

**Eric Fryson**

**From:** Michele Parks [mparks@sfflaw.com]  
**Sent:** Wednesday, July 18, 2012 2:52 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Mark Cicchetti; Gene Brown  
**Subject:** {BULK} Docket No.: 110200-WU; Application for Increase in Water Rates in Franklin County, Florida by Water Management Services, Inc.

**Importance:** Low

**Attachments:** PSC Clerk 14 (Response to 7th Data Request).pdf

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- b. Docket No.: 110200-WU; Application for Increase in Water Rates in Franklin County, Florida by Water Management Services, Inc.
- c. Water Management Services, Inc.
- d. Letter Response (8 pages) and Exhibits (57 pages)

<![if !supportLists]>e. <![endif]>Response to "Staff's Seventh Data Request" submitted in response to Commissioner Brown's ruling on Staff's Motion to Compel

**MICHELE PARKS**

*Paralegal for Martin S. Friedman and Bridget M. Grimsley*

**SUNDSTROM,  
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DOCUMENT NUMBER-DATE

04795 JUL 18 2012

FPSC-COMMISSION CLERK



July 18, 2012

Ms. Ann Cole  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 110200-WU – In re: Application for increase in water rates in  
Franklin County by Water Management Services, Inc.  
Our File No. 46023.01

Dear Ms. Cole

Water Management Services, Inc. (“WMSI” or “Utility”) submits the following in  
response to what we call the Staff’s Seventh Data Request submitted in response to  
Commissioner Brown’s ruling on Staff’s Motion to Compel:

RESPONSE TO STAFF DATA REQUEST NO. 7

2. Cash Flow Audit. Please refer to page 4 of Mr. Brown’s testimony where he states his  
accountants performed a “cash flow audit” of all WMSI’s operations from the  
beginning of 2000 through end of 2010.
  - a. Please identify who (or which accounting firm) performed the cash flow audit  
and whether the auditor was a Certified Public Accountant (CPA).

RESPONSE: Bob Mitchell did the cash flow audit. He is an accountant  
employed by WMSI, but is not a CPA. He followed the advice of  
Barbara Withers, who is a CPA. Ms. Withers designed a format  
for the cash flow analysis that was used by Mr. Mitchell.

- b. Please identify whether there is a signed engagement letter between WMSI  
and the person/firm which performed the cash flow audit and describes the  
terms and scope of the cash flow audit.

RESPONSE: No.

DOCUMENT NUMBER-DATE

04795 JUL 18 02

- c. Please explain whether the cash flow audit referenced by Mr. Brown and attached to Exhibit A to Mr. Brown's testimony was: 1) a compilation of the cash flow documents provided by WMSI; 2) a review of the cash flow documents provided by WMSI; and 3) an audit of WMSI operations and cash flow within the meaning of the term "audit" as used by a CPA.

RESPONSE: (1) This was an internal audit by WMSI. There was no compilation, review or audit by any outside accountant or CPA. However, Jeanne Allen, the CPA who prepared WMSI's MFR's in this case, started to examine WMSI's cash flow analysis by tracing certain referenced numbers back to the annual reports to determine if WMSI's accountant had made any errors. However, because of WMSI's limited resources and the priority of preparing the MFR's, Ms. Allen was not able to perform any substantial procedures to validate the amounts shown on WMSI's cash flow analysis, and she has not expressed an opinion as to the accuracy of the numbers. If account 123 becomes an issue in this pending case, Ms. Allen will be asked to complete a review of the work done by Bob Mitchell so that she can express an opinion regarding the cash flow analysis prepared by WMSI.

- d. Please explain whether the auditor(s) who performed the cash flow audit provided a report describing the audit and whether it was qualified or not (i.e., had audit findings).

RESPONSE: No written report was provided, and it was not a "qualified" audit.

- f. Please describe whether WMSI has possession of the audit work papers which supports WMSI's cash flow audit.

RESPONSE: Yes.

3. Capital Resources. Please refer to page 5 of testimony provided by Mr. Brown where he states that he has liquidated personal resources and incurred substantial loans, personally endorsed by him, to keep the Utility in operation and provide water service to St. George Island. Please provide an itemized listing of all personal resources Mr. Brown has liquidated in order to keep the Utility in operation and provide water service to St. George Island.

RESPONSE: Gene Brown has liquidated many personal resources over the past 38 years to provide water service to St. George Island in order to cover the consistent cash flow deficits of WMSI and its predecessors. With limited time

and resources, WMSI cannot provide a detailed listing of every such personal resource. However, Exhibit "A" does contain a partial list of resources that Gene Brown has liquidated in recent years to keep the utility in operation and to provide water service to St. George Island. For purposes of this question, WMSI has included resources in the name of Brown Management Group, Inc. (BMG) because Gene Brown was the sole owner of that "sub-s" corporation at the time. Those BMG resources have been identified separately.

4. Capital Resources. Please refer to page 5 of testimony provided by Mr. Brown where he states that he has liquidated personal resources and incurred substantial loans, personally endorsed by him, to keep the Utility in operation and provide water service to St. George Island. For each of these loans, please provide:
- a. The amount of the loan proceeds;
  - b. What amount of proceeds were turned over to WMSI;
  - d. What entity the loan was from;
  - e. Terms of the loan (i.e. interest rate, term of loan, whether balloon payments are required, etc.);
  - f. Date the loan was entered into;
  - g. What assets are designated in the loan as collateral, if any;
  - h. Current status of the loan and current outstanding balance; and
  - i. Whether or not the loan has been refinanced.

RESPONSE: Over the past 38 years, Gene Brown has incurred many millions of dollars in loans, personally endorsed by him, to cover WMSI's cash flow deficits in order to provide water service to St. George Island. Most of those loans were also endorsed by other parties, including other family members. For example, the two major loans now owed by WMSI, with a total balance of approximately \$8 million, were also endorsed by Leisure Properties, Ltd., Leisure Development Services, Inc., St. George's Plantation, Inc., St. George Island Utility Company, Ltd., Land in Florida, Inc., Marilyn B. Brown, individually, Marilyn B. Brown as Trustee of the Brown Family Trust, and

