title.

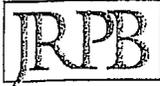
Debi Loockerman CPA
Districts Review Team

2

CAPTION
GRIMES COUNTY MUD NO. 1
TCEQ Internal Control No. 10272008-D05

TCEQ Docket No. 2009-0010-DIS. Consideration of a request for a Commission order authorizing Grimes County Municipal Utility District No. 1 to proceed in federal bankruptcy in Grimes County, Texas, pursuant to section 49.456 of the Texas Water Code. (Stefanie Skogen, Debi Loockerman)

3



JOHNSON RADCLIFFE
PETROV & BOBBITT PLLC

(PL)

October 22, 2008

#254359
10272008-D05
RECEIVED
OCT 27 2008
UTILITIES & DISTRICTS
SECTION
3421000
1913
Act

Texas Commission on Environmental Quality
District Review Team
P. O. Box 13087
Austin, Texas 78711

RE: Grimes County Municipal Utility District No. 1 (the "District") - Petition to the Texas Commission on Environmental Quality ("TCEQ") pursuant to Texas Water Code §49.456 to obtain consent to file a Bankruptcy Petition under Chapter 9 of the Federal Bankruptcy Code (11 U.S.C. Sections 901-946)

293.88

Dear Sirs,

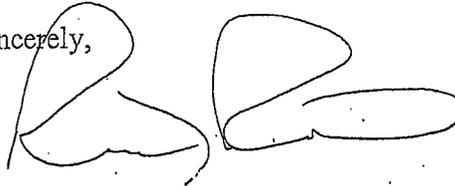
Pursuant to §49.456 of the Texas Water Code, the District's Board of Directors requests the TCEQ to review the District's Petition and submits the following:

1. A Certificate and Resolution adopted by the District's Board of Directors requesting authorization to file bankruptcy;
2. A check in the amount of \$100, representing the District's application fee;
3. The most recent Bookkeeper's Report (Exhibit "A") and Tax Assessor/Collector's Report, including a list of the top taxpayers (Exhibit "B").
4. A comparison of the projections or assumptions of growth, taxes, revenues and expenses submitted to the commission in connection with the approval of the District \$1,860,000 Waterworks and Sewer System Tax Bonds, Series 1974 (the "Series 1974 Bonds") to the actual growth, taxes, revenues and expenses is not available, though currently after thirty-four (34) years with virtually no development occurring, eight (8) connections exist to the District's water and wastewater systems.

5. The District's Board of Directors is of the opinion that, the projections and assumptions used in connection with the Series 1974 Bonds were not realized due to the original developer's failure to obtain homebuilders to purchase the lots and the lots then being sold to individual investors throughout the country. With no increase in assessed valuation within the District, it become an impossibility to obtain enough tax revenues to meet the debt service obligations for the Series 1974 Bonds, which prompted the District to file a bankruptcy in 1980 (the "1980 Bankruptcy"). The District has operated under the Plan of Reorganization approved by the Bankruptcy Court on August 6, 1981 (the "1981 Plan") (Exhibit "C") for the last twenty-seven (27) years, and paid the principal for those bonds out of the Series 1974 Bonds that matured on or before 1988. Pursuant to the 1981 Plan, interest of the Series 1974 Bonds is now forgiven. The District has been unable to make any principal payments since the bonds maturing in 1988 where paid in 1997. After eleven (11) years, it is now apparent that no windfall of revenues will be forthcoming to make principal payments on the Series 1974 Bonds to payoff the remaining \$1,440,000 in principal and still provide sufficient funds to operate and maintain the District's water and sewer facilities.
6. It would be futile to perform a complete analysis of the tax rate, user fees or other charges or sources of revenues that the District may lawfully impose that would be necessary in order for the District to meet its debts and obligations as they become due and the impact of such taxes and fees upon taxpayers and users within the District, as only eight (8) ratepayers exist and all taxes are needed to provide sufficient operating and maintenance expenses to keep the water and sewer facilities in operation. The costs for any major repairs to the District's water and sewer system would be devastating on the District's current eight (8) customers.
7. As previously stated herein the District cannot, through the full exercise of its rights and powers under the laws of this state, to reasonably expect to meet its debts and other obligations as they mature, as only eight (8) customers exist and all taxes are required for operation and maintenance of the District's water and sewer systems.
8. The District has complied with the Commission order approving the Series 1974 Bonds.
9. The list of the District's vendors, including the current District consultants and the utility providers (Exhibit "D"). The other creditors are the holders of the Series 1974 Bonds that are outstanding, those being the bonds that mature in 1989 through 1999 totaling \$1,440,000 in principal. We can not state that the list of bondholders is totally accurate, as the bonds were bearer bonds and the list was prepared from information obtained from communications with alleged bondholders over the years. (Exhibit "E")
10. The draft of the District Petition in Bankruptcy sets out the District's proposed plan of reorganization, if the commission authorizes the District to proceed. (Exhibit "F")

On behalf of the District's Board of Directors, please review the materials presented and if anything further is needed, please give the undersigned a call.

Sincerely,



Ross J. Radcliffe, General Counsel
Grimes County Municipal Utility District No. 1

RJR:

Exhibits

- A - Current Bookkeeper's Report
- B - Current Tax Assessor/Collector's Report
- C - Bankruptcy Order/Plan of Reorganization
- D - List of Creditors/Vendors
- E - List of Creditors/Suspected Bondholders
- F - Draft Petition in Bankruptcy

cc: Board of Directors
O. W. "Bill" Bussey, Jr., Attorney at Law

APPLICATION FOR AUTHORIZATION FOR THE DISTRICT
TO PROCEED IN BANKRUPTCY

THE STATE OF TEXAS §
COUNTY OF GRIMES §
GRIMES COUNTY MUNICIPAL UTILITY DISTRICT-NO. 1 §

TO THE HONORABLE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY:

NOW COMES, GRIMES COUNTY MUNICIPAL UTILITY DISTRICT, a municipal utility district created pursuant to Article XVI of the Texas Constitution and validly existing and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended (hereinafter referred to as "Applicant" or "District") and makes this Application For Authorization For the District to Proceed in Bankruptcy (the "Application"), and files and presents this Application pursuant to 30 Texas Administrative Code (T.A.C.) Section 293.88, et seq., and requests your Commission to take such action thereon as provided by law and the regulations of your Commission.

Your Commission has previously approved the District's bond issue styled "Grimes County Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1974" in the aggregate principal amount of \$1,860,000 (the "Bonds").

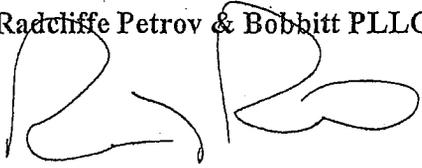
It is in the best interest of Applicant and essential to the orderly conduct of the business of Applicant that this Application be approved by the Commission at this time.

NOW, THEREFORE, APPLICANT PRAYS that the Commission investigate, report upon, and authorize the District to proceed with filing a petition in bankruptcy, pursuant to Chapter 9 of the Federal Bankruptcy Act, as requested herein; and that the Commission approve all other matters and do all things required of it by law and by the rules of the Commission in connection with this Application; and that the Commission make a full written report on the foregoing, file same in the office of the Commission, and furnish same to the Board of Directors of the District, and that Applicant may have other relief to which it may show itself just entitled.

DATED this 22nd day of October, 2008.

Johnson Radcliffe Petrov & Bobbitt PLLC

By: _____


Ross J. Radcliffe
State Bar No. 16452555
1001 McKinney Street, Suite 1000
Houston, Texas 77002
713-237-1221 phone
713-237-1313 fax
rradcliffe@publiclaw.com

ATTORNEYS FOR APPLICANT,
GRIMES COUNTY MUD NO. 1

(11) such other information which the commission considers material to a determination of whether authorization to proceed in bankruptcy should be granted.

(b) The chief clerk shall mail written notice to all creditors shown in the district's application, all developers and their lien-holders and the top ten taxpayers shown in the district status report, the city in whose corporate limits or extraterritorial jurisdiction the district is located, if any, and the county in which the district is located. The chief clerk shall publish notice of the application at least once a week for two consecutive weeks in a newspaper of general circulation in the county in which the district is located. The chief clerk shall also publish notice of the application once in the Texas Bond Reporter of Austin, The Daily Bond Buyer, The Weekly Bond Buyer, or The Wall Street Journal. Such notices shall be mailed or published within 30 days of the date an administratively complete application is received by the executive director. The commission shall not act on the application before 30 days after such notices are given, mailed, or published.

