

# **PSWID NEWSLETTER**

## **FALL 2008**

Following the results of the recall election in March of this year, the new PSWID Board members held their first meeting on March 27, 2008. During the last six months the new Board has been meeting on average twice per month to accomplish the goals mandated by a majority of Pine-Strawberry residents.

To accommodate public input and information, the new Board voted unanimously to suspend strict interpretation of Robert's Rules to allow a more open meeting format, and pledged to give everyone a chance to provide input at meetings. Election of officers resulted in Bill Haney as Chairman, Terry Schleizer as Vice Chairman, Richard Dickinson as Secretary, and Mike Greer as Treasurer.

John Gliege was retained as counsel based on his experience and knowledge of local water issues. The Board felt that overall this was the best decision, allowing them to immediately move forward with PSWID business minimizing time and expense to educate new counsel. In June, Tom Weeks was appointed to fill the seat vacated by Barbara Hall's resignation.

Progress on the K-2 Well has been delayed as the Board awaits a new implementation schedule and documents demonstrating compliance with the contract from Brooke Utilities.

The Board proceeded with the steps necessary to acquire the assets of Pine Water Company (PWCo) and Strawberry Water Company (SWCo). PSWID Chair and Vice-Chair, Bill Haney and Terry Schleizer met initially with Mr. Hardcastle, Brooke Utilities, on April 30, 2008 to explore acquisition opportunity and an acquisition proposal was provided to Mr. Hardcastle. However the meeting was not productive.

The Board has hired a team of experts to assist in the acquisition of PWCo. and SWCo.

- The firm Coe and Van Loo, L.L.C. (CVL) was hired to perform the appraisal of the water systems
- Stone and Youngberg, an Investment Banking Firm has been hired to assist in structuring and obtaining the most cost effective financing
- The Board is currently in the process of hiring an Interim General Manager to complete development of the business plan, assist in preliminary structuring, and prepare for day to day operations.

A formal offer to acquire the water systems was prepared based on appraisal information from CVL, and presented to Mr. Hardcastle the first week of July in an effort to initiate "good faith" negotiations. Unfortunately, the offer was dismissed by Mr. Hardcastle, an indication that negotiations could potentially result in a condemnation

process. As per Arizona Revised Statutes, if acquisition of the water systems involves condemnation, a valuation of the "business as a going concern" in addition to the appraisal of physical assets is required. The PSWID Board again requested an opportunity to appraise the assets of PWCo and SWCo on August 15. Finally on September 8, 2008, Victor Khoury of CVL was allowed access to water system assets for a more complete appraisal. Mr. Khoury felt that there was less than full cooperation on the part of Brooke Utilities employees who met with him. He provided a list of pumps and well sites he wanted to appraise, and he was informed that they would follow him to each site, but not show him exact locations. He was informed he could not take pictures, ask questions, or perform field testing. Any additional information needed was to be requested from Brooke Utilities corporate offices. The PSWID Board is in the final stages of preparing another offer to acquire the water systems to be presented soon.

The Arizona Corporation Commission recently met to address the issue of PWCo encumbrance related to the lien for the K-2 Well. The ACC voted to delay a decision until December 16, 2008 allowing the PSWID Board and Brooke Utilities time to officially enter into good faith negotiations for acquisition of the water systems. The ACC's goal is to have a new water source for Pine-Strawberry by next summer. There was no guarantee from Brooke Utilities that the K-2 Well could be successfully finished in that time frame or that it would be producing sufficient water.