

GUADALUPE-BLANCO RIVER AUTHORITY

Minutes of the Board of Directors

The Board of Directors of the Guadalupe-Blanco River Authority met in a regular monthly meeting on May 17, 2006, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were John P. Schneider, Jr., Margaret M. Grier, Jack R. Gary, Stephen F. Wilson, DVM, and Frank J. Pagel. Directors Myrna P. McLeroy and Clifton L. Thomas, Jr. were absent. Also present were W. E. West, Jr., General Manager; Fred M. Blumberg, Deputy General Manager and Chief Operations Officer; Alvin Schuerg, Executive Manager of Finance and Administration; Todd H. Votteler, Executive Manager of Governmental Relations and Policy; Randy Worden, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Development Manager; Tommy Hill, Chief Engineer; Judy Gardner, Manager of Communications and Education; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; Tommie Streeter-Rhoad, Economic Development Manager; David Welsch, Director of Planning and Development; Janet Thome, Trust Coordinator; Connie Rothe, Board Relations Assistant; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Sandra Terry, Accountant; Roger Nevola, legal counsel; Jim Dublin and Rose Marie Eash representing Dublin and Associates, Inc.; David Engel, representing Engel and Associates; Frederick S. Schlather former GBRA Director; Grady Jolley representing Highland Capital; John Kight from Kendall County; Daniel Ochoa III, representing AIA-2 Architects; Charles Kallory representing Canyon Lake Water Supply Corporation; M.H. Squire; Adam Eddy representing the San Antonio

Water System; Cliff Prout, GBRA Victoria; Esmerelda Prout; June Angela Prout graduate from Goliad High School; Sara Darlene Basham graduate from Yoakum High School; Leigh Ann Brown graduate from Navarro High School; Marisol Leos graduate from Seguin High School; Jian Qing Liu graduate from San Marcos High School; Stephen Dale Cade graduate from Comfort High School; and Rebekah Erin Medford graduate from Canyon High School.

In the absence of Chair McLeroy, Vice Chairman Schneider assumed the Chair and called the meeting to order at 10:50 a.m., and took note of the certifications presented by the General Manager that notice of the meeting had been properly posted in the office of the Secretary of State, in the Guadalupe County Courthouse, and at the GBRA main office and river annex in Seguin, Texas, pursuant to Title 5, Chapter 551 of the Government Code. A quorum being present, the following proceedings were had:

Director Pagel led the United States Pledge of Allegiance and the Texas Pledge of Allegiance.

The Chair called for comments from the public. Grady Jolley, representing Highland Capital and John Kight from Kendall County addressed the Board regarding the supply of water from the Western Canyon Water Supply Project, the delivery of water from Canyon Reservoir, and the increased population growth. Director Gary briefed the Board on the Hays County Farm Bureau's 2nd Annual "Day at the Farm" and presented Janet Thome and Cricket Dietert with a Certificate of Appreciation for their GBRA participation.

The Chair called for **Items from the Chair 1 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the**

Texas Water Conservation Association Mid-Year Conference scheduled for June 7-9, 2006, at the Horseshoe Bay Marriott Resort in Horseshoe Bay, Texas. Upon motion by Director Gary, seconded by Director Wilson, the Board unanimously authorized the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association Mid-Year Conference.

The Chair then called for **Consent Items 2 - Consideration of and possible action approving the April 19, 2006 Board meeting minutes; 3 - Consideration of and possible action approving the monthly financial report for April 2006; 4 - Consideration of and possible action approving the monthly operations report for April 2006; 5 - Consideration of and possible action approving Directors' expense vouchers; and 6 - Consideration of and possible action approving a replacement member on the Bulverde Water Distribution Project Capital Improvements Advisory Committee.** Upon motion by Director Gary, seconded by Director Wilson, the Board unanimously approved Consent Items 2, 3, 4, 5, and 6.

Next, the Chair called for **Executive Report 7 - Discussion of the Executive Report.** General Manager West briefed the Board on studies related to long-term water supply options, Goforth Water Supply Corporation's request for additional water, and the Western Canyon operations and SCADA system. The Board was briefed on economic development activities including working in the Bulverde area and with the City regarding storage tank heights and right-of-ways. General Manager West informed the Board that BexarMet was provided with another letter requesting extension of the joint lease agreement, and there has been no response to date. Updates were given on the Zedler Mill and the Canyon Gorge projects. The Board was informed on a meeting

to discuss water and growth issues with local Chambers of Commerce. Financing for the building expansion was discussed and the post plant start-up billing of the Western Canyon customers has begun. The Board was given an update on revenue and operating expenses. General Manager West informed the Board on the media coverage of the GBRA Western Canyon Water Treatment Plant and a video of the coverage from KENS 5 was viewed by the Board. General Manager West suggested to the Board to have the June Board meeting near the Western Canyon Water Treatment Plant in order for the Board to have the opportunity to tour the facility.

