

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
February 16, 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, February 16, 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:

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| 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 the meeting later as noted below. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Jeff Winkler, P.E. and Mr. Jeff Williams, 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. Mike Busick and Mr. Jon TenBroeck, District residents; 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 6:06 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 Mr. Busick, Chairman of Savannah Safety Committee. Mr. Busick discussed with the Board blind spots at various intersections of alleys and streets. He reported that he will work with the Savannah HOA to develop a list of dangerous intersections. 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 conducting public hearing regarding three (3) proposed strategic partnership agreements with Town of Prosper. The Vice President opened the public hearing session of the meeting. It was noted that notice of the hearing had been published in the Denton Record Chronicle, and copies of the agreements had been made available for public inspection. No members of the public

appeared to present evidence in testimony for or against the proposed agreements. The Vice President closed the public hearing session of the meeting.

Director Tague entered and participated in the remainder of the meeting.

4. Consideration was next given to the review and approval of the Minutes of the January 19, 2012, Board of Directors Meeting. After discussion on the matter, Director Fritz moved that the Board approve the Minutes of the January 19, 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 Lehto seconded said motion, which carried unanimously.

Consideration was next given to the review and approval of the Minutes of the January 25, 2012, Board of Directors Meeting. After discussion on the matter, Director Fritz moved that the Board approve the Minutes of the January 25, 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 Lehto seconded said motion, which carried unanimously.

5. 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 January 31, 2012, the District's 2011 tax levy was approximately 85.44% collected. After discussion on the matter, Director Fritz moved that the Board approve the Tax Assessor/Collector's report. Director Lehto seconded said motion, which carried unanimously.
6. 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 January 31, 2012, in Savannah 1,536 lots have been prepared for construction; 1,337 lots have been conveyed to builders; 1,293 construction permits have been issued; and 1,241 homes were occupied. After discussion on the matter, Director Fritz moved that the Board accept the Developer's Report as presented. Director Lehto seconded said motion, which carried unanimously.
7. 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 Fritz moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director Lehto seconded said motion, which carried unanimously.
8. Consideration was next given to approval of pay application and change order(s) to construction contracts. The President recognized the engineer, who presented and reviewed with the Board pay application no.1 in the amount of \$35,900.84 from Metro Underground LP for the Harper Road water line. After discussion on the matter, Director Fritz moved that the Board approve pay application no.1 to Metro Underground LP. Director Lehto seconded said motion, which carried unanimously.

9. Consideration was next given to annual review of Order Adopting District's Investment Policy, and adoption of Resolution in connection therewith. Mr. Crawford presented and reviewed with the Board a blacklined copy of the proposed Order Adopting District's Investment Policy, reflecting the proposed changes, a copy of which is attached hereto as **Exhibit "D"**. After discussion on the matter, Director Fritz moved that the Board approve the Order Adopting District's Investment Policy, and adoption of Resolution in connection therewith. Director Lehto seconded said motion, which carried unanimously.
10. Consideration was next given to adoption of Resolution Designating Depositories and Establishing Investment Accounts for Deposit of District Funds. Mr. Crawford presented and reviewed with the Board the list of depositories, a copy of which is attached hereto as **Exhibit "E"**. After discussion on the matter, Director Fritz moved that the Board adopt the Resolution Designating Depositories and Establishing Investment accounts for Deposit of District Funds. Director Lehto seconded said motion, which carried unanimously.
11. Consideration was next given to ratification of resolution approving Annual Financial and Operating Report pursuant to SEC Rule 15c2-12. Mr. Crawford presented and reviewed with the Board the resolution and report prepared by Fulbright & Jaworski, L.L.P., the District's disclosure counsel. A copy of such report is attached hereto as **Exhibit "F"**. After discussion on the matter, Director Fritz moved that the Board ratify the resolution and filing of same in all respects. Director Lehto seconded said motion, which carried unanimously.

Director Ryan entered and participated in the remainder of the meeting.

12. Consideration was next given to presentation by Chief Starr of Aubrey Fire Department regarding acquisition of fire engine and proceeding with "optional budgeted projects". The President recognized Chief Starr, who made a presentation to the Board regarding purchase of a new fire engine and other "optional budgeted projects". After discussion on the matter, Director Adams moved that the Board authorize the purchase of a new fire engine estimated to cost \$400,000, financed by a 10 year note at approximately 3.8% interest, with the annual cost of \$50,000 to be split 50/50 between the municipalities and the 380 Districts, and the District's share estimated to be approximately \$6,250 per year. Director Fritz seconded said motion, which carried unanimously. Director Ryan moved that the Board approve the additional parking lot estimated to cost \$10,000, with the District's share capped at \$3,500. Director Adams seconded said motion, which carried unanimously.
13. 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 President recognized Mr. Madison, who reported that water quality within Artesia meets all regulatory requirements, with no complaints from residents since last April. He discussed with the Board a possible inflow and infiltration issue. Mr. Madison also reviewed the process for cleaning and storage of Reverse Osmosis System. He noted that there were no other operations

issues at this time. After discussion on the matter, Director Ryan moved that the Board accept the report as presented and directed that there be no inspection of the sewer connections at the lots in Artesia at this time. Director Lehto seconded said motion, which carried unanimously.