Barbara Withers as Trustee of the Brown Children's Trust. Some of those loans were made to WMSI and its predecessors, and some were made to Gene Brown individually or to an affiliate, such as Brown Management Group. With limited time and resources, it is not possible to provide all the details over all those years as contemplated by this question. However, the attached Exhibit "B" does contain a list of some of the more recent loans, with as much detail as can be provided within the time allowed. These include loans made to Brown Management Group, a sub-s corporation personally owned at the time by Gene Brown. Substantial proceeds from these personal and BMG loans have been used for the benefit of WMSI, as shown by Exhibits "B-1," "B-2," and "B-3" attached. Attached as Exhibit "B-1" is a list of \$1,670,448 in cash advances to WMSI from Gene Brown/BMG during the '04-'10 time frame, together with a list of Gene Brown/BMG loan payments which benefited WMSI. Attached as Exhibit "B-2" is a list of \$1,264,130 of advances with the non-loan Gene Brown/BMG resources netted out. Attached as Exhibit "B-3" is a list in the amount of \$1,260,191 of payments by Gene Brown/BMG for utility related expenses between 2000 and 2010. Attached as Exhibit "B-4" is a copy of pp. 12-15 of WMSI's response to the staff audit in this case which responds to the updated cash flow analysis by the PSC staff auditor. This provides a further explanation as to the Gene Brown/BMG funds that were used to subsidize the utility operations.

5. Account 123. Please refer to page 7 of testimony provided by Mr. Brown where he asserts that "[t]he value of the 100% ownership of "Brown Management Group, Inc. is in excess of the balance in Account 123. This was documented as part of the PSC audit of Account 123."

b. On what date was the value of the 100% ownership of Brown Management Group, Inc. Transferred to WMSI?

RESPONSE: January 3, 2011.

e. Please provide a detailed listing of all debt owed by Brown Management Group, Inc. at the time it was transferred to WMSI, as well as the terms of the debt and the outstanding balance of the debt.

RESPONSE: See Exhibit "C" attached.

- f. Please provide a detailed listing of all debt dissolved, all new debt entered into, and all debt that has been refinanced by Brown Management Group, Inc. from the time of the transfer to WMSI to date.

RESPONSE: See Exhibit "D" attached. This exhibit is through 12/31/11. Since then, BMG has refinanced the Citizens Bank \$150,000 loan and several of the FMB loans, but there has been no overall substantial change in the balance sheet of BMG.

6. Account 123. Please refer to page 7 of testimony provided by Mr. Brown where he asserts that "[a] large part of cash for the utility came from the sale of assets owned by Brown Management Group, Inc. during the period addressed in Mr. Brown's statement. For each sale, please provide the following information:

- a. The original cost of the asset;
- c. The amount of debt owed on the asset at the time of liquidation;
- d. The amount received in the sale of the asset (please break the amount out between cash receipts, dissolution of debt, other form of payment, etc.);
- e. The amount of gain (loss) realized at the time of sale;
- f. The date of sale; and
- g. Identification of who or what entity the asset was sold to or transferred.

RESPONSE: The answer to this question is included in Exhibit "A" in response to No. 3 above. Brown Management Group was a sub-s corporation owned 100% by Gene Brown. It was not a separate taxable entity and all the revenue and expenses flowed through to Gene Brown as the sole owner.

7. Account 123. Regarding the value of the 100% ownership of Brown Management Group, Inc. transferred to WMSI for the value of the balance of Account 123, please explain or describe:

- a. Please identify the documents associated with the transfer of 100% ownership of Brown Management Group, Inc. to WMSI.

RESPONSE: Minutes of a joint meeting of the Board of Directors and Water Management Services, Inc. and Brown Management Group, Inc., Stock Certificate No. 2 and documentation filed with IRS as shown by Composite Exhibit "E."

- b. Please identify who approved the transfer of 100% ownership of Brown Management Group, Inc. to WMSI.

RESPONSE: Gene Brown

- f. Whether any independent audit, appraisal, and/or valuation of the assets of Brown Management Group, Inc. transferred to WMSI took place before or after the transfer, and if so, describe how and when that audit, appraisal, and/or valuation took place and by whom was it performed, and whether a report was attached to the audit, appraisal, and/or valuation.

RESPONSE: No, there was no independent audit, appraisal or valuation before or after the transfer. However, Exhibit "E-1" is an explanation of the values on the BMG financial statement as of 12/31/10, just prior to the transfer. After the transfer, the \$606,459 stock ownership in WMSI was merged back into WMSI as treasury stock and was no longer shown on the balance sheet of BMG.

#### DOCUMENTS REQUESTED

1. For each of these loans or cash advances [incurred by Gene Brown to keep Utility in operation], please provide all documentation detailing the loan or cash advance between WMSI and Gene Brown or any entity affiliated with Gene Brown.

RESPONSE: See Exhibits "B-1," "B-2," and "B-3" attached.

2. Regarding valuation of Brown Management Group, Inc., and Account 123. Please provide a copy of the following:
- a. all journal entries made on both WMSI's and Brown Management Group, Inc., books at the time the ownership of Brown Management Group, Inc. was transferred to WMSI;



RESPONSE: No journal entry was made in addition to those shown under Account 123.

- b. any business appraisals and/or valuations conducted by or for WMSI regarding the value of Brown Management Group, Inc. at the time of transfer;

RESPONSE: None.

- c. any independent business appraisals and/or valuations conducted by or for WMSI regarding the value of Brown Management Group, Inc. at the time of transfer;

RESPONSE: None.

- d. copies of any documents including the minutes of meetings where the transfer of Brown Management Group, Inc. to WMSI was approved.

RESPONSE: See Exhibit "E" attached.

- e. copies of any documents including the minutes of meeting with St. George Utility Co., Ltd. where the transfer of Brown Management Group, Inc. to WMSI was approved;

RESPONSE: None

- g. copies of any documents submitted to St. George Island Utility Co., Ltd. or T. E. Bronson explaining or describing the reason or purpose of transfer of Brown Management Group, Inc. to WMSI;

RESPONSE: None

- 4. Account 123. Please provide a complete copy of Brown Management Group, Inc.'s Annual Reports and financial statements for the five most recent fiscal years.

RESPONSE: See Exhibit "F" attached.

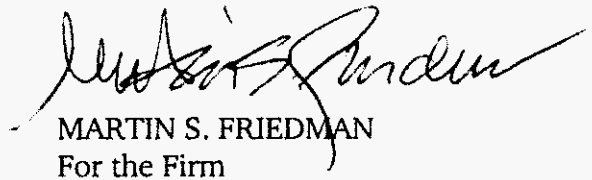


Ms. Ann Cole  
Office of Commission Clerk  
Florida Public Service Commission  
July 18, 2012  
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If Staff has any questions, please feel free to have them contact me.