(c) If, after consideration of all evidence, the commission determines that the district cannot, through the full exercise of its rights and powers under the law of this state, reasonably expect to meet its debts and other obligations as they mature, the commission may authorize the district to proceed in bankruptcy.

(d) If the commission determines that the district can, through the full exercise of its rights and powers under the laws of this state, reasonably expect to meet its debt and other obligations as they mature, the commission shall deny the district's application and shall order the district to adopt specific measures to generate sufficient revenues to meet its obligations. The commission shall also require the district to submit periodic reports on the implementation of the measures required by the commission and its current financial condition.

(e) The commission may assess additional fees adequate to cover its cost in administering this section.

Source Note: The provisions of this §293.88 adopted to be effective August 5, 1988, 13 TexReg 3638; amended to be effective October 22, 1996, 21 TexReg 9905; amended to be effective September 14, 2000, 25 TexReg 8955

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**CERTIFICATE OF RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS
COMMISSION ON ENVIRONMENTAL QUALITY TO CONSENT TO THE DISTRICT
FILING A PETITION IN BANKRUPTCY PURSUANT TO SUBCHAPTER 9**

THE STATE OF TEXAS
COUNTY OF GRIMES
GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

§
§
§

We, the undersigned officers of the Board of Directors (the "Board") of GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1 (the "District"), hereby certify as follows:

The Board convened in regular session, open to the public, on Thursday, August 21, 2008, at 11:30 a.m., at 1001 McKinney, Suite 1000, Houston, Texas, 77002, and the roll was called of the members of the Board, to-wit:

Ken D. Ledbetter	President
Kathy McHenry	Vice President
John A. Devine	Secretary
Ray A. Gearhart	Assistant Secretary
Vacant	Director

All members of the Board were present except the following: n/a
thus constituting a quorum. Whereupon other business, the following was transacted at such Meeting: A written

**RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY TO CONSENT TO THE DISTRICT FILING A
PETITION IN BANKRUPTCY PURSUANT TO SUBCHAPTER 9**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted; and after full discussion, such motion, carrying with it the adoption of such Resolution prevailed, carried, and became effective by the following vote:

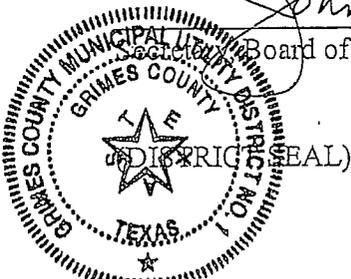
AYES: 4 NOES: 0

A true, full and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Resolution has been duly recorded in the Board's minutes of such Meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such Meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board are duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of such Meeting, and that such Resolution would be introduced and considered for adoption at such meeting, and each of the officers and members consented, in advance, to the holding of such Meeting for such purpose; and such Meeting was open to the public and public notice of the time, place, and purpose of such Meeting was given, all as required by Chapter 551 of the Texas Government Code, and Section 49.063 of the Texas Water Code, as amended.

SIGNED this 21st day of August, 2008.

John A. Devine
Board of Directors

Ken Ledbetter
President, Board of Directors



RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY TO CONSENT TO THE DISTRICT FILING A PETITION IN BANKRUPTCY PURSUANT TO SUBCHAPTER 9

STATE OF TEXAS	§
COUNTY OF GRIMES	§
GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1	§

WHEREAS, Grimes County Municipal Utility District No. 1 (the "District") is a political subdivision of the State of Texas created pursuant to Article XVI, Section 59 of the Texas Constitution and operating pursuant to Chapters 49 and 54 of the Texas Water Code; and

WHEREAS, pursuant to Texas Water Code, §49.456, the District may not proceed under Chapter 9 of the Federal Bankruptcy Code, until the Texas Commission on Environmental Quality ("Commission") authorizes the District to proceed under those laws by written order; and

WHEREAS, upon the District filing an application with the Commission to obtain a written order which authorizes the District to proceed with filing a petition in bankruptcy, the Commission shall investigate the District's financial condition, including its assets, liabilities, and sources of revenues, in order to determine whether authorization to proceed in bankruptcy should be granted;

WHEREAS, the Commission may not authorize the District to proceed in bankruptcy, unless the Commission determines that the District cannot, through the full exercise of its rights and powers under the laws of the State of Texas, reasonably expect to meet its debts and other obligations as they mature;

WHEREAS, the District's Board of Directors finds that, without seeking relief through an order of a bankruptcy court, the District cannot, through the full exercise of its rights and powers under the laws of the State of Texas, reasonably expect to meet its debts and other obligations as they mature, specifically the obligations to pay the outstanding debt to the bondholders in an amount of \$1,440,000;

WHEREAS, as authorized under law, and in the best interests of the current and future taxpayers and ratepayers of the District, the Board deems it expedient and necessary to seek an order from the Commission to authorize the District to proceed in bankruptcy.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1, THAT

1. The Attorney, Ross J. Radcliffe, shall be authorized to submit to the Commission, on the District's behalf, an application requesting the Commission's authorization to the District to proceed with filing a petition in bankruptcy pursuant to Chapter 9 of the Federal Bankruptcy Code.
2. The Board of Directors authorizes its President or Vice President to execute, and Secretary or Assistant Secretary to attest this resolution on behalf of the Board and the District.
3. This resolution shall be effective immediately.

WITNESS OUR HANDS AND THE SEAL OF THE DISTRICT this 21st day of August,
2008.

ATTEST:

Ken Gullett

President, Board of Directors

John A. Devins

Secretary, Board of Directors



DEPOSIT INFORMATION FORM

Today's Date:	11/4/08
Review Number:	10272008-DC5
Check Date:	10/22/08
Check Number:	10486
Check Amount:	100 ⁰⁰
Check Maker:	Johnson, Radcliffe, Petrov
Paid For:	Grimes Co MUD 1

Purpose of Check:

	Creation (WDC)		Conversion (WDC)	<input checked="" type="checkbox"/> Bankruptcy (MAF)	Director Appointment (MAF)
	Bond Issue (BIA)		Dissolution (MAF)	Change Order (MAF)	Contract Tax Obligations (MAF)
	Escrow Release (MAF)		Extension of Time (MAF)	Tax Revision (MAF)	Change in Project Scope (MAF)
	Surplus Funds (MAF)		Standby Fee (MAF)	Fire Plan (MAF)	Road Powers (MAF)
	Name Change (MAF)		Revenue Note (BIA)	Impact Fee (MAF)	Additional Powers (WDC)
	Maintenance Tax Revenue (MAF)				

Person Taking Backup: Mary Anne France (MC-156)

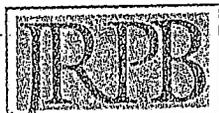
Telephone Number: 239-1258

Fax Number: 239-6190

For Program/Division: Water Supply Division/Utilities & Districts Section/Districts Review Team

(check attached below)

10486



**JOHNSON RADCLIFFE
PETROV & BOBBITT-PLLC**
OPERATING ACCOUNT
1001 MCKINNEY, SUITE 1000
HOUSTON, TX 77002
PH. (713) 237-1221

FROST NATIONAL BANK
SAN ANTONIO, TEXAS 78296
30-9-1140

DATE	CHECK	AMOUNT
10/22/08	10486	****\$100.00

*** ONE HUNDRED & 00/100 DOLLARS

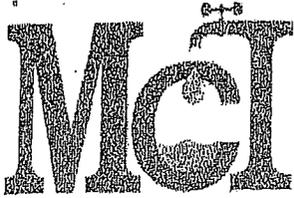
PAY

TO THE
ORDER
OF:

Texas Comm. on Environmental Quality
P.O. Box 13088
Austin TX 78711-3088

(Signature)

Quantile Expense Incubator



Myrtle Cruz, Inc.