The Chair pulled **Action Item 8 - Consideration of and possible action authorizing the General Manager to execute an Interlocal Agreement (“Agreement”) between the Guadalupe-Blanco River Authority (“GBRA”) and the Guadalupe County Commissioner’s Court (“County”) and approve a permit fee increase.** There was no discussion or action on Action Item 8.

Next, the Chair called for **Action Item 9 - Consideration of and possible action authorizing the General Manager to execute a letter of support for the Goforth Special Utility District.** GBRA has a Water Supply Agreement and a Contract for Raw Water Service with Goforth Water Supply Corporation, and Goforth WSC is a customer of GBRA’s IH 35 Water Supply Project. Goforth Water Supply Corporation operates in Caldwell County. On March 21, 2006, the membership of Goforth Water Supply Corporation voted overwhelmingly to proceed with the creation of a special utility district (SUD). The district would be created through special legislation or through a Texas Commission on Environmental Quality process. Goforth has requested that GBRA provide it with a letter of support. Goforth Water Supply Corporation is proposing

to create the Goforth SUD under Chapter 65 of the Texas Water Code. The proposed district would be a non-taxing entity which would operate based upon revenues from water sales, similar to Goforth WSC. The district boundaries would be similar to those of Goforth Water Supply Corporation. As a SUD, Goforth would be able to sell tax-exempt bonds, and GBRA's contracts with Goforth would be considered tax-exempt. This tax-exempt status provides financing advantages to GBRA's IH 35 Project. Upon motion by Director Wilson, seconded by Director Pagel, the Board unanimously authorized the General Manager to sign a letter of support for the creation of the Goforth Special Utility District. A copy of the letter is attached and made a part of these minutes.

The Chair then called for **Action Item 10 - Consideration of and possible action approving a tax-exempt equipment lease for equipment costing approximately \$57,300.** GBRA budgeted to purchase, within the Water Resource Division during Fiscal Year 2006, an excavator. The excavator will be used on the work barge, "Miss Guadalupe II", to remove log jams in the lower river basin near GBRA's Salt Water Barrier. Within the Coletto Creek Division, a budget amendment was approved for the purchase of a truck due to unexpected engine failure of a 2002 truck. Both of these equipment purchases are recommended to be reimbursed through a lease-purchase agreement in order to spread the expense over several years and the Board accordingly approved a reimbursement resolution during their March 2006 meeting. The combined cost of this equipment approximates \$57,305 (\$43,696 for the excavator and \$13,609 for the truck). GBRA contacted the following four equipment-leasing entities to determine if they would be interested in financing this equipment:

Chase Equipment Leasing, GE Capital Public Finance, Jules and Associates, and Frost Leasing. The terms that GBRA requested for this tax-exempt lease-purchase were for a fixed rate, monthly payments, and a three-year term for the truck and a five-year term for the excavator, using the purchased equipment as collateral with no pre-payment penalty. Upon motion by Director Gary, seconded by Director Grier, the Board unanimously authorized the General Manager to enter into a lease-purchase agreement with Frost Leasing for \$57,305 to finance the purchase of the truck at a rate of 4.93 percent for 36 months and the excavator at a rate of 4.95 percent for 60 months.

The Chair called for **Action Item 11 - Consideration of and possible action approving a Resolution by the Board of Directors of Guadalupe-Blanco River Authority declaring a public necessity for and public purpose of the acquisition of certain privately owned real properties for the Bulverde Retail Water Distribution System; authorizing all appropriate action by the General Manager, staff, and retained attorneys and engineering and technical consultants in the institution and prosecution of condemnation proceedings to acquire any such needed fee estates and related rights of ingress and egress that cannot be acquired through negotiation; declaring further negotiations futile; ratifying and affirming all acts and proceedings heretofore done or initiated by employees, agents, and attorneys of GBRA to acquire such property interests; authorizing all other lawful action necessary and incidental to such acquisitions or eminent domain proceedings to survey, specify, define, and secure the necessary interests in real property; declaring the sections of the Resolution to be severable one from the other in the event any section of this Resolution is determined to be invalid; said**