Very truly yours,



MARTIN S. FRIEDMAN  
For the Firm

MSF/der  
Enclosures

Cc: Mr. Gene Brown (via email)  
Mr. Mark Cicchetti (via email)

**EXHIBIT "A"**

**BROWN MANAGEMENT GROUP, INC.  
PARTIAL LIST OF G.D.B. PERSONAL RESOURCES LIQUIDATED**

<b>Description</b>	<b>Receipt Date</b>	<b>Proceeds To WMS</b>
<b>BROWN MANAGEMENT GROUP</b>		
Sold L.L. Wallace Property	05/14/07	175,000.00
Sold Jackson County Property	06/28/10	16,000.00
Sold Cell Phone Lease	08/04/10	40,000.00
Sold Cell Phone Lease	08/09/10	40,000.00
		<b>271,000.00</b>
<b>GENE D. BROWN</b>		
401K Plan-Gene D. Brown	08/18/04	33,318.88
2004 Tax Refund	11/25/05	16,000.00
Sold personal property	02/12/09	9,000.00
Sold personal horse trailer	02/27/09	15,000.00
401K Plan-Gene D. Brown	07/21/10	20,000.00
401K Plan-Gene D. Brown	08/27/10	42,000.00
		<b>135,318.88</b>
	<b>GRAND TOTAL</b>	<b>406,318.88</b>
		=====

" A "

# **EXHIBIT "B"**

**GENE BROWN / BROWN MANAGEMENT GROUP, INC.**  
**NOTES PAYABLE SCHEDULE**  
**6/30/12**

Note Holder & Loan Number	Original Amount	Original Date	6/30/2012 Balance Due	Interest Rate	Maturity Date	Security	Status
<b>BROWN MANAGEMENT GROUP</b>							
Capital City Bank-Loan 7383615060	\$86,250.00	05/29/09	\$74,276.10	6.00%	05/29/24	House	Current
Capital City Bank-Loan 7383607450	\$75,000.00	04/21/08	\$68,380.96	6.00%	05/29/24	House	Current
Citizen's State Bank-Loan 20002619	\$150,000.00	05/07/10	\$149,335.74	6.50%	05/07/17	Condo	Current
E. W. Lawrence-Talquin Loan	\$185,500.00	07/01/04	\$71,483.83	5.00%	12/01/17		Current
BB&T Bank-Loan 6930533147	\$96,000.00	12/27/07	\$91,338.00	7.25%	01/01/38	House	Current
Farmers & Merchants Bank-Loan 911793874	\$63,083.83	09/15/04	\$14,999.41	4.50%	06/15/14		Current
Farmers & Merchants Bank-Loan 920737470	\$169,975.00	09/15/07	\$158,146.18	7.80%	12/15/12	Condo	Current
Farmers & Merchants Bank-Loan 930681270	\$127,000.00	08/17/09	\$120,048.91	6.50%	01/15/13	House	Current
Farmers & Merchants Bank-Loan 910280778	\$50,301.40	06/22/09	\$27,851.40	6.75%	07/05/12	Assets	Current
Ally Bank-Auto Loan 029915706442	\$39,188.56	03/10/10	\$26,725.93	8.19%	03/24/16	Auto	Current
	\$1,042,298.79		\$802,586.46				
	=====		=====				
<b>GENE D. BROWN</b>							
Regions Bank-Home Equity Loan	\$150,000.00	01/25/06	\$148,298.00	3.25%	Revolving	House	Current
Regions Bank-Flexline 1	\$20,000.00	07/11/00	\$17,445.00	7.25% Variable	Revolving	Assets	Current
Regions Ban k-Flexline 2	\$30,000.00	11/20/00	\$28,691.00	7.25% Variable	Revolving	Assets	Current
	\$200,000.00		\$194,434.00				
	=====		=====				

**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

<b>SUMMARY</b>		
2010	\$324,351.75	
2009	276,783.28	
2008	162,371.91	
2007	434,722.56	
2006	114,500.00	
2005	41,500.00	
2004	316,218.88	
Total	<b>\$1,670,448.38</b>	
	=====	

**" B-1 "**

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b

**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2010	
	Receipt	Proceeds	
	Date	To WMS	
Regions Bank-Home Eq	03/25/10	4,500.00	
Regions Bank-Home Eq	04/20/10	2,350.00	
Regions Bank-Home Eq	10/29/10	10,000.00	
Regions Bank-Flexline1	03/25/10	2,500.00	
Regions Bank-Flexline1	04/20/10	1,000.00	
Regions Bank-Flexline1	10/27/10	5,000.00	
Regions Bank-Flexline1	12/30/10	1,750.00	
Regions Bank-Flexline2	03/25/10	2,500.00	
Regions Bank-Flexline2	04/20/10	800.00	
Regions Bank-Flexline2	10/27/10	5,000.00	
Regions Bank-Flexline2	12/22/10	1,800.00	
FMB-Refinance Loan for RAF	03/04/10	19,500.00	
Chase Providian Advance	04/28/10	3,500.00	
Chase Card Advance	04/26/10	3,500.00	
GDB 401k Plan Advance	07/21/10	20,000.00	
GDB 401k Plan Advance	08/27/10	42,000.00	
WMS Note Receivable-BMG	05/11/10	34,000.00	
WMS Note Receivable-BMG	05/13/10	41,000.00	
WMS Note Receivable-BMG	05/25/10	20,000.00	
WMS Note Receivable-BMG	06/28/10	5,000.00	
Sold Jackson County Prop	06/28/10	16,000.00	
Sold Cell Phone Leases	08/04/10	40,000.00	
Sold Cell Phone Leases	08/09/10	40,000.00	
WMS Note Interest from BMG	03/24/10	1,750.00	
WMS Note Interest from BMG	06/28/10	901.75	
		<b>324,351.75</b>	
		=====	



