

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
April 26, 2011**

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 Tuesday, April 26, 2011 at 6:00 p.m., at the Artesia Clubhouse, 1401 Candler Drive, Prosper, 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 Michael Ryan, who entered later as noted below. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Art Barraza, P.E. of Petitt Barraza LLC; Mr. Todd Madison of Texas Water Company; Ms. Lisa Bloomfield of Kathi Dye, CPA, P.C.; Mr. Scott Harris and Mr. Will Walton of Corona Artesia LLC; Ms. Kris Russell, District resident; 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 6:09 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 and recognized Mr. Harris, who reported that two (2) homebuilders, Highland Homes and Legend Homes had contracted to purchase lots in Artesia. He inquired if the District had established any rules prohibiting alteration of soil conditions by water injection. 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 Adams, seconded by Director Lehto and unanimously carried, the President closed the public comment session of the meeting.
3. Consideration was next given to the review and approval of the Minutes of the March 17, 2011, Board of Directors Meeting. After discussion on the matter, Director Fritz moved that the Board approve the Minutes of the March 17, 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 Lehto 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. Ms. Bloomfield presented and reviewed with the Board a report, a copy of which is attached hereto as **Exhibit "A"**. She noted that as of March 31, 2011, the District's 2010 tax levy was approximately 97.63% 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.
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"**. Mr. Jameson reported that, as of March 31, 2011, in Savannah 1,401 lots have been prepared for construction; 1,253 lots have been conveyed to builders; 1,238 construction permits have been issued; and 1,211 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.
6. Consideration was next given to the review and approval of the Bookkeeper's Report presented by Ms. Bloomfield, 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.
7. Consideration was next given to change orders and pay estimates, as reflected in the Engineer's Report. After discussion on the matter, the President determined to address this matter in connection with the Engineer's Report later in the meeting.
8. Consideration was next given to a report from Texas Water Company on the Artesia water system operations, including status of Artesia water quality, and authorizing expenditure of funds for operation and maintenance of water facilities. The President recognized Mr. Madison, who reported that the surface water system is online with good water quality, but indicated the possibility of exceeding the District's contracted existing water subscription during peak water usage. He noted that the master meter needs to be calibrated and an upgrade to the SCADA system to collect data for management should be considered. Mr. Madison reported that no Artesia customer complaints were received during the month. After discussion on the matter, Director Lehto moved that the Board accept the report presented by Mr. Madison, and authorize the engineer to review water usage issue. Director Adams seconded said motion, which carried unanimously.
9. Consideration was next given to approval of Order Declaring Personal Property Surplus and Awarding Sale of Personal Property relative to reverse osmosis system. Mr. Barraza noted that ads were placed on EBay, Craigslist and several trade journals; however, as of today, no bids or proposals have been received. After a brief discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board tabled the matter until the next meeting.

10. 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 desires to move the fishing tournament to a different District lake in Savannah. He also discussed the impact of garage sales upon traffic and parking. After discussion on the matter, Director Adams moved that the Board close the Homeowners Association Committees Report session of the meeting. Director Lehto seconded said motion, which carried unanimously.

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

11. Consideration was next given to Law Enforcement Committee Report; public safety and nuisance issue; and authorizing actions and expenditures as necessary in connection therewith, including amendment of District Rate Order. The President recognized Officer, who presented and reviewed with the Board an activity/incident report relative to March. He discussed hail damage to District patrol car. After discussion on the matter, Director Fritz moved that the Board accept the report. Director Lehto seconded said motion, which carried unanimously.
12. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Barraza. A copy of the report is attached hereto as **Exhibit "D"**. The Board then considered necessary non-routine maintenance and repair of District streets and facilities. Mr. Barraza reported that the estimated cost to replace 500 traffic buttons was \$5,000. After discussion on the matter, Director Adams moved that the Board table the matter of traffic buttons until a budget and priority of installation was established. Director Tague seconded said motion, which carried unanimously. Mr. Barraza then requested the Board re-evaluate the 2008 estimated cost to repair several streets within Savannah. After discussion on the matter, Director Tague moved that the Board table the matter until a future meeting. Director Ryan seconded said motion, which carried unanimously. Mr. Barraza then requested that the Board evaluate the protocol to respond to miscellaneous emergency cleaning/maintenance items. After discussion on the matter, Director Ryan moved that the Board authorize the "director on call" to authorize up to \$5,000 in repairs in the event of an emergency. Director Fritz seconded said motion, which carried unanimously.

The Board then considered change orders and pay estimates. After discussion, Director Fritz moved that the Board approve items 3e (i) and (ii) on engineer's report. Director Lehto seconded said motion, which carried unanimously. After further discussion, Director Ryan moved that the Board table items 3e (iii) and (iv) to be discussed in executive session. Director Adams seconded said motion, which carried unanimously.

