

**Minutes of Meeting  
Board of Directors  
Denton County Fresh Water Supply District No. 10  
September 20, 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, with the exception of Director TenBroeck, who entered the meeting later as noted below. 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. Scott Harris representing Corona Artesia, 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 6:05 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 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 conducting a public hearing regarding adoption of proposed 2012 District debt service tax rate and maintenance tax rate. Upon motion by Director Tague, seconded by Director Russell, 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 2012 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 Wednesday, September 5, 2012, in accordance with the laws of the State of Texas. After discussion on the matter, Director Tague moved that the Board close the hearing. Director Russell seconded said motion, which carried unanimously.
4. Consideration was next given to adoption of order setting 2012 tax rates, a copy of which is attached hereto as **Exhibit "A"**. Mr. Crawford then reviewed the proposed

tax rate with the Board. He advised that the proposed 2012 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 2012 tax rate of \$1.00 per \$100 assessed valuation. After discussion on the matter, Director Adams moved that the Board levy a 2012 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 2012 as presented. Director Russell seconded said motion, which carried unanimously.

5. Consideration was next given to approval of amendment to District Information Form in connection with the levy of the District's 2012 Taxes. Mr. Crawford noted that since the tax rate for 2012 was the same as the tax rate for 2011, no action was required at this time.

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

6. (a) Consideration was next given to the review and approval of the Minutes of the August 16, 2012, Board of Directors Meeting. After discussion on the matter, Director Moore moved that the Board approve the Minutes of the August 16, 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 Russell seconded said motion, which carried unanimously.

Consideration was next given to the review and approval of the Minutes of the September 5, 2012, Board of Directors Meeting. After discussion on the matter, Director Moore moved that the Board defer consideration of approval of the Minutes of the September 5, 2012, Board of Directors meeting until the next meeting. Director Russell 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 "B". It was noted that as of August 31, 2012, the District's 2011 tax levy was approximately 99.62% collected. After discussion on the matter, Director Moore moved that the Board approve the Tax Assessor/Collector's report. Director Russell 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 "C". He noted that, as of August 31, 2012, in Savannah 1,536 lots have been prepared for construction; 1,407 lots have been conveyed to builders; 1,365 construction permits have been issued; and 1,281 homes were occupied. He reported that, as of August 31, 2012, in Artesia 542 lots have been prepared for construction; 222 lots have been conveyed to builders; 148 construction permits have been issued; and 128 homes were occupied. After discussion on the matter, Director Moore moved that the Board accept the Developer's Report as presented. Director Russell 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 "D". 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 Russell seconded said motion, which carried unanimously.
7. 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 there were no major maintenance and operations issues, and water quality and pressure were fine. After discussion, Director Russell moved that the Board accept the report as presented. Director Moore 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 "F". The Board then considered the status of construction projects within the District. Mr. Koehler noted that utilities and roads for 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.

The Board then considered authorizing preparation of construction plans and specifications. Mr. Koehler noted that GAI has prepared proposals for engineering and surveying for design of Field Road/Teal Road and updating of Engineering Plans for a water tower on well site no. 4 and water metering station. 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 Tier 1 of the Savannah Road repairs. Mr. Koehler noted that four (4) bid were received for Tier 1 of the Savannah Road repair project. He recommended that the Board award the construction contract to the low bidder 2L Construction LLC in the contract amount of \$109,864. After discussion, Director Tague moved that the Board authorize award of construction contract for Tier 1 of the Savannah Road repairs to 2L Construction LLC in the amount of \$109,864. Director TenBroeck 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 C & P Pump Services Inc. for repair of pump no. 2 at Artesia well site no. 1 in the amount of \$1,540.00. After discussion on the matter, Director Russell moved that the Board approve the pay application to construction contract as reflected in the Engineer's Report. Director Tague 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 reported to the Board with respect to: (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; and (iv) striping of street crosswalks in Savannah. He updated the Board regarding each matter. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board requested that GAI solicit proposals for striping cross walk at schools.

