

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply District No. 10
May 17, 2012**

The Board of Directors (“Board”) of Denton County Fresh Water Supply District No. 10 (“District”), met in regular session, open to the public, on Wednesday, May 17, 2012 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:

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| Robert Tague | President |
| Rob Adams | Vice President |
| Tammy Fritz | Secretary |
| Mary Lehto | Asst. Secretary |
| Michael Ryan | Director |

All members of the Board were present. Also attending the meeting were the following: Mr. Jon TenBroeck and Mr. Kurt W. Moore, Directors Elect; Mr. Jim Koehler, P.E. and Mr. Brian Avirett, P.E. of Graham Associates, Inc.; Mr. Todd Madison of Texas Water Company; Mr. Greg Wilkerson of Blue Line Services; Ms. Lisa Bloomfield of Dye & Bloomfield, LLC; Mr. Will Walton representing Corona Artesia; 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 6:12 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. Russell, who asked the Board to request its engineer and Texas Water Company to inspect the drainage ditch at the end of Adams Place in Artesia, and clean out and remove debris. After noting that there were no additional members of the public present and desiring to come before the Board, upon motion by Director Lehto, seconded by Director Fritz, the Board voted unanimously to close the public comment session of the meeting.
3. (a) Consideration was next given to the review and approval of the Minutes of the April 18, 2012, April 26, 2012, and May 9, 2012, Board of Directors Meetings. After discussion on the matter, Director Adams moved that the Board (1) approve the Minutes of the April 18, 2012, and April 26, 2012, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District; and (2) defer consideration of approval of the minutes of May 9, 2012, until a future meeting. Director Fritz seconded said motion, which carried unanimously.

- (b) 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 April 30, 2012, the District's 2011 tax levy was approximately 98.75% collected. After discussion on the matter, Director Adams moved that the Board approve the Tax Assessor/Collector's report. Director Fritz seconded said motion, which carried unanimously.
 - (c) 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"**. He noted that, as of April 30, 2012, in Savannah 1,536 lots have been prepared for construction; 1,369 lots have been conveyed to builders; 1,326 construction permits have been issued; and 1,253 homes were occupied. He reported that, as of April 30, 2012, in Artesia 542 lots have been prepared for construction; 128 lots have been conveyed to builders; 128 construction permits have been issued; and 128 homes were occupied. After discussion on the matter, Director Adams moved that the Board accept the Developer's Report as presented. Director Fritz seconded said motion, which carried unanimously.
 - (d) The Board next deferred consideration of review and approval of the Bookkeeper's Report until later in the meeting.
 - (e) Consideration was next given to approval of pay application(s) and change order(s) to construction contracts. The President recognized the engineer, who noted that the pay applications and change orders to be presented were listed in the Engineer's Report, a copy of which is attached hereto as **Exhibit "C"**. After discussion on the matter, Director Adams moved that the Board approve pay applications and change orders to construction contracts as reflected in the Engineer's Report. Director Fritz seconded said motion, which carried unanimously.
4. Consideration was next given to canvassing returns of Directors Election held on May 12, 2012, including the adoption of an Order in connection therewith and the payment of election expenses. Mr. Crawford presented to the Board such election returns and other election instruments for examination and canvassing by the Board. Upon examination, such instruments were found to be correct, legal and regular in all respects. It was duly moved by Director Adams, seconded by Director Lehto, and unanimously carried that there be passed and adopted the attached Order Declaring Results of Election of Directors held May 12, 2012, which declares Jon TenBroeck, Kurt W. Moore, and Michael Ryan elected as Directors of the District at said election, to each serve for four years, or until their successors are duly elected or appointed and qualified. A copy of such Order is attached hereto as **Exhibit "D"**.
5. Consideration was next given to acceptance of Statements of Elected/Appointed Officer, Oaths of Office, Affidavits of Current Director, and Election Not to Disclose Certain Information for Directors elected. Mr. Crawford reported that the Oath would be filed with the Secretary of State in a timely manner. Directors TenBroeck, Moore and Ryan took their respective Oath and executed the aforementioned documents.

After discussion on the matter, Director Adams that the Board accept such Statement of Elected/Appointed Officer, Oath of Office, Affidavit of Current Director, and Election Not to Disclose Certain Information for Directors TenBroeck, Moore, and Ryan. Director Tague seconded said motion, which carried unanimously. Directors TenBroeck, Moore, and Ryan participated in the remainder of the meeting.