13. Consideration was next given to status of acquisition of easement for the future Artesia metering station, including authorizing land purchase agreement or proceeding with condemnation, if necessary. After discussion on the matter, Director

Adams moved that the Board consider the matter further in Executive Session. Director Fritz seconded said motion, which carried unanimously.

14. Consideration was next given to update from Berlin Investments related to the inclusion of 166-acre tract located next to Comanche Ridge within the District, and engineering report in support thereof, and the taking of any action necessary or appropriate in connection therewith. Mr. Barraza indicated that the City of Prosper had indicated that it would consent to the annexation of the tract by the District. Mr. Crawford discussed the process and documentation needed. After discussion on the matter, Director Tague moved that the Board consider the matter further in Executive Session. Director Adams seconded said motion, which carried unanimously.
15. Consideration was next given to status of litigation with Centex Homes a Nevada General Partnership, Centex Real Estate Corporation, Nomas Corp., Glenn Thurman, Inc. and Colonial American Casualty and Surety Company; including receipt and review of bids for construction of road repairs in Artesia; adoption of rules and regulations regulating drainage and flood control, and privileges on District land and easements; and authorizing actions and expenditures as necessary in connection therewith. Mr. Barraza presented bids and confirmed the low bidder to be Jet Underground with a bid amount of \$413,310. He noted that the bids have been forwarded to the District's trial counsel for consideration. Mr. Crawford then discussed with the Board approval of an order adopting rules and regulations regulating drainage and flood control, and privileges on District land and easements. After discussion on the matter, Director Adams moved that the Board consider the matter further in Executive Session. Director Ryan seconded said motion, which carried unanimously.
16. Consideration was next given to establishing an economic development program for Savannah Town Center and other commercial properties, including implementation of a limited purpose annexation/strategic partnership with neighboring municipalities. The President determined to table the matter until a further meeting.
17. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford presented and reviewed with the Board a request for adjustment from Cynthia Dekeyzer. After discussion on the matter, Director Adams moved that the Board approve adjustment on the account to average rate plus base fee. Director Ryan seconded said motion, which carried unanimously.
18. The Board next considered Executive Session pursuant to Sections 551.071 and 551.072, Texas Government Code, as amended, to consult with attorney and deliberate real property acquisition. Upon motion by Director Adams, seconded by Director Fritz, the Board voted unanimously to convene into Executive Session at 7:43 p.m. pursuant to Sections 551.071 and 551.072, Texas Government Code, to consult with attorney and deliberate real property acquisition.

Upon motion by Director Fritz, seconded by Director Adams, the Board voted unanimously to reconvene the meeting in open session at 8:39 p.m.

Director Ryan moved that the Board 1) authorize proceeding with easement acquisition for Artesia metering station at a cost of \$9,500 plus installation of a wrought iron fence; 2) authorize Director Adams, Director Tague, and Mr. Crawford to begin process for negotiating the terms for annexation of Berlin tract; 3) provide to trial counsel for mediation - bids for road repairs; and 4) approve adjustment to final change order for WR Hodgson in the amount of \$10,000. Director Fritz seconded said motion, which carried unanimously.

The Board then considered change orders and pay estimates, specifically, items 3e(iii) and (iv). After discussion, Director Adams moved that the Board approve the \$31,000 item 3e(iii). Director Fritz seconded said motion, which carried unanimously. Director Adams then moved that the Board approve final pay application listed in item 3e(iv) in the amount of \$74,438.86. Director Ryan seconded said motion, which carried unanimously.

After consideration discussion, Director Adams moved that the Board approve an Order of Denton County Fresh Water Supply District No. 10, Recognizing the Threat that Water Injection of Building Pads may have on the Road Infrastructure of the District, as well as the Ability of the District to Gather, Conduct, Divert, and Control Local Storm Water or Other Local Harmful Excesses of Water; Recognizing that the District's Current Drainage and Flood Control Rules and Regulations Do Not Adequately Address These Serious Issues; Adopting Drainage and Flood Control Rules and Regulations Providing for the Temporary Suspension of the Practice Of Altering Soil Conditions through Water Injection within the District; Repealing all Conflicting Rules and Regulations; Providing a Severability Clause; Providing an Effective Date of this Order; and Providing for the Publication of a Copy Hereof. Director Ryan seconded said motion, which carried unanimously.

19. After noting that no further business was to come before the Board, upon motion duly made by Director Ryan, seconded by Director Fritz and unanimously carried, the meeting was adjourned.

/s/ Tammy Fritz
Tammy Fritz
Secretary