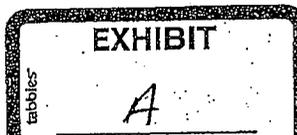
1621 Milam, 3rd Floor . Houston, Tx 77002-8017 . (713)759-1368 . fax 759-1264 . email first_last@mcruz.com

GRIMES COUNTY MUD NO. 1

Cash Report for Meeting of August 21st, 2008

GENERAL OPERATING (0420P) : TEXAS STATE BANK 34561 (:

Previous cash balance, June 12th, 2008		14,144.70
plus: 06/16 Rebate from Synergy.....		85.88
plus: 08/21 Transfer from TEXPOOL.....		30,000.00
	Total Deposits :	30,085.88
less: 08/14 Reverse duplicate deposit.....		600.00
less checks completed at or after last meeting :		
2288 Mid-South Electric Cooperative Association;.....		603.00
2289 J.G.Utility; Jun operations.....		2,505.01
6332 operator's fees	1,600.00	
6335 repair & maint-gener	572.31	
6324 laboratory expenses	332.70	
2290 J.G.Utility; Jul operations.....		2,732.87
6332 operator's fees	1,600.00	
6335 repair & maint-gener	712.27	
6324 laboratory expenses	420.60	
2291 Mid-South Electric Cooperative Association;.....		605.00
Beginning cash balance, August 21st, 2008		37,184.70
less checks to be presented at this meeting :		
2292 Ray Gearhart; director fee and expenses.....		125.68
6310 director fees	100.00	
6354 travel expense	33.33	
6514 payroll taxes	7.65-	
2293 Kathy McHenry; director fees & expenses.....		169.11
6310 director fees	100.00	
6354 travel expense	76.76	
6514 payroll taxes	7.65-	
2294 John A. Devine; director fee and expenses.....		117.60
6310 director fees	100.00	
6354 travel expense	25.25	
6514 payroll taxes	7.65-	
2295 Myrtle Cruz, Inc.; Bookkeeping for Jun/Jul.....		1,597.28
6333 Jun Bookkeeping	858.50	
6340 office expenses	65.76	
6333 Jul Bookkeeping	658.50	
6340 office expenses	14.52	
2296 Johnson Radcliff Petrov & Bobbitt P.L.L.C.; legal.....		2,075.59
6320 14460 General Jun	1,128.29	
6320 14461 Elections	61.01	
6320 14585 General Jul	886.29	
2297 Bluebonnet Groundwater Conservation Dist; inv 2008-478/606..		39.56
6326 inv 08-478 Jun	19.74	
6326 inv 08-606 Jul	19.82	
2298 BKD; billing audit fees.....		9,400.00
2299 Mid-South Electric Cooperative Association; Group 483.....		
2300 J-G Utility;.....		
2301 J.G.Utility;.....		
2302 Mid-south Electric Cooperative Association; Group 483.....		
2303 Sander Engineering Corporation; #10937/10938 eng. fees....		16,228.56
6322 10937 May-Jul	3,263.40	
6322 10938 L/S May-Jul	12,965.16	



GRIMES COUNTY MUD NO. 1

Cash Report for Meeting of August 21st, 2008 Page : 2

previous cash balance		14,144.70	
2 receipts		30,085.88	
12 current checks	<	29,753.38	>
other disbursements	<	7,045.88	>
ending cash balance			7,431.32

TIME DEPOSIT INVESTMENTS:

Texas Community Bank; 03/12/08.due 09/09/08 @ 4.00%..... 95,000.00

DEMAND DEPOSIT INVESTMENTS:

Texas State Bank; acct #56341.....			4,306.63
previous balance		4,306.63	
TexPool #78663 26730 00001.....			226,969.55
previous balance		256,004.00	
07/31 int. earned		489.27	
06/30 int. earned		476.28	
08/21 trf to cking		30,000.00-	
Texas State Bank; acct 83402 Bankruptcy.....			5,019.50
previous balance		5,019.50	

previous investments		360,330.13	
interest		965.55	
withdrawals	<	30,000.00	>
ending investments			331,295.68

GENERAL OPERATING FUNDS AVAILABLE August 21st, 2008

=====
\$338,727.00
=====

Bond Principal paid through 1988 Maturities.

Bonds matured 1989	85,000	Bonds matured 1996	150,000
Bonds matured 1990	90,000	Bonds matured 1997	160,000
Bonds matured 1991	100,000	Bonds matured 1998	175,000
Bonds matured 1992	110,000	Bonds matured 1999	190,000
Bonds matured 1993	115,000		
Bonds matured 1994	125,000		
Bonds matured 1995	140,000		
Security deposits on file	\$30.00		

GRIMES COUNTY MUD #1
Budget for Fiscal Year Ending March 31, 2009

For a 2 month period

August 21, 2008

	2 months		4 months		Annual Budget
	Actual MTD	Budget MTD	Actual YTD	Budget YTD	
Revenue :					
Water and Sewer	-600.00	870.00	1,455.00	1,740.00	5,220.00
Tax Collections	0.00	10,000.00	0.00	20,000.00	60,000.00
Interest on Investments	965.55	1,250.00	1,996.68	2,500.00	7,500.00
Miscellaneous	0.00	33.33	23,520.00	66.67	200.00
	365.55	12,153.33	26,971.68	24,306.67	72,920.00

	2 months		4 months		Annual Budget
	Actual MTD	Budget MTD	Actual YTD	Budget YTD	
Expenses :					
Engineering Fees	16,228.56	833.33	21,783.01	1,666.67	5,000.00
Legal Fees	2,014.58	3,333.33	6,693.56	6,666.67	20,000.00
Bookkeeping Fees	1,517.00	1,333.33	2,884.00	2,666.67	8,000.00
Operator Fees	3,200.00	3,200.00	6,400.00	6,400.00	19,200.00
Tax Collector's Fee	0.00	0.00	0.00	0.00	0.00
Repairs/Maintenance	1,284.58	2,500.00	4,539.50	5,000.00	15,000.00
Utilities	1,122.12	2,000.00	2,259.34	4,000.00	12,000.00
Lab Expenses	753.30	583.33	1,415.00	1,166.67	3,500.00
Director Fees	300.00	500.00	700.00	1,000.00	3,000.00
Audit Fees	9,400.00	9,400.00	9,400.00	9,500.00	9,500.00
Office & Printing	80.28	125.00	199.40	250.00	750.00
Election Expense	61.01	83.33	1,449.17	166.67	500.00
Legal Notices	0.00	83.33	0.00	166.67	500.00
Insurance (Surety)	0.00	1,550.00	0.00	1,550.00	1,800.00
Permit Fees	39.56	250.00	72.74	500.00	1,500.00
Insurance (Facilities)	0.00	3,250.00	0.00	3,250.00	3,000.00
Contingency	135.34	250.00	396.93	500.00	1,500.00
Payroll Taxes	-22.95	41.67	53.55	83.33	250.00
TOTAL EXPENSES	36,113.38	29,316.67	58,246.20	44,533.33	105,000.00

Beginning Balance	374,474.83		370,001.52		
Net Surplus or (Deficit)	(35,747.83)	(17,163)	(31,274.52)	(20,227)	(32,080)
Funds Available as of 8/21/2008	338,727.00		338,727.00		

Myrtle Cruz, Inc.
1621 Milam, 3rd Floor
Houston, TX 77002-8017

(713) 759-1368
fax # 759-1264

INVESTMENT REPORT, AUTHORIZATION AND REVIEW

Report for
RIMES COUNTY MUD #1

Prepared for the reporting period ("Period") from

6/1/2008

to 7/31/2008

fund	Investment Pools	Rate	Beginning Value for Period		Interest earned this period	Deposits or (Withdrawals)	Ending Value for Period		Date of Maturity
			Book	N.A.V.			Book	N.A.V.	
OP	Texpool	2.2460%	256,004.00	1.00020	965.55	0.00	256,969.55	0.99986	256,933.57
		2.2460%	256,004.00		965.55	0.00	256,969.55		256,933.57

fund	Certificates of Deposits	Rate	Purchase Value	Term in Days	Begin Value for Period	Interest accrued this period	Deposits or (Withdrawals)	Ending Value for Period	Date of Purchase	Date of Maturity
			95,000.00	181	95,843.29	635.08	0.00	96,478.37		

fund	Demand Deposit Accounts	Rate	Begin Value for Period	Interest earned this period	Deposits or (Withdrawals)	Ending Value for Period
		2.2300%	4,306.63	0.00	0.00	4,306.63

Compliance Statement. The investments (reported on above) for the Period are in compliance with the investment strategy expressed in the District's Investment Policy and the Public Funds Investment Act.

