

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
August 18, 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 Thursday, August 18, 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 Directors Tague and Fritz. 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 Kathi Dye, CPA, P.C.; Mr. Greg Wilkerson of Blue Line Services; Chief Michael Starr and Captain K. Arnold of Aubrey Fire Department; Mr. Will Walton and Mr. Marshall Addison representing 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 Vice President called the meeting to order at 6:28 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. After noting that there were no members of the public present and desiring to come before the Board, upon motion duly made by Director Ryan, 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 July 21, 2011, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the July 21, 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.

Consideration was next given to the review and approval of the Minutes of the July 28, 2011, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the July 28, 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. A copy of such report is attached hereto as **Exhibit "A"**. It was noted that as of July 31, 2011, the District's 2010 tax levy was approximately 99.59% collected. After discussion on the matter, Director Ryan 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"**. It was noted that, as of July 31, 2011, in Savannah 1,401 lots have been prepared for construction; 1,275 lots have been conveyed to builders; 1,261 construction permits have been issued; and 1,218 homes were occupied. After discussion on the matter, Director Ryan 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, 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 Lehto seconded said motion, which carried unanimously.
7. Consideration was next given to approval of pay application and change order(s) to construction contracts. It was noted that no pay applications and/or change orders were being presented for consideration.
8. Consideration was next given to acceptance of 2011 Tax Roll as certified by the Denton Central Appraisal District, and calculations regarding the District's 2011 Tax Rates. Mr. Crawford presented and reviewed with the Board the (i) 2011 Tax Roll as certified by the Denton Central Appraisal District, (ii) effective tax rate calculations provided by Denton County Tax Office, and (iii) a debt service tax rate recommendation from FirstSouthwest. After discussion on the matter, Director Ryan moved that the Board accept the 2011 Tax Roll as certified by the Denton Central Appraisal District. Director Lehto seconded said motion, which carried unanimously.
9. Consideration was next given to a report from Texas Water Company on the Artesia water system operations, and authorizing expenditure of funds for operation and maintenance of water facilities. The Vice President recognized Mr. Madison, who noted that he had no operational or water quality problems to report. He reported that the Artesia water plant has been successful in keeping the proper chlorine residual and no customer complaints were received during the month. After discussion on the matter, Director Ryan moved that the Board accept the report as presented. Director Lehto seconded said motion, which carried unanimously.

10. Consideration was next given to report for improving the City of Aubrey's ISO Public Protection Classification and the taking of any action necessary or appropriate in connection therewith. The Vice President recognized Chief Starr, who reviewed the report with the Board. He noted that the system is currently rated at 4 and reviewed the listed actions to achieve a 3 rating. Chief Starr reported that the Aubrey Fire Department has implemented some of these actions and will include additional actions in the 2011-2012 budget. He noted that the improvements will not aid Artesia since it is located outside the 5-mile radius. Chief Starr reported that the largest item is \$50,000 for equipment, of which 50% will be funded by the 380 Districts. The Board requested that Chief Starr provide correspondence to ISO mutually with Prosper and Celina regarding improvements achieved. Upon motion duly made by Director Ryan, seconded by Director Lehto and unanimously carried, the Board agreed to fund its share of the \$25,000 and facilitate a letter from Aubrey Fire Department to ISO.
11. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford presented and reviewed with the Board a request from Kayra Fukumoto, a copy of which is attached hereto as **Exhibit "D"**. He then discussed with the Board communications with George Aragon regarding request for waiver of non-payment fee. Mr. Crawford noted that during the month two extensions were granted to Nikitta Herbett and James and Stephanie Thibodeaux. He noted that Nikitta Herbett's payment was received by the allotted extension deadline; however the Thibodeaux's payment was not received and service was terminated. After discussion on the matter, upon motion duly made by Director Ryan, seconded by Director Lehto and unanimously carried, the Board tabled the matter of Kayra Fukumoto's request and denied the request of George Aragon for waiver of non-payment fee.
12. Consideration was next given to Homeowners Association Committees Report, and the taking of any action necessary or appropriate in connection therewith. It was noted that there wasn't anything to report at this time.
13. Consideration was next given to Law Enforcement Committee Report; public safety and nuisance issue; and authorizing actions and expenditures as necessary in connection therewith. The Vice President recognized Mr. Wilkerson, who presented and reviewed with the Board an activity/incident report relative to July. He noted that July was fairly busy with a few fireworks complaints; an unsecure door at the Artesia Amenity Center, including a burglary; after hours pool use at Savannah; graffiti; and one home burglary. Mr. Wilkerson discussed with the Board the continued operational problems with the District's vehicle; and he noted that although the problems have been fixed, the car will not pass inspection, so he recommended trade-in of the old vehicle towards the new vehicle being purchased. After discussion, Director Lehto moved that the Board accept the report. Director Ryan seconded said motion, which carried unanimously.
14. Consideration was next given to approval of purchase of District car for Law Enforcement purposes. Mr. Wilkerson and Ms. Bloomfield reported that the purchase

