

MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF THE
FRANKLIN COUNTY WATER DISTRICT
HELD: JUNE 10, 2003

THE STATE OF TEXAS

FRANKLIN COUNTY WATER DISTRICT

COUNTY OF FRANKLIN

On this the 10th day of June 2003, the Board of Directors of the Franklin County Water District convened in REGULAR SESSION at their office located at 114 North Houston Street on the East side of the square in Mount Vernon, Texas, with the following members present:

BILLY JORDAN	PRESIDENT
GLENN MORRIS	VICE PRESIDENT
DAN AGEE	SECRETARY
CAROL LARSEN	DIRECTOR
JUDY SPAHT	DIRECTOR

and with the following members absent: NONE.

Also present were Amanda Lewis, Jonathan Smith, Keith Drummond, David Spaht, Richard Larsen, Moody Snider, Gay Snider, Scott Buttrick, Gerald and Eleese Hubbell, Willie Bane, Mike Petrik, John Noel, Lanny Blaine, Jerry Morris, Jack Jordan, Steven DeWolf, Loyd Smith, Jeremy Smith, Kirby Hollingsworth, Clint Hopkins, Mitch Engle, David Weidman and Sheila Donica.

The President called the meeting to order, declared a quorum present, and that the meeting was duly convened and ready to transact business.

Notice of this meeting was given, stating the time, place and purpose, all as required by Chapter 551 of the Government Code.

Invocation was given by Dan Agee.

MOTION was made by Carol Larsen, and SECONDED by Glenn Morris, to approve the Consent Agenda. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". The Consent Agenda was as follows:

1. Approval and Ratification of Minutes.
2. Approval and Ratification of Payment of Bills.
3. Income / Expense Comparison May 2002 / 2003.
4. Investment Report.
5. New Lease Agreement for Ronald L. Folwell, 165-13-3, Tall Tree.
6. Termination of Lease for William N. Marshall, etux Billie Marshall, 22-37-4, King's Country.
7. Amended and Restated Lease Agreement for Gerald W. and Eleese F. Hubbell, Lots 13C and 13D, Phase II, Panther Creek Pass.
8. Replat and Amendment to Lease Agreement for:
 - A. Allen and Lynn M. Angell, Lot 9R, Deer Cove.
 - B. Glenn and Joan Marie Messner, Lot 20R, Whippoorwill Bay.
 - C. Danny R. Parlinton and John D. Hubbard, Lot 160R-36-4, King's Country.
 - D. John D. Hubbard Revocable Trust, Lots 11R and 12R, Section 4, Eagle Point.
 - E. Gary J. and Rosalyn R. Blackshear, Lot L-114R, Section 2, King's Country.

A copy of the bills, Income / Expense Comparison, Investment Report, New Lease Agreement, Affidavit of Termination, Amended and Restated Lease Agreement, Replats, and Amendment to Lease Agreements are attached hereto and made a part hereof.

Amanda Lewis from Strasburger and Price presented a workshop for the Directors on open government, conflict of interest, and Director orientation.

At this time, Judy Spaht signed an affidavit to abstain from participating in any Board decision involving the Tall Tree Marina issue. The District's attorney, Jonathan Smith, discussed with the Board the proposed changes to the Marina operating agreement that was received from the Spaht's attorney, Steven DeWolf. Mr. DeWolf then raised the issue of the Texas Alcoholic Beverage Commission's (TABC) rules and regulations which would make it improper and illegal for the Spahts to distribute money from the sale of alcohol to someone who doesn't own the license. After further discussion on the proposed changes, MOTION was made by Carol Larsen to accept all of the changes with the exception of the alcoholic beverage issue. The motion died for lack of a second.

Upon further discussion, Mr. Smith stated that he would research and get the opinion of the TABC on the alcohol issue, "at no additional charge". Carol Larsen then amended her MOTION to accept the proposed changes from the Spaht's attorney, excluding the renewal option and the alcoholic beverage issue. The motion was SECONDED by Glenn Morris. The President put the question and, after full discussion and deliberation thereon, the following members present voted "AYE": Billy Jordan, Glenn Morris, Dan Agee, and Carol Larsen. NONE voted "NO". Judy Spaht abstained from voting. At this time, Mr. DeWolf stated that his client was willing to accept the District's original renewal offer, so that the only item pending would be the alcoholic beverage issue. A copy of the redline agreements are attached hereto and made a part hereof.

MOTION was made by Carol Larsen, and SECONDED by Dan Agee, that the new Administrative Board of Directors' Rules and Procedures be accepted. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the Administrative Policy is attached hereto and made a part hereof.

MOTION was made by Glenn Morris, and SECONDED by Carol Larsen, to authorize the General Manager to send a letter of request to the U.S. Army Corps of Engineers to participate in the Ecosystem Restoration Program. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the letter of request is attached hereto and made a part hereof.

MOTION was made by Dan Agee, and SECONDED by Carol Larsen, to participate in the Ecosystem Restoration Cost Sharing Program with the lessees. There will be a \$500.00 cap for the lessees, with a 50/50 split with the District on the total cost. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the cost sharing evaluation is attached hereto and made a part hereof.

MOTION was made by Judy Spaht, and SECONDED by Glenn Morris, to amend Article VI of the District's Rules and Regulations as presented. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the amendment is attached hereto and made a part hereof.

MOTION was made by Judy Spaht, and SECONDED by Carol Larsen, to authorize the execution of the Forbearance Agreement with Ameriquest Mortgage Company as presented. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the Forbearance Agreement will be attached hereto and made a part hereof.

Mr. Mitch Engle addressed the Board on the matter of rescinding a replat of Lots 31-39, Phase I, Panther Creek Pass, which was approved at a Board meeting in November of 2002. Mr. Engle asked the Board to hold off for a period of time on rescinding the replat in order to work out some issues with the Panther Creek Pass POA. No action was taken at this time and the matter will be revisited in six (6) months.

At this time, the Board convened in Executive Session to consult with attorneys concerning the Panther Creek Pass POA, pursuant to Texas Government Code Chapter 551.071 (1) (A). When the Board moved on to the discussion on the Cypress Springs Marina / BLC litigation, Judy Spaht signed an affidavit and excused herself from the Executive Session. The Board reconvened in open session at 9:35 p.m., at which time the following action was taken.

MOTION was made by Carol Larsen, and SECONDED by Dan Agee, authorizing the District's attorneys to draft a letter to the Panther Creek Pass POA as per discussed in the Executive Session. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO".

MOTION was made by Glenn Morris, and SECONDED by Carol Larsen, to authorize the District's attorneys to make the proposal to BLC as discussed in Executive Session. The President put the question and, after full discussion and deliberation thereon, the following members present voted "AYE": Billy Jordan, Glenn Morris, Dan Agee, and Carol Larsen. NONE voted "NO". Judy Spaht abstained from voting. Copies of Judy Spaht's affidavits abstaining from voting are attached hereto and made a part hereof.

There being no further business, the meeting was adjourned.

MINUTES approved this the 8th day of July 2003.

Billy Jordan, President

Glenn Morris, Vice President

Dan Agee, Secretary

Carol Larsen, Director

Judy Spaht, Director