Review. This report and the District's Investment Policy are submitted to the Board for its review and to make any changes thereto as determined by the Board to be necessary and prudent for the management of District funds.

Signatures.

Myrtle Cruz, Inc. invest.xls version 2.4

Investment Officer

(please sign & date)

Bookkeeper (Myrtle Cruz, Inc.)

Deposit / Collateral Report by District

GRIMES COUNTY MUD 1

Texas State Bank, a division of Compass Bank

Tax ID - Pledge: 746205566-20146

Pledge Date: 07/31/2008

1st. Consultant: MCI-MYRTLE CRUZ, INC.

Accounts Through: 07/31/2008 7:00 PM

2nd. Consultant:

Memo Posts Through: NO MEMO POSTS

Deposits

Interest Account

<u>Acct No</u>	<u>Funds Type</u>	<u>Class</u>	<u>Balance</u>	<u>Interest</u>	<u>Total</u>
000034561	Interest Account	Premier NOW	\$10,522.57	\$0.00	\$10,522.57
000056341	Interest Account	Premier MMA	\$4,306.63	\$0.00	\$4,306.63
000083402	Interest Account	Premier MMA	\$5,019.50	\$0.00	\$5,019.50
Subtotal Interest Account			\$19,848.70	\$0.00	\$19,848.70
Total Deposits			\$19,848.70	\$0.00	\$19,848.70

Securities

<u>Agency</u>	<u>Custodian</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Date Pledged</u>	<u>Units Pledged</u>	<u>Market Value</u>
Total Securities Pledged						

DEPOSIT / COLLATERAL POSITION CALCULATION

Subtotal Interest Deposits	\$19,848.70
Subtotal Non-Interest Deposits	\$0.00
Subtotal Bond Fund Deposits	\$0.00
TOTAL DEPOSITS	\$19,848.70
LESS APPLICABLE FDIC	
Subtotal Interest Deposits	\$19,848.70
Subtotal Non-Interest Deposits	\$0.00
Subtotal Bond Fund Deposits	\$0.00
Deposits Requiring Collateral	\$0.00
TOTAL SECURITIES PLEDGED	\$0.00
DEPOSIT COLLATERAL POSITION - 100%	\$0.00
DEPOSIT COLLATERAL POSITION - 105%	\$0.00
	0%

Grimes County MUD 1
Bankruptcy

Deposits:

Date	Amount	
February 19, 2008	19,980.00	Developer
April 25, 2008	20.00	Developer

Total	20,000.00	
-------	-----------	--

Expenditures:

	Inv #	Amount	Check #
O W Bussey		5,000.00	2235
O W Bussey		15,000.00	2268
JRPB	13814	580.00	2272
JRPB	14121	572.50	2285
JRPB	14266	285.00	2285

Total Expenditures	21,437.50
--------------------	-----------

Balance (1,437.50)

District: GRIMES COUNTY MUD 1

Month:	KwH used	Amount paid
2007 September	6,116	852.86
October	5,149	770.26
November	5,546	824.25
December	6,656	908.66
2008 January	5,208	678.23
February ****	9,235	1,084.13
March	6,116	765.83
April	5,630	727.36
May	4,135	556.22
June	4,325	581.00
July	4,293	603.00
August	4,116	605.00
Total	66,525	8,956.80

****Water Well Pump used 3,840 Kwh more than prior month.

TAX ASSESSOR'S REPORT
GRIMES COUNTY MUD 1
July 2008

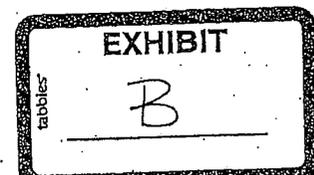
HISTORICAL TAX SUMMARY

YEAR	RATE	LEVY AMOUNT	OUT STANDING	\$ COLLECTED	PCT
2007	2.0000	51,760.15	8,579.14	43,181.01	83.4%
2006	2.0000	51,124.94	9,932.40	41,192.54	80.6%
2005	2.9500	75,223.85	14,392.05	60,831.80	80.9%
2004	2.9500	69,832.95	14,165.48	55,667.47	79.7%
2003	2.9500	67,605.19	13,229.43	54,375.76	80.4%
2002	2.8200	61,210.42	12,292.60	48,917.82	79.9%
2001	2.8200	61,688.43	12,108.79	49,579.64	80.4%
2000	2.8200	59,668.71	11,946.75	47,721.96	80.0%
1999	2.8200	54,781.53	11,603.50	43,178.03	78.8%
1998	2.9200	54,921.77	11,857.64	43,064.13	78.4%
1997	2.9500	55,263.44	11,985.42	43,278.02	78.3%
1996	2.9500	55,312.71	12,022.00	43,290.71	78.3%
1995	2.9500	55,208.27	11,979.22	43,229.05	78.3%
1994	2.9500	67,520.07	15,109.97	52,410.10	77.6%
1993	2.9500	68,500.55	15,612.95	52,887.60	77.2%
1992	2.9500	68,695.34	15,382.26	53,313.08	77.6%
1991	2.9500	69,794.54	15,085.79	54,708.75	78.4%
1990	2.9500	77,274.99	17,246.33	60,028.66	77.7%
1989	2.9500	83,442.76	18,732.26	64,710.50	77.6%
1988	2.9500	97,789.24	21,499.32	76,289.92	78.0%
1987	2.9500	99,703.72	21,580.46	78,123.26	78.4%
1986	2.9500	103,750.62	19,962.40	83,788.22	80.8%
1985	2.9500	123,689.84	26,120.18	97,569.66	78.9%
1984	5.8700	125,475.21	21,864.57	103,610.64	82.6%
1983	5.8700	103,540.79	293.50	103,247.29	99.7%
1982	5.8700	107,192.23	234.80	106,957.43	99.8%
1981	2.0000	66,303.70	268.00	66,035.70	99.6%
1980	2.0000	63,294.10	268.00	63,026.10	99.6%

FISCAL YEAR

04/01/08 TO 03/31/09

BEGINNING CASH BALANCE	14,370.70	17,692.51	
REVENUE	CURRENT MONTH	YEAR TO DATE	
2007 - TAXES		115.80	
2006 - TAXES		0.00	
2005 - TAXES		0.00	
PRIOR YEARS - TAXES	45.77	180.22	
PENALTY & INTEREST	41.19	180.76	
OVERPAYMENTS		0.00	
MISC. RECEIPTS		0.00	
M.M. INTEREST (PRIOR)		0.00	
COLLECTION FEES	13.04	54.07	
REVENUE TOTAL	100.00	530.85	
DISBURSEMENTS			
TAX ASSESSOR FEE	2325	469.80	1,879.20
M/O TRANSFER			0.00
LEGAL FEES	2326	27.99	54.07
MISC. DISBURSEMENTS	2327	120.00	120.00
TAX ASSESSOR BOND			125.00
REFUND-OVERPAYMENTS			0.00
COMPUTER & POSTAGE			1,817.43
LEGAL NOTICES			0.00
BANK CHARGES			0.00
CENTRAL APPRAISAL DIST.			374.75
TOTAL DISBURSEMENTS		617.79	4,370.45
ENDING CASH BALANCE	13,852.91		13,852.91



TAX ASSESSOR'S REPORT
GRIMES COUNTY MUD 1
July 2008

TAX ACCOUNT BOOKKEEPER'S NOTES:

1	Disbursements: Misc. Disbursements	
	Check 2327 National Processing Company - Credit Card Setup Fee	120.00

CHECKS PRESENTED FOR APPROVAL:

2328	Kenneth Byrd - Tax Assessor Fee	469.80
2329	Grimes County Appraisal District - CAD 4th Quarter 2008	217.75

TOTAL 687.55

2007 EXEMPTIONS APPLIED:

EXEMPTION TYPE	NUM. APPLIED	EXEMPTION AMOUNT	VALUATION
HOMESTEAD	2	20%	46,326
OVER 65 / DISABLED	1	15,000	15,000
DISABLED VETERAN	0	AS PER STATUTES	0

COMMENTS :

2003 CERTIFIED AV:	2,358,383	SUPPLEMENTAL # 50
2004 CERTIFIED AV:	2,433,900	SUPPLEMENTAL # 52
2005 CERTIFIED AV:	2,616,641	SUPPLEMENTAL # 43
2006 CERTIFIED AV:	2,556,247	SUPPLEMENTAL # 39
2007 CERTIFIED AV:	2,572,998	SUPPLEMENTAL # 21

2004	RATE	2005	RATE	2006	RATE	2007	RATE
D/S	2.9500	D/S	2.9500	D/S	2.0000	D/S	0.0000
M/O	0.0000	M/O	0.0000	M/O	0.0000	M/O	2.0000
TOTAL	2.9500	TOTAL	2.9500	TOTAL	2.0000	TOTAL	2.0000

I, KENNETH R. BYRD, TAX ASSESSOR AND COLLECTOR FOR THE ABOVE DISTRICT DO SOLEMNLY SWEAR THAT TO THE BEST OF MY KNOWLEDGE, THIS IS A TRUE AND CORRECT STATEMENT OF THE TAX ACCOUNT FOR THE MONTH STATED THEREON.

