

MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF THE
FRANKLIN COUNTY WATER DISTRICT
HELD: JULY 13, 2004

THE STATE OF TEXAS

FRANKLIN COUNTY WATER DISTRICT

COUNTY OF FRANKLIN

On this the 13th day of July 2004, 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
TIM PHILHOWER	DIRECTOR

and with the following members absent: DAN AGEE and CAROL LARSEN.

Also present were J.R. Alphin, Lou Antonelli, J.D. Baumgardner, John Edwards, B.F. Hicks, Billy Kent, J.R. Kindrick, Debbie Norris, Pat Norris, Lillie Bush-Reves, Phil Ritz, Jason Russell, Jonathan Smith, Gail Willoughby, Eldon Wold, 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 Billy Jordan.

MOTION was made by Glenn Morris, and SECONDED by Tim Philhower, 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 June 8, 2004 Minutes
2. Approval and Ratification of Payment of Bills
3. Approval of Unpaid Bills
4. Income / Expense Comparison June 2003 / 2004
5. Investment Report
6. New Lease Agreement for June Clary, Lot A, Twin Cove Estates
8. Amended and Restated Lease Agreements for:
 - A. Ronald W. and Renee Lorenz, Lots L74R and L77, Section 2, Kings Country;
 - B. Edward W. and Dorothy O. Miller, Lots 15 and 16A, El Dorado; and
 - C. Richard A. and Wanda L. Means, Lots 15 and 16R, Phase 1, Lands End

A copy of the Bills, Income / Expense Comparison, Investment Report, New Lease Agreement and Amended and Restated Lease Agreements are attached hereto and made a part hereof.

B.F. Hicks, Pat Norris and J.D. Baumgardner presented a preliminary request to the Board on the possibility of leasing and improving the Nature Trails Park. No action was taken at this time; however, the item will be placed on an agenda in the future for further discussion.

Discussion was had on possible solutions to repairing the back side of the Franklin County Dam. No action was taken at this time.

MOTION was made by Tim Philhower, and SECONDED by Glenn Morris, to accept the changes to the District's Personnel Policy as presented to be made effective immediately. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of policy changes is attached hereto and made a part hereof.

MOTION was made by Glenn Morris, and SECONDED by Tim Philhower, to amend the 2004 budget 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 budget amendment is attached hereto and made a part hereof.

The Manager reported on the following items:

- A. A drowning that occurred on Lake Cypress Springs on July 8, 2004;
- B. Septic system upgrade in Overlook Park; and
- C. The Fourth of July weekend and fireworks show.

At this time, Billy Kent made a request on behalf of Joe and Linda Ergonis for a 30 day extension on the matter concerning the hazardous materials spill and default of and termination of leasehold. The Board then convened in Executive Session at 7:43 for the purpose of discussing this matter with their attorney. When the Board reconvened in Open Session at 8:53, the following action was taken:

MOTION was made by Glenn Morris, and SECONDED by Billy Jordan, that the Board deny the request for any extension to the cure period and, pursuant to the Board's previous direction at the May 11th meeting, terminate the lease of Joe and Linda Ergonis unless full reimbursement is made of the expenses as previously stated prior to 5:00 p.m. on July 15, 2004. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO".

Mr. Kent then made the following statement on behalf of Mr. Ergonis: "Joe Ergonis under protest and without any admission of guilt would like to request an executable payoff agreement". The Board instructed Mr. Kent that at this time the Board expected full payment and that if Mr. Ergonis wants to make an offer, and then the Board would have something to negotiate with.

There being no further business, the meeting was adjourned.

MINUTES approved this the 10th day of August 2004.

Billy Jordan, President

Glenn Morris, Vice President

Tim Philhower, Director