properties to be identified to wit: Tract A-1 Marian Klabunde Neugebauer, Patsy Ann Klar and husband, Joe Klar, Mary Louise Klar and husband, Harold H. Klar, Ralph W. Neugebauer, Diana May Seeger, Carol Jean Neugebauer Rust, and Margie M. Neugebauer, being approximately .410 acre tract out of 256.1 acres out of the Guadalupe Herrera League Survey No. 192, Abstract No. 206 conveyed to conveyed to Marian Klabunde Neugebauer, Patsy Ann Klar, Joe Klar, Mary Louise Klar, Harold H. Klar, Ralph W. Neugebauer, Diana May Seeger, Carol Jean Neugebauer Rust, Margie M. Neugebauer in Volume 862, Page 246-248 of the Official Public Records of Comal County, Texas, attached as Exhibit "A"; Tract A-2 Margie Marie Neugebauer, f/k/a Margie M. Wildenstein, being approximately .413 acre portion out of a 3.19 acre tract out of the G. Herrera Survey No. 192, Abstract No. 206 conveyed to Margie M. Neugebauer in Volume 590, Page 396-397 of the Official Public Records of Comal County, Texas, and out of a 3.00 acre tract of land out of the G. Herrera Survey No. 192, Abstract 206 conveyed to Margie M. Neugebauer in Volume 607, Pages 792-793 of the Official Public Records of Comal County, Texas, attached as Exhibit "B"; Tract A-3A Marian Klabunde Neugebauer, Patsy Ann Klar and husband, Joe Klar, Mary Louise Klar and husband, Harold H. Klar, Ralph W. Neugebauer, Diana May Seeger, Carol Jean Neugebauer Rust, and Margie M. Neugebauer, being approximately .827 acre tract out of a 203.5 acre tract of land out of the G. Herrera Survey No. 192, Abstract 206, conveyed to Marian Klabunde Neugebauer, Patsy Ann Klar, Joe Klar, Mary Louise Klar, Harold H. Klar, Ralph W. Neugebauer, Diana May Seeger, Carol Jean

Neugebauer Rust, Margie M. Neugebauer in Deed of Gift Recorded in Volume 611, Pages 699-701 of the Official Public Records of Comal County, Texas, attached as Exhibit "C"; Tract A-3B Diana May Seeger, a single person, being approximately .336 acre tract out of portion out of 11.531 acres out of the G. Herrera Survey No. 192, Abstract No. 206, conveyed to Diana May Seeger in Document No. 9806028360 of the Official Public Records of Comal County, Texas, attached as Exhibit "D"; Tract A-4 Jim E. Riley and wife, Linda A. Riley, being approximately .345 acre of land being out of Lot One (1) and Two (2), BULVERDE ESTATES UNIT 1, Volume 2, Pages 95-99 of the Map and Plat Records of Comal County, Texas, and as described in Volume 775, Page 428 of the Official Public Records, Comal County, Texas, attached as Exhibit "E"; Tract A-5 Stanley A. Rydzak, being approximately .173 acre tract of land being out of Lot 3A, BULVERDE ESTATES UNIT 1, Volume 2, Page 95 of the Map and Plat Records, Comal County, Texas and being described in Volume 319, Page 728, Deed Records, Comal County, Texas, attached as Exhibit "F". GBRA is designing and constructing a treated water delivery system for the City of Bulverde under agreements between GBRA and the City of Bulverde. Proceedings in eminent domain are necessary to acquire certain properties for the Bulverde Retail Water Distribution System. Efforts to negotiate for the acquisition of these properties have been unsuccessful. Upon motion by Director Wilson, seconded by Director Gary, the Board unanimously approved a Resolution by the Board of Directors of Guadalupe-Blanco River Authority declaring a public necessity for and public purpose of the acquisition of certain privately owned real properties for the Bulverde Retail Water Distribution System; authorized all appropriate action by the

General Manager, staff, and retained attorneys and engineering and technical consultants in the institution and prosecution of condemnation proceedings to acquire any such needed fee estates and related rights of ingress and egress that cannot be acquired through negotiation; declared further negotiations futile; ratified and affirmed all acts and proceedings heretofore done or initiated by employees, agents, and attorneys of GBRA to acquire such property interests; authorized all other lawful action necessary and incidental to such acquisitions or eminent domain proceedings to survey, specify, define, and secure the necessary interests in real property; and declared the sections of the Resolution to be severable one from the other in the event any section of this Resolution is determined to be invalid. A copy of the Resolution is attached and made a part of these minutes.

Chair Schneider restated for the record that the GBRA Board is extremely sensitive to personal property rights and that the GBRA staff makes every effort to negotiate a settlement before requesting authorization to initiate condemnation proceedings.