KENNETH R. BYRD
TAX ASSESSOR AND COLLECTOR

GRIMES COUNTY MUD 1,
DEPOSITORY PLEDGE REPORT
July 2008

Depository Bank	WELLS FARGO BANK
Depository Pledge Agreement Signed	Sep-96
Minutes Confirming Collateral Pledge	Mar-96
Custodian Bank	Federal Reserve Bank
Collateral Receipt	
Annual Bank Audit	Dec-05
Monthly Statement of Value	

Type of Collateral

Market Value

Wells Fargo Bank monitors balances daily and places securities as necessary.

OWNER NAME	APPRAISED/REAL	TAXABLE/PERM	OWNER NAME	APPRAISED/REAL	TAXABLE/PERM
ARNDSON VERGEL TRUSTEE	1,498,204	1,498,204	HEADSTAR N NEMMAN	3,970	3,970
SPEICH NANCY	117,630	117,630	TIMS CHIK-SUN	3,960	3,960
MC HARRY GREGG R & KATHY B	135,490	112,132	SOKOL DAVID	3,950	3,950
KENDRY GOLF SYLVES	62,158	62,150	DEHAY N B	3,890	3,890
O'DAY PHILLIS N	95,140	61,112	ROHDE JAMES S	3,880	3,880
FT CORPORATION	49,080	40,680	KORHIST EDWARD C	3,800	3,800
BUSBY JAMES FARMS INC	39,420	39,420	BRUDLEY JAMES A	3,520	3,520
WEBB JOHN C JR TRUSTEE	22,670	22,670	DAVISON GARY I & CASSANDRA V	3,400	3,400
UNIFIED TELEPHONE CO	17,580	17,580	SALVATOR ARDY OF ET VOHRE	3,360	3,360
HOUGHTY ANALYSIS INC	15,110	15,110	BRAYTON JAMES S	3,220	3,220
BAHLOK JOE DEB TR	13,010	13,010	KANDER SHARON T	3,210	3,210
BALLOK COMPANY	11,720	11,720	TRIST BANK	3,260	3,260
AMERICAN BEER ASSN	10,460	14,460	GOOD PAUL I	3,200	3,200
CARNEY ROBERT A	10,160	10,160	PASKERVILLE J T	3,200	3,200
ANDERSON KAREN D	10,020	10,020	BRITT JESSA C	3,200	3,200
UNITED STEELING LLC	9,360	30,020	ROBERT JERISSA P	3,200	3,200
GERHART RAY	9,200	8,200	CATHERN M S	3,200	3,200
DEVINE JOHN	8,530	8,530	CORRECT SERVICES CO	3,200	3,200
WALDRON & SCREIDER LLP	7,970	7,970	DILLI THOMAS G	3,200	3,200
BOOJ BARRY M	7,460	7,460	MTCHEP L K	3,200	3,200
CENCO CONSTRUCTION CO INC	7,280	7,280	PORONA COLEIGES	3,200	3,200
SMYER KERRY G	7,260	7,260	RICH GENE	3,200	3,200
LEONIS TOMMY R	6,880	6,880	SCHELES E H	3,200	3,200
KELLEY JOHN H	6,720	6,720	SPINNOT JOHN P	3,200	3,200
COLLINS TERRY D & JANICE	6,480	6,480	MITSURUHI H T	3,200	3,200
LIEBERMAN HARLIS B	6,430	6,430	B & F LAND COMPANY	3,120	3,120
ALBERTS JACK S	6,400	6,400	HINDEN WILLIAM & DOLores	3,120	3,120
EDDITT RESOURCES	6,250	6,250	BIDDY CHARLES V	3,120	3,120
PAPER RESOURCES II	6,180	6,180	CRED JERRY	3,110	3,110
BERNASCIO FRANK	5,940	5,940	DUSTENA A V	3,000	3,000
SERICO DAVID C & HEATHER S CRT	5,790	5,790	HEILEY ANDREW O	3,000	3,000
JACKSON ARTHUR CHARLBS	5,600	5,600	GERNA DOROTHY	3,000	3,000
BIDDY AEMER	5,480	5,480	USHERO, THOMAS M	3,000	3,000
THOMAS E A	5,420	5,420	BRAZER GENE	3,000	3,000
CORPORATE KYRL	5,360	5,360	DHWARTE R H	3,000	3,000
BILKREY JOHN E	5,280	5,280	HEBERT FRITZLE O	2,750	2,750
JACKSON JAMES CARL	5,280	5,280	ROBERTS HOWARD J	2,700	2,700
COOPER ORICK	5,150	5,050	WELLS MARICED & EL MARY	2,690	2,690
THOMAS WILLIAM J	4,890	4,890	WITNEY HAROLD E	2,680	2,680
HEITMAYER RICHARD O	4,830	4,830	BARNETT WILLIAM & JUDITH K	2,670	2,670
BARB FIKALIE JK	4,800	4,800	DANEY LINDSORD K	2,670	2,670
KIRKON FRANK J	4,540	4,540	KAVRAN DAVID	2,660	2,660
CHITARD VERNON J KEMICK	4,500	4,500	IXCOP REICARD C	2,650	2,650
DIPPER BRADFORD H	4,520	4,250	YER RUTH I	2,640	2,640
EMSEN ALBERT H	4,250	4,250	GRAY JAMES M DR	2,640	2,640
PERNICK WILLIAM	4,220	4,220	KEPLAY MICHAEL	2,510	2,510
SANDS TRADING CO LTD	4,200	4,200	DEWEY RAY	2,490	2,490
PARKSON WARREN K	4,150	4,150	WARSON ALBERT L JR	2,400	2,400
LEHREITER KENNETH	4,040	4,040	ANDREW KIRSHWINE	2,400	2,400
A. J. DEVELOPMENT ENTERPRISES INC	4,000	4,000			

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION 6 2

U. S. Bankruptcy Court
Southern District of Texas
FILED

... 6 1981

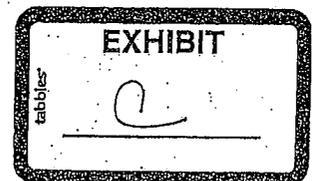
IN RE: §
GRIMES COUNTY MUNICIPAL § BANKRUPTCY NO. 80-1098-HP. Clerk
UTILITY DISTRICT NO. 1 §

ORDER OF DISCHARGE AND CONFIRMATION OF PLAN

The Plan of Reorganization under Chapter 9 of the Bankruptcy Code filed by Grimes County Municipal Utility District No. 1 on August 19, 1980, and a copy of said Plan and of the Disclosure Statement and Supplement approved by the Court having been transmitted to the holders of claims and interests; and

It having been determined after hearing on notice:

1. That the Plan complies with the applicable provisions of Chapter 9 of the Code;
2. That the Plan has been proposed in good faith and not by any means forbidden by law;
3. That the Plan is in the best interests of creditors, fair, equitable and feasible and does not discriminate unfairly in favor of any creditor or class of creditors;
4. That the Debtor is not prohibited by law from taking any action necessary to be taken by it to carry out the Plan;
5. That any payment made or promised by the Debtor or by any persons acquiring property under the Plan for services or for costs and expenses in or in connection with the case or in connection with the Plan and incident to the case have been disclosed to the Court, and any such payment made before confirmation of this Plan is reasonable or if such payment is to be fixed after confirmation of the Plan such payment is subject to the approval of the Court as reasonable;
6. With respect to each class, such class has accepted the Plan or such class is not impaired under the Plan;
7. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim the Plan provides that with respect to a claim of a kind specified in Section 507(a)(1) of the Code on the effective date of the Plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;



8. At least one (1) class of claims has accepted the Plan, determined without including any acceptance of the Plan by an insider holding a claim of such class.

