

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply District No. 10
August 16, 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, August 16, 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

All members of the Board were present. Also attending the meeting were the following: 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. Will Walton representing Corona Artesia; Ms. Judy Roden, HOA manager with Premier Communities; Ms. Mary Lehto, Mr. Larry Schwartz, and Mr. Ron Anderson, 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 6:10 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 Mr. Schwartz. Mr. Schwartz discussed his seven year residency in the District, and expressed his concerns regarding nuisance/fireworks issues experienced in his neighborhood. The President recognized Ms. Roden, who addressed the Board and noted that she is the new HOA manager with Premier. She noted that she has toured the District and plans to become much more proactive in addressing issues within the District. After noting that there were no additional 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 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 due to an illness in the family, and, upon motion duly made and seconded, the Board deferred taking any action on the matter at this time.
4. 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.

5. (a) Consideration was next given to the review and approval of the Minutes of the July 19, 2012, Board of Directors Meeting. After discussion on the matter, Director TenBroeck moved that the Board approve the Minutes of the July 19, 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 July 31, 2012, the District's 2011 tax levy was approximately 99.50% 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 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 July 31, 2012, in Savannah 1,536 lots have been prepared for construction; 1,400 lots have been conveyed to builders; 1,351 construction permits have been issued; and 1,275 homes were occupied. He reported that, as of July 31, 2012, in Artesia 542 lots have been prepared for construction; 222 lots have been conveyed to builders; 147 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.
 - (d) 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 TenBroeck moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director Moore seconded said motion, which carried unanimously.
6. 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 "D". He discussed with the Board setting eight meters, and pending requests for six additional new meters. Mr. Madison discussed repair of booster pump no. 2. 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 potential purchaser for the District's RO System. After discussion, Director Tague moved that the Board accept the report as presented. Director TenBroeck seconded said motion, which carried unanimously.

7. 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 "E". 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 final 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 and record drawings have been prepared for this project.

The Board then considered authorizing preparation of construction plans and specifications. Mr. Koehler noted that GAI has prepared a proposal for engineering and surveying for design of Field Road/Teal Road. Mr. Crawford noted that this project is on hold pending negotiations between the District, Corona Artesia and Sealed Bid. He noted that no action was required at this time.

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; and new sub-phases in Phases 8 and 10 in Savannah. 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 only one (1) bid was received for the Savannah Road repair project, and was substantially over the engineering estimate. He recommended that the Board rebid the Tier 1 portion of the repairs at this time. After discussion, Director Tague moved that the Board authorize GAI to rebid Tier 1 only of the Savannah Road Repairs. Director Moore seconded said motion, which carried unanimously.

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 a pay application received from S.D. Peterson Construction for Savannah fire hydrant painting in the amount of \$745.25. After discussion on the matter, Director Tague moved that the Board approve the pay application to construction contract 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 noted that no certificates of substantial completion were being presented for any project this month.

The Board then considered approval/status of engineering Task Order(s). Mr. Koehler discussed with the Board (i) bids for lightning Arrestor System for Artesia well site no. 1; (ii) follow up with TxDot for speed study for Highway 380 which was requested by Town of Little Elm on May 18, 2012; (iii) evaluation of warning sirens for Artesia and Savannah; (iv) visual inspection of trunk line manholes in Artesia and Savannah; and (v) proposal for construction administration of infrastructure item for Artesia. He updated the Board regarding each matter as

follows: (i) on hold; (ii) nothing new to report; (iii) unable to obtain necessary data from Aubrey Fire Department, will contact Denton County Emergency Services; (iv) report to follow further on agenda; and (v) not ready to present. 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 reported that the S.D. Peterson Inc. painting of fire hydrants in Artesia is 100% complete. He discussed with the Board acceptance of bids for (a) SCADA system for the Artesia water system, and noted that four (4) bids for Lightning Arrestor System for Artesia Well Site No. 1 have been received and range from \$2,300 to \$8,200, depending on degree of protection. After discussion, the President determined that no action was required at this time.

The Board then considered approval of final plats and amendments to plats. Mr. Koehler noted that no final plats or amendments to plats were being presented for approval this month.

The Board then considered the Upper Trinity Regional Water District lift station I & I Task Force Report. Mr. Koehler presented and reviewed with the Board a report regarding the visual inspection of manholes along the trunk mains in Artesia and Savannah, a copy of which is attached to the engineer's report. The President determined that no action was required at this time.

8. 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 has scheduled a Neighborhood Yard Sale and electronic recycling pickup for September 9, 2012. After discussion, Director Tague moved that the Board authorize \$400 for one day rental of dumpster, if HOA will staff dumpster. Director Moore seconded said motion, which did not carry with two directors in favor of such motion, and two directors opposed.
9. 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 July. He noted that 30 of the 31 days were covered, with 242 patrol hours. Mr. Wilkerson reported that there are fewer security issues at the Amenity Center; however, there were 15 fireworks violations; one burglary of a car; and one DUI assist. After discussion, Director Tague moved that the Board accept the activity/incident report as presented. Director TenBroeck seconded said motion, which carried unanimously. As indicated in paragraph no. 20 below, the Board convened into executive session to consult with its attorney to deliberate regarding security matters and employment law issues, and subsequently reconvened into regular session.

