

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
September 15, 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, September 15, 2011 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 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 and Mr. Scott Harris representing Corona Artesia LLC; Ms. Kris Russell, Mr. Jon TenBroeck, and Ms. Ramona Early, 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 6:12 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 and recognized Ms. Early. Ms. Early addressed the Board regarding 1116 Hayden Lane and poor drainage of storm water from the lot. The Board requested its engineer review and report at the next meeting. 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 Lehto, seconded by Director Adams and unanimously carried, the President closed the public comment session of the meeting.
3. Consideration was next given to conducting a public hearing regarding adoption of proposed 2011 District debt service tax rate and maintenance tax rate, and the adoption of an Order Levying Taxes for 2011, a copy of which is attached hereto as **Exhibit “A”**. Upon motion by Director Adams, seconded by Director Lehto, and unanimously carried, the public hearing was opened. It was noted that no members of the public present desired to address the Board of Directors with regard to the proposed 2011 tax rates. In that regard, Mr. Crawford advised the Board that the

- Notice of Public Hearing on Tax Rate had been published in the *Denton Record Chronicle* on Thursday, September 8, 2011, in accordance with the laws of the State of Texas. After discussion on the matter, Director Adams moved that the Board close the hearing. Director Lehto seconded said motion, which carried unanimously.
4. Consideration was next given to the review and approval of the Minutes of the August 18, 2011, Board of Directors Meeting. After discussion on the matter, Director Adams moved that the Board approve the Minutes of the August 18, 2011, Board of Directors meeting as corrected, 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.
 5. 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 "B"**. It was noted that as of August 31, 2011, the District's 2010 tax levy was approximately 99.65% 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.
 6. 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 "C"**. It was noted that, as of August 31, 2011, in Savannah 1,401 lots have been prepared for construction; 1,281 lots have been conveyed to builders; 1,269 construction permits have been issued; and 1,223 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.
 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. It was noted that no pay applications and/or change orders were being presented for consideration.
 9. Mr. Crawford then reviewed the proposed tax rate with the Board. He advised that the proposed 2011 debt service tax rate was \$0.87 per \$100 assessed valuation, maintenance tax rate was \$0.13 per \$100 assessed valuation and a contract tax rate of \$0.00 per \$100 assessed valuation, for a total 2011 tax rate of \$1.00 per \$100 assessed valuation. After discussion on the matter, Director Adams moved that the Board levy a 2011 debt service tax rate of \$0.87 per \$100 assessed valuation and a maintenance tax rate of \$0.13 per \$100 assessed valuation, and a contract tax rate of \$0.00 per \$100 assessed valuation, and adopt the Order Levying Taxes for 2011 as presented. Director Lehto seconded said motion, which carried unanimously.

10. Consideration was next given to approval and execution of amendment to District Information Form in connection with the levy of the District's 2011 Taxes. Mr. Crawford presented and discussed with the Board such Amendment reflecting the District's most recent amount of taxes levied for 2011 and reported on the statutory requirements of recording such Amendment in the Denton County Real Property Records. After discussion on the matter, Director Adams moved that the Board approve the Amendment to District Information Form and authorize execution and recordation of same in Denton County. Director Lehto seconded said motion, which carried unanimously.
11. 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 relative to a maintenance event at the facilities, repair of relay switch at well, that was fixed the same day without incident. He discussed with the Board the need to flush the line from the Artesia community to the Savannah community and requested that the Board encourage the Artesia residents to increase water usage, as increased water flow would help maintain the acceptable water quality level. After discussion on the matter, Director Lehto moved that the Board accept the report as presented. Director Adams seconded said motion, which carried unanimously.
12. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford presented and reviewed with the Board the request from Kayra Fukumoto presented at the last meeting regarding sand in system. He presented and reviewed with the Board an email and the account history of Cathy Rose relative to water leak. Mr. Jameson reported that the HOA will cap the line in question. After discussion on the matter, Director Tague moved that the Board credit the Rose account \$125 for July and \$100 for August for the water leak. Director Adams seconded said motion, which carried unanimously. Director Tague reported that Pat Coviello at 1148 Cotton Exchange has requested a credit claiming that he did not use 54,000 gallons per month of water. He noted that Mustang has confirmed the water meter is correct. After discussion, Director Ryan moved that the Board authorize the engineer and operator to spend up to \$250 to determine if the Coviello home has a leak on site. Director Tague seconded said motion, which carried with three directors voting in favor of such motion and one director voting against such motion.
13. 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 she didn't have anything new to report at this time. Director Tague discussed the Savannah HOA/District yard/garage sale and acknowledged the HOA's appreciation to Director Adams for managing traffic. After discussion, Director Adams moved that the Board accept the report as presented. Director Ryan seconded said motion, which carried unanimously.
14. 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 August. He noted that there were no major/violent or notable crimes during the month; only menial juvenile activity issues. Mr. Wilkerson reported that the new District patrol car is in service. He recommended contracting with the Denton County Sheriff's Office for radio service and requested authorization to proceed with tinting the car windows at an estimated cost to the District of \$300. After discussion, Director Ryan moved that the Board approving window tinting and contacting Denton County Sheriff's Office regarding radio service. Director Adams then moved that the Board accept the report. Director Lehto 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; and the taking of necessary and appropriate action relating thereto. The Board voted to convene into executive session as noted in paragraph 21 below. The Board voted to reconvene into open session, and after discussion, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required at this time.
 16. 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. Mr. Harris and Mr. Walton addressed the Board regarding such matter. The Board voted to convene into executive session as noted in paragraph 21 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 prepare a response to the pending proposal of Corona Artesia LLC. Director Tague seconded said motion, which carried unanimously.
 17. Consideration was next given to requesting entities with jurisdiction for improved traffic control and regulation on U.S. 380 along District frontage, including installation of additional signalization and signage, and authorize appropriate action to effectuate same. After discussion on the matter, Director Adams moved that the Board authorize a request to Little Elm and Texas Department of Transportation to lower speed limit and install additional signalization and improve lighting through District engineer. Director Tague seconded said motion, which carried unanimously.
 18. 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. After discussion, Director Adams moved that the Board authorize Mr. Crawford and Director Adams to enter into negotiations with the City of Prosper and Berlin Interests for such annexation. Director Lehto seconded said motion, which carried unanimously.
 19. Consideration was next given to status of Second Amendment to the Fire Protection Services Agreement; and the taking of necessary and appropriate action relating thereto. Mr. Crawford reported that all 380 Districts have approved and executed the Second Amendment to the Fire Protection Services Agreement, and the Amendment was delivered to Chief Starr in mid August. Chief Starr will present to the City of