6. Consideration was next given to reorganization of the Board of Directors. Director Ryan moved that the Board elect Director Adams to serve as President; Director Tague to serve as Vice President; Director TenBroeck to serve as Secretary; Director Moore to serve as Assistant Secretary; and Director Ryan to serve as Director. Director TenBroeck seconded said motion, which carried unanimously.
7. Consideration was next given to approval of District Registration Form. Mr. Crawford discussed with the Board the need to file an updated District Registration Form with the Texas Commission on Environmental Quality to reflect the new Director information. After discussion on the matter, Director Tague moved that the Board authorize the preparation and filing of an updated District Registration Form. Director Ryan seconded said motion, which carried unanimously.
8. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Koehler, a copy of which is attached hereto as **Exhibit "C"**. The Board then considered the status of construction projects within the District. Mr. Koehler reported that the utilities and paving in Artesia, Phase 4A and 4B, are substantially complete, and the District is waiting on the final pay application. With regard to Artesia – Harper Road Water Connection, Mr. Koehler reported that the project is substantially complete, and the District is waiting on the final pay application and change order. The Board then considered authorizing preparation of construction plans and specifications. Mr. Koehler noted that GAI is preparing a proposal for engineering and surveying for design of Field Road/Teal Road. With regard to approval of roadway connection from Medina Drive to White Rock Lane in Artesia, Mr. Koehler noted that the connection has been completed.

The Board then considered approval/status of engineering Task Order(s). Mr. Koehler discussed with the Board (i) engineer's cost estimate for construction of Field Road/Teal Road; (ii) location and site evaluation of Elevated Water Storage Tank; and (iii) evaluation of improvements to Water Pump Station. After discussion on the matter, Director Adams moved that the Board approve the engineering Task Orders set forth above and in the Engineer's Report. Director Tague seconded said motion, which carried unanimously.

The Board then considered the status of non-routine maintenance and repair of District facilities, including i) other minor maintenance project expenditures; ii) median opening on Dogwood Trail to provide access to future model homes; and iii) acceptance of bids for (a) SCADA system for the Artesia water system, and (b) ground storage tank repairs for Artesia. Mr. Koehler discussed with the Board (i) the median opening on Dogwood Trail to provide access to future model homes; (ii) S. D. Peterson Inc. painting of Fire Hydrants in Savannah at an estimated cost of \$8,000; and (iii) greenbelt maintenance. After discussion, Director Ryan moved that

the Board (i) defer any action on the median opening on Dogwood Trail to provide access to future model homes; (ii) accept the status update on S. D. Peterson Inc. painting of Fire Hydrants in Savannah at an estimated cost of \$8,000; and (iii) authorize up to \$1,000 for greenbelt maintenance in the area at the North End of Peach Tree. Director TenBroeck seconded said motion, which carried unanimously. Mr. Koehler recommended installation of backflow prevention devices at the two meters service the Cagle property. Director Tague moved that the Board authorize installation of backflow prevention devices at the two meters to serve the Cagle property. Director Adams seconded said motion, which carried unanimously. Mr. Koehler then discussed repairs of various District facilities, including i) preservation of Reverse Osmosis unit to store which is in progress at an estimated cost of \$4,000; and ii) IDS dba/Texas Tank Service Ground Storage Tank repairs estimated at \$55,000 which are delayed until October or November 2012; (iii) NTPC, Inc. rehabilitation of Water Pump No. 1 for Artesia which has been completed at the estimated cost of \$3,500; and (iv) two proposals received for providing SCADA System, which are currently being reviewed. The President noted that no additional action was required at this time.

Director Ryan exited the meeting.

