

May 19, 2008

SENT VIA EMAIL

Mr. Robert Hardcastle
Brooke Utilities, Inc.
P.O. Box 82218
Bakersfield, CA 93380-2218

Re: Pine Water Company Letter of May 14, 2008

Dear Mr. Hardcastle:

In response to your letter dated May 14, 2008, Pine-Strawberry Water Improvement District (PSWID) cannot respond your request at this time. On April 11, 2008 and again on April 14, 2008, the Board sent Pine Water Company (PWCo) letters indicating that the District would not proceed with any actions concerning the retention of a well driller to proceed with the project until PWCo demonstrates compliance with Title 34, Chapters 2 and 3 of the Arizona Revised Statutes as required of PWCo in the Escrow Instructions. As stated in the April 11th letter, the Board must insist on compliance with this clause in the Escrow Instructions because of the large quantity of public dollars that are being committed by the District and the District's responsibility to protect its taxpayers. To date, no demonstration of compliance or explanation of why PWCo has failed to comply has been received. Additionally, PWCo is now woefully behind the last approved project schedule and was already well behind that schedule before the current Board ever took office on March 27, 2008. This Board has received no explanation of why PWCo has failed to meet its timeline for the project nor has it been advised of any appreciable effort on the part of PWCo to get the project back on schedule.

Until these issues are adequately addressed to the Board's satisfaction, it cannot respond to your demands for any written assurances concerning the Joint Well Development Agreement.

Sincerely yours,



William F. Haney, P.E.
Board Chairman, PSWID

cc: PSWID Board Members
John Gliege