The Chair then called for **Action Item 12 - Consideration of and possible action approving a Resolution by the Board of Directors of Guadalupe-Blanco River Authority declaring a public necessity for the acquisition, for a certain period of time (the "Term") ending at midnight on December 31, 2007 as defined in the Resolution, of undivided interests in certain water conveyance and storage facilities located in Comal County, Texas (the "Facilities") that are owned or controlled by Bexar Metropolitan Water District ("BexarMet"), a conservation district created in 1945 by act of the Texas Legislature under the authority of**

Article 16, Section 59 of the Texas Constitution, as such act has been amended, and all necessary rights to use such undivided interests for such Term; authorizing all appropriate action by the General Manager, staff and retained attorneys, and engineering and technical consultants, in the institution and prosecution of condemnation or other proceedings to acquire any such needed undivided interests in the Facilities and related rights that cannot be acquired through negotiation; declaring further negotiations futile; ratifying and affirming all acts and proceedings heretofore done or initiated by employees, agents and attorneys of GBRA to acquire such property interests; authorizing all other lawful action incidental to such acquisitions whether by purchase, lease, eminent domain proceedings, or other proceedings; and declaring the sections of the Resolution to be severable one from the other in the event any section of the Resolution is determined to be invalid. By that certain Lease Agreement made and entered into as of August 31, 2005, by and between BexarMet and GBRA, BexarMet currently is leasing to GBRA undivided interests in the capacities of the Facilities and related rights to use such undivided interests. The Facilities, and the undivided interests therein and related rights to be acquired for the Term by condemnation or other proceedings (the "Property"), are defined in the narrative and in Exhibit "B" attached to the Resolution. Said Exhibit "B," including Attachments 1 and 2 thereto, is set forth in its entirety as follows:

Exhibit "B" to Resolution

Definitions:

"GPM" means gallons per minute.

“Facilities” means the Pipeline and the Storage Tank and related facilities.

“Pipeline” means that certain buried, 16-inch diameter, ductile iron pipeline located in Comal County, Texas, that is owned or controlled by BexarMet, beginning at Point A (in the River Crossing Subdivision) and ending at Point B (in the Bulverde Hills Subdivision) and being approximately 30,000 feet in length, identified on Attachment 1 and Attachment 2 to this Exhibit “B”, together with all related facilities.

“Point of Delivery” means each point on the Pipeline identified as a Point of Delivery on Attachment 1, and any other point on the Pipeline that may be determined by GBRA to be a Point of Delivery.

“Point of Introduction” means each point on the Pipeline identified as a Point of Introduction on Attachment 1, and any other point on the Pipeline or the Storage Tank that may be determined by GBRA to be a Point of Introduction. The origin of the Pipeline (Point A identified on Attachment 1) is a Point of Introduction. The point at which stored water is released from the Storage Tank into the Pipeline also is a Point of Introduction.

“Property” means the following:

- (1) an undivided interest in the Pipeline equal to the Reserved Pipeline Capacity;**
- (2) an undivided interest in the Storage Tank equal to the Reserved Storage Capacity; and**
- (3) all necessary rights to use such undivided interests including, without limitation, the following:**
 - (a) the right to maintain and operate the Facilities, to the extent that BexarMet fails to do so;**
 - (b) the right to make a connection to the Pipeline at any Point of Delivery or Point of Introduction, of a size desired by GBRA;**
 - (c) the right to introduce or cause to be introduced treated water into the Pipeline at one or more Points of Introduction at a combined rate of introduction at any time up to the Rate of Conveyance, and to take water from the Pipeline at one or more Points of Delivery at a combined rate up to the combined rate of introduction at that time;**
 - (d) the further right to deliver or cause to be delivered treated water from the Pipeline to the Storage Tank for storage in the Reserved Storage Capacity at a rate desired up to the Rate of Conveyance, and to release or cause to be released the treated water so stored into the**

Pipeline at a rate desired by GBRA up to the Rate of Conveyance;

(e) the right to obtain the treated water to be introduced into the Pipeline from any one or more sources of treated water that may be available to GBRA, including GBRA's Western Canyon Regional Project, or the Canyon Lake Water Supply Corporation Water Treatment Plant that is currently providing treated water to the Pipeline, provided that all water introduced must meet all applicable standards for drinking water established under applicable state and federal law; and