14. Consideration was next given to customer utility service and billing complaints/requests. The President recognized Mr. Crawford, who reviewed with the Board (a) a request from Lee Attaway at 1705 Mercer Way in Savannah for District to investigate storm sewer drain rising and cracking sidewalk; and (b) a complaint from Kris Russell regarding payment procedures. After discussion, upon motion duly made by Director Ryan, seconded by Director Adams and unanimously carried, the Board determined to authorize investigation of storm sewer drain at 1705 Mercer Way. After additional discussion, upon motion duly made by Director Fritz, seconded by Director Lehto and unanimously carried, the Board determined to (a) modify the customer complaint protocol by ST for Artesia; and (b) authorize a 25% credit of Ms. Russell's most recent bill on her next monthly billing to offset her costs incurred driving to Forney to pay her bill.
15. 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 the Savannah HOA has requested permission to include an HOA calendar in the District's utility service billing at no cost to the District. Upon motion duly made by Director Ryan, seconded by Director Tague and unanimously carried, the Board approved inclusion of HOA calendar in the District's utility service billing at no cost to the District. Upon motion duly made by Director Adams, seconded by Director Lehto and unanimously carried, the Board approved accepted the Homeowners Association Committees Report.
16. 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 January. He noted that officers worked all 31 days during January. Mr. Wilkerson reported relative to notable activities during the month, and noted that there were no vehicle maintenance issues. After discussion, Director Adams moved that the Board accept the report. Director Lehto seconded said motion, which carried unanimously.

Ms. Bloomfield addressed the Board regarding recent IRS settlement with a municipal utility district requiring such district to withhold federal income taxes for contract deputies. The Board convened into executive session as noted in paragraph 27 below.

After reconvening into open session as noted in paragraph 27 below, upon motion duly made by Director Adams, seconded by Director Fritz, the Board authorized the District's attorney to look into the IRS case and impact on withholding for contract deputies.

17. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Williams, a copy of which is attached hereto as **Exhibit "G"**. The Board then considered the status of construction projects within the District. Mr. Williams reported that utility installation operations in Artesia, Phase 4A and 4B, are complete and "punch list" items are anticipated to be complete before February 25, 2012. He noted that paving improvements will follow and are anticipated to take approximately 60 days. Mr. Williams reminded the Board that the pavement contract was previously awarded to Glenn Thurman, Inc. and a preconstruction meeting is scheduled for February 16, 2012.

The Board then considered authorizing preparation of construction plans and specifications. Mr. Williams reported with regard to the Artesia – Harper Road Water Connection, that contracts have been prepared and signed; however acquisition of an easement is necessary since the plat has not been executed. He noted that construction is anticipated to be substantially complete within 30 days. Mr. Williams then discussed with the Board the Savannah, Phase 10A pavement island and review of the plans received from Pettitt Barraza, the developers' engineer, for reconstruction of the island at the intersection of Magnolia and Isabella. Mr. Williams discussed proposed repairs of various District facilities, including (a) preservation of the reverse osmosis unit to store; (b) replacement of the meter piping insulation; (c) French drain and sidewalk repairs near Fishtrap Road and FM 1385; (d) ground storage tank repairs for Artesia; (e) SCADA System for the Artesia Water System; and (f) rehabilitation of water pump no. 1 for Artesia.

The Board then deferred consideration of approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, after Mr. Williams 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). Mr. Williams reported that bids had been received, opened and tabulated for the ground storage tank repairs. He reported that the low bid was submitted by Texas Tank Services in the amount of \$48,139.00 and was found to be complete, with no errors. Mr. Williams noted that Graham & Associates recommends award of the contract for ground storage tank repairs to Texas Tank Services at a low bid price of \$48,139.00. After discussion, Director Adams moved that the Board award the contract in the amount of \$48,139.00 to Texas Tank Services. Director Fritz seconded said motion, which carried unanimously.

The Board then deferred consideration of approval/status of engineering Task Order(s).

