

MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF THE
FRANKLIN COUNTY WATER DISTRICT
HELD: OCTOBER 17, 2006

THE STATE OF TEXAS

FRANKLIN COUNTY WATER DISTRICT

COUNTY OF FRANKLIN

On this the 17th day of October 2006, the Board of Directors of the Franklin County Water District convened in REGULAR SESSION at the District office located at 112 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 |
| TIM PHILHOWER | SECRETARY |
| CAROL LARSEN | DIRECTOR |
| BRUCE GATLIN | DIRECTOR |

and with the following members absent: GLENN MORRIS.

Also present were Daniel Alford, J.R. Alphin, Willie Bane, Ben Boren, Mike Burkhart, Pat Burkhart, John Case, Paul Constantine, Greg Cooney, Tommy Grimes, Tony Hansen, Ann Holland, Edward D. Kenas, Alice Kirkelie, Lisa Lawrence, Rod Leifried, John McAnally, Katie Nicastro, Pat Norris, Clint Norton, Amanda Philhower, Brian Philhower, Henk Post, Ralph Robertson, Vincent Smith, Dean Whitlock, 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 David Weidman.

MOTION was made by Carol Larsen, and SECONDED by Tim Philhower, to approve the Consent Agenda as presented. 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 September 19, 2006 Minutes
2. Approval and Ratification of Payment of Bills
3. Approval of Unpaid Bills
4. Investment Report
5. Termination of Leasehold for:
 - A. Stephens Development Corp., Lot 108, Block 36, Section 4, Kings Country;
 - B. Stephens Development Corp., Lot 7, Block 62, Section 4, Kings Country; and
 - C. Kings Country POA, c/o Estate of Jimmie Calhoun, Lot 42, Block 37, Section 4, Kings Country
6. Replat Amendment to Lease Agreement for Ronald and Gail Berlin, Lot 1 and part of Lot 2, Section 1, Boiler Cove (L.D. Kemp Addition)
7. Amended and Restated Lease Agreement for Delbert and Jill Richardson, Lots 8 and 9, Block 40, Section 4, Kings Country

A copy of the Bills, Investment Report, Affidavits of Termination, Replat Amendment, and Amended and Restated Lease Agreement are attached hereto and made a part hereof.

At the September meeting, discussion was had on the consideration of the Cypress Springs Marina assignment and conversion from commercial to single family residential. Tommy Grimes, potential buyer and developer of that property, was on hand to answer any other questions that the Board might have. After a lengthy discussion, MOTION was made by Tim Philhower, and SECONDED by Carol Larsen, to authorize the President and Vice President of the Board to execute the agreement regarding the rezoning and the assignment of lease for the 12.146 acre tract (Cypress Springs Marina) subject to any minor revisions. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". Copies of the Agreement Regarding Rezoning and Assignment of Lease and the Replat are attached hereto and made a part hereof.

MOTION was made by Tim Philhower, and SECONDED by Carol Larsen, to approve the replat and rezoning of the condo property in Kings Country. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". A copy of the Replat is attached hereto and made a part hereof.

Ralph Robertson presented a proposal by Clint Norton and Dean Whitlock to lease 6.2433 acres of unleased land adjacent to Blair Creek Cove Estates. Rod Leifried and John McAnally, lessees in Blair Creek Cove Estates raised some issues and concerns which were addressed. MOTION was made by Carol Larsen, and SECONDED by Bruce Gatlin, to authorize the leasing and replatting of the proposed property as presented with a bonus payment of \$50,000.00 to be due upon execution of the lease. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO". Copies of the New Lease and the Replat are attached hereto and made a part hereof.

The Board returned to item one and MOTION was made by Carol Larsen, and SECONDED by Bruce Gatlin, that as part of the rezoning of the Kings Country condo property, a new residential lease must be executed. The President put the question and, after full discussion and deliberation thereon, all members present voted "AYE". NONE voted "NO".

The Board discussed a request by Dale Fisher, a lessee in Twin Cove Estates, regarding a dredging / retaining wall proposal. Mr. Fisher was not at the meeting; however, Pat Norris, another lessee in Twin Cove Estates, expressed concerns that he and other lessees had regarding Mr. Fisher's proposal. The Board suggested that Mr. Norris and the other lessees get together and possibly come up with another solution. The item was tabled until the November meeting.

MOTION was made by Tim Philhower, and SECONDED by Carol Larsen, to approve the Resolution supporting David Weidman's nomination to the Northeast Texas Regional Water Planning Group D. 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 Resolution is attached hereto and made a part hereof.

MOTION was made by Carol Larsen, and SECONDED by Tim Philhower, to approve the amendments to the 2006 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 the Amended Budget is attached hereto and made a part hereof.

At this time, the Board conducted a workshop concerning the 2007 budget. No action was taken at this time and the item will be placed on the November agenda for additional consideration and possible action.

The Manager reported on the following items:

- A. Drought condition and low lake level
- B. Survey of a topographical of the backside of the dam
- C. Powerpoint presentation on Water Rights, Water Sales and the Drought

There being no further business, the meeting was adjourned.

MINUTES approved this the 21st day of November 2006.

Billy Jordan, President

ABSENT

Glenn Morris, Vice President

Tim Philhower, Secretary

Carol Larsen, Director

Bruce Gatlin, Director