

**Minutes of Meeting  
Board of Directors  
Denton County Fresh Water Supply  
District No. 10, of Denton County, Texas  
January 19, 2012**

The Board of Directors (“Board”) of Denton County Fresh Water Supply District No. 10, of Denton County, Texas (“District”), met in regular session, open to the public, on Thursday, January 19, 2012 at 6:00 p.m., at the Savannah Clubhouse, 701 Savannah Boulevard, Savannah, Texas, inside the District, for which notice was given as required by Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

The roll was called of the duly appointed members of the Board, to wit:

Robert Tague	President
Rob Adams	Vice President
Tammy Fritz	Secretary
Mary Lehto	Asst. Secretary
Michael Ryan	Director

All members of the Board were present, with the exception of Directors Tague and Ryan. Directors Tague and Ryan entered later as noted below. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Jeff Winkler, P.E. of Graham Associates, Inc.; Mr. Todd Madison of Texas Water Company; Ms. Lisa Bloomfield of Dye & Bloomfield, LLC; Mr. Greg Wilkerson of Blue Line Services; Chief Michael Starr of the Aubrey Fire Department; Mr. Will Walton representing Corona Artesia; Mr. Clay E. Crawford of Crawford & Jordan LLP; and additional District residents and other members of the general public.

1. The Vice President called the meeting to order at 6:04 p.m., after determining that a quorum was present.
2. Consideration was first given to public comments. The Vice President opened the meeting to public comment and recognized Chief Starr, who discussed with the Board the purchase of a new fire engine at an estimated cost of \$400,000 or \$50,000 per year based on a 10 year note, the cost to be split 50/50 between the 380 Districts and the three participating municipalities. He noted that the Districts would share in 50% of the costs on a prorata basis determined by active connections. Chief Starr reported that currently, Aubrey has moved an engine from Aubrey to Navo Station, with Pilot Point providing coverage to Aubrey until the new truck is provided. He noted that the new engine would be the “reserve” and would be kept at Navo Station, if there was adequate room. Chief Starr then noted that Aubrey will request the developers for support to fund (a) a sprinkler system, and (b) a parking lot (\$9,000). After noting that there were no additional members of the public present and desiring to come before the Board, upon motion duly made by Director Fritz, seconded by Director Lehto and unanimously carried, the Vice President closed the public comment session of the meeting.

3. Consideration was next given to the review and approval of the Minutes of the December 15, 2011, Board of Directors Meeting. After discussion on the matter, Director Lehto moved that the Board approve the Minutes of the December 15, 2011, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Fritz seconded said motion, which carried unanimously.

Consideration was next given to the review and approval of the Minutes of the January 9, 2012, Board of Directors Meeting. After discussion on the matter, Director Lehto moved that the Board approve the Minutes of the January 9, 2012, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Fritz seconded said motion, which carried unanimously.

4. Consideration was next given to the review and approval of the Tax Assessor/Collector's report, and the taking of any action necessary or appropriate in connection therewith. A copy of such report is attached hereto as **Exhibit "A"**. It was noted that as of December 31, 2011, the District's 2011 tax levy was approximately 49.74% collected. After discussion on the matter, Director Lehto moved that the Board approve the Tax Assessor/Collector's report. Director Fritz seconded said motion, which carried unanimously.
5. Consideration was next given to review and acceptance of the Developer's Report, as presented by Mr. Jameson. A copy of such Report is attached hereto as **Exhibit "B"**. He noted that, as of December 31, 2011, in Savannah 1,536 lots have been prepared for construction; 1,330 lots have been conveyed to builders; 1,284 construction permits have been issued; and 1,235 homes were occupied. Mr. Jameson noted that 18 more lots were sold to builders in December, which brings the total lots sold over the past 60 days to 41 lots. He further noted that the total number of home starts during 2011 was 54. Mr. Jameson reported that with regard to the 94 Lennar lots in Artesia under construction in Phases 4A and 4B, utilities are expected to be complete within the next 10 days and then paving will begin, which is anticipated to take approximately 60 days. After discussion on the matter, Director Lehto moved that the Board accept the Developer's Report as presented. Director Fritz seconded said motion, which carried unanimously.
6. Consideration was next given to the review and approval of the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit "C"**. After discussion on the matter, and thorough review of the checks presented, Director Lehto moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director Fritz seconded said motion, which carried unanimously.
7. Consideration was next given to approval of pay application and change order(s) to construction contracts. The Vice President noted that no pay applications and/or change orders were being presented for consideration.

