

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply District No. 10**

October 20, 2016

The Board of Directors (“Board”) of Denton County Fresh Water Supply District No. 10 (“District”), met in regular session, open to the public, on Thursday, October 20, 2016, 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:

Rob Adams	President
Jon TenBroeck	Vice President
Robert Tague	Secretary
Amy Foster	Asst. Secretary
John Gillum	Director

All members of the Board were present. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Jim Koehler, P.E. and Mr. Jim Wagon, P.E. of Graham Associates, Inc. (“GAI”); Mr. Jason Cork of Arcadia Water Management, LLC; Ms. Kathi Dye of Kathi Dye & Associates, LLC; Chief Greg Wilkerson and Mrs. Donna Wilkerson of Advantage Leadership Resources; Mr. Greg Lentz of FirstSouthwest, a Division of Hilltop Securities, Inc.; Mr. Clay E. Crawford and Mr. Jonathan Finke of Crawford & Jordan LLP; and other members of the public, including District residents.

1. After determining that a quorum was present, the President called the meeting to order at 6:00 p.m.
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 speak before the Board, upon motion duly made by Director Foster, seconded by Director TenBroeck and unanimously carried, the President closed the public comment session of the meeting.
3. Consideration was next given to the (a) review and approval of the Minutes of the September 15, 2016, Board of Directors Meetings; (b) review and approval of the Tax Assessor/Collector’s report, a copy of such report is attached hereto as **Exhibit “A”**; (c) review and acceptance of the Developer’s Report, a copy of such Report is attached hereto as **Exhibit “B”**; (d) review and approval of the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit “C”**; and (e) amended operating budget for fiscal year ended July 31, 2017. After discussion on the matter, Director Adams moved that the Board defer item e on the Consent Agenda until the November meeting. Director Foster seconded said motion, which carried unanimously. Director TenBroeck then moved that the Board approve items a, b, and c on the Consent Agenda. Director Tague

seconded said motion, which carried unanimously. The Board tabled the approval of the bookkeeper's report until later in the meeting.

4. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Wagon, a copy of which is attached hereto as **Exhibit "D"**. The Board considered the status of construction projects within the District. In that regard, Mr. Wagon discussed with the Board the status of the following projects: Artesia Phase 5B, Artesia Pump Building, Savannah Azalea Phase 11B, and Artesia North Phase 2.

The Board next consider authorizing preparation of construction plans and specifications for improvement projects. Mr. Wagon noted that there no authorizations for preparation of construction plans and specifications for improvement projects to be considered at this time.

The Board next considered approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, including off-site water line from Savannah Phase 3 to Oglethorpe Village at Savannah Phase 11A. Mr. Wagon reviewed correspondence dated October 12, 2016, regarding Savannah Azalea Village Phase 11B recommending approval of construction plans and specifications and advertising for bids for contract(s) for such improvement project. After discussion on the matter, Director Adams moved that the Board approve the construction plans and specifications for Savannah Azalea Village Phase 11B, subject to acquisition of off-site land. Director Foster seconded said motion, which carried unanimously.

The Board then considered award of contracts for construction of improvement projects and issuance of notices to proceed, including contract for Artesia North Phase 2 construction inspection and Oglethorpe Village at Savannah Phase 8C. Mr. Wagon presented a Professional Services Agreement for Artesia North Phase 2 Construction Inspection between the District, Corona-Artesia, LLC, and GAI in the amount of \$59,000.00. He presented correspondence dated October 13, 2016, with bid tabulation, attached to engineer's report, relative to grading improvements for Oglethorpe Village Phase 8C. He noted that three (3) bids were received, with the low bidder being RPMx Construction, Inc. in the amount of \$634,036.94. Mr. Wagon then presented correspondence dated October 17, 2016, with bid tabulation, attached to engineer's report, relative to paving improvements for Artesia North Phase 2. He noted that six (6) bids were received, with the low bidder being GM Construction Tx, Inc. in the amount of \$1,287,442.30. After discussion on the matter, Director TenBroeck moved that the Board (1) award the contract for grading improvements for Oglethorpe Village Phase 8C to RPMx Construction, Inc., as recommended by the District's engineer; (2) award the contract for paving improvements for Artesia North Phase 2 to GM Construction Tx. Inc., as recommended by the District's engineer; (3) approve the Professional Services Agreement for Artesia North Phase 2 Construction Inspection, as presented, all three (3) items subject to receipt of appropriate Form 1295. Director Gillum seconded said motion, which carried unanimously.

