

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
October 20, 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, October 20, 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 Director Ryan, who entered later as noted below. 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; Mr. Will Walton representing Corona Artesia LLC; Mr. Judge Platt, Mr. Ron Berlin, and Mr. Eric Berlin representing Berlin Interests; Captain Kyle Arnold of Aubrey Fire Department; Mr. Sherman Dobbs, 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 6:12 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 Lehto, seconded by Director Fritz 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 September 15, 2011, Board of Directors Meeting. After discussion on the matter, Director Adams moved that the Board approve the Minutes of the September 15, 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 September 30, 2011, the District's 2010 tax levy was approximately 99.71% collected. After discussion on the matter, Director Adams 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 August 31, 2011, in Savannah 1,536 lots have been prepared for construction; 1,281 lots have been conveyed to builders; 1,273 construction permits have been issued; and 1,226 homes were occupied. After discussion on the matter, Director Adams 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 engagement of Dye & Bloomfield, LLC, for bookkeeping services. A copy of such engagement letter is attached hereto as **Exhibit "C"**. After discussion on the matter, Director Adams moved that the Board approve engagement of Dye & Bloomfield, LLC for bookkeeping services and authorize execution of engagement letter. 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 "D"**. After discussion on the matter, and thorough review of the checks presented, Director Adams 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 noted that no pay applications and/or change orders were being presented for consideration.
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 President recognized Mr. Madison, who reported that construction within Artesia has helped control the chlorine residuals in the distribution system. He noted that water quality has been good and no maintenance and operations issues have arisen. After discussion on the matter, Director Adams moved that the Board accept the report as presented. Director Lehto seconded said motion, which carried unanimously.
10. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford noted that no new requests had been received. The President determined that no action was required at this time.
11. 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 from Artesia HOA was present. Director Tague discussed the Savannah HOA activities and noted that residents are pleased

with traffic control during events; however, they have requested installation of speed bumps and additional flashing lights. After discussion, Director Adams moved that the Board accept the report as presented. Director Lehto seconded said motion, which carried unanimously.

12. 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 President recognized Mr. Wilkerson, who presented and reviewed with the Board an activity/incident report relative to September. He noted that there were no major/violent or notable crimes during the month; only minor juvenile activity issues, including increased graffiti and vandalism, bike theft, and golf cart operation after dark. Mr. Wilkerson reported there was also copper theft from vacant homes under construction. After discussion, Director Adams moved that the Board accept the report. Director Lehto seconded said motion, which carried unanimously.

13. 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 the status of construction projects within the District. Mr. Winkler reported that construction of Savannah, Phase 10A is nearing completion. He noted that grading operations in Artesia, Phase 4A and 4B, are nearing completion. Mr. Winkler then addressed the Board regarding authorizing preparation of construction plans and specifications. He reported on the status of design of Harper Road Water Connection and Artesia elevated water storage tank. The Board then considered the approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, including paving for Artesia, phases 4A and 4B. Mr. Winkler reported it was the recommendation of Graham and Associates, Inc. to approve the plans and advertise for bids, subject to compliance with requirements and comments. After discussion, upon motion duly made by Director Fritz, seconded by Director Lehto and unanimously carried, the Board approved the construction plans and specifications and authorized advertising for bids for contract(s) for improvement projects, including paving for Artesia, phases 4A and 4B. The Board then considered the approval of award of construction contract(s), including water, sanitary sewer, and storm drainage for Artesia, Phases 4A and 4B. Mr. Winkler reported that bids had been received, opened and tabulated for the water, sanitary sewer, and storm drainage for Artesia, Phase 4A and 4B. He noted that 11 bids were received. Mr. Winkler reported that the low bid was submitted by Metro-Plex and was found to be complete, with no errors. He noted that Graham & Associates recommends award of the contract for water, sanitary sewer, and storm drainage for Artesia Phases 4A and 4B to Metro-Plex at a low bid price of \$528,216. After discussion, Director Adams moved that the Board award the contract in the amount of \$528,216 to Metro-Plex. 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/ Savannah will be ready at the November Board meeting. He discussed with the Board various traffic improvements on US 380 and noted that Graham & Associates is working with TxDOT and the Town of Little Elm on such matters, and

he would provide an update at the November meeting. The Board then considered acceptance of certificate of completion and authorizing final acceptance of projects, including grading, utilities and paving for Savannah, Phase 10A. Mr. Winkler presented a certificate of substantial completion and recommendation of acceptance by Graham & Associates. After discussion, upon motion duly made by Director Tague, seconded by Director Adams and unanimously carried, the Board determined to withhold approval until the adequacy of turning radius of the roads in Phase 10A has been reviewed and confirmed.