price of the Crown Victoria proposed to be purchased is \$23,711, and financing can be acquired at 3.9% for a 4-year loan, with the monthly payments to be approximately \$540. After discussion on the matter, Director Ryan moved that the Board approve the purchase of the new District car for Law Enforcement purposes as set forth above. Director Lehto seconded said motion, which carried unanimously.

15. 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 "E"**. The Board then considered authorizing preparation of construction plans and specifications. Mr. Winkler requested authorization to prepare plans and specifications for a waterline in Artesia and authorization to solicit bids for same. After discussion, Director Adams moved that the Board authorize preparation of construction plans and specification for waterline in Artesia and authorize solicitation of bids relative to same. Director Ryan seconded said motion, which carried unanimously. The Board then considered the approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, including water, sanitary sewer, and storm drainage for Artesia, phases 4A and 4B; elevated storage tank; and Fields Road improvements. After a brief discussion, upon motion duly made, seconded and unanimously carried, the Board tabled the matter of approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, including water, sanitary sewer, and storm drainage for Artesia, phases 4A and 4B; elevated storage tank; and Fields Road improvements. The Board then considered the approval of award of construction contract(s), including grading for Artesia, phases 4A and 4B. Mr. Winkler reported that bids had been received, opened and tabulated for the grading of Artesia, Phase 4A and 4B. He noted that six (6) bids were received ranging in price from \$257,225.00 to \$518,834.50. Mr. Winkler reported that the low bid was submitted by Kart Construction & Equipment Co., Inc. and was found to be complete, with no errors. He noted that Graham & Associates recommends award of the contract for grading for Artesia Phases 4A and 4B to Kart Construction & Equipment Co., Inc. at a low bid price of \$257,225.00. After discussion, Director Ryan moved that the Board award the contract in the amount of \$257,225.00 to Kart Construction & Equipment Co., Inc. Director Lehto seconded said motion, which carried unanimously. The Board then considered approval/status of engineering Task Order(s), including status of preparation of modeling and analysis of water system for Artesia/Savannah. Mr. Winkler reported that the water analysis for Artesia indicates that when Artesia reaches 500 connections, the District will an elevated storage tank in place. He noted that currently Artesia has 135 connections, and the lead time for design, approval, bid and construction is approximately 18 to 24 months. After a brief discussion, upon motion duly made, seconded and unanimously carried, the Board determined to table the matter until a future meeting. The Board then considered approval of final plat for Savannah, Phase 10A. Mr. Winkler presented and reviewed with the Board the final plat, and recommended approval of same, contingent upon 3 ministerial items to engineer's satisfaction. After discussion, Director Ryan moved that the Board approve the final plat for Savannah, Phase 10A, contingent upon 3 ministerial items to engineer's satisfaction. Director Lehto seconded said motion, which carried unanimously. The Board then considered acceptance of certificate of completion and authorizing final acceptance of projects,