**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2009
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	04/22/09	5,500.00
Regions Bank-Home Eq	07/28/09	6,000.00
Regions Bank-Home Eq	10/23/09	5,500.00
Regions Bank-Flexline1	04/22/09	4,000.00
Regions Bank-Flexline1	07/30/09	3,000.00
Regions Bank-Flexline1	10/26/09	2,200.00
Regions Bank-Flexline1	12/29/09	2,300.00
Regions Bank-Flexline2	07/30/09	1,500.00
Regions Bank-Flexline2	10/29/09	2,200.00
FMB BMG-Wcap Loan	06/22/09	50,000.00
FMB-\$175,000 Loan	03/25/09	115,411.03
GDB Sale of Asset	02/27/09	15,000.00
GDB Sale of Asset	02/12/09	9,000.00
WMS Note Receivable-BMG	06/22/09	50,000.00
WMS Note Interest from BMG	04/22/09	(3.5k-Hm Eq)
WMS Note Interest from BMG	07/30/09	2,500.00
WMS Note Interest from BMG	09/29/09	922.25
WMS Note Interest from BMG	12/18/09	1,750.00
		-----
		<b>276,783.28</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2008
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	12/30/08	4,000.00
Regions Bank-Home Eq	11/12/08	45,000.00
Regions Bank-Flexline1	11/25/08	10,000.00
Regions Bank-Flexline2	12/03/08	3,750.00
Regions Bank-VISA Card	12/30/08	9,000.00
FMB-Line of Credit	02/04/08	29,000.00
WMS Note Receivable-BMG	04/23/08	50,000.00
WMS Note Interest from BMG	03/05/08	300.00
WMS Note Interest from BMG	03/31/08	3,200.00
WMS Note Interest from BMG	06/02/08	2,871.91
WMS Note Interest from BMG	11/07/08	2,625.00
WMS Note Interest from BMG	12/18/08	2,625.00
		-----
		<b>162,371.91</b>
		=====
		2007
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	05/14/07	6,000.00
Regions Bank-Flexline 1	05/14/07	5,000.00
Regions Bank-Flexline 2	05/14/07	5,000.00
Sold L.L. Wallace Property	05/14/07	175,000.00
FMB-Lot Loan	11/02/07	229,722.56
WMS Note Interest from BMG	08/09/07	7,000.00
WMS Note Interest from BMG	08/24/07	7,000.00
		-----
		<b>434,722.56</b>
		=====
		2006
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	01/30/06	80,000.00
Regions Bank-Home Eq (11k)	11/10/06	11,000.00
Regions Bank-Flexline1	11/10/06	7,500.00
Regions Bank-Flexline2	11/10/06	8,000.00
Regions Bank-VISA Card	11/10/06	8,000.00
WMS Note Interest from BMG	11/10/06	(7k-HmEq Above)
		-----
		<b>114,500.00</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2005	
	Receipt Date	Proceeds To WMS	
Regions Bank-Home Eq	08/03/05	6,500.00	
Regions Bank-VISA Card	11/28/05	6,500.00	
Regions Bank-Flexline1	04/27/05	5,000.00	
Regions Bank-Flexline1	05/26/05	1,350.00	
Regions Bank-Flexline2	05/26/05	1,150.00	
Regions Bank-Flexline2	04/02/05	5,000.00	
GDB 2004 Tax Refund	11/25/05	16,000.00	
		<b>41,500.00</b>	
		=====	
		2004	
	Receipt Date	Proceeds To WMS	
Regions Bank-Home Eq	06/28/04	5,500.00	
Regions Bank-Home Eq	10/26/04	3,750.00	
Regions Bank-Flexline1	10/26/04	4,550.00	
Regions Bank-Flexline2	06/28/04	3,500.00	
Regions Bank-VISA Card	10/26/04	3,600.00	
GDB pers loan	05/14/04	100,000.00	
GSB Loan # 1011550-50	11/17/04	30,000.00	
GSB Loan # 5007638-64	11/26/04	20,000.00	
Capital One Card Advance	01/02/04	1,000.00	
Les Thomas Loan	06/30/04	111,000.00	
GDB 401k Distribution	08/18/04	33,318.88	
		<b>316,218.88</b>	
		=====	



**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

	Receipt Date	Proceeds To WMS	
Regions Bank-Flexline2 (30k)	06/28/04	\$3,500.00	
	04/02/05	5,000.00	
	05/26/05	1,150.00	
Original Loan Date 11/22/00	11/10/06	8,000.00	
Interest Rate - 7.25% Variable	05/14/07	5,000.00	
6/30/12 Balance \$28,691	12/03/08	3,750.00	
	07/30/09	1,500.00	
	10/29/09	2,200.00	
	03/25/10	2,500.00	
	04/20/10	800.00	
	10/27/10	5,000.00	
	12/22/10	1,800.00	
		<b>\$40,200.00</b>	<b>\$40,200.00</b>
		=====	
	Receipt Date	Proceeds To WMS	
<b>MISC. RESOURCES</b>			
GDB 401k Distribution	08/18/04	\$33,318.88	
GDB 2004 Tax Refund	11/25/05	16,000.00	
Sold L.L. Wallace Property	05/14/07	175,000.00	
GDB Sale of Asset	02/12/09	9,000.00	
GDB Sale of Asset	02/27/09	15,000.00	
GDB 401k Distribution	08/27/10	42,000.00	
GDB 401k Distribution	07/21/10	20,000.00	
Sold Jackson County Prop	06/28/10	16,000.00	
Sold Cell Phone Leases	08/04/10	40,000.00	
Sold Cell Phone Leases	08/09/10	40,000.00	
		<b>\$406,318.88</b>	<b>\$406,318.88</b>
		=====	
	Receipt Date	Proceeds To WMS	
<b>CREDIT CARD ADVANCES</b>			
Capital One Card Advance	01/02/04	\$1,000.00	
Regions Bank-VISA Card	10/26/04	3,600.00	
Regions Bank-VISA Card	11/28/05	6,500.00	
Regions Bank-VISA Card	11/10/06	8,000.00	
Regions Bank-VISA Card	12/30/08	9,000.00	
Chase Providian Advance	04/28/10	3,500.00	
Chase Card Advance	04/26/10	3,500.00	
		<b>\$35,100.00</b>	<b>\$35,100.00</b>
		=====	

**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

OTHER LOANS	Receipt Date	Proceeds To WMS	
Les Thomas Loan	06/30/04	\$111,000.00	
GSB Personal Loan	05/14/04	100,000.00	
GSB Loan # 1011550-50	11/17/04	30,000.00	
GSB Loan # 5007638-64	11/26/04	20,000.00	
FMB-Lot Loan	11/02/07	229,722.56	
FMB-Line of Credit	02/04/08	29,000.00	
FMB-\$175,000 Loan	03/25/09	115,411.03	
FMB BMG Wcap Loan	06/22/09	50,000.00	
FMB-Refinance Loan for RAF	03/04/10	19,500.00	
WMS Note Receivable-BMG	Various	200,000.00	
WMS Note Interest from BMG	Various	43,945.91	
WMS Note Interest from BMG	2006-HmEq	(7,000.00)	
WMS Note Interest from BMG	2009-HmEq	(3,500.00)	
		-----	
		<b>\$938,079.50</b>	<b>\$938,079.50</b>
		=====	
			-----
			<b>\$1,670,448.38</b>
			=====