IT IS ORDERED that:

- (a) The Plan of Reorganization filed by Grimes County Municipal Utility District No. 1 on August 19, 1980, a copy of which is attached hereto, is confirmed.
- (b) The Plan is binding on all creditors affected by it, whether secured or unsecured, whether or not their claims have been filed or allowed, and whether or not such creditors have accepted the Plan.
- (c) The Petitioner is discharged from all debts and liabilities dealt with in the Plan except as provided in §944(c) of the Bankruptcy Code, whether secured or unsecured, whether the claims have been filed or allowed and whether or not the creditors holding such claims have accepted the Plan.
- (d) The required deposit made by Ray Gearhart, a member of the Board of Directors of Debtor, appointed pursuant to Section 944 of the Code as disbursing agent for the initial distributions contemplated under the Plan is approved.
- (e) That the Bankruptcy Court will retain jurisdiction over this cause for the purpose of deciding an objection to the claim filed by Robert M. Buchanan, Jr.

Dated: August 6, 1981

E. H. Patton, Jr.
E. H. Patton, Jr.
United States Bankruptcy Judge

I certify that the foregoing is a true copy of the original now on file in Bankruptcy Court
Southern District of Texas

By D. Collins, Clerk

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF TEXAS

HOUSTON DIVISION

IN RE: §
GRIMES COUNTY MUNICIPAL § BANKRUPTCY NO. 80-01098-HP
UTILITY DISTRICT NO. 1 § (CHAPTER 9)
§

PLAN OF REORGANIZATION

DATED: _____, 1980

FILED BY GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Definitions

The following terms when used in the Plan shall, unless context otherwise requires, have the following meanings, respectively:

Debtor - Grimes County No. 1, a Texas municipal utilities district.

Chapter 9 - Chapter 9 of the Bankruptcy Code.

Reorganization case - Case for reorganization of the Debtor commenced by voluntary petition under Chapter 9 on the 15th day of July, 1980 and now pending in this Court.

Court - The United States Bankruptcy Court for the Southern District of Texas, Houston Division, acting in this case.

Plan - This Plan of Reorganization.

Confirmation of the Plan - The entry by this Court of an Order confirming the Plan in accordance with Chapter 9.

Consummation of the Plan - The accomplishment of all things contained or provided for in this Plan, and the entry of an Order of consummation dismissing this case.

Available Cash - All monies on hand after allowance is made for payment of administrative efficient operation and adequate maintenance of the Debtor's service facilities.

ARTICLE I.

Classification of Claims and Interest

Class I creditors includes all claims which are entitled to priority by the Bankruptcy Code.

Class II creditors includes all secured creditors of the Debtor, regardless of amount. Secured creditor meaning a creditor

holding security and specifically including the holders of the Debtor's outstanding bonded indebtedness, which said bonded indebtedness is payable from and secured by a pledge of annual ad valorem taxes collected by the Debtor on all taxable property in its boundaries and by the net revenues, if any, of the Debtor's waterworks and sanitary sewer system after deduction of reasonable costs of administration, efficient operation and adequate maintenance of the Debtor's service facilities.

Class III creditors are all creditors of the Debtor not included in Class I or Class II.

ARTICLE II.

Treatment of the Classes

CLASS I: Class I creditors shall be paid in full upon confirmation of the Plan.

CLASS II: The bonds held by Class II creditors, as are more fully described in the Creditor's List on file with the Court, are payable on the dates therein shown in specific amounts for principal, called "principal maturities", and interest, called "interest due". Principal maturities are due and payable on March 1 of each year. Interest is payable on March 1 and September 1 of each year. The principal which was due on March 1, 1980 (\$25,000.00) will be paid in full from cash on hand at the time of the Court's confirmation of the Plan. That after its payment, all available cash will be paid prorata on the interest indebtedness then due. Such prorata distribution of available cash will be made in full and complete satisfaction and payment of all interest then accrued. If it should happen, as it will for the payment due March 1, 1980, that there is not sufficient available cash on hand to make full payment of the interest then due, then the prorata distribution will be made in full payment of all interest then due, and the bond holders will receive, on the interest (or coupon portion) less than one hundred cents on a dollar, and in the event all available cash is required to make the principal payment, then the interest will be deemed paid in full for that due date without the payment of any monies. All available cash on hand on March 1 of each year and all cash on

hand in the fund (defined in the Plan as all monies in which the bond holders have a security interest) shall be dedicated to the payment of principal maturities then due, and all amounts which are designated for prorata payment upon the interest for the prior year, and not claimed by the bond holders, shall be available for distribution in the then current year for the principal maturity first and then for the interest due in the current year, all past interest, being deemed paid in full.

CLASS III: Class III creditors will be paid by the District by its unsecured promissory note in the amount of their scheduled claims, bearing interest at the rate of six percent (6%) per annum and payable five (5) years from date of confirmation, which said note shall be subordinated and inferior to the Class II creditors. To the extent money is available in the fifth year after payments to the Class II creditors, it shall be distributed prorata according to amount in full payment of Class III creditors. Class III creditors shall be deemed paid in full on such date, whether or not money is paid.

ARTICLE III.

That portion of the Grimes County Municipal Utility District No. 1 Bond Order of January 25, 1974 which states:

"for each year while said bonds, or any part of the principal and interest thereof are outstanding and unpaid there shall be and is hereby levied an ad valorem tax upon all taxable property within the District sufficient in amount to pay the interest on such bonds, together with an additional amount to be placed in the sinking fund sufficient to redeem and discharge such bonds at their maturity . . ."

is modified to read:

"The District will not be required to levy an ad valorem tax of more than \$2.00 per \$100.00 of assessed value per year. The District may levy a high ad valorem tax if it deems such action to be in the best interest of the District. The tax revenues can be used to redeem and discharge such bonds at their maturity and may be used to pay for the administrative efficient operation and maintenance of the debtor's service facilities to the extent operating revenues are not sufficient to pay same."

ARTICLE IV.

The Debtor shall continue to operate through its Board of Directors as authorized by the Texas Department of Water Resources and shall perform in accordance with this Plan.

ARTICLE V.

Until the case is closed, the Court shall retain jurisdiction to insure that the purposes and intent of this Plan are carried out. The Court shall retain jurisdiction to herein determine all claims against the Debtor and to enforce all causes of action which may exist on behalf of the Debtor. Nothing herein-contained shall prevent the reorganized Debtor from taking such action which may be necessary in the enforcement of any cause of action which may exist on behalf of the Debtor and which may not have been enforced or prosecuted by the Debtor.

Respectfully submitted,

GRIMES COUNTY MUNICIPAL UTILITY
DISTRICT NO. 1

By: Joseph H. Levine
Joseph H. Levine
President of Board of Directors

OF COUNSEL:

O. W. Bussey, Jr.
Greenwood, Koby & Bussey
700 American General Tower
2727 Allen Parkway
Houston, Texas 77019
(713) 523-2727

GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

LIST OF CREDITORS

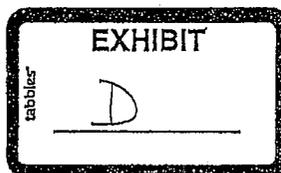
Myrtle Cruz, Inc.
Attention: Bill Russell
1621 Milam, 3rd Floor
Houston, Texas 77002-8017

Equi-Tax, Inc.
Attention: Vickey Sullivan
17111 Rolling Creek Dr., #100
Houston, Texas 77090

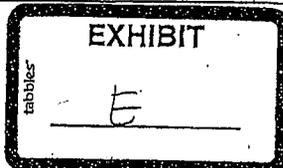
Johnson Radcliffe Petrov & Bobbitt PLLC
Attention: Ross J. Radcliffe
1001 McKinney, Suite 1000
Houston, Texas 77002-6424

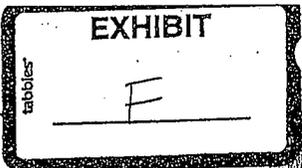
Sander Engineering
Attention: Dennis Sander
10555 Richmond, Suite 100
Houston, Texas 77042

