

**Minutes of Meeting  
Board of Directors  
Denton County Fresh Water Supply District No. 10  
July 19, 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 Thursday, July 19, 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:

Rob Adams	President
Robert Tague	Vice President
Jon TenBroeck	Secretary
Kurt W. Moore	Asst. Secretary
Michael Ryan	Director

All members of the Board were present, with the exception of Director Ryan. Also attending the meeting were the following: Mr. Barry Jameson representing Huffines Communities; Mr. Jim Koehler, P.E. of Graham Associates, Inc. (“GAI”); Mr. Todd Madison of Texas Water Company; Mr. Greg Wilkerson of Blue Line Services; Ms. Lisa Bloomfield of Dye & Bloomfield, LLC; 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 6:13 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 by Director Tague, seconded by Director Moore, the Board voted unanimously to close the public comment session of the meeting.
3. Consideration was next given to acceptance of resignation of director. Mr. Crawford presented a letter of resignation from Michael Ryan. After discussion, Director Moore moved that the Board accept the resignation of Michael Ryan. Director TenBroeck seconded said motion, which carried unanimously.
4. Consideration was next given to appointment of a director to fill the vacancy on the Board of Directors. After discussion, Director Adams moved that the Board appoint Ms. Kris Russell to fill the vacancy on the Board of Directors. Director Tague seconded said motion, which carried unanimously.
5. Consideration was next given to acceptance of Statement of Appointed/Elected Officer, Oath of Office, Affidavit of Current Director, and Election Not to Disclose Certain Information for Director newly appointed. The President noted that

Ms. Russell, was not present, and, upon motion duly made and seconded, the Board deferred taking any action on the matter at this time.

6. Consideration was next given to authorizing preparation of Director Registration Form to reflect directors and their terms of office. Upon motion duly made and seconded, the Board deferred taking action on the matter until such time as Ms. Russell was qualified to serve on the Board.
7.
  - (a) Consideration was next given to the review and approval of the Minutes of the June 21, 2012, and July 10, 2012, Board of Directors Meetings. After discussion on the matter, Director TenBroeck moved that the Board approve the Minutes of the June 21, 2012, and July 10, 2012, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Moore 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 June 30, 2012, the District's 2011 tax levy was approximately 99.33% collected. After discussion on the matter, Director TenBroeck moved that the Board approve the Tax Assessor/Collector's report. Director Moore seconded said motion, which carried unanimously.
  - (c) Consideration was next given to Interlocal Cooperation Agreement – Tax Collection. Mr. Crawford presented and reviewed with the Board such Agreement and noted that the scope of the Agreement is the same as last year's Agreement, but the cost is reduced to \$0.67 from \$0.71. After discussion on the matter, Director TenBroeck moved that the Board approve the Interlocal Cooperation Agreement - Tax Collection with the Denton County Tax Assessor - Collector as presented. Director Moore seconded said motion, which carried unanimously.
  - (d) 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 June 30, 2012, in Savannah 1,536 lots have been prepared for construction; 1,387 lots have been conveyed to builders; 1,338 construction permits have been issued; and 1,266 homes were occupied. He reported that, as of June 30, 2012, in Artesia 542 lots have been prepared for construction; 222 lots have been conveyed to builders; 145 construction permits have been issued; and 128 homes were occupied. After discussion on the matter, Director TenBroeck moved that the Board accept the Developer's Report as presented. Director Moore seconded said motion, which carried unanimously.
  - (e) Consideration was next given to the review and approval of the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit "C"**. Ms. Bloomfield presented and reviewed with the Board the Bookkeeper's Report. After discussion on the matter, and thorough review of the checks presented, Director

Moore moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director TenBroeck seconded said motion, which carried unanimously.