The Board then deferred consideration of acceptance of certificate of completion and authorize final acceptance of projects, after Mr. Williams 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. Williams reported that the sidewalk repair at the Stone Mountain/Forsyth intersection has been completed.

Mr. Williams discussed with the Board easement acquisition. The Board convened into executive session as noted in paragraph 27 below.

After reconvening into open session as noted in paragraph 27 below, upon motion duly made by Director Adams, seconded by Director Lehto, the Board authorized Director Adams and Mr. Williams to meet with Mr. Cagle to purchase the necessary easement for \$1,000.00. Director Lehto seconded said motion, which carried unanimously.

18. Consideration was next given to approval of three (3) strategic partnership agreements with the Town of Prosper. It was noted that: (a) two (2) public hearings had been held relative to the three (3) strategic partnership agreements (“Agreements”); (b) notice of such hearings had been published in the Denton Record Chronicle; (c) copies of the Agreements had been made available to the public; and (d) no person had appeared at the hearings to present testimony or evidence regarding the Agreements. After discussion on the matter, Director Adams moved that the Board adopt a resolution approving the three (3) strategic partnership agreements with the Town of Prosper as presented, and authorizing execution of same, a copy of which is attached as Exhibit “H”. Director Lehto seconded said motion, which carried unanimously.
19. Consideration was next given to review and approval of Joint Election Agreement and Contract for Election Services with Denton County Elections Administrator regarding May 12, 2012, District election. Mr. Crawford presented and reviewed with the Board the proposed Joint Election Agreement and Contract for Election Services with Denton County Elections Administrator, a copy of which is attached hereto as Exhibit “I”. After discussion, Director Ryan moved that the Board approve the Joint Election Agreement and Contract for Election Services and authorize execution of same. Director Fritz seconded said motion, which carried unanimously.
20. Consideration was next given to calling Directors Election to be held on May 12, 2012, and determining of procedure for giving notice of same, and the adoption of an order in connection therewith. Mr. Crawford presented and reviewed with the Board an Order Calling Directors Election, a copy of which is attached hereto as Exhibit “J”. After discussion on the matter, Director Ryan moved that the Board approve adopt the Order Calling Directors Election as revised to include updated information. Director Lehto seconded said motion, which carried unanimously.
21. Consideration was next given to appointment of an agent for the District in connection with the Directors Election. Mr. Crawford presented and reviewed with the Board a Notice of Appointed Agent, a copy of which is attached hereto as Exhibit “K”. After discussion on the matter, Director Ryan moved that the Board appoint Marlo Gordon to serve as agent in connection with the Directors Election. Director Fritz seconded said motion, which carried unanimously.

22. Consideration was next given to compensation to be paid to election officials. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board authorized compensation to be paid to election officials at the rate provided in the Agreement and Contract with Denton County Election Administrator.
23. Consideration was next given to reorganization of District Committees. After discussion, Director Adams moved that the Board combine the Law Enforcement Committee with the fire department issues and have one Public Safety Committee. Director Ryan seconded said motion, which carried unanimously.
24. Consideration was next given to discussion regarding creation of an electronic District newsletter. Director Ryan addressed the Board regarding such matter. After discussion on the matter, upon motion duly made by Director Ryan, seconded by Director Adams and unanimously carried, the Board authorized creation of an electronic District newsletter.
25. Consideration was next given to purchase of email services through Constant Contact. Director Ryan addressed the Board regarding such matter. After discussion, Director Ryan moved that the Board authorized Director Ryan to use Constant Contact for electronic District newsletter for 12 months at a cost not to exceed \$30 per month. Director Adams seconded said motion, which carried unanimously.
26. Consideration was next given to the status of release and settlement agreement with Glenn Thurman, Inc., Moss Construction Inc., and others and release and settlement agreement with Centex Homes and others regarding damage to roads within Artesia Phase I; status of repair of roads within Artesia Phase I; and authorizing necessary and appropriate actions relating thereto. It was noted that no action was required at this time.
27. 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 Ryan, seconded by Director Fritz, the Board voted unanimously to convene into Executive Session at 7:38 p.m. pursuant to Sections 551.071 and 551.072, Texas Government Code, to consult with District Counsel regarding potential litigation and real estate.

Upon motion by Director Adams, seconded by Director Lehto, the Board voted unanimously to reconvene the meeting in open session at 8:38 p.m.

28. After noting that no further business was to come before the Board, upon motion duly made by Director Adams, seconded by Director Ryan and unanimously carried, the meeting was adjourned at 8:49 p.m.

/s/ Mary Lehto *

Mary Lehto

Asst. Secretary

* Copy of signed original minutes available upon request