

MINUTES OF TOWN COUNCIL MEETING
TOWN OF SNOWFLAKE
HELD 02/12/2013

1. CALL TO ORDER/ROLL CALL at 7:03 p.m.

Mayor Kelly Willis, Vice Mayor Jason Whiting, Tom Poscharsky, Bev Kay—excused, Stuart Hensley, Kerry Ballard, Chris Brimhall STAFF: Barbara Flake, Bob Hall, Paul Watson, Pat Hancock

2. PRAYER/PLEDGE Willis/Ballard

3. MAYOR'S PROCLAMATIONS & ANNOUNCEMENTS

Mayor welcomed a scout from Troop 706.

Willis announced that Tom Poscharsky was elected to serve on the Board of Directors of the Little Colorado River Resource, Conservation & Development. Willis said he is grateful for Poscharsky's contributions in the community and county.

4. CALL TO PUBLIC

No Comments

5. CONSENT AGENDA

A. Approval of Council meeting minutes dated 01/22/2013.

B. Approval of Invoice from Brown & Brown Law Offices PC dated 01/09/2013.

Motion made by Poscharsky, 2nd by Ballard, to approve the Consent Agenda Items A and B. Motion passed; unanimous

6. Executive session as allowed by A.R.S. §38-431.03(A)(3) and (4). Report from attorneys for the Town of Snowflake on legal actions taken and negotiations relating to the acquisition of The Apache Railway Company and consultation with said attorneys in obtaining legal advice regarding such acquisition.

Motion made by Ballard, 2nd by Brimhall, to move to Executive Session. Motion passed; unanimous

Watson requested that David Brown and Steve Brophy be invited to attend the Executive Session because of their involvement in negotiations.

Motion made by Willis, 2nd by Whiting, to return to Regular Session. Motion passed; unanimous

Bev Kay is in attendance.

7. Report from Town Manager and outside legal counsel for the Town of Snowflake concerning the status of The Apache Railway Company acquisition.

Watson said that when the Town was notified that Catalyst was closing, efforts were made to keep it from shutting down and then efforts were made to keep the railway from being scrapped along with the mill. He said motions were filed in bankruptcy court to

keep the railway from being sold as part of the mill assets and culminated with an auction. He said the auction was held in New York City with the Town and Aztec Land and Cattle working with one of the bidders, Hackman Capital that was willing to make the railway operational agreed if the bidder was successful they would remove the filed motions and claims--\$500,000 value was given to the acquisition process to remove what could be problems for the successful bidder. Hackman Capital was the successful bidder and was given until the end of December to put all the pieces together to close on the sale. An extension was given a couple of times in the process. Watson said the Town continued to work with Hackman Capital, Steve Brophy, and others to ensure the ongoing interest of the railway was preserved. The sale closed on January 30, 2013. Watson said as part of the closing Hackman Capital or an investor agreed to sell the assets and stock of the railway directly to a 3rd party and in exchange Hackman would get a note for their part of the purchase price which was approximately \$6 million. The 3rd party, Snowflake Community Foundation, has a year or less to put together their own financing to pay back the bridge financing provided by Hackman. Watson said the railway has a value of \$1 million as an operation and probably \$10 million as scrap. Watson said that it was not true that Catalyst was only accepting bids from rail operators. Watson said they will be talking to any who will listen to obtain monies to cover the debt. He said they plan to talk to the State of Arizona to obtain \$2 million to support continuing the rail to help with economic development in the area and also to the federal government for Railroad Rehabilitation & Improvement Financing (RRRF).

Mayor Willis thanked Watson for his input in this process. He said that Watson is very professional and served the Town well. He thanked Steve Brophy stating that he is an advocate for our community. He said David Brown has done much to help the Town in putting this together. He also thanked Bob Hall.

David Brown said “we” does not mean the Town. He said it means “Snowflake Community Foundation” which carries the debt and will make sure the rail is a successful enterprise making it possible for the foundation to go away. He thanked the Mayor, Council, and Paul Watson for their efforts. He said water, natural gas, power, and the railroad make a valuable package for coming years.

Steve Brophy said our future is Snowflake and what happens. He said working together taking chances and risking criticism we were able to come up with a reasonable possible solution. He said Hackman Capital contacted us because of an article in the Holbrook Tribune/Herald. He said understanding was advance by the County wanting to see this project succeed and the courage by the Mayor and Council. He said the Town Manager dealt with some of the most sophisticate international bankruptcy lawyers and other high powered individuals requiring a calm and professional manner. He said Watson was able to speak the right words in the right tone and at the right time.

8. COUNCIL MEMBER’S SUMMARY OF CURRENT EVENTS

Hensley thanked Pat Hancock and other volunteers for the Groundhog Breakfast. He said it was a great event for the community.

Kay congratulated the police and fire departments for the Groundhog Breakfast. She said the food was excellent. She said that the Town is fortunate to have Paul Watson as Manager.

10. ADJOURNMENT 8:14 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the Town of Snowflake Council meeting held February 12, 2013. I further certify that the meeting was duly called and a quorum was present.

Barbara Flake, Town Clerk