

MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF THE
FRANKLIN COUNTY WATER DISTRICT
HELD: APRIL 12, 2005

THE STATE OF TEXAS

FRANKLIN COUNTY WATER DISTRICT

COUNTY OF FRANKLIN

On this the 12th day of April 2005, 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:

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| BILLY JORDAN | PRESIDENT |
| GLENN MORRIS | VICE PRESIDENT |
| CAROL LARSEN | DIRECTOR |
| TIM PHILHOWER | DIRECTOR |

and with the following members absent: DAN AGEE.

Also present were Willie Bane, Bob Draper, Reeves Hayter, Richard Larsen, Rusty Rutledge, Sam Young, 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 Carol Larsen, to approve the Consent Agenda. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE", with Tim Philhower abstaining on 7-B only. NONE voted "NO". The Consent Agenda was as follows:

1. Approval and Ratification of March 8, 2005 Minutes
2. Approval and Ratification of Payment of Bills
3. Approval of Unpaid Bills
4. Investment Report
5. New Lease Agreements for:
 - A. Max J. and Deborah K. Higgs, Lots 97, 99 and 100, Phase 5, Northshore;
 - B. Frank and Chandra Karlen, Lots 82, 83, 84, and 85, Phase 5, Northshore;
 - C. Carolyn K. Simmons, Lots 34 and 35, Phase 3, Northshore; and
 - D. Jim Cargile, Lots 84 and 111, Block 36, Section 4, Lot 4, Block 52, Section 4, Lots 1 and 9, Block 56, Section 4, Lot 1, Block 57, Section 4, and Lots 9 and 10, Block 62, Section 4, Kings Country
6. Amended and Restated Lease Agreement for:
 - A. Daniel and Tracie Smith, Lot 17, East Park and Lot 55, Tall Tree East; and
 - B. William & MMM, LLC, Lots 2A and 3A, Fairway Shores
7. Replat and Amendment to Lease Agreement for:
 - A. Lemon Management Co., LLC, Lot 5 and a portion of Lot 4, Club Lake Estates; and
 - B. Timothy D. and Linda L. Philhower, Lots 54 and 55, Block 13, Section 3, Tall Tree
8. Amendment to Lease Agreement (Extension of Term) for Joseph G. and Amy J. Dowds, Lot 11R, Phase 4, Eagle Point

A copy of the Bills, Investment Report, New Lease Agreements, Amended and Restated Lease Agreements, Replats, and Amendment to Lease Agreements are attached hereto and made a part hereof.

Reeves Hayter, Hayter Engineering, Inc., briefed the Board on the amendments being proposed to the District's Water Conservation and Drought Contingency Plan. MOTION was made by Tim Philhower, and SECONDED by Carol Larsen, to approve the amendments to the District's Water Conservation and Drought Contingency Plan as presented, allowing for a 15 day comment period from the District's wholesale customers. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the Water Conservation and Drought Contingency Plan and the Resolution is attached hereto and made a part hereof.

At this time, Rusty Rutledge from Williams Insurance gave a presentation concerning the renewal of the District's employee health insurance and possible options, including a Health Savings Account (HSA). The Board authorized the Manager to explore all of the options, discuss the HSA plan with the employees, and to bring the matter up at a later Board meeting.

Sam Young, County Commissioner for Precinct 4, approached the Board concerning a road easement needed in order to get a grant from the State to move and upgrade the bridge on CR SE 4260, the Panther Creek road. This easement would be on property owned by the District and leased by Ray Maples. Mr. Young attempted to negotiate an easement with Mr. Maples, but was declined. An attempt was made to exchange an equal amount of unleased land adjacent to his property with the land needed for an easement; however Mr. Maples was not willing to execute

an Amended and Restated Lease Agreement. David Weidman, General Manager, informed the Board that in the original Lease Agreement, the District had retained a 75' road easement and that the District could assign that easement right to the County.

The Board asked that David Weidman and Sam Young approach Mr. Maples again and attempt to explain the documents and have him sign the Amended and Restated Lease Agreement. MOTION was made by Carol Larsen, and SECONDED by Tim Philhower, to authorize the execution of the Amended and Restated Lease Agreement with Mr. Maples and the Road Easement with the County. If Mr. Maples will not execute the Lease Agreement, then the District will assign their 75' road easement to Franklin County to allow them to construct the improvements needed on CR SE 4260. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the Amended and Restated Lease Agreement and / or Road Easement is attached hereto and made a part hereof.

MOTION was made by Glenn Morris, and SECONDED by Carol Larsen, to adopt the Certification of Unopposed Candidates and to approve the Order of Cancellation to cancel the uncontested May 7, 2005 election. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". Copies of the Certification of Unopposed Candidates and the Order of Cancellation are attached hereto and made a part hereof.

MOTION was made by Carol Larsen, and SECONDED by Glenn Morris, to terminate the leasehold interest of Charles Wilson on Lot 11A (Boat Ramp) in South Shore. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the Affidavit of Termination is attached hereto and made a part hereof.

The Manager reported on the following items:

- A. Franklin County Dam maintenance update
- B. Aquatic nursery update
- C. Bills being considered in the Legislative Session
- D. Rotary bike race and the District's sponsored rest stop at Guthrie Park

There being no further business, the meeting was adjourned.

MINUTES approved this the 17th day of May 2005.

Billy Jordan, President

Glenn Morris, Vice President

ABSENT
Dan Agee, Secretary

Carol Larsen, Director

Tim Philhower, Director