8. Consideration was next given to a report from Texas Water Company (“TWC”) on the Artesia system operations, and authorizing expenditure of funds for operation and maintenance of water facilities. The Vice President recognized Mr. Madison, who reported that water quality within Artesia meets all regulatory requirements, with no complaints from residents since last April. He noted that TWC is continuing to flush and maintain proper chlorine residual, and preparing to “moth ball” the reverse osmosis system. Mr. Madison then reported relative to a preconstruction meeting on the Harper Road water line. After discussion on the matter, Director Lehto moved that the Board accept the report as presented. Director Fritz seconded said motion, which carried unanimously.
9. Consideration was next given to customer utility service and billing complaints/requests. The Vice President recognized Mr. Crawford, who reviewed with the Board (a) a request from Malinda Martin at 1217 Hayden Lane for adjustment of water billing; and (b) a request from Lizzy DeSoto for re-issuance of deposit refund not received. After discussion, upon motion duly made by Director Adams, seconded by Director Fritz and unanimously carried, the Board determined to (a) adjust Malinda Martin’s bill to the highest monthly billing of the last 12 months; and (b) put a stop order on the previously issued deposit refund to Lizzy DeSoto, issue a replacement check, and waive the cost of the stop payment order.

Directors Tague and Ryan entered and participated in the remainder of the meeting.

10. Consideration was next given to Homeowners Association Committees Report, and the taking of any action necessary or appropriate in connection therewith. The President noted that no representative of the Artesia HOA was present. He further noted that he did not have any additional information with regard to the Savannah HOA. Upon motion duly made, seconded and unanimously carried, the Board deferred taking any action with report to the Homeowners Association Committees Report.
11. Consideration was next given to Law Enforcement Committee Report; public safety and nuisance issues; and authorizing actions and expenditures as necessary in connection therewith. The President recognized Mr. Wilkerson, who presented and reviewed with the Board an activity/incident report relative to December. He presented and reviewed with the Board an independent contractor agreement with Curt Slocum. Mr. Wilkerson discussed with the Board the number of times that the District Peace Officers have assisted the Denton County Sheriff’s Department from January 1, 2011, through December 31, 2011, and noted that there have been 36 instances of assistance. He noted that officers worked 30 of 31 days during December, with no coverage on December 21, 2011. Mr. Wilkerson reported that there were numerous vehicle break-ins and one (1) home burglary, but there were no major/violent or notable crimes during the month. After discussion, Director Adams moved that the Board accept the report. Director Ryan seconded said motion, which carried unanimously.
12. Consideration was next given to review and acceptance of the Engineer’s Report, as presented by Mr. Winkler, a copy of which is attached hereto as **Exhibit “D”**. The

Board then considered the status of construction projects within the District. Mr. Winkler reported that utility installation operations in Artesia, Phase 4A and 4B, are currently in progress and anticipated to be complete in January 2012. He noted that paving improvements will follow and are anticipated to take approximately 60 days.

The Board then considered authorizing preparation of construction plans and specifications. Mr. Winkler reported with regard to the Artesia – Harper Road Water Connection, that contracts have been prepared and are being signed. He noted that a preconstruction meeting for the 12" water line project was held today with Metro-Plex Underground, and that a "Notice to Proceed" will be issued once all contracts are signed. Mr. Winkler reported that construction is anticipated to begin the first week in February 2012 and should be substantially complete within 30 days. He then discussed with the Board the Savannah, Phase 10A pavement island and review of the plans received from Petitt Barraza, the developers' engineer, for reconstruction of the island at the intersection of Magnolia and Isabella. Mr. Winkler discussed proposed repairs of various District facilities over the next five (5) months, including (a) SCADA System for the Artesia Water System; (b) ground storage tank repairs for Artesia; (c) rehabilitation of water pump no. 1 for Artesia; (d) preservation of the reverse osmosis unit to store; and (e) replacement of the meter piping insulation. After discussion on the matter, Director Ryan moved that the Board authorize the engineer to solicit bids for items (a), (b) and (c). Director Lehto seconded said motion, which carried unanimously. Director Adams moved that the Board authorize the engineer to proceed with (d) preservation of the reverse osmosis unit to store at a cost to the District of approximately \$4,000. Director Fritz seconded said motion, which carried with four (4) directors voting in favor of such motion, and one (1) director opposed to such motion. Director Ryan moved that the Board table item (e) until a future meeting. Director Lehto seconded said motion, which carried unanimously.