G Utilities
Attention: Gary Johnson
221 S. Railroad
Navasota, Texas 77868



		Attachment A		
Mary Anderberg 2720 Lyon Circle Concord, CA 94518	Same	Bond Holder		\$10,000
Jolene Weil Aultman 428 Alicia Biloxi, MS. 39531	Same	Bond Holder		\$10,000
James C. Brock 115 Echo Lane Warner Roberts, GA 31088	Same	Bond Holder		\$10,000
Billy T. Collum PO Box 608 Fulton, MS. 38843.	Same	Bond Holder		\$70,000
Gerald Davidson 5410 10 th Ave. Meridian, MS. 39305	Same	Bond Holder		\$15,000
Sarah B. Flautt PO Box 87 Glendora, MS. 38928	Same	Bond Holder		\$70,000
Alice Doyle c/o Carl A. Kelly, Jr. 114 Country Club Benton, LA 71006	Same	Bond Holder		\$20,000
Jack Flautt 1 Riverside Dr., Box 335 Swanlake, MS 38958	Same	Bond Holder		\$60,00
Sarah B. Flautt PO Box 87 Glendora, MS. 38928	Same	Bond Holder		\$70,000
Albert W. Gentner, Jr. 2645 SW Alta Vista Pl Portland, OR 97201	Same	Bond Holder		\$10,000
Harry Julian Henderick 3611 Hawthorne Dr. Jackson, MS 39216	Same	Bond Holder		\$40,000
R.T. Hollingsworth, M.D. Drawer 87 Shelby, MS. 38774	Same	Bond Holder		\$30,000
Gail Davis Langer 400 South Broadway Tupelo, MS. 38804	Same	Bond Holder		\$10,000
Gerald or Marvin	Same	Bond Holder		\$15,000





United States Bankruptcy Court
Southern District of Texas

Name of Debtor (if individual, enter Last, First, Middle): Grimes County Municipal Utility District No. 1	Name of Joint Debtor (Spouse) (Last, First, Middle):
All Other Names used by the Debtor in the last 8 years (include married, maiden, and trade names): None	All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names):
Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all): 74-6205566	Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all):
Street Address of Debtor (No. and Street, City, and State): 1001 McKinney, Suite 1000 Houston, Texas 77002 6424 ZIP CODE	Street Address of Joint Debtor (No. and Street, City, and State): ZIP CODE
County of Residence or of the Principal Place of Business: Grimes County, Texas	County of Residence or of the Principal Place of Business:
Mailing Address of Debtor (if different from street address): ZIP CODE	Mailing Address of Joint Debtor (if different from street address): ZIP CODE

Location of Principal Assets of Business Debtor (if different from street address above):
ZIP CODE

Type of Debtor (Form of Organization) (Check one box.) <input type="checkbox"/> Individual (includes Joint Debtors) <i>See Exhibit D on page 2 of this form.</i> <input type="checkbox"/> Corporation (includes LLC and LLP) <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Other (if debtor is not one of the above entities, check this box and state type of entity below.) Municipality	Nature of Business (Check one box.) <input type="checkbox"/> Health Care Business <input type="checkbox"/> Single Asset Real Estate as defined in 11 U.S.C. § 101(51B) <input type="checkbox"/> Railroad <input type="checkbox"/> Stockbroker <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Clearing Bank <input type="checkbox"/> Other Utility District <input type="checkbox"/> Tax-Exempt Entity (Check box, if applicable.) <input type="checkbox"/> Debtor is a tax-exempt organization under Title 26 of the United States Code (the Internal Revenue Code).	Chapter of Bankruptcy Code Under Which the Petition is Filed (Check one box.) <input type="checkbox"/> Chapter 7 <input checked="" type="checkbox"/> Chapter 9 <input type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13 <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Main Proceeding <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Nonmain Proceeding Nature of Debts (Check one box.) <input type="checkbox"/> Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose." <input checked="" type="checkbox"/> Debts are primarily business debts.
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Filing Fee (Check one box.) <input checked="" type="checkbox"/> Full Filing Fee attached. <input type="checkbox"/> Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. <input type="checkbox"/> Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B.	Chapter 11 Debtors Check one box: <input type="checkbox"/> Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). <input type="checkbox"/> Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Check if: <input checked="" type="checkbox"/> Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,190,000. Check all applicable boxes: <input type="checkbox"/> A plan is being filed with this petition. <input type="checkbox"/> Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).
--	--

Statistical/Administrative Information <input checked="" type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors. <input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.	THIS SPACE IS FOR COURT USE ONLY
Estimated Number of Creditors <input type="checkbox"/> 1-49 <input type="checkbox"/> 50-99 <input checked="" type="checkbox"/> 100-199 <input type="checkbox"/> 200-999 <input type="checkbox"/> 1,000-5,000 <input type="checkbox"/> 5,001-10,000 <input type="checkbox"/> 10,001-25,000 <input type="checkbox"/> 25,001-50,000 <input type="checkbox"/> 50,001-100,000 <input type="checkbox"/> Over 100,000	
Estimated Assets <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input type="checkbox"/> \$1,000,001 to \$5 million <input type="checkbox"/> \$5,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input checked="" type="checkbox"/> More than \$1 billion	
Estimated Liabilities <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input type="checkbox"/> \$1,000,001 to \$5 million <input type="checkbox"/> \$5,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input checked="" type="checkbox"/> More than \$1 billion	

Voluntary Petition <i>(This page must be completed and filed in every case.)</i>	Name of Debtor(s): Grimes County Municipal Utility District No. 1
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All Prior Bankruptcy Cases Filed Within Last 8 Years (If more than two, attach additional sheet.)

Location Where Filed: NONE	Case Number:	Date Filed:
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Location Where Filed:	Case Number:	Date Filed:
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Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet.)

Name of Debtor: none	Case Number:	Date Filed:
-----------------------------	--------------	-------------

District: Southern District of Texas	Relationship:	Judge:
---	---------------	--------

Exhibit A

(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)

Exhibit A is attached and made a part of this petition.

Exhibit B

(To be completed if debtor is an individual whose debts are primarily consumer debts.)

I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I have delivered to the debtor the notice required by 11 U.S.C. § 342(b).

X _____
 Signature of Attorney for Debtor(s) (Date)

Exhibit C

Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?

- Yes, and Exhibit C is attached and made a part of this petition.
- No.

Exhibit D

(To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)

Exhibit D completed and signed by the debtor is attached and made a part of this petition.

If this is a joint petition:

Exhibit D also completed and signed by the joint debtor is attached and made a part of this petition.

Information Regarding the Debtor - Venue
 (Check any applicable box.)

- Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.
- There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.
- Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.

Certification by a Debtor Who Resides as a Tenant of Residential Property
 (Check all applicable boxes.)

Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)

 (Name of landlord that obtained judgment)

 (Address of landlord)

- Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and
- Debtor has included with this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.
- Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(f)).

Voluntary Petition

(This page must be completed and filed in every case.)

Name of Debtor(s):

Grimes County Municipal Utility District No. 1

Signatures

Signature(s) of Debtor(s) (Individual/Joint)

I declare under penalty of perjury that the information provided in this petition is true and correct.

[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.

[If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. § 342(b).

I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X _____
Signature of Debtor

X _____
Signature of Joint Debtor

Telephone Number (if not represented by attorney)

Date

Signature of a Foreign Representative

I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.

(Check only one box.)

I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. § 1515 are attached.

Pursuant to 11 U.S.C. § 1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.

X _____
(Signature of Foreign Representative)

(Printed Name of Foreign Representative)

Date

Signature of Attorney*

X _____
Signature of Attorney for Debtor(s)

Printed Name of Attorney for Debtor(s)

Firm Name

Address

Telephone Number

Date

*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.

Signature of Non-Attorney Bankruptcy Petition Preparer

I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(b) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.

Printed Name and title, if any, of Bankruptcy Petition Preparer

Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social-Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)

Address

X _____

Date

Signature of bankruptcy petition preparer or officer, principal, responsible person, or partner whose Social-Security number is provided above.

Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual.

If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both. 11 U.S.C. § 110; 18 U.S.C. § 156.

Signature of Debtor (Corporation/Partnership)

I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.