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 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 ("UTRWD") lift station I & I Task Force Report. Mr. Koehler noted that UTRWD has not completed inspection of their trunk line manholes; however, a graph showing rainfall versus flows at the Doe Branch Lift Station has been received, which shows spikes in flow after heavy rainfall events. He reported that two companies are being considered for repairs to interior of manholes, and there is a wide range of costs between the two companies. The President determined that no action was required at this time.

9. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford presented and reviewed information from Mustang Special Utility District regarding Robin Martin, realtor for Atlantic and Pacific Real Estate. After discussion, upon motion duly made by Director Russell, seconded by Director Moore and unanimously carried, the Board determined that the account not be transferred out of the company name and that no service be established to such meter until the account is paid in full.

10. Consideration was next given to Homeowners Association Committees Report, and the taking of any action necessary or appropriate in connection therewith. The President recognized Director Russell, who noted that the Artesia HOA had nothing to report at this time. Director Tague noted that the Savannah HOA has requested security for "National Night Out" on Saturday, October 13, 2012, from 3:00 p.m. to 7:00 p.m. He also noted that bid specifications for Savannah landscaping needed to be reviewed. After discussion, Director TenBroeck moved that the Board accept such reports. Director Moore seconded said motion, which unanimously carried.
11. 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 August. He noted that 31 of the 31 days were covered, with extra hours for school patrols. Mr. Wilkerson reported that there were few minor incidents to report, including model homes unlocked and school doors unlocked; however, there were no serious incidents. He noted that the Public Safety Vehicle needs four (4) new tires, approximately \$800. After discussion, Director Adams moved that the Board authorize purchase of four (4) new tires at an estimated cost of \$800 for the Public Safety Vehicle. Director TenBroeck seconded said motion, which carried unanimously. Director Moore then moved that the Board accept the activity/incident report as presented. Director Russell seconded said motion, which carried unanimously.

Consideration was next given to the review of the District's form of Independent Contractor Agreement with its contract peace officers. As noted in paragraph 16 below, the Board convened into executive session. Upon reconvening into open session, upon motion by Director Moore, seconded by Director TenBroeck, the Board authorized the legal review and updating, if necessary, of the District's form of independent contractor agreements for peace officer services.

12. Consideration was next given to review and approval of settlement agreement with Corona Artesia LLC/Corona Land Company, LLC regarding issues relating to cost participation in District Infrastructure, valuation of property, and other related disputes, and approval and execution of Road Repair and Maintenance Agreement (Artesia, Phases 1A, 1B & 1C, Denton County, Texas) with Corona Land Company, LLC. The President recognized Mr. Harris, who reported that the documents are in the process of being finalized. After brief discussion, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required at this time.
13. Consideration was next given to review and approval of Agreement regarding the Provision of Temporary Water Service by and between the Town of Prosper, Texas, Red Fish Blue Fish Partnership Fund, Ltd. and Denton County Fresh Water Supply District No. 10. Mr. Crawford presented and reviewed with the Board the most current draft Agreement. After discussion, Director Adams moved that the Board table the matter until a future meeting. Director Moore seconded said motion, which carried unanimously.

14. Consideration was next given to review and approval of Agreement regarding the Provision of Temporary Water Service by and between the Town of Prosper, Texas, Barbara J. Cagle and Denton County Fresh Water Supply District No. 10. Mr. Crawford presented and reviewed with the Board the most current draft Agreement. After discussion, Director Adams moved that the Board table the matter until a future meeting. Director Moore seconded said motion, which carried unanimously.
15. Consideration was next given to review and approval of Aubrey Fire Department budget. The President recognized Ms. Bloomfield, who presented and reviewed with the Board the Aubrey Fire Department budget. She noted that there is a two (2%) percent increase in cost due primarily to salaries and the cost of the new truck. After discussion on the matter, Director Russell moved that the Board approve the Aubrey Fire Department budget. Director Moore seconded said motion, which carried unanimously.

Director Adams exited the meeting.

16. 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 7:32 p.m. pursuant to Section 551.071, Texas Government Code, to consult with its general counsel regarding employment law issues.

Upon motion by Director Moore, seconded by Director TenBroeck, the Board voted unanimously to reconvene the meeting in open session at 7:58 p.m.

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

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Jon TenBroeck  
Secretary