

**Minutes of Meeting  
Board of Directors  
Denton County Fresh Water Supply  
District No. 10, of Denton County, Texas  
February 17, 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, February 17, 2011 at 6:00 p.m., at the Artesia Clubhouse, 1401 Candler Drive, Prosper, 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 Fritz. 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; Mr. Jon TenBroeck, District resident; Mr. Judge Platt, attorney for Berlin Investments; Mr. Ron Berlin and Mr. Eric Berlin of 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 President called the meeting to order at 6:16 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. The President recognized a resident from Artesia, who addressed the Board regarding standing water in the street, and requested road repairs in Artesia. The President then recognized Mr. Ron Berlin, who introduced himself to the Board and explained that Berlin Investments is the purchaser of Comanche Ridge and a 166-acre contiguous tract. The President recognized Mr. TenBroeck, who expressed concern regarding lack of lighting and markers at the entry to Savannah from US 380. 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 Adams, seconded by Director Lehto and unanimously carried, the 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 noted that the recent power outage experienced during the freeze caused no material damage. After discussion on the matter, Director Lehto moved that the Board accept the report presented by Mr. Madison. Director Adams seconded said motion, which carried unanimously.

4. Consideration was next given to proposals for operations and billing for water and sewer system for Artesia. The Board considered proposals for operations and billing for water and sewer system for Artesia from Texas Water Company and Severn Trent. The scope of services and fee structure of each proposal were reviewed. After discussion on the matter, Director Ryan moved that the Board accept the proposal of Texas Water Company at \$1,200 per month, with the current billing and collections contract with Severn Trent to remain in plane. Director Adams seconded said motion, which carried unanimously.
5. Consideration was next given to letter agreement with Upper Trinity Regional Water District (the "UTRWD") regarding installment payment agreement of Riverbend Wastewater Plant expansion costs. Mr. Crawford presented and reviewed the letter agreement with the Board, a copy of which is attached as **Exhibit "A"**. After discussion, Director Lehto moved that the Board approve the letter agreement and authorize execution of same subject to the condition that the developer would not seek reimbursement of the interest to be charged by the UTRWD under the proposal. Director Ryan seconded said motion, which carried unanimously.
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. Director Tague reported on behalf of the Savannah HOA relative to removal of dead trees along Savannah Boulevard and clean out of drainage area below Upper Sea Pines Lake. After discussion on the matter, upon motion made by Director Adams, seconded by Director Lehto and unanimously carried, the Board accepted the Homeowners Association Committee report.
7. Consideration was next given to Law Enforcement Committee Report. The President recognized Mr. Wilkerson, who presented and reviewed with the Board an activity/incident report relative to 30 of the 31 days in January. He noted there were no major crimes and the patrols seemed to be working. Mr. Wilkerson reported that the car has been properly outfitted, striped and tagged. The Board requested that Mr. Wilkerson meet with the Law Enforcement Committee regularly and meet with the Board quarterly. After additional discussion on the matter, Director Adams moved that the Board except the report and authorize additional expenditures of \$300. Director Lehto 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 have been

installed and relocated as necessary. 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 construction of Artesia water line. Mr. Barraza reported that all tests have been passed and the well will be disconnected on Monday, February 21, 2011. He noted that filling the ground water storage tank is already underway. 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 award of construction contract for the Savannah Phase 10A project. Mr. Barraza presented and reviewed with the Board a bid tabulation which is attached to the Engineer's Report. He noted that six (6) bids were received and recommended award of the contract to the low bidder Weir Bros Inc. in a contract amount of \$841,098.60. After discussion on the matter, upon motion duly made by Director Adams, seconded by Director Ryan and unanimously carried, the Board awarded the contract for the Savannah Phase 10A project to Weir Bros. Inc. in the contract amount of \$841,098.60.

The Board then considered the status of acquisition of easement for the future Artesia metering station, including authorizing proceeding with condemnation, if necessary. The Board determined to discuss further in executive session later in the meeting.

9. Consideration was next given to request from Berlin Investments for the inclusion of an approximately 160-acre tract located next to Comanche Ridge within the District. Mr. Barraza presented an engineering analysis regarding the feasibility of the proposed annexation. 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 from the UTRWD and Mustang Special Utility District to extend District retail service to the area. After discussion on the matter, Director Ryan moved that the Board issue a statement that it is open to consider the annexation and further moved to table the matter for future consideration. Director Adams seconded said motion, which carried unanimously.
10. Consideration was next given to review and approval of Joinder to Operating Costs and Facilities Reimbursement Agreement and Sale Tract Assignment among the District, FM 1385 Partners, LP, and Comanche Ridge Properties Associates, LP. After a brief discussion, upon motion duly made, seconded and unanimously carried, the Board determined to table the matter for future consideration.
11. 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 determined to discuss further in executive session later in the meeting.