**WATER MANAGEMENT SERVICES, INC.**  
**GENE D. BROWN LOAN PAYMENTS BENEFITTING WMS**

PRINCIPAL & INTEREST	2004	2005	2006	2007	2008	2009	2010	TOTAL
Regions Bank-150K Home Equity Loan	12,000.00	13,200.00	22,900.00	27,600.00	74,400.00	25,400.00	27,600.00	203,100.00
Regions Bank-20K Flexline Account	11,000.00	13,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	84,000.00
Regions Bank-30K Flexline Account	11,000.00	13,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	84,000.00
GSB Loan # 1011550-50	1,000.00	8,127.91	5,801.28	18,572.04	0.00	0.00	0.00	33,501.23
GSB Loan # 5007638-64	0.00	16,564.13	0.00	0.00	0.00	0.00	0.00	16,564.13
FMB Bank-# 9103920-60	2,727.42	1,890.45	0.00	0.00	0.00	0.00	0.00	4,617.87
FMB Bank-# 9207374-71 (Lots)	0.00	0.00	0.00	3,362.32	40,347.84	40,347.84	33,623.20	117,681.20
FMB Bank-# 9102807-78 (Wcap)	0.00	0.00	0.00	0.00	0.00	7,767.85	18,720.52	26,488.37
FMB Bank-\$175,000 Loan 3/26/09	0.00	0.00	0.00	0.00	0.00	27,747.52	12,139.23	39,886.75
FMB Bank-Refinance Loan for RAF	0.00	0.00	0.00	0.00	0.00	0.00	671.69	671.69
Citizen's State Bank	0.00	0.00	0.00	0.00	0.00	0.00	2,872.89	2,872.89
Guaranty National Bank # 001279371546	8,048.23	9,333.80	0.00	0.00	0.00	0.00	0.00	17,382.03
WMS Note from BMG	0.00	0.00	7,000.00	14,000.00	61,621.91	58,672.25	102,651.75	243,945.91
Les Thomas Loan	25,200.00	55,080.00	3,600.00	0.00	0.00	0.00	0.00	83,880.00
Life Insurance Policy-1	0.00	0.00	0.00	0.00	10,930.50	13,116.60	12,023.55	36,070.65
Life Insurance Policy-2	0.00	5,564.00	11,128.00	11,128.00	21,784.50	26,141.40	26,141.40	101,887.30
	70,975.65	135,760.29	74,429.28	98,662.36	233,084.75	223,193.46	260,444.23	1,096,550.02







**GENE D. BROWN/BROWN MANAGEMENT GROUP COST RELATED  
 TO ADVANCES AND PAYMENTS FOR BENEFIT OF WMSI**  
 (Not Included on WMSI Financial Records)

	2008	2009	2010
Interest on \$150,000 Home Equity Loan	\$6,829.76	\$4,852.33	\$4,724.43
Interest on \$50,000 Flexline Loans	3,862.65	3,355.61	3,375.92
Interest on Credit Card Advances (Est.)	2,800.00	2,800.00	2,800.00
Debt Service on \$360,000 Loan	40,350.24	40,350.24	33,623.20
Related Cost of \$360,000 Loan	2,795.00	2,855.00	2,981.00
Interest on \$50,000 Loan	0.00	1,501.95	2,536.41
Interest on \$175,000 Loan	0.00	8,137.59	11,780.36
Interest on \$150,000 Loan			4,762.20
Interest on \$25,000 Loan	0.00	869.36	634.38
Life Insurance Premiums	32,715.00	39,258.00	38,164.95
	\$89,352.65	\$103,980.08	\$105,382.85
	=====	=====	=====

**EXHIBIT "B-2"**

**WATER MANAGEMENT SERVICES, INC.  
GDB LOAN PROCEEDS TO WMS**

<b>SUMMARY</b>	
2010	\$166,351.75
2009	252,783.28
2008	162,371.91
2007	259,722.56
2006	114,500.00
2005	25,500.00
2004	282,900.00
Total	<b>\$1,264,129.50</b>
	=====

**WATER MANAGEMENT SERVICES, INC.  
GDB LOAN PROCEEDS TO WMS**

		2010
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	03/25/10	4,500.00
Regions Bank-Home Eq	04/20/10	2,350.00
Regions Bank-Home Eq	10/29/10	10,000.00
Regions Bank-Flexline1	03/25/10	2,500.00
Regions Bank-Flexline1	04/20/10	1,000.00
Regions Bank-Flexline1	10/27/10	5,000.00
Regions Bank-Flexline1	12/30/10	1,750.00
Regions Bank-Flexline2	03/25/10	2,500.00
Regions Bank-Flexline2	04/20/10	800.00
Regions Bank-Flexline2	10/27/10	5,000.00
Regions Bank-Flexline2	12/22/10	1,800.00
FMB-Refinance Loan for RAF	03/04/10	19,500.00
Chase Providian Advance	04/26/10	3,500.00
Chase Card Advance	04/26/10	3,500.00
WMS Note Receivable-BMG	05/11/10	34,000.00
WMS Note Receivable-BMG	05/13/10	41,000.00
WMS Note Receivable-BMG	05/25/10	20,000.00
WMS Note Receivable-BMG	06/28/10	5,000.00
WMS Note Interest from BMG	03/24/10	1,750.00
WMS Note Interest from BMG	06/28/10	901.75
		-----
		<b>166,351.75</b>
		=====
	Receipt Date	2009 Proceeds To WMS
Regions Bank-Home Eq	04/22/09	5,500.00
Regions Bank-Home Eq	07/28/09	6,000.00
Regions Bank-Home Eq	10/23/09	5,500.00
Regions Bank-Flexline1	04/22/09	4,000.00
Regions Bank-Flexline1	07/30/09	3,000.00
Regions Bank-Flexline1	10/26/09	2,200.00
Regions Bank-Flexline1	12/29/09	2,300.00
Regions Bank-Flexline2	07/30/09	1,500.00
Regions Bank-Flexline2	10/29/09	2,200.00
FMB BMG-Wcap Loan	06/22/09	50,000.00
FMB-\$175,000 Loan	03/25/09	115,411.03
WMS Note Receivable-BMG	06/22/09	50,000.00
WMS Note Interest from BMG	04/22/09	(3.5k-Hm Eq)
WMS Note Interest from BMG	07/30/09	2,500.00
WMS Note Interest from BMG	09/29/09	922.25
WMS Note Interest from BMG	12/18/09	1,750.00
		-----
		<b>252,783.28</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
GDB LOAN PROCEEDS TO WMS**

