

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
January 20, 2011**

The Board of Directors ("Board") of Denton County Fresh Water Supply District No. 10, of Denton County, Texas ("District"), met in regular session, open to the public, on Thursday, January 20, 2011 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:

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

All members of the Board were present, with the exception of Director Tague, who entered later as noted below. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Art Barraza, P.E. of Petitt Barraza LLC; Mr. Todd Madison of Texas Water Company; Ms. Lisa Bloomfield of Kathi Dye, CPA, P.C.; Mr. Will Walton representing Corona Artesia; Ms. Kris Russell and Mr. Jon TenBroeck, District residents; Mr. Judge Platt, attorney for Berlin Investments; Mr. Greg Wilkerson of Blue Line Services; Mr. Clay E. Crawford of Crawford & Jordan LLP; and additional District residents and other members of the general public.

1. The Vice President called the meeting to order at 6:02 p.m., after determining that a quorum was present.
2. Consideration was first given to public comments. The Vice President opened the meeting to public comment. The Vice President recognized Mr. Platt, who introduced himself to the Board and explained that he was the attorney for Berlin Investments, the purchasers of Comanche Ridge and a 166-acre contiguous tract. After noting that there were no additional members of the public present and desiring to come before the Board, upon motion duly made by Director Lehto, seconded by Director Fritz and unanimously carried, the Vice President closed the public comment session of the meeting.
3. Consideration was next given to a report from Texas Water Company on the Artesia water system operations, including status of Artesia water quality issues, and authorizing expenditure of funds for operation and maintenance of water facilities. Mr. Madison reported that the water quality is well within all permitted parameters. He noted that the Reverse Osmosis system has been operating without problems and no water quality complaints were received during the month. Mr. Madison discussed with the Board preparation for conversion to surface water, including plans for testing

of water quality and managing chlorination issues. He noted that the connection to the surface waterline will be completed soon. After discussion on the matter, Director Fritz moved that the Board accept the report presented by Mr. Madison. Director Lehto seconded said motion, which carried unanimously.

4. Consideration was next given to proposals for operations and billing for water and sewer system for Artesia. Mr. Jameson noted that Mustang Special Utility District declined to provide a proposal for operations and billing for water and sewer system for Artesia. He further noted that Severn Trent and Texas Water Supply are both interested and will provide proposals. After a brief discussion, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required on the matter at this time.
5. Consideration was next given to discussion on fire hydrant maintenance, and the taking of any action necessary or appropriate in connection therewith. The Board discussed a proposed amendment to Fire Services Protection Agreement among the Town of Aubrey and the 380 Districts to provide funding for such purposes. After a brief discussion, upon motion duly made, seconded and unanimously carried, the Board approved such amendment and authorized the attorney for the District to pursue approval thereof by all parties.
6. Consideration was next given to Homeowners Association Committee report, and the taking of any action necessary or appropriate in connection therewith. It was noted that the Artesia HOA had nothing new to report. After discussion on the matter, upon motion made, seconded and unanimously carried, the Board accepted the Homeowners Association Committee report.

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

7. Consideration was next given to Law Enforcement Committee Report, including authorizing agreements for security patrolman services. The President recognized Mr. Wilkerson, who presented and reviewed with the Board seven (7) Agreements for Independent Contractor Services (Security Patrolman), copies of which are attached hereto as **Exhibit "A"**. After discussion on the matter, Director Fritz moved that the Board approve the seven (7) Agreements for Independent Contractor Services (Security Patrolman) as presented and authorize execution of same. Director Lehto seconded said motion, which carried unanimously. Mr. Wilkerson reported that service was initiated December 26, 2010, and activity reports are being presented to the President and Vice President. He noted that there are now 13 security patrolman under contract with the District. Mr. Wilkerson discussed with the Board making the following purchases for the patrol vehicle owned by the District: (1) lights and sirens estimated to cost \$1,200; (2) striping/logo estimated to cost \$500; and (3) miscellaneous car equipment estimated to cost \$500. After discussion on the matter, Director Ryan moved that the Board authorize expenditures of up to \$2,200 for the purchase of improvements for the patrol vehicle. Director Adams seconded said motion, which carried unanimously.

8. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Barraza. A copy of the report is attached hereto as **Exhibit "B"**. The Board then considered necessary non-routine maintenance and repair of District streets and facilities. Mr. Barraza reported that the "No Trespassing" signs are scheduled to be installed next week. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required on the matter at this time.

The Board then considered status of construction of Artesia water line. Mr. Barraza reported that the line is ready to be loaded tomorrow and the testing for pressure and leaks will begin at such time. He noted that the project should be open and operational the week of January 24, 2011, to convert and to fill the ground water storage tank. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required on the matter at this time.

The Board then considered acceptance of facilities. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required on the matter at this time.

The Board then considered the status of cleaning out valves/water system. Mr. Barraza reported that the project has been successfully completed by Magnum Manhole under Texas Water supervision. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required on the matter at this time.

The Board next considered authorization to advertise for bids for the Savannah Phase 10A project. Mr. Barraza reported that the project consists of the development of 55 lots, as an Adult Living Community. He requested Board approval of plans and specifications and authorization to advertise for bids for grading, utilities and paving for Savannah Phase 10A. After discussion on the matter, Director Fritz moved that the Board authorize advertisement for bids for grading, utilities and paving for Savannah Phase 10A. Director Lehto seconded said motion, which carried unanimously.