12. 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. The Board determined to discuss further in executive session later in the meeting.
13. Consideration was next given to review and approval of amendment to Fire Protection Services Agreement with 380 Districts and Town of Aubrey. Mr. Crawford reported on the status of approval of such amendment. After discussion, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required at this time.
14. Consideration was next given to review and approval of contract for collection of delinquent utility services accounts with NCO Financial/Transworld. Ms. Bloomfield presented and reviewed with the Board the proposed contract. After discussion on the matter, Director Ryan moved that the Board approve the contract for collection of delinquent utility services accounts with NCO Financial/Transworld and authorize execution of same. Director Lehto seconded said motion, which carried unanimously.
15. Consideration was next given to annual review of Order Adopting District's Investment Policy, and adoption of a Resolution in connection therewith. Mr. Crawford presented a Resolution Regarding Review of Investment Policy, a copy of which is attached hereto as **Exhibit "C"**, and noted that no revisions to the District's Investment Policy were being recommended at this time. After discussion, Director Adams moved that the Board approve the Resolution Regarding Review of Investment Policy as presented. Director Lehto seconded said motion, which carried unanimously.
16. Consideration was next given to adoption of a Resolution Designating Depositories and Establishing Investment Accounts for Deposit of District Funds, a copy of which is attached hereto as **Exhibit "D"**. Mr. Crawford presented to the Board a list of depositories for approval. After discussion on the matter, Director Lehto moved that the Board adopt the Resolution Designating Depositories and Establishing Investment Accounts for Deposit of District Funds with the list of depositories presented attached. Director Adams seconded said motion, which carried unanimously.
17. Consideration was next given to granting exemptions from taxation for 2011, and the adoption of a Resolution in connection therewith. After a brief discussion, upon motion duly made, seconded and unanimously carried, the Board determined to table the matter for consideration at a future meeting.
18. Consideration was next given to annual review of Resolution Adopting Prevailing Wage Rate Scale for Construction Projects and consider authorizing survey of wages. Mr. Crawford presented and reviewed with the Board a Resolution, a copy of which is attached hereto as **Exhibit "E"**. After discussion on the matter, Director Adams moved that the Board approve the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects as presented. Director Lehto seconded said motion, which carried unanimously.

19. Consideration was next given to customer utility service and billing complaints/requests. Director Tague reported relative to his meeting with Pat Coviello to review the situation. He noted that he is waiting on a reply from her. After discussion on the matter, Director Adams moved that the Board approve adjustment from 22,000 gallons to 5,000 but no further adjustments will be made unless a certificate is received from a plumber that no leaks exist. Director Ryan seconded said motion, which carried unanimously.
20. Consideration was next given to the review and approval of the Minutes of the January 16, 2011, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the January 16, 2011, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Adams seconded said motion, which carried unanimously.
21. Consideration was next given to the review and approval of the Minutes of the January 20, 2011, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the January 20, 2011, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Adams seconded said motion, which carried unanimously.
22. 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 "F"**. She noted that as of January 31, 2011, the District's 2010 tax levy was approximately 74.02% collected. After discussion on the matter, Director Ryan moved that the Board approve the Tax Assessor/Collector's report. Director Adams seconded said motion, which carried unanimously.
23. 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 "G"**. Mr. Jameson reported that, as of January 31, 2011, in Savannah 1,401 lots have been prepared for construction; 1,253 lots have been conveyed to builders; 1,229 construction permits have been issued; and 1,206 homes were occupied. After discussion on the matter, Director Ryan moved that the Board accept the Developer's Report as presented. Director Adams seconded said motion, which carried unanimously.
24. 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 "H"**. After discussion on the matter, and thorough review of the checks presented, Director Ryan moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report. Director Adams seconded said motion, which carried unanimously.

25. Consideration was next given to change orders and pay estimates, as reflected in the Engineer's Report. After discussion on the matter, Director Ryan moved that the Board approve the change orders and pay estimates as reflected in the Engineer's Report attached hereto. Director Adams seconded said motion, which carried unanimously.
26. The Board next considered Executive Session pursuant to Sections 551.071(1)(A) and (B), 551.072, 551.074, and 551.076, Texas Government Code, as amended, to consult with its attorney and deliberate regarding real property acquisition. 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 consult with its attorney and deliberate regarding real property acquisition.


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

Upon motion duly made by Director Adams, seconded by Director Ryan, the Board voted unanimously to make the following offer for acquisition of easement for future Artesia metering station: (1) District to secure water service from Prosper to such property; (2) District cover costs of stub, fencing, landscaping, and meter; and (3) District to pay \$5,000 to property owner for easement.

Upon motion duly made by Director Ryan, seconded by Director Adams, the Board voted unanimously to extend initiation of mediation for an additional 30 days for resolution of 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 before taking additional actions.

Upon motion duly made by Director Ryan, seconded by Director Adams, the Board directed Mr. Crawford to continue negotiations with the Town of Little Elm for a limited purpose annexation within certain established parameters.

27. 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.

  
\_\_\_\_\_  
Tammy Fritz  
Secretary