

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
March 15, 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, March 15, 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 Director Fritz. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Jeff Williams, P.E. of Graham Associates, Inc.; Mr. Todd Madison of Texas Water Company; Ms. Lisa Bloomfield of Dye & Bloomfield, LLC; Peace Officer Kinney; Mr. Will Walton representing Corona Artesia; Mr. Jon TenBroeck, Ms. Kris Russell, Mr. Ron Anderson, and Mr. Kurt Moore, District residents; Mr. Clay E. Crawford of Crawford & Jordan LLP; and additional District residents and other members of the general public.

1. The President called the meeting to order at 6:02 p.m., after determining that a quorum was present.
2. Consideration was first given to public comments. The President opened the meeting to public comment. After noting that there were no members of the public present and desiring to come before the Board, upon motion duly made by Director Adams, seconded by Director Lehto and unanimously carried, the President closed the public comment session of the meeting.
3. (a) Consideration was next given to the review and approval of the Minutes of the February 9, 2012, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the February 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 Adams seconded said motion, which carried unanimously.

Consideration was next given to the review and approval of the Minutes of the February 16, 2012, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the February 16, 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 Adams seconded said motion, which carried unanimously.

- (b) 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 February 29, 2012, the District's 2011 tax levy was approximately 97.86% collected. After discussion on the matter, Director Ryan moved that the Board approve the Tax Assessor/Collector's report. Director Adams seconded said motion, which carried unanimously.
- (c) 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 February 29, 2012, in Savannah 1,536 lots have been prepared for construction; 1,344 lots have been conveyed to builders; 1,298 construction permits have been issued; and 1,246 homes were occupied. After discussion on the matter, Director Ryan moved that the Board accept the Developer's Report as presented. Director Adams seconded said motion, which carried unanimously.
- (d) 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 Ryan moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director Adams seconded said motion, which carried unanimously.
- (e) 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 applications and a change order from Glenn Thurman, Inc. for paving of Artesia 4B. After discussion on the matter, Director Ryan moved that the Board approve the pay applications. Director Adams seconded said motion, which carried unanimously.

The Board convened into executive session as noted in paragraph 12 below.

After reconvening into open session as noted in paragraph 12 below, upon motion duly made by Director Tague, seconded by Director Adams, the Board determined not to approve the change order from Glenn Thurman, Inc. for paving of Artesia 4B and not to pay such change order out of a future bond issue.

- 4. 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. He noted that cleaning and storage of Reverse Osmosis System has been put on hold pending initiation of construction of Harper Road water line. Mr. Madison reported that TCEQ testing shows the quality of the water will be

improved once the loop system is complete; which will equal not as much flushing and less reporting requirements. After discussion on the matter, Director Adams moved that the Board accept the report as presented. Director Ryan seconded said motion, which carried unanimously.

The Board convened into executive session as noted in paragraph 12 below.

After reconvening into open session as noted in paragraph 12 below, upon motion duly made and seconded, the Board voted unanimously to request that Mr. Madison present a written monthly report, and direct that any expenditure of funds in excess of \$500.00 in connection with Artesia operations requires prior to Board approval.

5. Consideration was next given to customer utility service and billing complaints/requests. The President recognized Mr. Crawford, who reviewed with the Board the previous request from Joe DeLeon, which the Board agreed to review again after additional history had been established. After review and discussion of usage history, Director Adams moved that the Board credit the DeLeon account \$600. Director Lehto seconded said motion, which carried unanimously.
6. Consideration was next given to Homeowners Association Committees Report, and the taking of any action necessary or appropriate in connection therewith. Ms. Russell noted that the Artesia HOA had nothing to report at this time. Director Tague noted that the Savannah HOA annual meeting will be held on April 19, 2012. He requested Board permission to speak on behalf of the District and suggested moving District Board meeting to April 18, 2012, so that it does not conflict. Directors Adams and Lehto noted that they would attend the HOA meeting as well. Upon motion duly made by Director Adams, seconded by Director Lehto and unanimously carried, the Board (i) authorized Director Tague to speak on behalf of the District at the April 19, 2012, Savannah HOA Board meeting, (ii) authorized the regular April meeting of the Board to be moved to Wednesday, April 18, 2012; and accepted the Homeowners Association Committees Report.
7. Consideration was next given to Public Safety Committee Report; public safety and nuisance issues; and authorizing actions and expenditures as necessary in connection therewith. The President recognized Peace Officer Kinney, who presented and reviewed with the Board an activity/incident report relative to February. He noted that officers worked all 29 days during February, and reported relative to notable activities during the month. Peace Officer Kinney requested that the Board consider a security issue during executive session. After discussion, Director Adams moved that the Board accept the report. Director Ryan seconded said motion, which carried unanimously.

The Board convened into executive session as noted in paragraph 12 below.

After reconvening into open session as noted in paragraph 12 below, the Board determined that no additional action was required at this time.