The debtor requests the relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X Ken D. Leabitter
Signature of Authorized Individual
Ken D. Leabitter
Printed Name of Authorized Individual
President Board of Directors
Title of Authorized Individual
4-10-08
Date

UNITED STATES BANKRUPTCY COURT

In re Grimes County Municipal Utility
Debtor

Case No. _____

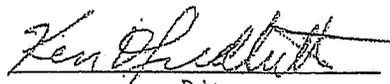
Chapter 9

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child; by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

(1)	(2)	(3)	(4)	(5)
Name of creditor and complete mailing address, including zip code	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	Indicate if claim is contingent, unliquidated, disputed or subject to setoff	Amount of claim [if secured also state value of security]
see attached				

Date: 4/10/08



Debtor

[Declaration as in Form 2]

DECLARATION UNDER PENALTY OF PERJURY
ON BEHALF OF A CORPORATION OR PARTNERSHIP

I, [the president *or* other officer *or* an authorized agent of the corporation] [*or* a member *or* an authorized agent of the partnership] named as the debtor in this case, declare under penalty of perjury that I have read the foregoing [list *or* schedule *or* amendment *or* other document (describe)] and that it is true and correct to the best of my information and belief.

Date 4/10/08

Signature Ken D. Ledbetter

Ken D. Ledbetter, President, Board of Directors
(Print Name and Title)

4

Marvin Lebman

P.O. Box 310004, San Antonio, TX 78213-7004
Tel: 210 349 4076 : E-mail: mlebman@aol.com

2009 MAY 14 PM 2: 32

CHIEF CLERKS OFFICE

Office of the Chief Clerk
MC 105, TCEQ
P.O. Box 13087
Austin, TX 78711-3087

11 May 09

Re: TCEQ docket No. 2009-0010-DIS
Internal control No. 10272008-DO5

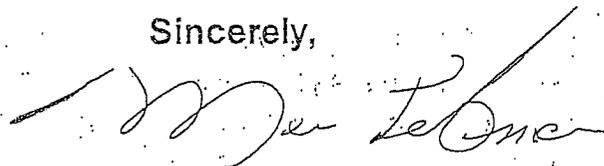
Gentlemen:

(1) In response to the Notice of District Application mentioned above, please consider this letter as a request to be informed of the date and place of the public meeting. I, or my representative, also request permission to make a presentation and submission of documents at that time. How much time will we be allowed?

(2) It is essential to the orderly conduct of the business of the district and the TCEQ that the holders of the bonds of the District be given the right to inspect the books and records of the District upon proper request and appointment at the office of the District at least 30 days prior to the public meeting.

(3) I am enclosing a copy of a letter I received from TCEQ in response to a letter I wrote asking for help to collect some kind of payment from the District on bonds which I bought in 1974. The answer, signed by Ms. Loockerman who is still on the Districts Review Team, is the equivalent of telling all the chickens to ask the fox for help. The board of directors of the District is the fox. Hasn't anyone ever heard of a sinking fund? Or else refunding by issuing new bonds to pay off the first ones? Or closing the District by transferring its assets and obligations to another District? Please send me a copy of the procedural rules of the TCEQ mentioned in your notice.

Sincerely,



5

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



DOCKET NO. 2009-0010-DIS

AN ORDER AUTHORIZING GRIMES COUNTY MUNICIPAL UTILITY DISTRICT NO. 1 TO PROCEED UNDER FEDERAL BANKRUPTCY CODE CHAPTER 9 (11 U.S.C. SECTIONS 901-946) PURSUANT TO TEXAS WATER CODE SECTION 49.456

On _____, the Texas Commission on Environmental Quality (hereafter "Commission") met in regular session at its offices in Austin, Texas, with notice of the meeting issued in compliance with the Open Meetings Act, TEX. GOV'T CODE §§ 551.001 - 551.146, and the Administrative Procedure Act, TEX. GOV'T CODE §§ 2001.001 - 2001.902, to consider the resolution submitted by Grimes County Municipal Utility District No. 1 (hereafter "District") for authorization to proceed under Federal Bankruptcy Code Chapter 9 pursuant to TEX. WATER CODE § 49.456 and 30 TEX. ADMIN. CODE § 293.88.

FINDINGS OF FACT

1. The District filed an application with the Commission on October 27, 2008 requesting authorization for the District to proceed with filing a petition in bankruptcy under Chapter 9 of the Federal Bankruptcy Code.
2. The District was created pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code through an order issued by the Texas Water Rights Commission on November 15, 1972.
3. The Commission examined the application materials and the District's financial condition, including its assets, liabilities, and sources of revenues.
4. In addition to the application materials, the Commission considered the District's resolution to proceed into bankruptcy and the September 14, 2009 memorandum from the Executive Director regarding the application, a copy of which is attached as Exhibit "A" and is incorporated herein.
5. The Commission may not authorize a district to proceed in bankruptcy unless the Commission determines the District cannot, through the full exercise of its rights and powers under the laws of this state, reasonably expect to meet its debts and other obligations as they mature. TEX. WATER CODE § 49.456(d).
6. The Chief Clerk provided mailed written notice and published notice of the application in accordance with 30 TEX. ADMIN. CODE § 293.88(b). The published notice appeared in *The Navasota Examiner* on May 13, 2009 and May 20, 2009 and *The Texas Bond Reporter* on May 13, 2009.
7. The District currently owes \$1,440,000 in principal for its Series 1974 Bonds, the last of which matured on March 1, 1999.

8. The District's sources of income are property taxes and eight retail water and sewer connections. Out of the 1,036 lots contained in the District, 274 lots have either been foreclosed on or are in the process of being foreclosed on due to delinquent taxes. The water system's current capacity can only serve 167 equivalent connections. The District has received an estimate of \$4,143,300, excluding engineering costs, for repairs and replacements to its water and sewer systems to be able to provide service to the District if all lots were built out and occupied.

9. The District's expenses currently exceed its revenues. Annual expenses have exceeded revenues for all years financial statement information is available (1990 through 2008). The District is supporting its day-to-day operations by depleting its cash reserves and transferring funds from its debt service fund.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to consider the request for authorization for the District to proceed with filing a petition in bankruptcy, pursuant to TEX. WATER CODE § 49.456.

2. The Commission, after having considered the applicable materials listed in Finding of Fact Nos. 3 and 4, concludes that the request for authorization should be granted because the District cannot, through the full exercise of its rights and powers under the laws of this state, reasonably expect to meet its debts and other obligations as they mature.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that

1. The request by Grimes County Municipal Utility District No. 1 for authorization to proceed under Federal Bankruptcy Code Chapter 9 is granted pursuant to TEX. WATER CODE § 49.456 and 30 TEX. ADMIN. CODE § 293.88.

2. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this order to the parties.

3. If any provision, sentence, clause, or phrase of this order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the order.

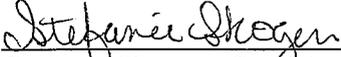
Issue Date:

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

Bryan W. Shaw, Ph.D., Chairman

CERTIFICATE OF SERVICE

I certify that on January 8, 2010, a copy of the foregoing document was sent by first class mail, electronic mail, agency mail, and/or facsimile to the persons on the attached Mailing List.


Stefanie Skogen, Staff Attorney
Environmental Law Division

Mailing List
Grimes County MUD No. 1
TCEQ Docket No. 2009-0010-DIS

REPRESENTING GRIMES COUNTY
MUD NO. 1:

Ross J. Radcliffe
Johnson Radcliffe Petrov & Bobbitt PLLC
1001 McKinney, Suite 1000
Houston, Texas 77002-6424
Phone: (800) 890-3058
Fax: (713) 237-1313

OFFICE OF THE CHIEF CLERK:

LaDonna Castañuela
Texas Commission on Environmental Quality
Office of the Chief Clerk, MC-105
P.O. Box 13087
Austin, Texas 78711-3087
Phone: (512) 239-3300
Fax: (512) 239-3311

OTHER INTERESTED PERSONS:

Marvin Lebman
P.O. Box 310004
San Antonio, Texas 78213
Phone: (210) 349-4076

REPRESENTING THE OFFICE OF
PUBLIC INTEREST COUNSEL:

Blas J. Coy, Jr.
Texas Commission on Environmental Quality
Office of Public Interest Counsel, MC-103
P. O. Box 13087
Austin, Texas 78711-3087
Phone: (512) 239-6363
Fax: (512) 239-6377