The Board then deferred consideration of approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, after Mr. Winkler noted that there were no plans being presented for approval at this time.

The Board then considered the approval of award of construction contract(s), including paving for Artesia Phases 4A and 4B and Harper Water Line Connection. Mr. Winkler reported that a preconstruction meeting was held with the contractor Metro-Plex Underground earlier today. He noted that Metro-Plex Underground has the construction contracts and is in the process of executing their portion. Mr. Winkler reported that the contracts will then be delivered to the District for signature. He noted that the previously approved contract amount is \$88,629.60. Mr. Winkler reported that once all documents have been properly executed, a Notice to Proceed will be issued to the contractor and construction is anticipated to begin the first week in February.

The Board then considered approval/status of engineering Task Order(s). Mr. Winkler discussed a cost analysis of Berlin 166 acres. He noted that Graham just received a CAD file from Petitt Barraza regarding the conceptual lot layout associated

with the previous cost analysis prepared by their office. Mr. Winkler noted that this cost analysis was for the infrastructure associated with the development of this property. He noted that Graham will now be able to prepare an independent analysis for an opinion of cost associated with the development of this property and will be able to present the findings to the Board at the February meeting.

The Board then deferred consideration of acceptance of certificate of completion and authorize final acceptance of projects, after Mr. Winkler noted there were no projects ready for final acceptance or completion certificates at this time.

The Board then considered the status of non-routine maintenance and repair of District facilities, including i) sidewalk repair at Stone Mountain/Forsyth intersection; and ii) other minor maintenance project expenditures. Mr. Winkler reported that previously a quote submitted by Double L Environmental in the amount of \$2,490.00 was presented to the Board. He noted that a quote has been obtained from Valiant Development and Construction for this same work in the amount of \$2,450.00. Mr. Winkler noted that the small quantity of sidewalk coupled with the various repair locations is driving the price, which is for repair of three (3) locations. He discussed with the Board the qualifications of Valiant Development and Construction and noted that the pricing for the sidewalk repairs is coupled with an additional repair item within Savannah. Mr. Winkler discussed an area of standing water adjacent to the trail along FM 1385 and just south of Fishtrap. He noted that it is his understanding that the area has previously been explored for water line or irrigation system leaks with no leaks found; however, there have been recent resident complaints regarding this issue. Mr. Winkler noted that, after having observed the area in questions with Mr. Jameson, it is believed the wet area is the result of ground water, and a solution would be to install an underground French drain to collect this water and carry it to the existing storm sewer system. Mr. Winkler reported that a quote was obtained from Valiant Development and Construction, coupled with the sidewalk repairs) to install approximately 90 linear feet of French drain system from the ponding area and connect to an existing inlet at the end of St. Simons street. He noted that the system would intercept the ground water and allow the area to dry out to a typical natural condition. Mr. Winkler reported that Jim Bell, owner of Valiant Development and Construction, has also observed the area and believes an additional 60 linear feet of French drain system would benefit the low area of the green belt along FM 1385 which is also wet; however the area adjacent to the trail is the bigger concern. Mr. Winkler noted that pricing may warrant the entire 150 linear feet, since the quote for 150 linear feet is \$6,700.00 and the reduced price for 90 linear feet is \$6,300.00. After considerable discussion, upon motion made by Director Ryan, seconded by Director Fritz and unanimously carried, the Board approved the proposals of Valiant Development and Construction at a total cost to the District of \$9,150.00 for the concrete repairs for the sidewalks and the 150 linear feet of French drain system. Mr. Winkler then discussed with the Board a revised quote from Lawns of Dallas for maintenance of the green belt area, involving removal of cattails along Green View and Sea Pines (north and south of Magnolia). He noted there are options for mulching or hauling off the cattails, and further noted that the quote based on the number of man hours for cutting and mulching the cattails is \$8,775.00, with an additional maintenance quote for the overgrown areas along the trail between

