

**Minutes of Meeting  
Board of Directors  
Denton County Fresh Water Supply District No. 10  
October 18, 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, October 18, 2012 at 6:30 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
Kris Russell	Director

All members of the Board were present. 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. Noel Barfoot of McCall Gibson Swedlund & Barfoot, PLLC; Mr. Thomas Kocurek; 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 6:31 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. (a) 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 Russell 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 Moore seconded said motion, which carried unanimously.

Consideration was next given to the review and approval of the Minutes of the September 20, 2012, Board of Directors Meeting. After discussion on the matter, Director Russell moved that the Board approve the Minutes of the September 20, 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 September 29, 2012, the District's 2011 tax levy was approximately 99.71% collected. After discussion on the matter, Director Tague 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 September 30, 2012, in Savannah 1,536 lots have been prepared for construction; 1,409 lots have been conveyed to builders; 1,375 construction permits have been issued; and 1,290 homes were occupied. He reported that, as of September 30, 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 Tague 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 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 no. 5702 to Dynamic Discs in the amount of \$6,360 for 18 hole disc golf course equipment and no. 5703 to Dynamic Discs in an amount not to exceed \$4,000, if only 9 hole disc golf course equipment was determined to be needed at this time. Director Moore seconded said motion, which carried unanimously.
4. Consideration was next given to approval of audit report for the fiscal year ending July 31, 2012, and authorizing filing of same. The President recognized Mr. Barfoot, who presented a draft audit report for the fiscal year ending July 31, 2012. Mr. Barfoot and Ms. Bloomfield responded to questions from Board. After discussion on the matter, Director TenBroeck moved that the Board approve the audit report for the fiscal year ending July 31, 2012, and authorize the filing of same with the Texas Commission on Environmental Quality. Director Tague seconded said motion, which carried unanimously.
5. 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 noted there were no major maintenance and operations issues, and water quality and pressure were fine. After discussion, Director Moore moved that the Board accept the report as presented. Director Tenbroeck seconded said motion, which carried unanimously.

6. Consideration was next given to Public Safety Committee Report; public safety and nuisance issues; report regarding meeting with Denton County Emergency Management regarding warning sirens; and authorizing actions and expenditures as necessary in connection therewith. The President recognized Mr. Wilkerson, who presented an activity/incident report relative to September. He reported that there were no major offenses, noting that the District's peace officers have assisted at the request of Denton County Sheriff's office. Director Moore addressed the Board and reported relative to the response he received from Fire Chief Jodie Gonzales that the County is not involved in operating warning siren system. He noted that the cost of a siren is \$20,000. Director Moore noted that other technology was suggested. He reviewed with the Board less expensive methods of notification, such as email, cell phone, text messaging, which he also noted would be less effective. The Board discussed researching the feasibility of signing up with area municipalities for such notifications. After discussion, Director Tague 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 15 below, the Board convened into executive session. After reconvening into open session, upon motion by Director TenBroeck, seconded by Director Moore, the Board voted unanimously to authorize amendments to its contracts with the independent contractors providing peace officer services in accordance with the recommendations of special counsel to the District.

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 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). Mr. Koehler noted that the contracts for Tier 1 of the Savannah Road repair project

have been prepared and signed by the contractor, 2L Construction LLC. He noted that performance bond, payment bond, maintenance bonds and certificate of liability of insurance have been received with the contracts. Mr. Koehler reported that, upon execution of the contracts by the Board today, a Notice to Proceed would be issued, a pre-construction meeting held and a project start date and schedule established.

The Board then considered approval of pay application(s) and change order(s) to construction contracts. Mr. Koehler noted that no pay applications or change orders had been received this month.

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; (iv) striping of street crosswalks in Savannah; and (v) Aubrey Fire Department request for Atlas Maps showing street locations and fire hydrant locations for Artesia. He updated the Board regarding each matter. After discussion on the matter, upon motion duly made by Director Moore, seconded by Director Russell and unanimously carried, the Board authorized the engineer to prepare the maps requested by the Aubrey Fire Department at a cost not to exceed \$1,400.

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 noted that work on the SCADA system and ground storage tank repairs for Artesia are currently on hold. 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 completed inspections of their facilities. He reported that all manholes and Junction Boxes were found to be in good condition. Mr. Koehler also noted that the two contractors contacted for manhole repairs have indicated their products carry a five year warranty. The President determined that no action was required at this time.

8. Consideration was next given to approval and execution of proposals for renewal of District insurance policies. Mr. Crawford presented and reviewed with the Board the proposed insurance renewals, noting an increase of \$433 - \$163 for property/boiler and machinery coverage; \$200 for commercial business auto and \$70 for umbrella liability. A copy of the insurance renewal summary page is attached hereto as

Exhibit "F". After discussion on the matter, Director TenBroeck moved that the Board approve the renewal of the District's insurance policies and authorize execution of proposals. Director Tague seconded said motion, which carried unanimously.

9. 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. The President recognized Director Tague, who noted that the Savannah HOA had nothing to report at this time.
10. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford noted that he had nothing additional to report at this time.
11. Consideration was next given to amendment of District Rate Order. The President recognized Ms. Bloomfield and Mr. Crawford, who presented recommendations to the Board. After discussion on the matter, Director TenBroeck moved that the Board approve an amended Rate Order in the form attached hereto as Exhibit "G". Director Russell seconded said motion, which carried unanimously.
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. As noted in paragraph 15 below, the Board convened into executive session. Upon reconvening into open session, upon motion made by Director Adams, seconded by Director Moore, and unanimously carried, the Board determined that the settlement agreement shall not provide for any reimbursement for the Harper Road water line and SCADA, and that District would have no obligation for any amount for the repair of the roads in Artesia Phase 1.
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 Russell moved that the Board approve the Agreement and authorize execution of same. Director Tague 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 Russell moved that the Board approve the Agreement and authorize execution of same. Director Tague seconded said motion, which carried unanimously.

15. 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 Russell, seconded by Director TenBroeck, the Board voted unanimously to convene into Executive Session at 8:07 p.m. pursuant to Section 551.071, Texas Government Code, to consult with its general counsel regarding employment law issues and to consult with its general counsel regarding employment law issues pertaining to the independent contractors providing peace officer services; and proposed settlement agreement with regard to litigation.

Upon motion by Director Tague, seconded by Director Russell, the Board voted unanimously to reconvene the meeting in open session at 8:52 p.m.

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

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Jon TenBroeck  
Secretary