9. 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 has question as to the protocol to be followed if a resident's irrigation system is over watering or is broken. Upon motion duly made by Director TenBroeck, seconded by Director Tague and unanimously carried, the Board accepted the Homeowners Association Committees Report.
10. Consideration was next given to Public Safety Committee Report; public safety and nuisance issues; and authorizing actions and expenditures as necessary in connection therewith, including approval and execution of Agreement for Independent Contractor Services (Security Patrolman). The President recognized Mr. Wilkerson presented an activity/incident report relative to April. He discussed (a) recurring juvenile issues in the exercise room at the Savannah Clubhouse; (b) a drunk driving incident; and (c) one burglary. Mr. Wilkerson noted that all 30 days of the month were covered by security patrolmen. He then presented and reviewed with the Board an Agreement for Independent Contractor Services (Security Patrolman) for Cody Robinson. After discussion, Director Tague moved that the Board approve the Agreement for Independent Contractor Services (Security Patrolman) with Cody Robinson. Director Moore seconded said motion, which carried unanimously. Director Adams then moved that the Board accept the activity/incident report as presented. Director TenBroeck seconded said motion, which carried unanimously.
11. Consideration was next given to a report from Texas Water Company ("TWC") on the Artesia system operations, and authorizing expenditure of funds for operation and maintenance of water facilities. The President recognized Mr. Madison, who presented a report, a copy of which is attached hereto as **Exhibit "E"**. He noted that water quality within Artesia meets all regulatory requirements, with no complaints

from residents. After discussion on the matter, Director Tague moved that the Board accept the report as presented. Director TenBroeck seconded said motion, which carried unanimously.

12. Consideration was next given to authorizing response to Corona Artesia request to District to proceed with construction of District infrastructure, including an elevated water tank, water pumping station, and Field Road extension. The Board convened into executive session as noted in paragraph 18 below.

After reconvening into open session as noted in paragraph 18 below, upon motion made by Director Tague, seconded by Director TenBroeck, and unanimously carried, the Board voted to authorize preparation of correspondence to Corona Artesia agreeing to proceed as requested in accordance with the Amended Operating Cost and Facilities Reimbursement Agreement between the parties. After additional discussion, upon motion made by Director TenBroeck, seconded by Director Moore, and unanimously carried, the Board created a Committee to consist of Directors Adams and Tague to negotiate with the appropriate parties to proceed with construction of District infrastructure, including elevated water tank, water pumping station and Field Road extension.

13. Consideration was next given to customer utility service and billing complaints/requests. The President recognized Mr. Crawford, who noted that Joe DeLeon at 900 Caudle Lane has requested a breakdown of the \$600 credit received on his account because his bill is high again and he would like an additional credit. After discussion, Director Adams moved that the Board deny the request of Mr. DeLeon and close the customer utility service and billing complaints/requests session of the meeting. Director Moore seconded said motion, which carried unanimously.
14. The President next tabled consideration of discussion and consideration of partnership with Savannah's developer and HOA in relation to the Savannah Disc Golf Course.
15. Consideration was next given to authorizing design of garage/storage facility at Artesia water plant site. Mr. Koehler discussed with the Board the process of obtaining estimated costs and combining with the elevated storage tank. The President determined that no action was required at this time.
16. Consideration was next given to amendment of District Rate Order. After a brief discussion, the President noted that there was no need for any action on the matter at this time.
17. Consideration was next given to establishing agenda items for next Board meeting. After discussion, Director Adams moved that the Board include (1) all recurring items (including items 14 and 15 considered today); (2) acceptance of resignation of Michael Ryan in June; (3) request for applications for director to fill vacancy; (4) Corona Artesia request; and (5) special meeting to amend budget. Director Tague seconded said motion, which carried unanimously. Director Tague then moved that an item be included relative to Communication and website reorganization. Director

Adams seconded said motion, which carried unanimously. Director Moore moved to include an item relative to establishing contact with the developer of the Town Center to discuss possible economic development initiatives. Director Adams seconded said motion, which carried unanimously.

18. Consideration was next given to 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 litigation, real estate matters, and deliberate regarding security. Upon motion by Director Tague, seconded by Director Moore, the Board voted unanimously to convene into Executive Session at 8:25 p.m. pursuant to Sections 551.071, Texas Government Code, to consult with District Counsel regarding potential litigation associated with the request of Corona Artesia, LLC.

Upon motion by Director Tague, seconded by Director Moore, the Board voted unanimously to reconvene the meeting in open session at 9:00 p.m.

19. Consideration was next given to the review and approval of the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit "F"**. After discussion on the matter, and thorough review of the checks presented, Director Tague moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report, plus additional check nos. 5248 and 5249, in the amount of \$141.52 each, to Director TenBroeck and Director Moore, respectively. Director Moore seconded said motion, which carried unanimously.
20. After noting that no further business was to come before the Board, upon motion duly made by Director Tague, seconded by Director Moore and unanimously carried, the meeting was adjourned at 9:02 p.m.

Jon TenBroeck
Secretary