		<b>2008</b>
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>
Regions Bank-Home Eq	12/30/08	4,000.00
Regions Bank-Home Eq	11/12/08	45,000.00
Regions Bank-Flexline1	11/25/08	10,000.00
Regions Bank-Flexline2	12/03/08	3,750.00
Regions Bank-VISA Card	12/30/08	9,000.00
FMB-Line of Credit	02/04/08	29,000.00
WMS Note Receivable-BMG	04/23/08	50,000.00
WMS Note Interest from BMG	03/05/08	300.00
WMS Note Interest from BMG	03/31/08	3,200.00
WMS Note Interest from BMG	06/02/08	2,871.91
WMS Note Interest from BMG	11/07/08	2,625.00
WMS Note Interest from BMG	12/18/08	2,625.00
		<b>162,371.91</b>
		=====
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>
		<b>2007</b>
Regions Bank-Home Eq	05/14/07	6,000.00
Regions Bank-Flexline 1	05/14/07	5,000.00
Regions Bank-Flexline 2	05/14/07	5,000.00
FMB-Lot Loan	11/02/07	229,722.56
WMS Note Interest from BMG	08/09/07	7,000.00
WMS Note Interest from BMG	08/24/07	7,000.00
		<b>259,722.56</b>
		=====
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>
		<b>2006</b>
Regions Bank-Home Eq	01/30/06	80,000.00
Regions Bank-Home Eq (11k)	11/10/06	11,000.00
Regions Bank-Flexline1	11/10/06	7,500.00
Regions Bank-Flexline2	11/10/06	8,000.00
Regions Bank-VISA Card	11/10/06	8,000.00
WMS Note Interest from BMG	11/10/06	(7k-HmEq Above)
		<b>114,500.00</b>
		=====



**WATER MANAGEMENT SERVICES, INC.  
GDB LOAN PROCEEDS TO WMS**

		<b>2005</b>	
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>	
Regions Bank-Home Eq	08/03/05	6,500.00	
Regions Bank-VISA Card	11/28/05	6,500.00	
Regions Bank-Flexline1	04/27/05	5,000.00	
Regions Bank-Flexline1	05/26/05	1,350.00	
Regions Bank-Flexline2	05/26/05	1,150.00	
Regions Bank-Flexline2	04/02/05	5,000.00	
		-----	
		<b>25,500.00</b>	
		=====	
	<b>Receipt Date</b>	<b>2004 Proceeds To WMS</b>	
Regions Bank-Home Eq	06/28/04	5,500.00	
Regions Bank-Home Eq	10/26/04	3,750.00	
Regions Bank-Flexline1	10/26/04	4,550.00	
Regions Bank-Flexline2	06/28/04	3,500.00	
Regions Bank-VISA Card	10/26/04	3,800.00	
GDB pers loan	05/14/04	100,000.00	
GSB Loan # 1011550-50	11/17/04	30,000.00	
GSB Loan # 5007638-64	11/26/04	20,000.00	
Capital One Card Advance	01/02/04	1,000.00	
Les Thomas Loan	06/30/04	111,000.00	
		-----	
		<b>282,900.00</b>	
		=====	

**WATER MANAGEMENT SERVICES, INC.  
GDB LOAN PROCEEDS TO WMS**

	Receipt Date	Proceeds To WMS	
Regions Home Equity Loan	06/28/04	\$5,500.00	
	10/26/04	3,750.00	
	08/03/05	6,500.00	
Original Loan Date 1/25/08	01/30/06	80,000.00	
Interest Rate - 3.25% Fixed	11/10/06	11,000.00	
6/30/12 Balance \$148,298	05/14/07	6,000.00	
	12/30/08	4,000.00	
	11/12/08	45,000.00	
	04/22/09	5,500.00	
	07/28/09	6,000.00	
	10/27/09	5,500.00	
	03/25/10	4,500.00	
	04/20/10	2,350.00	
	10/29/10	10,000.00	
		<b>\$195,600.00</b>	<b>\$195,600.00</b>
		=====	
	Receipt Date	Proceeds To WMS	
Regions Bank-Flexline1 (20k)	10/26/04	\$4,550.00	
	04/27/05	5,000.00	
	05/26/05	1,350.00	
Original Loan Date 7/11/00	11/10/06	7,500.00	
Interest Rate - 7.25% Variable	05/14/07	5,000.00	
6/30/12 Balance \$17,445	12/30/08	10,000.00	
	04/22/09	4,000.00	
	07/30/09	3,000.00	
	10/26/09	2,200.00	
	12/29/09	2,300.00	
	03/25/10	2,500.00	
	04/20/10	1,000.00	
	10/27/10	5,000.00	
	12/30/10	1,750.00	
		<b>\$55,150.00</b>	<b>\$55,150.00</b>
		=====	

" B-2 "



**WATER MANAGEMENT SERVICES, INC.  
GDB LOAN PROCEEDS TO WMS**

OTHER LOANS	Receipt Date	Proceeds To WMS	
Les Thomas Loan	06/30/04	\$111,000.00	
GSB Personal Loan	05/14/04	100,000.00	
GSB Loan # 1011550-50	11/17/04	30,000.00	
GSB Loan # 5007638-64	11/26/04	20,000.00	
FMB-Lot Loan	11/02/07	229,722.56	
FMB-Line of Credit	02/04/08	29,000.00	
FMB-\$175,000 Loan	03/25/09	115,411.03	
FMB BMG Wcap Loan	06/22/09	50,000.00	
FMB-Refinance Loan for RAF	03/04/10	19,500.00	
WMS Note Receivable-BMG	Various	200,000.00	
WMS Note Interest from BMG	Various	43,945.91	
WMS Note Interest from BMG	2006-HmEq	(7,000.00)	
WMS Note Interest from BMG	2009-HmEq	(3,500.00)	
		-----	
		<b>\$938,079.50</b>	<b>\$938,079.50</b>
		=====	
			-----
			<b>\$1,264,129.50</b>
			=====