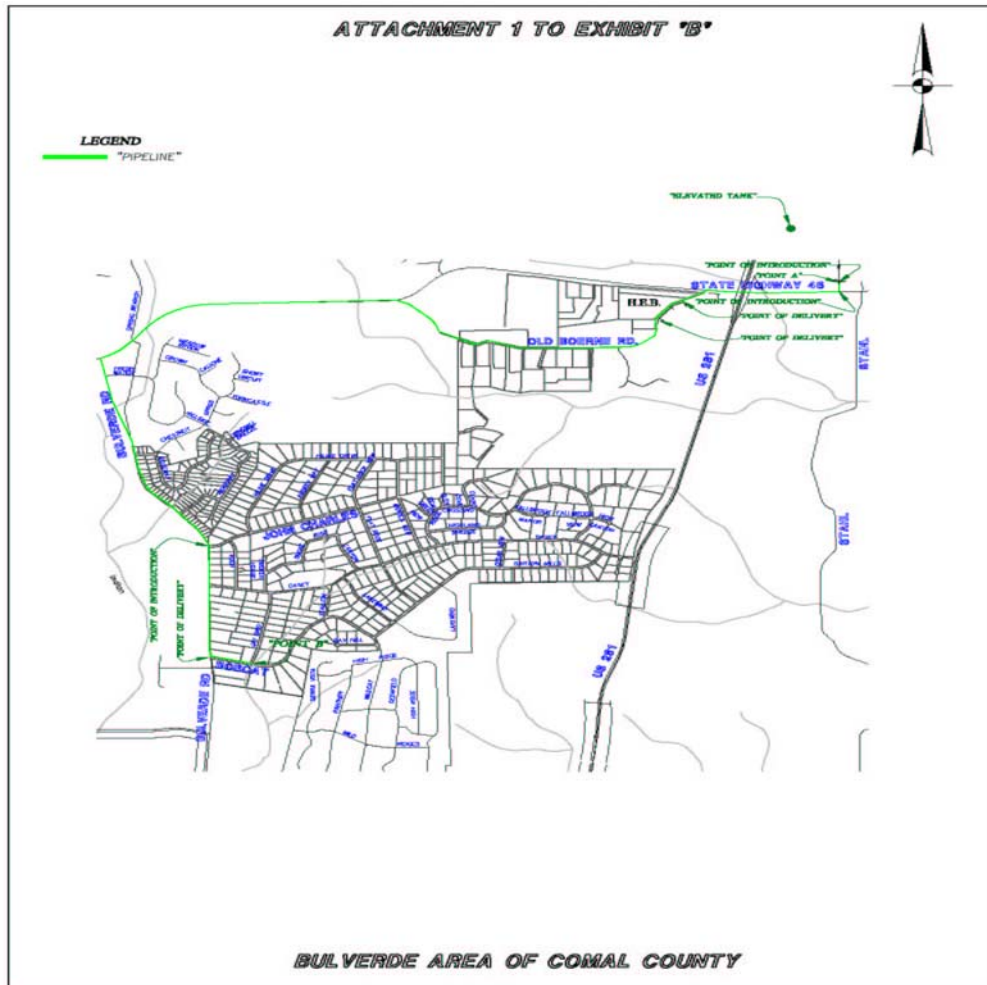
(f) the right to take samples of the water being introduced by BexarMet to the Pipeline at the origin of the Pipeline (Point A identified on Attachment 1), and the right to take samples of the water in the Pipeline or in the Storage Tank at any point at which such samples can be taken.

"Rate of Conveyance" means 120 GPM except in the event of a fire, during which it shall be the unused capacity of the Pipeline at that time but not to exceed 1,500 GPM.

"Reserved Pipeline Capacity" means 120 GPM (or 3.54 percent of the Pipeline's total capacity of 3,393 GPM) except in the event of a fire, during which it shall be the unused capacity of the Pipeline at that time but not to exceed 1,500 GPM.

"Reserved Storage Capacity" means 100,000 gallons, or 13.33 percent of the Storage Tank's total capacity of 750,000 gallons.

"Storage Tank" means that certain 750,000-gallon elevated storage tank located in the River Crossing Subdivision in Comal County, Texas, that is owned or controlled by BexarMet, identified on Attachment 1, together with all related facilities.



Attachment 2 to Exhibit "B"

As shown on Attachment 1, the Pipeline begins at Point A at a meter vault on the northwest corner of Highway 46 and Stahl Road in Comal County, proceeding west along the north side of Highway 46 right of way, crossing Highway 281 to a point on the north side of Highway 46 and directly across from the intersection of Old Boerne Road and Highway 46; the line turns south crossing Highway 46 and is located in the east right of way of Old Boerne Road; approximately 200 feet south of the intersection of Old Boerne Road and Highway 46, the line turns to the west crossing Old Boerne Road to the west right of way; the line then turns at 90 degrees to the south and continues along the north and west Old Boerne Road right of way as the road meanders westward; at the western most intersection of Old Boerne Road and Highway 46, the line turns west crossing Old Boerne Road onto the south right of way of Highway 46 and continues to Bulverde Road; at Bulverde Road, the line turns south along the east right of way of Bulverde Road until it intersects with Bobcat Road, at which point the line

turns east onto the south right of way of Bobcat Road, and continues until it ends at Point B.

There was no discussion or action on Action Item 12 at this time.

The Chair then called for **Action Item 13 - Consideration of and possible action approving an Agreement between Canyon Lake Water Supply Corporation and Guadalupe-Blanco River Authority.** General Manager West briefed the Board on the Agreement with Canyon Lake Water Supply Corporation. Upon motion by Director Gary, seconded by Director Grier, the Board unanimously approved an Agreement between Canyon Lake Water Supply Corporation and GBRA. A copy of the Agreement is attached and made a part of these minutes.