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

The Board then considered necessary non-routine maintenance and repair of District facilities, including i) the status of sign replacement at Continental Congress/King George intersection; ii) approval of purchase of graffiti removal material; iii) sidewalk repair at Stone Mountain/Forsyth intersection; iv) drainage concern at 1116 Hayden; street drainage concern along Spanish Moss; and vi) greenbelt maintenance along US 380 frontage. Mr. Winkler reported that the sign at Continental Congress/King George intersection has been replaced. He then reported that Graham & Associates took delivery of a free sample pack acquired from Urban Restoration Group US and it was successful. Mr. Winkler recommended ordering an additional amount and having it provided to the HOA. After discussion, Director Fritz moved that the Board authorize the purchase of graffiti removal material. Director Lehto seconded said motion, which carried unanimously. Mr. Winkler discussed with the Board the sidewalk repair at Stone Mountain/Forsyth intersection. After discussion, Director Tague moved that the Board authorize engineer to investigate the situation and Mr. Crawford to determine the original contractor who installed the sidewalk. Director Adams seconded said motion, which carried unanimously. Mr. Winkler then discussed with the Board the drainage concern at 1116 Hayden and noted that the problem is due to a change in the grade from the original grading. Director Lehto moved that the Board authorize the engineer to forward a letter to the property owner explaining the situation. Director Fritz seconded said motion, which carried unanimously. Mr. Winkler discussed with the Board the street drainage concern along Spanish Moss, and noted that the ponding at 1248 Spanish Moss is part of the District's street repair plan. After discussion, Director Ryan moved that the Board authorize the engineer to forward correspondence to the property owner advising of same. Director Adams seconded said motion, which carried unanimously. Mr. Winkler then discussed the greenbelt maintenance along US 380 frontage, including peach tree and wisteria north of Magnolia. After discussion, Director Ryan moved that the Board request developer to obtain a quote for greenbelt maintenance along US 380 frontage. Director Adams seconded said motion, which carried unanimously. After considerable discussion, upon motion duly made by Director Fritz, seconded by Director Lehto and unanimously carried, the Board approved the Engineer's Report.

14. 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. The Board voted to convene into

executive session as noted in paragraph 17 below. The Board voted to reconvene into open session, and after discussion, upon motion duly made by Director Adams, seconded by Director Fritz and unanimously carried, the Board voted to approve a settlement agreement with Centex and its related parties regarding the disposition of the litigation in the forms as presented by counsel to the District.

15. Consideration was next given to approval of Corona Artesia LLC proposal for water injection of lots within Artesia 1A, 1B, and 1C and matters relating thereto. The Board voted to convene into executive session as noted in paragraph 17 below. The Board voted to reconvene into open session, and after discussion on the matter, Director Adams moved that the Board authorize preparation of an agreement in connection with proposal of Corona Artesia LLC for water injection, and street elevation measurement for consideration at the next meeting. Director Fritz seconded said motion, which carried unanimously.
16. Consideration was next given to request by Berlin Interests for annexation of 166 acres and authorizing actions relating thereto, including negotiation of limited purpose annexation agreement with Town of Prosper. The President recognized Mr. Platt, who reported upon the status of negotiations with the Town of Prosper for the release of the tract from the Town's extraterritorial jurisdiction. Mr. Ron Berlin next indicated that Berlin Interests would agree to donate from 50 to 60 acres to the District, including 13.5 acres for ball fields, subject to annexation of the 166 acres into the District. Upon motion by Director Ryan, seconded by Director Lehto, the Board unanimously authorized Director Adams and District Counsel to negotiate the agreements appropriate and necessary to effectuate the annexation and land conveyance.
17. 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 Adams, seconded by Director Tague, the Board voted unanimously to convene into Executive Session at 7:37 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 7:58 p.m.

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

/s/ Mary Lehto *
Asst. Secretary

*Copy of signed original available upon request