

Hello Neighbor,

At this special meeting the board announced a verbal agreement with Brooke to purchase the water companies.

July 30, 2009 PSWID Meeting

Next regular PSWID Meeting: Thursday August 20, 2009 7:00 PM at the Pine Cultural Center

1. Board Announces Verbal Agreement with Brooke to Acquire Water Systems

- Purchase price of \$3.5 million with the closing on September 22nd.
- Agreement will settle all issues between the District and Brooke
- 161 acre-feet of CAP water allocation is not included in the price. Brooke will return it to the government agency for a refund and then the government agency will transfer it to the District for an unannounced cost.
- A written agreement needs to be prepared over the next couple of weeks.
- The loan commitment has been renegotiated and extended. According to the Payson Roundup article the interest rate has gone from 4.0% to 4.75%. The clause requiring the purchase of the Milk Ranch well has been changed to specifying acquisition of additional water sources.
- Mr. Haney is still maintaining that there will not be a need for a rate increase
- The Payson Roundup article can be viewed here:
http://www.paysonroundup.com/news/2009/jul/31/done_deal/
- Comment: Kudos to the board for setting aside their animosity towards Brooke and negotiating a deal. It is a reasonable price for the water systems. It has the benefit that the condemnation spending will probably end up in the \$550,000 to \$600,000 range, rather than being much higher. It takes away the threat of future legal liabilities for the breach of the K2 agreement and the sanctions for the failure of the immediate possession.
- Comment: The board still has to deliver the money before this is completed. With the loan agreement apparently renegotiated, it isn't known what the conditions are and how difficult they may be to meet.
- Comment: The board is about to commit us to a large amount of debt to purchase a water system that there is no turning back from. I think the community deserves to know the terms of that debt and how the money will be spent before the commitment is made. We also need to know what the cost to us is going to be. The rate analysis that they use to justify "no rate increase" claim is incorrect, but even if you put aside those errors, the rate analysis was for \$2 million less than they are borrowing and at a lower interest rate than the loan that they are getting. The board needs to explain how their no rate increase claim is supported under those conditions. It is the money from our pockets that have been and will be paying for all of this, we deserve to know the details before the board obligates us to pay.
- Comment: It wasn't said how the issues related to Mr. Gary Rogers' well, and the similar claims made by two other gentlemen will be addressed. I asked Mr. Rogers a couple of weeks ago if he was being included in any of the discussions

and he said no. This issue was allegedly so important that it scuttled the immediate possession, yet now it doesn't seem to be of concern.

2. Gila County Water Meeting

- Comment: There has been a lot of noise generated over the July 21st Gila County meeting. Mostly about who was and wasn't invited to speak and whether it was appropriate to have the meeting at all. As seems to be typical to this whole topic, people seem to want to distract from the content by complaining about the form it was presented in. Since it was a County meeting, we focused our presentation on issues related to the County, the active interference by Gila County with regard to the recall and the K2 agreement and the need for the County to provide some adult supervision for the PSWID board. Those are our concerns and are separate from any Brooke-PSWID clash. Mr. Pugel triggered the meeting by requesting a private meeting with the Board of Supervisors. He is clearly a citizen representative of one side of the discussion and we are the citizen representatives for the other side. Unfortunately, Mr. Pugel didn't feel inclined to share the information that he provided to the Supervisors in the public meeting, but both sides of the citizen debate were provided time to air their views.
- Comment: Mr. Pugel complains about Chairwoman Dawson being disruptive of local issues, but he didn't complain when Supervisor Martin paid for Mr. Jones to help him disrupt the efforts of the prior board and have them recalled.
- Comment: Mr. Pugel pulls a line out of an email that I sent to the three supervisors and uses it out of context. The "you" in the email are the Board of Supervisors. The text of the entire email is:

"I would like to thank you for the opportunity to present our concerns to you about the Pine-Strawberry water issues. I hope that it provided you with the information that you were looking for. Given the timeframe and the breadth of the issues, we were able to only provide an overview of the problems that our community is facing in relation to water. I would be happy to answer any follow-on questions that you may have. I am also willing to sit down with you or your staff to provide an in-depth discussion of any area that you are interested in.

I have attached the court filing which contains the Compass Bank commitment letter and term sheet which Supervisor Dawson was interested in. The clause requiring the purchase of the Milk Ranch well is at the top of page 16. There are portions that have been blacked out. Most of the information that is blacked out has become known over the last several months. My most recent PSWID email includes that information, so you can refer to that as well."

- Chairwoman Dawson's letter to the Payson Roundup can be read here: http://www.paysonroundup.com/news/2009/jul/28/supervisor_wants_transparency_not_takeover/
- Mr. Pugel's rebuttal can be read here: http://www.paysonroundup.com/news/2009/jul/28/businessman_blames_supervisor_meeting/

This email is from the group Water For Pine Strawberry. We will be sending out an email after each of the PSWID meetings with a summary of what the board did, additional facts that are relevant to what went on, and some commentary. Please forward this email to friends and neighbors that are interested in the local water issues. If you would like to be added to or removed from the list for these emails, please reply to

WaterForPineStrawberry@hotmail.com. Emails on earlier meetings are available on our website: www.WaterForPineStrawberry.com .

Water For Pine Strawberry is a group of residents who are concerned about the communities water issues and how they can best be resolved. Visit our web site, www.WaterForPineStrawberry.com, for more information. The website for PSWID is www.pswid.org .

Clarifications can be submitted by anyone who is explicitly named, implicitly identifiable, or a board member to items in this email. Clarifications will be posted on our website. We reserve the right to post a response. Clarifications must deal with the topics discussed in the email that relate to the individual or the board. They must be in family friendly language and be non-abusive. When the clarification is accepted, it will be posted to the website and notice of that posting will be added to the next email.