The Chair called for **Discussion Item 14 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** The reports were discussed along with a graphic showing current and anticipated use of Canyon Reservoir by Canyon Lake Water Supply Corporation, Western Canyon, other users, and evaporation.

Next, the Chair called for **Discussion Item 15 - Discussion regarding a tract of approximately 735 acres in the Guadalupe River Delta.** Todd Votteler and John Huffman with the U. S. Fish and Wildlife Service briefed the Board on a GBRA property in the Guadalupe River Delta. A Coastal Wetlands Planning, Protection and Restoration Act (CWPPRA) grant application is being prepared by the Guadalupe-Blanco River Trust to finance the fee title acquisition of the property. Additional grants are also being pursued. The Trust would purchase the land and place a conservation easement on the property. Afterwards, several options for the future management of the property will be

evaluated, including a potential agreement with the Texas Parks and Wildlife Department for conservation and recreational purposes. GBRA is determining what portion of the property will need to be retained for operational purposes.

The Chair then called for **Discussion Item 16 - Discussion regarding GBRA's "Our Day to Shine" and "Relay for Life"**. The Board was given a presentation on GBRA's 6th Annual "Our Day to Shine" project which was held in Seguin at the Seguin Activity Center. This is the only activity center located in the Seguin area and provides a place for children to participate in many sports. Approximately 60-65 GBRA employees and their family participated in the project. A presentation was also made to the Board on the American Cancer Society's Relay for Life walk held April 28, 2006, at the Navarro Independent School District facilities in Seguin and at Memorial High School facilities in Victoria. Approximately 65 GBRA employees and their families participated in the event.

Presentation of the GBRA scholarship recipients were given to June Angela Prout graduate from Goliad High School; Sara Darlene Basham graduate from Yoakum High School; Leigh Ann Brown graduate from Navarro High School; Marisol Leos graduate from Seguin High School; Jian Qing Liu graduate from San Marcos High School; Stephen Dale Cade graduate from Comfort High School; and Rebekah Erin Medford graduate from Canyon High School.

The Chair called for **Items from the General Manager 17 - Discussion regarding water planning and water resource issues**. No discussion was had.

Next, the Chair called for **Items from the General Manager 18 - Discussion regarding the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe River Coalition.** No discussion was had.

The Chair then called for **Items from the General Manager 19 - Discussion regarding the Guadalupe-Blanco River Trust.** No discussion was had.

The Chairman recessed the open meeting at 12:00 p.m. The Chairman closed the open meeting and convened the meeting in Executive Session at 12:20 p.m. The meeting reconvened in open session at 2:14 p.m.

The Chair called for **Action Item 12 - Consideration of and possible action approving a Resolution by the Board of Directors of Guadalupe-Blanco River Authority declaring a public necessity for the acquisition, for a certain period of time (the "Term") ending at midnight on December 31, 2007 as defined in the Resolution, of undivided interests in certain water conveyance and storage facilities located in Comal County, Texas (the "Facilities") that are owned or controlled by Bexar Metropolitan Water District ("BexarMet"), a conservation district created in 1945 by act of the Texas Legislature under the authority of Article 16, Section 59 of the Texas Constitution, as such act has been amended, and all necessary rights to use such undivided interests for such Term; authorizing all appropriate action by the General Manager, staff and retained attorneys, and engineering and technical consultants, in the institution and prosecution of condemnation or other proceedings to acquire any such needed undivided interests in the Facilities and related rights that cannot be acquired through negotiation; declaring further negotiations futile; ratifying and affirming**

all acts and proceedings heretofore done or initiated by employees, agents and attorneys of GBRA to acquire such property interests; authorizing all other lawful action incidental to such acquisitions whether by purchase, lease, eminent domain proceedings, or other proceedings; and declaring the sections of the Resolution to be severable one from the other in the event any section of the Resolution is determined to be invalid. By that certain Lease Agreement made and entered into as of August 31, 2005, by and between BexarMet and GBRA, BexarMet currently is leasing to GBRA undivided interests in the capacities of the Facilities and related rights to use such undivided interests. The Facilities, and the undivided interests therein and related rights to be acquired for the Term by condemnation or other proceedings (the "Property"), are defined in the narrative and in Exhibit "B" attached to the Resolution. Said Exhibit "B," including Attachments 1 and 2 thereto, is set forth in its entirety as follows:

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"Point of Delivery" means each point on the Pipeline identified as a Point of Delivery on Attachment 1, and any other point on the Pipeline that may be determined by GBRA to be a Point of Delivery.

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be a Point of Introduction. The origin of the Pipeline (Point A identified on Attachment 1) is a Point of Introduction. The point at which stored water is released from the Storage Tank into the Pipeline also is a Point of Introduction.