**EXHIBIT "B-3"**

DATE	DESCRIPTION	AMOUNT	YR TOTAL
PRIOR TO 2004, THERE WAS NO BALANCE IN ACCOUNT 123. IN 2004, VARIOUS OTHER ENTRIES WERE CLEARED AND MERGED INTO ACCOUNT 123, INCLUDING THE FOLLOWING:			
2000			
	LEGAL SERVICES-GENERAL	\$26,000.00	
	LEGAL SERVICES-WMS VS DOT	\$18,000.00	
		<u>                    </u>	\$44,000.00
2001			
	LEGAL SERVICES-GENERAL	\$22,000.00	
	LEGAL SERVICES-WMS VS DOT	\$18,000.00	
		<u>                    </u>	\$40,000.00
2002			
	GDB PURCHASE OF CERT OF DEPOSIT FOR WMS/DEP LOAN	\$250,000.00	
	GDB PMT OF WMS CITIZEN'S BANK LOAN PMT	\$13,567.16	
	LEGAL SERVICES-GENERAL	\$44,000.00	
	LEGAL SERVICES-WMS VS DOT	\$70,000.00	
		<u>                    </u>	\$377,567.16
2003			
	LEGAL SERVICES-GENERAL	\$45,117.95	
		<u>                    </u>	\$45,117.95
2004			
05/28/04	GDB PMT OF WMS WORKERS COMP PREMIUM	\$703.76	
12/31/04	GDB PMT OF LES THOMAS ENGINEERING BILL	\$34,920.00	
12/31/04	GDB WATER CREDITS TRADED FOR LODGING RIGHTS	\$396.72	
	LEGAL SERVICES GENERAL	\$44,000.00	
		<u>                    </u>	\$80,020.48
2005			
	LEGAL SERVICES-PIPELINE PROBLEM	\$48,000.00	
03/02/05	GDB PMT OF WMS GSB-RAF LOAN	\$6,224.03	
03/29/05	GDB PMT OF WMS HANCOCK BANK LOAN	\$7,260.53	
06/01/05	GDB PMT OF WMS GROUP INSURANCE	\$593.26	
06/24/05	GDB PMT OF WMS FMB- TRUCK LOAN	\$672.30	
08/03/05	GDB PMT OF WMS CD RE: DEP LOAN	\$165,000.00	
08/12/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,000.00	
08/12/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$2,400.00	
08/12/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$2,500.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$2,300.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,000.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,000.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,000.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,000.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$1,800.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-O'QUINN	\$4,700.00	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-VARNER	\$3,881.52	

09/30/05	GDB PMT OF WMS APT CONSTRUCTION-ACE HDWR	\$2,596.99	
09/30/05	GDB PMT OF WMS APT CONSTRUCTION-HOME DEPOT	\$6,658.94	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,500.00	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$2,392.99	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,857.39	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-HOME DEPOT	\$1,859.75	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-CERT PLUMB	\$1,306.86	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-COASTAL BLDG	\$691.43	
10/31/05	GDB PMT OF WMS APT CONSTRUCTION-ACE HDWR	\$4,728.57	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$1,800.00	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$2,190.54	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$3,876.91	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-MCDANIEL	\$2,300.00	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-HOME DEPOT	\$2,598.02	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-CARPETLAND	\$1,500.00	
11/30/05	GDB PMT OF WMS APT CONSTRUCTION-M. BROWN	\$2,000.00	
08/22/05	GDB PMT TO EMPLOYEE TO BE W/H FROM PAY	\$24.50	
11/22/05	GDB PMT TO EMPLOYEE TO BE W/H FROM PAY	\$24.50	
09/06/05	BMG PMT OF WMS INTEREST EXPENSE	\$18.25	
12/31/05	GDB PMT OF WMS STATE PARK PROJECT-SCRUGGS	\$21,000.00	
12/31/05	GDB PMT OF WMS STATE PARK PROJECT-INSURANCE	\$2,000.00	
12/31/05	GDB PMT OF LES THOMAS ENGINEERING BILL	\$45,360.00	
12/31/05	GDB WATER CREDITS TRADED FOR LODGING RIGHTS	\$363.66	
			\$369,780.94
	2006		
	LEGAL SERVICES-PIPELINE PROBLEM	\$48,000.00	
1/26/2006	GDB PMT FOR FURNISHINGS FOR WMS APTS	\$2,687.50	
1/26/2006	GDB PMT FOR FURNISHINGS FOR WMS APTS	\$21.49	
2/17/2006	GDB PMT TO EMPLOYEE TO BE W/H FROM PAY	\$100.00	
2/22/2006	GDB PMT TO EMPLOYEE TO BE W/H FROM PAY	\$24.50	
5/22/2006	GDB PMT TO EMPLOYEE TO BE W/H FROM PAY	\$24.51	
9/27/2006	GDB PMT FOR WMS CELL PHONE BATTERY	\$42.99	
11/10/2006	GDB PMT OF CASH ADVANCE FEE	\$99.00	
12/31/2006	GDB PMT OF LES THOMAS ENGINEERING BILL	\$3,600.00	
12/31/2006	GDB WATER CREDITS TRADED FOR LODGING RIGHTS	\$332.22	
			\$54,932.21
	2007		
	LEGAL SERVICES-PIPELINE PROBLEM	\$48,000.00	
1/12/2007	GDB PMT OF LES THOMAS ENGINEERING BILL	\$1,800.00	
1/23/2007	GDB WATER CREDITS TRADED FOR LODGING RIGHTS	\$454.01	
			\$50,254.01
	2008		
	LEGAL SERVICES-PIPELINE PROBLEM	\$25,000.00	
4/16/2008	BMG PMT OF WMS ALLTEL PHONE BILL	\$275.73	
5/16/2008	BMG PMT OF WMS ALLTEL PHONE BILL	\$316.19	
9/7/2008	BMG PMT OF WMS ELI ROBERTS GAS BILL	\$236.40	
9/14/2008	BMG PMT OF WMS ELI ROBERTS GAS BILL	\$174.00	
9/23/2008	GDB PMT OF WMS WEB SITE DEVELOPMENT	\$12,000.00	
10/5/2008	BMG LOAN TO WMS FOR BUILDING RENT	\$1,500.00	
11/5/2008	BMG LOAN TO WMS FOR BUILDING RENT	\$1,500.00	
12/5/2008	BMG LOAN TO WMS FOR BUILDING RENT	\$1,500.00	
12/31/2008	GDB WATER CREDITS TRADED FOR LODGING RIGHTS	\$338.65	
			\$42,840.97
	2009		
3/26/2009	BMG PMT OF WMS PROPERTY TAX	\$1,246.87	
2/27/2009	BMG PMT OF WMS FMB BANK LOAN FEE-BACKHOE LOAN	\$480.99	
2/12/2009	GDB PAYMENT ON FMB BACKHOE LOAN	\$9,000.00	
1/29/2009	INITIAL DEPOSIT-GDB	\$111.30	
12/31/2009	GDB WATER CREDITS TRADED FOR LODGING RIGHTS	\$337.75	
6/19/2009	REPAYMENT OF \$85,000 LOAN AND CONTRIBUTION TOWARD DEP LOAN PAYMENT	\$144,500.00	
			\$155,676.91
			\$1,260,190.63



**EXHIBIT "B-4"**

WMSI does not disagree with the auditor's finding regarding this issue, except as discussed in the utility's response to Finding 4 above.