8. Consideration was next given to engagement of auditor for fiscal year ending July 31, 2012. Mr. Crawford presented and reviewed with the Board the engagement letter received from McCall Gibson Swedlund Barfoot PLLC to prepare the District's audit report for the fiscal year ending July 31, 2012, at an estimated cost to the District between \$12,000 and \$14,000. After discussion on the matter, Director TenBroeck moved that the Board engage McCall Gibson Swedlund Barfoot PLLC to prepare the District's audit report for the fiscal year ending July 31, 2012. Director Moore seconded said motion, which carried unanimously.
9. Consideration was next given to approval of proposed operating budget for the fiscal year ending July 31, 2013, including engineering and special items; and adoption of an order in connection therewith. Ms. Bloomfield discussed with the Board various issues including the maintenance expense versus new capital expenditure, and other costs and assessed valuations. After discussion, Director Tague moved that the Board approve the proposed operating budget for the fiscal year ending July 31, 2013, and adopt the Order in connection therewith, a copy of which is attached as **Exhibit "D"**. Director Moore seconded said motion, which carried unanimously.
10. Consideration was next given to approval of proposed debt service budget for the fiscal year ending July 31, 2013; and adoption of an order in connection therewith. Ms. Bloomfield presented such budget and reviewed with the Board. After discussion, Director Adams moved that the Board approve the proposed debt service budget for the fiscal year ending July 31, 2013, a copy of which is attached as **Exhibit "E"**. 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 "F"**. He discussed with the Board contractor damage to water line. He noted there were no other maintenance and operations issues, and water quality and pressure were fine. Mr. Madison then discussed with the Board a problem with the billing system and process, and requested authorization to secure proposals and recommendations. He also discussed with the Board a tour of the Artesia facilities. After discussion, Director Moore moved that the Board (i) authorize Mr. Madison to secure several proposals and recommendations for billing system; and (ii) accept the report as presented. Director Tague seconded said motion, which carried unanimously.
12. 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 "G"**. The Board then considered the status of construction projects within the District. Mr. Koehler noted that Artesia, Phases 4A and 4B have been accepted by the Board; however both projects are awaiting all testing data, copies of Maintenance Bonds and record drawings. He reported that, with regard to the Artesia – Harper Road Water

Main, the water line improvements have been completed, the two water meters have been installed on the Cagle Property. Mr. Koehler noted that the maintenance bond has been sent to the District and a letter will be sent to the Cagle's stating that all work has been completed, including services to their property.

The Board then considered authorizing preparation of construction plans and specifications for water, sewer, drainage and paving improvements to serve sub-phases in Phases 8 and 10 in Savannah. Upon motion by Director Moore, seconded by Director Tague, the Board authorized preparation of construction plans and specifications for water, sewer, drainage and paving improvements to serve sub-phases in Phases 8 and 10 in Savannah.

The Board then considered approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, including water, sewer, drainage, and paving for Artesia, Phase 4C. Mr. Koehler noted that the construction plans and specifications have not been completed and no action was required at this time.

The Board then considered approval of award of construction contract(s), including Savannah Road repairs. Mr. Koehler noted that the Savannah Road repair project is in the bidding process, and bids will be received on July 24, 2012. The Board determined that no action was required at this time.

The Board then considered approval of pay application(s) and change order(s) to construction contracts. The President recognized Mr. Koehler, who reviewed with the Board pay applications received from (i) S.D. Peterson Construction for Savannah fire hydrant painting in the amount of \$1,150.00 and (ii) S.D. Peterson Construction for Savannah fire hydrant painting in the amount of \$2,439.00. After discussion on the matter, Director Moore moved that the Board approve the pay applications to construction contracts as reflected in the Engineer's Report. Director TenBroeck seconded said motion, which carried unanimously.

The Board then considered acceptance of certificate(s) of completion and authorizing final acceptance of project(s). Mr. Koehler presented a certificate of substantial completion for the Harper Road Water Line and Northshore Grading. After discussion, upon motion duly made by Director Tague, seconded by Director Moore and unanimously carried, the Board accepted certificates of completion for Harper Road Water Line and Northshore Grading, and authorized acceptance of the projects.

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; (iii) evaluation of improvements to Water Pump Station; (iv) evaluation of warning sirens for Artesia and Savannah; (v) capacity and demand analysis for Artesia water system; (vi) obtain bids for lightning arrestor system for Artesia well site no. 2; (vii) painting of fire hydrants at Artesia Subdivision; and (viii) speed study for Highway 380 which was requested by Town of Little Elm on May 18, 2012.

After discussion on the matter, the President noted that no action was required at this time.

The Board then considered the status of non-routine maintenance and repair of District facilities, including i) other minor maintenance project expenditures; and ii) 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) a proposal for cutting and clearing of the ditch at the end of Adams Place in Artesia from Southern Botanical at an estimated cost of \$100; and (ii) a proposal for repair of pump no. 2. After discussion, Director Adams moved that the Board (i) authorize cutting and clearing of ditch at the end of Adams Place for an estimated cost of \$100; and (ii) authorize repair of pump no. 2. Director TenBroeck seconded said motion, which carried unanimously.