“Property” means the following:

- (1) an undivided interest in the Pipeline equal to the Reserved Pipeline Capacity;
- (2) an undivided interest in the Storage Tank equal to the Reserved Storage Capacity; and
- (3) all necessary rights to use such undivided interests including, without limitation, the following:
 - (a) the right to maintain and operate the Facilities, to the extent that BexarMet fails to do so;
 - (b) the right to make a connection to the Pipeline at any Point of Delivery or Point of Introduction, of a size desired by GBRA;
 - (c) the right to introduce or cause to be introduced treated water into the Pipeline at one or more Points of Introduction at a combined rate of introduction at any time up to the Rate of Conveyance, and to take water from the Pipeline at one or more Points of Delivery at a combined rate up to the combined rate of introduction at that time;
 - (d) the further right to deliver or cause to be delivered treated water from the Pipeline to the Storage Tank for storage in the Reserved Storage Capacity at a rate desired up to the Rate of Conveyance, and to release or cause to be released the treated water so stored into the Pipeline at a rate desired by GBRA up to the Rate of Conveyance;
 - (e) the right to obtain the treated water to be introduced into the Pipeline from any one or more sources of treated water that may be available to GBRA, including GBRA’s Western Canyon Regional Project, or the Canyon Lake Water Supply Corporation Water Treatment Plant that is currently providing treated water to the Pipeline, provided that all water introduced must meet all applicable standards for drinking water established under applicable state and federal law; and
 - (f) the right to take samples of the water being introduced by BexarMet to the Pipeline at the origin of the Pipeline (Point A identified on Attachment 1), and the right to take samples of the water in the Pipeline or

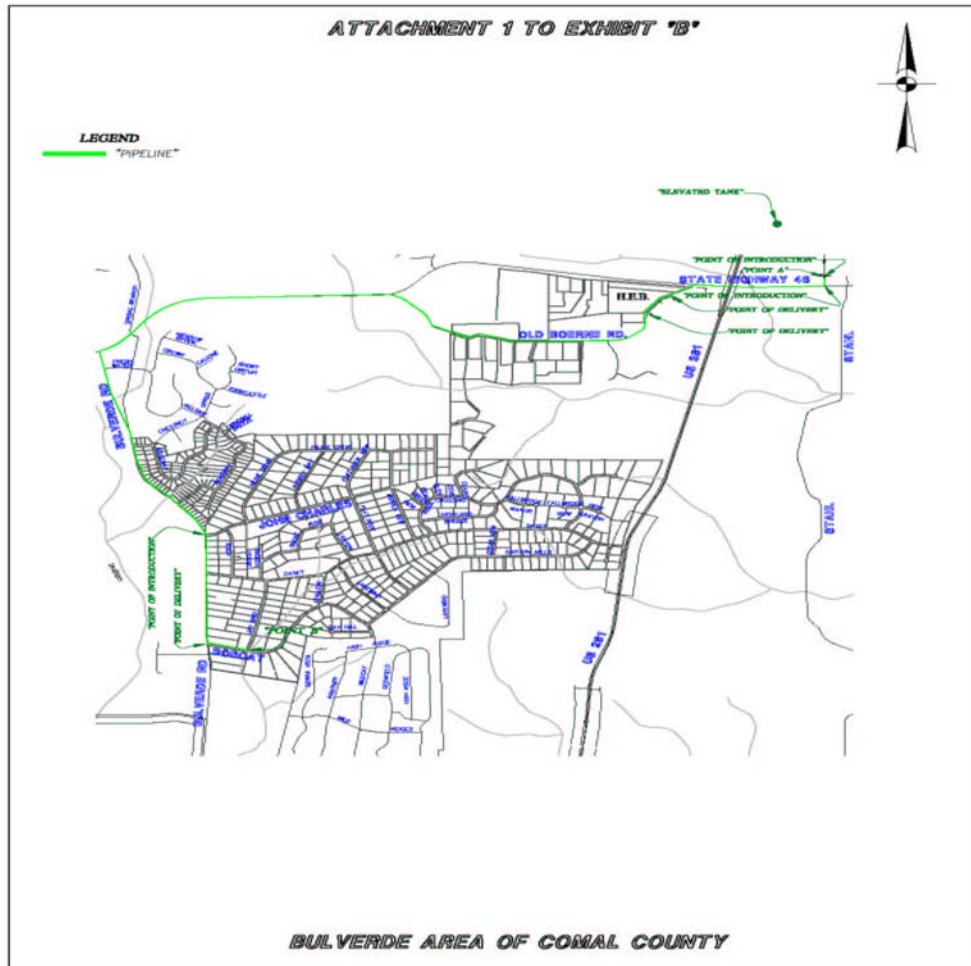
in the Storage Tank at any point at which such samples can be taken.