The Board then considered approval of construction pay application(s) and change order(s) to construction contracts, including pay applications and change orders to current construction contracts. Mr. Wagnon reviewed invoices to be approved by the Board and paid by Corona Artesia as follows: RPMx Construction (Artesia North Phase 2 Earthwork #4) in the amount of \$13,901.17; and Mela Contracting, Inc. (Artesia Pump Building Est. #9) in the amount of \$79,546.74. Mr. Wagnon then reviewed invoices to be approved by the Board and paid by the developer for current construction contracts as follows: C.W. Young Construction (Artesia Phase 5B Utilities) in the amount of \$9,585.00. After discussion, Director Gillum moved that the Board approve the invoices to be approved by the Board and paid by Corona Artesia and the invoices to be approved by the Board and paid by the developer for current constructions contracts as presented. Director TenBroeck seconded said motion, which carried unanimously. Mr. Wagnon then reviewed invoices to be approved by and paid by the Board for District projects this month: Venus Construction (Storm Sewer Revisions #1) in the amount of \$192,661.99 and Venus Construction (Water line for apartment site #2) in the amount of \$100,369.29, acknowledging that the latter is not subject to reimbursement by the District. After discussion, Director Foster moved that the Board approve the invoices to be approved by and paid by the Board for District projects this month acknowledging that the invoice for Venus Construction for \$100,369.29 is not subject to reimbursement by the District. Director Tague seconded said motion, which carried unanimously.

The Board then considered approval of final plats and amendments to plats, including Artesia North Phase 1, Phase 1B vacating plat. Mr. Wagnon presented correspondence dated September 21, 2016, recommending amendment to Artesia North Phase 1, vacating Phase 1B plat. After discussion, Director Gillum moved that the Board approve amendment to Artesia North Phase 1 vacating Phase 1B plat. Director Tague seconded said motion, which carried unanimously.

After discussion on the matter, Director TenBroeck moved that the Board accept the Engineer's Report as presented. Director Foster seconded said motion, which carried unanimously.

5. Consideration was next given to status of Artesia water system construction project, including approval of change orders; approval execution and filing of Development Application with Town of Prosper regarding Water Meter Station Project; and amendment to Regional Treated Water System Participating Customer Contract and Northeast Regional Water Reclamation System Participating Customer Contract with Upper Trinity Regional Water District ("UTRWD") as appropriate. The President recognized Mr. Crawford, who recommended to the Board approval of an agreement with UTRWD, authorizing the President to execution such agreement on behalf of the Board and District, and approval of a check to UTRWD in the amount of \$80,000. After discussion on the matter, Director Gillum moved that the Board approve an agreement with UTRWD, authorize the President to execute such agreement, and approve a check in the amount of \$80,000 made payable to UTRWD. Director TenBroeck seconded said motion, which carried unanimously. Director Adams then moved that the Board increase the District's subscription by 100 permits. Director Gillum seconded said motion, which carried unanimously.

