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From: Eastsound Water <president@eastsoundwater.org>

Date: 8/27/24 3:59 PM (GMT-08:00)

To: board@eastsoundwater.org

Subject: Letter from Your President #6



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From the Desk of Joe Cohen
Former President and Treasurer, EWUA



Good-morning to the good people of the EWUA.

The following is my record of two conversations I had with Steve Smith in 2021, during his term as President.

Conversation #1

Steve and I were taking a hike around Mountain Lake one day and he posed a question as follows.

Steve said, “May I ask your opinion on something?” I replied, “Yes, of course.”

Steve then proceeded to tell me that he wished to propose a plan to take EWUA “private.” What did I think?

I responded in disbelief by asking, “Why would the members want to do that? What benefit accrues to them?”

Steve responded, “The Members won’t want to do it. But **I want to own a water company.**”

I told him it was a bad idea and that it would not gain traction with the membership.

Conversation #2

In October 2021, Steve called and said he had figured out how to fund a buyout of the EWUA. He described an Employee Stock Ownership Plan (ESOP) which would serve as a funding vehicle.

I had prior knowledge of the use of ESOPs with a client in San Diego. I told Smith that an ESOP would not work as EWUA did not have the “after expense cash flows” needed to finance a buyout. In short, it was not a valid tool. Moreover, I reiterated my thoughts that the idea of a member buyout was inappropriate for the members of the Association we served.

Teri Nigretto, Current President

Good morning to you all.

Like Scott Lancaster and the other current or former board members we have quoted here, Joe Cohen offers testimony that he too was independently approached by Steve Smith in pursuit of Mr. Smith’s vision of a very different ownership model at the EWUA.

And like Scott and the others, no sooner had Joe Cohen declined to support the for-profit conversion, he found himself abruptly targeted for recall.

In fact, **every director targeted for recall in RecallWater.com’s two divisive, politically motivated campaigns** – without exception – are individuals who stand in the way of **Smith** achieving his desire to, in his words, “**own a water system.**”

So here we are, on the doorstep of an election that promises to reduce your water utility's governance to ashes – no matter the outcome of the vote. It's a lose-lose proposition that at a minimum threatens the continuity and integrity of the entire organization and at a maximum could mean interruptions of service in households throughout Eastsound.

Make no mistake, the naked hostility emanating from RecallWater.com is **wearing thin on our once-loyal staff** – the people who bring you water.

It's ironic. If Smith wants to own or control a water system – and in America he has a right to do so – why does he have to trot out the negativity? Why does he not come forward to answer questions about his plans?

Instead, he mounts a relentless hostile takeover – so inappropriate for Orcas!

Let's take a moment to consider the emptiness of RecallWater.com's negative accusations to support the recall tactics.

- **"Corruption"** is a fraudulent or criminal act using entrusted authority for personal gain. Simply put, our volunteer board has gained absolutely nothing material from their service. Never have, never will.
- **"Missing money"** was a claim that grew out of Tenar Hall's inaccurate reading of financial statements. Acuity Forensics laid this to rest by noting that EWUA's balance sheet was fully accurate and showed not one dollar missing or unaccounted for.
- **"Malfeasance"** has become the cornerstone of RecallWater.com's campaign. But, for an action to qualify as malfeasance, there must be an intent to cause harm. The perpetrators of recall cannot show intent because there is no such intent.

It all begins to sound disturbingly familiar if one is tuned to national politics and the multi-pronged attacks on American democracy coming from the MAGA wing of the Republican party. RecallWater.com posts exhaustive on-line claims without evidence, files multiple and overlapping lawsuits – thus far a dismal failure for them – and endlessly repeats their not-so-subtle version of the Big Lie in local news outlets.

"It's his same old con," said Michelle Obama of Trump at the DNC, "doubling down on ugly ... lies as a substitute for real ideas and solutions that will actually make people's lives better."

But it was Minnesota's Governor and VP candidate Tim Waltz that inspired me to send this message to RecallWater.com: "Mind your own damn water system."

In all seriousness, friends and loyal EWUA members have every reason to fear the near-term future.

We are on the brink of something that literally threatens your water. Even losing the recall supporters on our board would be a loss for Eastsound.

We are supposed to be family. We expect our board to work together, to find ways to come to agreement for the benefit of all EWUA members.

Still worse, under the voting provisions in our current bylaws, it is mathematically possible for your entire board to be terminated, leaving no managerial authority, no check signing ability, no institutional memory, potentially no staff professionals to keep the water flowing – all in service of phony claims of "malfeasance."

I appeal to you for suggestions. What do you think we should do?

Is there a viable course of action to stave off the disaster we all see coming?

We need your vote, of course, but can we persuade these several voices to set aside the political nuclear weapons and get back to business?

I sincerely hope we can.

Teri Nigretto
Board President
Eastsound Water

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