“Rate of Conveyance” means 120 GPM except in the event of a fire, during which it shall be the unused capacity of the Pipeline at that time but not to exceed 1,500 GPM.

“Reserved Pipeline Capacity” means 120 GPM (or 3.54 percent of the Pipeline’s total capacity of 3,393 GPM) except in the event of a fire, during which it shall be the unused capacity of the Pipeline at that time but not to exceed 1,500 GPM.

“Reserved Storage Capacity” means 100,000 gallons, or 13.33 percent of the Storage Tank’s total capacity of 750,000 gallons.

“Storage Tank” means that certain 750,000-gallon elevated storage tank located in the River Crossing Subdivision in Comal County, Texas, that is owned or controlled by BexarMet, identified on Attachment 1, together with all related facilities.



Attachment 2 to Exhibit "B"

As shown on Attachment 1, the Pipeline begins at Point A at a meter vault on the northwest corner of Highway 46 and Stahl Road in Comal County, proceeding west along the north side of Highway 46 right of way, crossing Highway 281 to a point on the north side of Highway 46 and directly across from the intersection of Old Boerne Road and Highway 46; the line turns south crossing Highway 46 and is located in the east right of way of Old Boerne Road; approximately 200 feet south of the intersection of Old Boerne Road and Highway 46, the line turns to the west crossing Old Boerne Road to the west right of way; the line then turns at 90 degrees to the south and continues along the north and west Old Boerne Road right of way as the road meanders westward; at the western most intersection of Old Boerne Road and Highway 46, the line turns west crossing Old Boerne Road onto the south right of way of Highway 46 and continues to Bulverde Road; at Bulverde Road, the line turns south along the east right of way of Bulverde Road until it intersects with Bobcat Road, at which point the line turns east onto the south right of way of Bobcat Road, and continues until it ends at Point B.

GBRA is constructing a treated water delivery system for the City of Bulverde under agreements between GBRA and the City of Bulverde. GBRA entered into a lease agreement with Bexar Metropolitan Water District, a conservation district created in 1945 by act of the Texas Legislature under the authority of Article 16, Section 59 of the Texas Constitution ("BexarMet") to lease unused capacity in a treated water pipeline and storage tank located in Comal County that are owned or controlled and operated by BexarMet, and make connections to the line so that GBRA could provide treated water service to GBRA's customers in Comal County needing water service prior to completion of the Bulverde Treated Water Delivery System. Under the lease agreement with BexarMet, GBRA's right to use the capacity will expire on or about June 30, 2006. GBRA made a significant effort to reach agreement with BexarMet for the purchase by GBRA of the water line and storage tank, but those efforts were not successful. GBRA also has made numerous requests to BexarMet to agree to an extension of the lease

agreement, the last being by letter dated April 28, 2006. BexarMet has not agreed to any extension. Eminent domain or other proceedings are necessary to acquire, for a certain period of time ending at midnight on December 31, 2007, undivided interests in a certain BexarMet water pipeline and storage tank and related rights. Efforts to negotiate have been unsuccessful. Upon motion by Director Gary, seconded by Director Wilson, the Board unanimously approve a Resolution by the Board of Directors of Guadalupe-Blanco River Authority declaring a public necessity for the acquisition, for a certain period of time (the "Term") ending at midnight on December 31, 2007 as defined in the Resolution, of undivided interests in certain water conveyance and storage facilities located in Comal County, Texas (the "Facilities") that are owned or controlled by Bexar Metropolitan Water District ("BexarMet"), a conservation district created in 1945 by act of the Texas Legislature under the authority of Article 16, Section 59 of the Texas Constitution, as such act has been amended, and all necessary rights to use such undivided interests for such Term; authorized all appropriate action by the General Manager, staff and retained attorneys, and engineering and technical consultants, in the institution and prosecution of condemnation or other proceedings to acquire any such needed undivided interests in the Facilities and related rights that cannot be acquired through negotiation; declared further negotiations futile; ratified and affirmed all acts and proceedings heretofore done or initiated by employees, agents and attorneys of GBRA to acquire such property interests; and authorized all other lawful action incidental to such acquisitions whether by purchase, lease, eminent domain proceedings, or other proceedings; and declared the sections of the Resolution to be

severable one from the other in the event any section of the Resolution is determined to be invalid. A copy of the Resolution is attached and made a part of these minutes.

Chair Schneider restated for the record that the GBRA Board is extremely sensitive to personal property rights and that the GBRA staff makes every effort to negotiate a settlement before requesting authorization to initiate condemnation proceedings.

There being no further business to be brought before the Board, the meeting was adjourned subject to call by the Chair.

Chair

Secretary