The Board next considered authorization to advertise for bids for the sale of the RO System once the water line is in place. Mr. Barraza reported that after research, the RO System should be sold for \$45,000 to \$50,000 and requested authorization to advertise for sale of the RO at an estimated cost to the District of \$1,300 for advertisement. After discussion on the matter, Director Tague moved that the Board authorize advertisement for bids for the sale of the RO System once the water line is in place asking \$50,000. Director Ryan seconded said motion, which carried unanimously.

The Board next considered review and authorization of actions required to acquire the easement for the future Artesia metering station. Mr. Barraza reported that the landowner is now requesting payment of \$19,500; installation of a wrought iron fence and landscaping; and right to tie in to the new water line. After discussion on the

matter, Director Ryan moved that the Board authorize proceeding with condemnation of the easement. Director Fritz seconded said motion, which carried with Director Tague abstaining.

9. Consideration was next given to request from Berlin Investments to annex an approximately 160-acre tract located next to Comanche Ridge to the District. Mr. Barraza reported that Berlin Investments are the new owners of the Comanche Ridge property, and approximately 160-acre tract located just west of the Comanche Ridge property. He further reported that Berlin Investments requested the District annex such property into the District. He presented and reviewed with the Board a very preliminary report regarding feasibility of annexation of the property. It was noted that prior to annexation, Berlin Investments would need to secure approvals from the Town of Prosper to release the property from its extraterritorial jurisdiction and Upper Trinity Regional Water District and Mustang Special Utility District would have to agree to extend service to the area. After discussion on the matter, Director Adams moved that the Board table to matter for future consideration. Director Ryan seconded said motion, which carried unanimously.
10. Consideration was next given to status of litigation with Centex Homes a Nevada General Partnership, Centex Real Estate Corporation, Nomas Corp., Glenn Thurman, Inc. and Colonial American Casualty and Surety Company; including authorizing preparation of plans and specifications for road repairs in Artesia; and authorizing advertising for bids for road repairs in Artesia.

The Board next considered Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to consult with District Counsel. Upon motion by Director Adams, seconded by Director Ryan, the Board voted unanimously to convene into Executive Session pursuant to Section 551.071, Texas Government Code, to consult with the District's attorney.

Upon motion by Director Adams, seconded by Director Lehto, the Board voted unanimously to reconvene the meeting in open session.

Upon motion duly made by Director Adams, seconded by Director Tague, the Board voted unanimously to enter into an agreement with Corona Artesia to advance funds up to \$25,000 to be repaid only from net proceeds of any settlement/judgment obtained in connection with pending litigation with Centex Homes a Nevada General Partnership, Centex Real Estate Corporation, Nomas Corp., Glenn Thurman, Inc. and Colonial American Casualty and Surety Company.

11. Consideration was next given to establishing an economic development program for Savannah Town Center and other commercial properties, including implementation of a limited purpose annexation/strategic partnership, special legislation, special district creation, development incentive contracts, and grants.

The Board next considered Executive Session pursuant to Sections 551.071 and 551.072, Texas Government Code, as amended, to consult with its attorney and deliberate regarding real property. Upon motion by Director Adams, seconded by


Director Ryan, the Board voted unanimously to convene into Executive Session pursuant to Sections 551.071 and 551.072, Texas Government Code, to deliberate regarding real property.

Upon motion by Director Adams, seconded by Director Lehto, the Board voted unanimously to reconvene the meeting in open session.

Upon motion duly made by Director Adams, seconded by Director Tague, the Board voted unanimously to authorize negotiations with the Town of Little Elm regarding possible limited purpose annexation/strategic partnership agreement relating to certain commercial areas within the District.

12. Consideration was next given to customer utility service and billing complaints/requests. The Board considered a request from the resident at 1148 Cotton Exchange Drive for adjustment of 22,000 gallon water usage during a month she was out of town. It was noted that Mustang recently replaced the meter at such residence, and Mustang has confirmed the reading is accurate, with such resident having a history of high readings. After discussion on the matter, Director Tague moved that the Board table the matter until he visits with resident to discuss options to address situation. Director Ryan seconded said motion, which carried unanimously.
13. Consideration was next given to the review and approval of the Minutes of the December 16, 2010, Board of Directors Meeting. After discussion on the matter, Director Adams moved that the Board approve the Minutes of the December 16, 2010, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Fritz seconded said motion, which carried unanimously.
14. 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. Ms. Bloomfield presented and reviewed with the Board a report, a copy of which is attached hereto as **Exhibit "C"**. She noted that as of December 31, 2010, the District's 2010 tax levy was approximately 11.10% 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.
15. 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 "D"**. Mr. Jameson reported that, as of December 31, 2010, in Savannah 1,401 lots have been prepared for construction; 1,253 lots have been conveyed to builders; 1,232 construction permits have been issued; and 1,204 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.

16. Consideration was next given to the review and approval of the Bookkeeper's Report presented by Ms. Bloomfield, a copy of which is attached hereto as Exhibit "E". After discussion on the matter, and thorough review of the checks presented, Director Adams moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report, plus two (2) additional checks: check no. 4182 in the amount of \$51.16 to AT&T and check no. 4183 in the amount of \$128.75 to Robert Adams. Director Fritz seconded said motion, which carried unanimously.
17. Consideration was next given to the review and approval of change orders and pay estimates. After discussion on the matter, Director Adams moved that the Board approve the change orders and pay estimates set forth in the Engineer's Report. Director Fritz seconded said motion, which carried unanimously.
18. After noting that no further business was to come before the Board, upon motion duly made by Director Lehto, seconded by Director Adams and unanimously carried, the meeting was adjourned.



~~Fammy Fritz~~ Mary Lehto
Asst Secretary