8. 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 "D"**. 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 being completed. He noted that paving improvements are complete with approximately 30 days remaining. With regard to Artesia – Harper Road Water Connection, Mr. Williams reported that an easement must be acquired prior to commencement of construction. He noted that construction can be substantially complete within 30 days after acquiring the easement and issuing the Notice to Proceed. Mr. Williams noted that the Savannah, Phase 10A Pavement Island project being funded by the developer is almost complete.

The Board then considered authorizing preparation of construction plans and specifications. 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) rehabilitation of water pump no. 1 for Artesia; and (f) SCADA System for the Artesia Water System.

The Board then considered approval of Artesia Phase 4A and 4B final plats. Mr. Williams recommended approval of the final plats. After discussion, Director Ryan moved that the Board approve the Artesia Phase 4A and 4B final plats. Director Lehto seconded said motion, which carried unanimously.

The Board then considered the status of non-routine maintenance and repair of District facilities, including i) other minor maintenance project expenditures; ii) median opening on Dogwood Trail to provide access to future model homes; and iii) acceptance of bids for (a) SCADA system for the Artesia water system, (b) ground storage tank repairs for Artesia, and (c) rehab of water pump no. 1 for Artesia. Mr. Williams reviewed with the Board photographs attached to the engineer's report, regarding his site visit to review inlet and sidewalk damage at 1705 Mercer Way. He recommended repair of the inlet and sidewalk damage at 1705 Mercer Way when there is additional work to be accomplished. The Board deferred consideration of median opening on Dogwood Trail to provide access to future model homes. Mr. Williams presented and reviewed with the Board bids for (a) SCADA system for the Artesia water system, (b) ground storage tank repairs for Artesia, and (c) rehab of water pump no. 1 for Artesia. After discussion, Director Adams moved that the Board defer awarding bids on items (a) and (b), and authorized award of contract to NTDC, Inc. in the amount of \$3,318.80 for rehab of water pump no. 1 for Artesia. Director Lehto seconded said motion, which carried unanimously.

The Board next considered authorization to acquire, exchange or modify sanitary sewer and open space easements with Town of Prosper. Mr. Crawford presented and reviewed with the Board a Reduction of Open Space Easement. After discussion, Director Ryan moved that the Board approve the Reduction of Open Space Easement. Director Adams seconded said motion, which carried unanimously. Mr. Crawford then presented and reviewed with the Board a Sewer Easement under Artesia

Boulevard. After discussion, Director Ryan moved that the Board approve the Sewer Easement. Director Adams seconded said motion, which carried unanimously.

The Board then considered a Savannah homeowner request for encroachment upon District drainage easement. Mr. Williams reviewed with the Board the encroachment upon the District drainage easement for garage at 1950 St. Simon Street as homeowner presented to Savannah HOA. After discussion Director Adams moved that the Board deny the request for encroachment upon District drainage easement. Director Ryan seconded said motion, which carried unanimously.

After discussion, upon motion duly made by Director Adams, seconded by Director Lehto, and unanimously carried, the Board accepted the engineer's report.

Consideration was next given to acquisition of Cagle water line easement, and approval of form of easement. The Board convened into executive session as noted in paragraph 12 below.

After reconvening into open session as noted in paragraph 12 below, upon motion duly made by Director Ryan, seconded by Director Lehto and unanimously carried, the Board authorized Director Adams to negotiate with Cagle to acquire easement within certain specific funding limits.

9. Consideration was next given to authorizing design of garage/storage facility at Artesia water plant site. The Board deferred consideration of this matter and requested that the engineer and TWC determine available land prior to the next meeting.
10. Consideration was next given to status of 2012 District Directors election and matters relating thereto. Mr. Crawford noted that there are five (5) candidates for three (3) positions on the ballot for the May 12, 2012, Director Election. He noted that early voting will be April 30 through May 8, with the exception of Saturday and Sunday, and the polling places will be established by Denton County Election Administrator.
11. 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. The Board convened into executive session as noted in paragraph 12 below.

After reconvening into open session as noted in paragraph 12 below, the Board noted that no action was required at this time.

12. 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 litigation, real estate matters, and deliberate regarding security. Upon motion by Director Ryan, seconded by Director Lehto, the Board voted unanimously to convene into Executive Session at 7:06 p.m. pursuant to

Sections 551.071, 551.072, and 551.076, Texas Government Code, to consult with District Counsel regarding potential litigation, real estate and deliberate regarding security.

Upon motion by Director Adams, seconded by Director Lehto, the Board voted unanimously to reconvene the meeting in open session at 8:14 p.m.

13. After noting that no further business was to come before the Board, upon motion duly made by Director Adams, seconded by Director Lehto and unanimously carried, the meeting was adjourned at 8:18 p.m.

/s/ Mary Lehto *
Mary Lehto
Asst. Secretary

* Copy of signed original minutes available upon request