6. Consideration was next given to installation of ADA ramps for sidewalks along Artesia Boulevard and any other action in connection therewith. The President recognized Mr. Wagnon and Mr. Finke, who made a presentation to the Board regarding same. After discussion on the matter, Director Foster moved that the Board approve installation of ADA ramps for sidewalks along Artesia Boulevard. Director Gillum seconded said motion, which carried unanimously.
7. Consideration was next given to status of construction contract with Kart Construction & Equipment Co., Inc. and the taking of any action in connection therewith. The President recognized Mr. Finke, who addressed the Board regarding such matter. Mr. Finke noted that Lennar takes a certain amount of risk in proceeding with a new contractor prior to resolution of this issue. After discussion, Director Adams moved that the Board ratify notice of default and authorize Crawford & Jordan LLP to pursue negotiations with surety. Director Gillum seconded said motion, which carried unanimously.
8. Consideration was next given to report from Advantage Leadership Resources, LLC (“ALR”) regarding general management affairs of the District and law enforcement coordination; customer utility and trash service billing complaints/requests and appeals, consider approval and execution of independent contractor agreements for patrol services; consider status of District traffic improvements; and authorize actions and expenditures as necessary. Chief Wilkerson presented a General Manager’s report for September 2016, a copy of which is attached hereto as **Exhibit “E”**. He reported on the issue of residents placing personal property within the greenbelt, and noted that the greenbelt is District property. After discussion, Director Adams moved that the Board prohibit anything being placed in the District’s greenbelt, notify residents of such action, and allow 60 days for removal of items. Director Gillum seconded said motion, which carried unanimously. Chief Wilkerson then discussed correspondence received from a District resident regarding damage to personal property located in greenbelt. After discussion, District Adams moved that the Board respond to such resident advising that the District is not responsible for personal property within the greenbelt and placing such personal property in the greenbelt is at the resident’s risk. Director TenBroeck seconded said motion, which carried unanimously. Chief Wilkerson reported that the District Public Safety Committee will set up a traffic counter at Harper Road to monitor traffic. He reviewed the law enforcement coverage and activity report for September. After discussion on the report presented, Director Foster moved that the Board approve the report provided by Advantage Leadership Resources, LLC. Director TenBroeck seconded said motion, which carried unanimously.
9. Consideration was next given to approval of new engagement letter with Kathi Dye & Associates, LLC for bookkeeping services. Ms. Dye presented and reviewed with the Board the new engagement letter. After discussion on the matter, Director Tague moved that the Board approve the engagement letter with Kathi Dye & Associates, LLC, and authorize execution of same. Director Foster seconded said motion, which carried unanimously.

10. Consideration was next given to actions necessary in connection with District greenbelt property in Artesia. It was noted that the matter was addressed under the ALR report.
11. Consideration was next given to the operator's report regarding the Artesia Utility System, including status of maintenance of water facilities; update on water production capacities; update on inspections process; and authorizing expenditure of funds for operation and maintenance of water facilities. A copy of such report, prepared by Arcadia Water Management LLC is attached hereto as **Exhibit "F"**. The President recognized Mr. Cork, who reported on water capacity and water quality. He reported on ebilling and on flow rate, as well as on the status of system. After discussion, Director Tague moved that the Board approve the report as presented. Director Gillum seconded said motion, which carried unanimously.
12. Consideration was next give to status of negotiations with Town of Little Elm and/or Town of Prosper for fire protection and EMS Services for the Artesia Subdivision, and the taking of any action necessary in connection therewith. After discussion, Director Adams moved that the Board approve an informal poll of Artesia residents to gauge resident interest in the Town of Prosper proposal, with Directors Adams and Gillum to work with Mr. Cork on distribution of such poll. Director Gillum seconded said motion, which carried unanimously.
13. Consideration was next given to acknowledgement of disclosures required to be provided by District's Financial Advisor under Municipal Securities Rulemaking Board Rule G-42. The President recognized Mr. Lentz, who made a presentation to the Board. After discussion on the matter, Director Foster moved that the Board acknowledge the disclosures required to be provided by District's Financial Advisor under Municipal Securities Rulemaking Board Rule G-42. Director Tague seconded said motion, which carried unanimously.
14. Consideration was next given to status of the District's bond application report in connection with the District's proposed \$15,240,000 Bond Issue, Series 2016 Utility Bonds (the "Bonds"), including review of Order of Texas Commission on Environmental Quality ("TCEQ") authorizing issuance of same. Mr. Crawford reported on the status of TCEQ approval of application. It was noted that no action was required at this time.
15. Consideration was next given to approval of Preliminary Official Statement and Official Notice of Sale in connection with the Bonds and set sale date. Mr. Lentz provided a report and presentation, including review of Preliminary Official Statement and Official Notice of Sale. After discussion on the matter, Director Gillum moved that the Board set the sale date for November 17, 2016, and approve the Preliminary Official Statement and Official Notice of Sale. Director TenBroeck seconded said motion, which carried unanimously.
16. Consideration was next given to authorizing application to bond rating agencies for bond rating and insurance companies for bond insurance for the Bonds as recommended by District Financial Advisor. Mr. Lentz made a presentation to the Board. After discussion on the matter, Director TenBroeck moved that the Board