Aubrey for consideration. After discussion, Director Ryan moved that the Board withhold payment until the City of Aubrey has considered the proposed Amendment. Director Adams seconded said motion, which carried unanimously.

20. Consideration was next given to amendment of District rate order. After discussion on the matter, Director Ryan moved that the Board not amend the District Rate Order to include the proposed \$1.00 fee to Artesia residents for an automatic draft option allowed by Severn Trent; and for the District to absorb the fee for such automatic draft option. Director Adams seconded said motion, which carried unanimously.
21. 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 8:05 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 Lehto, the Board voted unanimously to reconvene the meeting in open session at 9:05 p.m.

22. 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, as the paving operations are in the final stages and completion is anticipated within the next few weeks. He noted that grading operations are beginning this week in Artesia, Phase 4A and 4B, with utility and pavement infrastructure construction to follow in the next few months. Mr. Winkler then addressed the Board regarding authorizing preparation of construction plans and specifications. He reported that the construction plans for Artesia – Harper Road Water Connection are in progress and are anticipated to be complete and ready for submittal to Texas Commission on Environmental Quality ("TCEQ") the first week in October. Mr. Winkler advised that the plans will also be ready for advertisement for bids beginning the first week in October and requested Board approval to advertise and receive bids in October for the Artesia – Harper Road Water Connection. He reported relative to the Artesia – Elevated Storage Tank that the design analysis has begun on the proposed elevated storage tank and preliminary sizing indicates the need for a 300,000 gallon tank. Mr. Winkler advised that additional information would be provided at the next meeting.

Director Ryan exited the meeting.

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. 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 Adams, seconded by Director Tague and unanimously carried, the Board approved the construction plans and specifications and authorized advertising for bids for contract(s) for improvement projects, including water, sanitary sewer, and storm drainage for Artesia, phases 4A and 4B. 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 has been completed and the analysis for Savannah is substantially complete. He noted that additional pressure/flow tests of nine (9) fire hydrant locations is still required to verify the accuracy of the model. Mr. Winkler noted that Aldo Zamora with Mustang does not have the proper equipment or personnel to obtain this required pressure/flow data; however, Mr. Madison has the ability to obtain this data at an estimated cost to the District of \$1,350. After discussion, upon motion duly made by Director Tague, seconded by Director Adams and unanimously carried, the Board authorized Texas Water Company to provide the data necessary for completion of the Savannah water model analysis at an estimated cost to the District of \$1,350. The Board then considered acceptance of certificate of completion and authorizing final acceptance of projects, including grading, utilities and paving for Savannah, Phase 10A. After a brief discussion, upon motion duly made by Director Adams, seconded by Director Lehto and unanimously carried, the Board tabled the matter of final acceptance of projects until the next meeting. The Board then considered necessary non-routine maintenance and repair of District facilities, including pricing for resident request for 4-way stop at Magnolia and Cotton Exchange. Mr. Winkler advised the total estimated cost to install a 4-way stop at Magnolia and Cotton Exchange would be approximately \$2,400. After discussion, upon motion duly made, seconded and unanimously carried, the Board tabled the matter until a future meeting. The Board then considered the status of installation of missing Continental Congress sign at east intersection of King George and Continental Congress. Mr. Winkler reported that the cost to replace the sign is \$227 and the sign should be up within the next two weeks. After discussion, upon motion duly made by Director Lehto, seconded by Director Adams and unanimously carried, the Board approved the Engineer's Report.

23. 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 9:58 p.m.

/s/ Mary Lehto *
Asst. Secretary

*Copy of signed original available upon request