- Peachtree and Wright, in the amount of \$1,920.00. After discussion on the matter, Director Tague moved that the Board defer consideration of the greenbelt maintenance until a future meeting. Director Adams seconded said motion, which carried unanimously.
13. Consideration was next given to additional stage 1 measures to be taken as part of the District's drought contingency plan as directed by Upper Trinity Regional Water District. The President recognized Mr. Jameson, who discussed with the Board determining a plan for limiting outdoor watering to no more than twice per week (odd addresses Wednesday and Saturday, even addresses Thursday and Sunday); time of day watering schedule (no watering between 10 a.m. and 6 p.m.); goal of 5% reduction in water usage; and exemption for new installations. After discussion on the matter, Director Ryan moved that the Board implement additional stage 1 drought contingency matters, including (a) limiting outdoor watering to no more than twice per week (odd addresses Wednesday and Saturday, even addresses Thursday and Sunday); limiting time of day for watering schedule (no watering between 10 a.m. and 6 p.m.); and establish a goal of 5% reduction in water usage, with new installations being exempt from these water conservation measures. Director Fritz seconded said motion, which carried unanimously.
  14. Consideration was next given to acceptance of petition(s) requesting the inclusion of 166 acres of lands within the District, and engineering feasibility report in support thereof, and the taking of any action necessary or appropriate in connection therewith, including the adoption of an Order Adding Land and Redefining District Boundaries. After a brief discussion on the matter, Director Ryan moved that the table the matter until a future meeting. Director Fritz seconded said motion, which carried unanimously.
  15. Consideration was next given to approval and execution of Fourth Amended and Restated District Information Form with Map Attached. After a brief discussion on the matter, Director Ryan moved that the table the matter until a future meeting. Director Fritz seconded said motion, which carried unanimously.
  16. Consideration was next given to approval of Order calling public hearings regarding proposed strategic partnership agreement with Town of Prosper; authorizing publication of notice of public hearings; and other matters relating thereto. The President recognized Mr. Crawford, who presented and discussed with the Board the proposed Order calling public hearings regarding proposed strategic partnership agreements with the Town of Prosper. After discussion on the matter, Director Ryan moved that the Board approve the Order and authorize publication of notice of public hearings for public hearings to be held on February 9, and February 16, 2012, at the Savannah Clubhouse at 6:00 p.m. Director Tague seconded said motion, which carried unanimously.
  17. Consideration was next given to preparation for 2012 Director Election. The President recognized Mr. Crawford, who discussed with the Board the necessary preparations for the 2012 Director Election.

18. Consideration was next given to discussion regarding creation of an electronic District newsletter. After discussion, Director Ryan moved that the Board table the matter until a future meeting. Director Adams seconded said motion, which carried unanimously.
19. Consideration was next given to purchase of email services through Constant Contact. After discussion on the matter, Director Ryan moved that the Board table the matter until a future meeting. Director Adams seconded said motion, which carried unanimously.
20. Consideration was next given to Executive Session pursuant to Sections 551.071(1)(A) and (B), 551.072, and 551.076, Texas Government Code, as amended, to consult with District Counsel, consider real estate matters, and deliberate regarding security. Upon motion by Director Adams, seconded by Director Ryan, the Board voted unanimously to convene into Executive Session at 8:17 p.m. pursuant to Sections 551.071 and 551.072, Texas Government Code, to consult with District Counsel regarding contract termination and potential litigation.

Upon motion by Director Adams, seconded by Director Fritz, the Board voted unanimously to reconvene the meeting in open session at 8:42 p.m.

21. After noting that no further business was to come before the Board, upon motion duly made, seconded and unanimously carried, the meeting was adjourned at 8:42 p.m.

/s/ Tammy Fritz \*

Tammy Fritz  
Secretary

\* Copy of signed original minutes available upon request