authorize application to bond rating agencies for bond rating and insurance companies for bond insurance for the Bonds as recommended by District Financial Advisor. Director Tague seconded said motion, which carried unanimously.

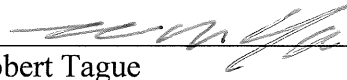
17. Consideration was next given to approval and execution of proposals for renewal of District insurance policies expiring November 19, 2016, related discussion, and the taking of any related action in connection therewith. After noting that the insurance renewal proposals had not yet been received, Director Adams moved that the Board table the matter until its next meeting. Director Foster seconded said motion, which carried unanimously.
18. Consideration was next given to status of acquisition of offsite water easement to serve Azalea Village in Savannah, and the taking of any further action in connection therewith. As noted in paragraph no. 21 below, the Board convened into Executive Session to deliberate regarding pending litigation and settlement offers. After discussion on the matter, Director Adams moved that the Board ratify settlement with Heon Lee and Jimmy Lee and authorize issuance of checks in connection with same to all parties, including court and commissioner; and further authorize issuance of check to Kyo Lee and conveyance of settlement offer. Director TenBroeck seconded said motion, which carried unanimously.
19. After additional discussion on the bookkeeper's report, Director Gillum moved that the Board approve item d on the Consent agenda, with check no. 8954 being voided, and additional check nos. 9020 to John Gillum in the amount of \$69.26 and 9027 to Robert Tague in the amount of \$346.85, plus additional checks relating to the Lee condemnation as approved in agenda item no. 18. Director Tague seconded said motion, which carried unanimously.
20. Consideration was next given to correspondence from Mustang Special Utility District ("Mustang") regarding transfer of certain District certificates of convenience and necessity, facilities, land, easements, rights-of-way and contracts. As noted in paragraph no. 21 below, the Board convened into Executive Session to deliberate regarding real property matters. Director Foster exited the meeting. After discussion on the matter, Director Tague moved that the Board authorize the Board President to contact Mustang to discuss the content of Mustang's correspondence and an appropriate response. Director TenBroeck seconded said motion, which carried unanimously.
21. Consideration was next given to Executive Session pursuant to Sections 551.071, 551.072, and 551.076, Texas Government Code, as amended, to consult with District Counsel on real estate, litigation, and settlement matters. Upon motion made by Director Adams, seconded by Director TenBroeck and unanimously carried, the Board entered into Executive Session at 7:46 p.m. pursuant to Section 551.072, Texas Government Code, to deliberate upon litigation and settlement matters.

Upon motion by Director Foster, seconded by Director TenBroeck, the Board voted unanimously to reconvene the meeting in open session at 7:59 p.m.

Upon motion made by Director Adams, seconded by Director Foster and unanimously carried, the Board entered into Executive Session at 8:01 p.m. pursuant to Section 551.072, Texas Government Code, to deliberate upon real property matters.

Upon motion by Director Adams, seconded by Director Foster, the Board voted unanimously to reconvene the meeting in open session at 9:03 p.m.

22. After noting that no further business was to come before the Board, upon motion duly made by Director TenBroeck, seconded by Director Gillum, and unanimously carried, the meeting was adjourned at 9:05 p.m.



Robert Tague
Secretary