including grading, water, sanitary sewer, storm drainage, and paving for Savannah, Phase 8A. Mr. Winkler presented and reviewed with the Board a letter and Certificate of Substantial Completion. After discussion, Director Ryan moved that the Board accept the Certificate of Substantial Completion and authorize final acceptance of grading, water, sanitary sewer, storm drainage, and paving for Savannah, Phase 8A. Director Lehto seconded said motion, which carried unanimously. The Board then considered necessary non-routine maintenance and repair of District facilities, including resident request for 4-way stop at Magnolia and Cotton Exchange. After discussion, upon motion duly made, seconded and unanimously carried, the Board tabled the matter until a quote was received for same. The Board then considered authorizing installation of missing Continental Congress sign at east intersection of King George and Continental Congress. Mr. Winkler reported that the estimated cost to replace the sign is approximately \$300 to \$500. After discussion, upon motion duly made by Director Ryan, seconded by Director Lehto and unanimously carried, the Board authorized installation of missing Continental Congress sign at east intersection of King George and Continental Congress.

16. Consideration was next given to proposal from Corona Land Company, LLC for water injection of developed lots within Artesia Subdivision and authorize actions as appropriate. Mr. Walton and Mr. Addison presented the proposal from Corona Land Company LLC for water injection of developed lots within Artesia Subdivision, including repair of road. A copy of such proposal is attached as **Exhibit "F"** hereto. A copy of such Mr. Crawford presented the District's consultants comments on the proposal. The Board voted to convene into executive session as noted in paragraph 23 below. The Board voted to reconvene into open session, and after discussion on the matter, Director Adams moved that the Board authorize the District's attorney to finalize the negotiation and proceed with documentation. Director Lehto seconded said motion, which carried unanimously.
17. 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; and the taking of necessary and appropriate action relating thereto. Mr. Crawford noted that four (4) depositions and trial preparation must be completed by October 12, 2011. The Board voted to convene into executive session as noted in paragraph 23 below. The Board voted to reconvene into open session, and after discussion, Director Adams moved that the Board authorize depositions and preparation for trial. Director Lehto seconded said motion, which carried unanimously.
18. Consideration was next given to proposal from Lennar for moisture conditioning of developed lots within Artesia Subdivision Sections 4A and 4B and authorizing actions as appropriate. After discussion on the matter, Director Lehto moved that the Board approve the proposal from Lennar for moisture conditioning of developed lots within Artesia Subdivision, and authorize appropriate actions. Director Ryan seconded said motion, which carried unanimously.

19. Consideration was next given to setting public hearing date and authorizing notice of public hearing regarding adoption of tax rate. After discussion on the matter, Director Lehto moved that the Board preliminarily approve the proposed 2011 debt service tax rate of \$0.87 and maintenance tax rate of \$0.13, set its public hearing regarding such proposed tax rates for September 15, 2011, at 6:00 p.m., and authorize publication of notice regarding same in the Denton Record Chronicle. Director Ryan seconded said motion, which carried unanimously.
20. Consideration was next given to status of establishing an economic development program for Savannah Town Center and other commercial properties, including implementation of a limited purpose annexation/strategic partnership with Town of Little Elm. After discussion, Director Adams moved that the Board not proceed with implementation of limited purpose annexation/strategic partnership with Town of Little Elm. Director Ryan seconded said motion, which carried unanimously.
21. Consideration was next given to request by Berlin Interests for annexation of 166 acres and authorizing actions relating thereto, including consideration of limited purpose annexation agreement with Town of Prosper. After discussion, Director Ryan moved that the Board authorize discussion with City of Prosper to analyze the benefits of a strategic partnership agreement regarding 15 acres in the District. Director Lehto seconded said motion, which carried unanimously.
22. Consideration was next given to amendment of District rate order. After a brief discussion, Director Lehto moved that the Board table the matter until a future meeting. Director Ryan seconded said motion, which carried unanimously.
23. The Board next considered 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 Adams, 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 District Counsel regarding potential and pending litigation and real estate matters.

Upon motion by Director Adams, seconded by Director Ryan, the Board voted unanimously to reconvene the meeting in open session at 7:55 p.m.

24. 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 8:18 p.m.

/s/ Mary Lehto *
Asst. Secretary

*Copy of signed original available upon request