The Board then considered Upper Trinity Regional Water District lift station I & I Task Force Report. Mr. Koehler noted that visual inspections of the manholes in both Artesia and Savannah have been performed. The President determined that no action was required at this time.

13. Consideration was next given to approval and execution of Assignment of Reimburseables from 166 Bryan Road Partners, L.P. to REJ Interests, LLC. Mr. Crawford presented and reviewed with the Board the Assignment, a copy of which is attached hereto as **Exhibit "H"**. After discussion, Director TenBroeck moved that the Board approve the Assignment of Reimburseables and authorize execution of same. Director Tague seconded said motion, which carried unanimously.
14. 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 of the Artesia HOA was present. Director Tague noted that the Savannah HOA had nothing to report at this time.
15. Consideration was next given to Public Safety Committee Report; public safety and nuisance issues; and authorizing actions and expenditures as necessary in connection therewith. The President recognized Mr. Wilkerson, who presented an activity/incident report relative to June. He discussed numerous juvenile mischief and vandalism; and noted that there was no major/violent crime. Mr. Wilkerson did note a few fireworks complaints. After discussion, Director TenBroeck moved that the Board accept the activity/incident report as presented. Director Tague seconded said motion, which carried unanimously.
16. Consideration was next given to establishment of Committee for Recreational Activities; and reorganization of Website/Communications Committee. After discussion, Director Moore moved that the Board establish a Committee for Recreational Activities with the scope to create baseball fields and disc golf course. Director Tague seconded said motion, which carried unanimously. Director Adams then moved that the Board appoint Directors Adams and Tague to the Committee for Recreational Activities. Director Moore seconded said motion, which carried

- unanimously. After further discussion, Director Adams moved that the Board appoint Director Moore to the Website/Communications Committee. Director Tague seconded said motion, which carried unanimously.
17. Consideration was next given to authorizing preparation of Unclaimed Property Report as of June 30, 2012. Ms. Bloomfield presented an Unclaimed Property Report reflecting two accounts in a total amount of \$80.56 to be submitted to the Texas Comptroller. After discussion, Director Moore moved that the Board authorize the preparation of the Unclaimed Property Report and the submission of same to the Texas Comptroller. Director TenBroeck seconded said motion, which carried unanimously.
  18. Consideration was next given to authorizing completion and filing with the Secretary of State of Voting System Annual Filing Form relative to District Elections. Mr. Crawford discussed such requirement with the Board. After discussion, Director Moore moved that the Board authorize the completion and filing with the Secretary of State of Voting System Annual Filing Form. Director TenBroeck seconded said motion, which carried unanimously.
  19. 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. As noted in paragraph 24 below, the Board convened into executive session to consult with its general counsel. After reconvening into regular session, after brief discussion, upon motion duly made, seconded, and unanimously carried, the Board authorized Directors Adams and Tague, District counsel, and District engineer to meet with representatives of Corona Artesia, LLC to attempt to resolve the pending disputes between the parties.
  20. Consideration was next given to customer utility service and billing complaints/requests. Ms. Bloomfield and Mr. Madison discussed with the Board the account of Mr. David Kriemeyer at 16048 Cross Lake and his request for waiver of termination fee, after hours cutoff fee (late fee). After discussion, Director Adams moved that the Board deny the request for waiver of fees and demand that the past due balance be paid in full by July 30, 2012, or the account be terminated. Director TenBroeck seconded said motion, which carried unanimously.
  21. Consideration was next given to amending protocol with Mustang Special Utility District for processing customer requests, complaints, and inquiries and administration of Rate Order requirements. After a brief discussion, upon motion duly made, seconded, and unanimously carried, the Board tabled taking any action on the matter at this time.
  22. Consideration was next given to report on plans for development of Town Center. Director Moore reported that he spoke with Steven Williamson, who advised that the developer is considering construction of apartments over commercial/retail sites; however, no interest has been shown by the market. After a brief discussion, the President deferred taking any action on the matter at this time.

23. Consideration was next given to establishing agenda items for next Board meeting. After discussion, Director Adams moved that the Board include (1) curb painting policy; (2) business cards; (3) moving the Public Safety Committee Report to the top of the agenda; and (4) deleting this agenda item. Director Tague seconded said motion, which carried unanimously.
24. 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 9:10 p.m. pursuant to Sections 551.071, Texas Government Code, to consult with its general counsel.

Upon motion by Director Moore, seconded by Director Adams, the Board voted unanimously to reconvene the meeting in open session at 9:36 p.m.

25. 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 9:37 p.m.

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Jon TenBroeck  
Secretary