After reconvening into regular session, upon motion made by Director Adams, seconded by Director Tague, and unanimously carried, the Board authorized a meeting with an employment law attorney to review the District's form of independent contractor contract at a cost not to exceed \$5,000.

10. Consideration was next given to status of Corona Artesia request to District to proceed with construction of District infrastructure, including approval of engineering task order. As noted in paragraph 20 below, the Board convened into executive session to consult with its general counsel. After reconvening into regular session, after brief discussion, the Board took no action on this matter.
11. Consideration was next given to approval and execution of Road Repair and Maintenance Agreement (Artesia, Phases 1A, 1B & 1C, Denton County, Texas) with Corona Land Company, LLC. As noted in paragraph 20 below, the Board convened into executive session to consult with its general counsel. After reconvening into regular session, after brief discussion, the Board took no action on this matter.
12. Consideration was next given to review and approval of agreement with Corona Artesia, LLC/Corona Land Company, LLC regarding settlement of issues relating to cost participation in District infrastructure, valuation of property, and other related disputes. As noted in paragraph 20 below, the Board convened into executive session to consult with its general counsel. After reconvening into regular session, after brief discussion, the Board took no action on this matter.
13. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford noted that no additional requests had been received. After discussion, upon motion duly made, seconded and unanimously carried, the Board requested a rolling update of extensions granted.
14. Consideration was next given to acceptance of 2012 Tax Roll as certified by the Denton Central Appraisal District and calculations regarding the District's 2012 Tax Rates. Mr. Crawford presented and reviewed with the Board the 2012 certified tax roll, and the Water District Tax Rate Rollback Worksheet prepared by the Denton County Tax Assessor/Collector, a copy of which is attached hereto as Exhibit "F". Mr. Crawford presented and reviewed with the Board a 2012 Tax Rate Recommendation prepared by the District's financial advisor, a copy of which is attached hereto as Exhibit "G". After discussion on the matter, Director Tague moved that the Board accept the District's 2012 certified tax roll. Director Moore seconded said motion, which carried unanimously.
15. Consideration was next given to setting public hearing date and authorizing notice of public hearing regarding adoption of the District's 2012 tax rates. After discussion on the matter, Director Tague moved that the Board approve the proposed 2012 debt service and maintenance tax rates of \$0.87 and \$0.13, respectively; set its public hearing regarding such proposed tax rates for September 20, 2012, at 6:00 p.m.; and authorize publication of notice regarding same. Director Moore seconded said motion, which carried unanimously.

16. Consideration was next given to approval of engagement of Arbitrage Compliance Specialists Inc. for preparation of arbitrage rebate reports. Mr. Crawford presented and reviewed with the Board the engagement proposal, a copy of which is attached hereto as Exhibit "H". After discussion on the matter, Director Moore moved that the Board approve engagement of Arbitrage Compliance Specialists Inc. for preparation of arbitrage rebate reports. Director TenBroeck seconded said motion, which carried unanimously.
17. Consideration was next given to retaining McCall Parkhurst & Horton to respond to inquiry from Internal Revenue Service regarding Series 2008 Bonds. Mr. Crawford presented and reviewed with the Board an Internal Revenue Service Audit Tax Examination Engagement letter, a copy of which is attached hereto as Exhibit "I". After discussion on the matter, Director Tague moved that the Board approve engagement of McCall Parkhurst & Horton to respond to inquiry from Internal Revenue Service regarding Series 2008 Bonds. Director TenBroeck seconded said motion, which carried unanimously.
18. Consideration was next given to authorizing purchase of District director business cards. After discussion on the matter, Director Moore moved that the Board authorize expenditure of up to \$150 to purchase District director business cards. Director TenBroeck seconded said motion, which carried unanimously.
19. Consideration was next given to establishing policy regarding painting of District streets and curbs. After a brief discussion, upon motion duly made, seconded, and unanimously carried, the Board determined that no action was required at this time.
20. 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 TenBroeck, the Board voted unanimously to convene into Executive Session at 8:22 p.m. pursuant to Section 551.071, Texas Government Code, to consult with its general counsel regarding settlement of Corona Artesia LLC dispute; security issues; and employment law issues.

Upon motion by Director Tague, seconded by Director Moore, the Board voted unanimously to reconvene the meeting in open session at 9:01 p.m.

21. After noting that no further business was to come before the Board, upon motion duly made by Director TenBroeck, seconded by Director Moore and unanimously carried, the meeting was adjourned at 9:07 p.m.

Jon TenBroeck
Secretary