

STATEMENT FOR PSWID BOARD AT ITS MEETING ON
AUGUST 21, 2010

11 days ago I met with you and we looked at the contract for the sale of the SH3 well to your district. Our attorneys sat down and worked out the exact language that was to be put in the final draft we could sign. Then we made an agreement.

Since that time, my attorneys made all the changes we agreed on at the meeting. Your attorney's job at this point is just to make sure those changes were made. We were all in this room together and we all agreed on what those changes were.

Now your attorney wants to renegotiate the deal. He will not stop asking for more changes to the contract. Not just minor cleanup, but substantive changes that go to the basics of the deal for me.

We agreed when we started down this road that if I spent money to prove up the well and you did not buy it, you would reimburse me for those costs. Your attorney is, again and again, not just trying to nitpick the details of that promise to reimburse me but to completely take it out of the contract. If there are clean-ups that appropriately should be made and do not change the deal, then show them to us and we'll make them. To just strike real benefits to me is unacceptable. Reimbursing me for those costs – which will happen ONLY if you do not buy the well – is no different than you spending money directly on the Milk Ranch well to evaluate its potential. The very first contract we provided Mr. Davis and all subsequent revisions have the reimbursement provision. Mr. Davis never raised it as an issue until after we made the agreement.

Your attorney keeps harping on the participation of SHDWID. The contract we all looked at and agreed on has SH3 LLC sell its well to PSWID. AT THE CLOSING, SHDWID and

PSWID will both sign the Deed in order to agree to covenants to provide water to each other as needed. Your attorney keeps getting confused about the role of SHDWID and when it has to act. He now insists that if SHDWID for some crazy reason does not agree to the deal within 14 days, the contract is void and the deal is off. This is lunacy. It is unacceptable. I cannot imagine SHDWID not agreeing to the Deed covenants when it has its next board meeting in due course.

Your attorney has gone so far as to tell my attorneys that the deal we all agreed to just 11 days ago is off, and now everything is open to negotiation again. I have the email right here. He claims that because my attorneys missed one change to the Deed covenants in their first revised draft after we met, (which, by the way, they fixed as soon as he pointed it out), we no longer have a deal and everything is open to negotiation. If that's the case, then the price is open to negotiation again. I was willing to agree to a substantial reduction in the price of the well in order to get this

deal done without a lot more hassle. If your attorney is going to keep forcing me to spend money responding to all his demands, then I will have to take a fresh look at the price. I don't want to do that. I want to stick by the deal we made and I am prepared to sign it here and now.

I have not noticed that you have had any board meetings in the last 11 days to decide that the deal is off. So I don't know by what authority your attorney can tell us that the deal is off.

If PSWID wants this well, and I understand and believe that it does, then it is time to sign the contract and do what it takes to get this transaction closed. Thank you.