**FINDING 7: CASH FLOW ANALYSIS UPDATE**

Since this finding does not relate to an issue that is directly before the Commission in this docket, WMSI will provide only a cursory response at this time. If this becomes an issue, WMSI will provide a more complete and detailed response.

The following points are offered at this time:

- (1) The PSC audit report confirms the balance in account 123, Investments in Associated Companies, that has consistently been shown by WMSI in its annual reports and general ledgers provided to the Commission. WMSI's numbers were correct, to the exact dollar amount of \$1,215,075. This balance includes amounts that were transferred from other accounts in 2004, so it is really a balance of all investments in associated companies since WMSI was formed.
- (2) The PSC audit report also confirms the total revenue from WMSI ratepayers as shown by the utility's cash flow audit and general ledgers provided to the PSC staff as part of this audit. The PSC audit report shows \$11,639,415 in cash receipts from ratepayers during the 8 year period from 2004-2011, including CIAC. The WMSI audit report and general ledgers provided to the Commission show \$11,647,666 in cash receipts during the same 8 year period, including CIAC. The \$8,251 difference is in miscellaneous fees and charges included in the WMSI cash flow audit.
- (3) The PSC audit report is based upon year end balances allocated into "operating," "investing" and "financing" activities, but it does not show the deficits between ratepayer revenue and cash operating requirements during the 8 year audit period. The WMSI audit report is based on the same raw numbers, but it does show the operating deficits by comparing the total cash operating requirements with the total funds received from ratepayers. Based on that analysis, the cash operating deficit was \$7,133,292 for the period 2004-2010, and was \$16,237,529 for the period 2000-2010, as shown by the audit reports previously submitted to the PSC.
- (4) The PSC audit report does not indicate or suggest that the revenue from ratepayers was ever adequate to cover all utility operating cash requirements, or that any ratepayer funds were ever transferred to Gene Brown or any of his associated companies. That fact was confirmed by the WMSI audits based on the same raw numbers. Not only did WMSI never have sufficient ratepayer revenue to operate, WMSI never received the earnings allowed by the Commission after 2000, when the State began tearing down the utility's supply main to the island. WMSI's loss of PSC authorized earnings totaled (\$633,506) between 2000 and 2010, as shown

by the numbers in WMSI's annual reports on file with the Commission which are summarized below:

YEAR	RATE BASE	EARNINGS	ACHIEVED RATE OF RETURN	COST OF CAPITAL	ALLOWED EARNINGS	OVER (UNDER) EARNINGS
2000	\$657,050	\$52,690	8.02%	10.23%	\$67,216	(\$14,526)
2001	751,711	59,601	7.92%	8.95%	67,368	(7,767)
2002	598,176	20,355	3.40%	5.18%	30,986	(10,631)
2003	5,621,735	145,403	2.59%	3.95%	222,059	(76,656)
2004	5,463,876	273,656	5.01%	4.18%	228,390	45,266
2005	5,311,725	301,462	5.68%	4.69%	249,120	52,342
2006	5,387,188	211,704	3.93%	5.38%	289,831	(78,127)
2007	4,943,816	200,468	4.05%	5.00%	247,191	(46,723)
2008	4,047,544	114,730	2.83%	3.56%	144,093	(29,363)
2009	3,877,452	(28,242)	-0.73%	3.85%	149,282	(177,524)
2010	3,759,162	(145,071)	-3.86%	3.85%	144,728	(289,799)
		\$1,206,756			\$1,840,262	(\$633,506)

- (5) The PSC audit report shows \$15,085,524 in cash receipts and \$14,614,799 in cash disbursements from "Utility Activity" resulting in \$470,725 of "Net cash for Utility Activity." But that should not be taken as any indication that there was ever an excess of \$470,725 in "net cash" from the ratepayers. Only \$11,722,859 of the \$15,085,524 came from ratepayers. The other \$3,362,665 came from loans personally secured by Gene Brown, including personal credit cards (which do not have to be repaid by ratepayers) or from other entrepreneurial activities of Gene Brown, such as an \$800,000 damage settlement and the sale (and purchase) of certain other assets in which the ratepayers had no interest. These assets included, for example, two investment lots in Tallahassee that had nothing to do with the water company on St. George Island. The lots were purchased for \$236,000 in 2006, which included a \$220,000 loan personally endorsed by Gene Brown. In 2007, Brown Management Group bought the lots from WMSI for \$480,000 by assuming and making the payments on the \$220,000 loan and by giving WMSI a check for \$229,723 at closing. As with many of the other transactions shown as "Utility Activity" in the PSC audit report, this investment lot transaction was a "Utility Activity" only in the sense that it involved property titled in the name of

the corporate entity, WMSI. It was not a "Utility Activity" in the sense of having anything to do with rate structure or the utility's ratepayers. Accordingly, the PSC audit report should not be interpreted so as to indicate that WMSI ever had a positive cash flow from activities regulated by the PSC under its rate structure policy and procedure, or from revenue funded by the ratepayers as authorized by PSC rate case policy and procedure.

- (6) A reader of the PSC audit report should also not assume that the reference to investments in associated companies (Account 123) reflects the net total of all the transactions by, between or among WMSI, Gene Brown and his associated companies. For example, the 123 account does not include the cash from Brown Management Group to WMSI under the \$480,00 lot purchase referenced above. It also does not include the \$200,000 paid to WMSI by Brown Management Group as referenced in table 2 of the PSC audit report. And it does not include the debt service paid on outside loans used to fund advances to WMSI. It should also be noted that the balance in account 123 did not just build up over the 2004-2011 time period. A balance of \$240,306 was brought forward from another account as of 1/1/04, so the final 12/31/11 balance is actually from the inception of WMSI. The following is a more accurate summary of the net funds back and forth between or among WMSI, Gene Brown and his associated companies during the period from 1/1/04 through 12/13/10.

Funds to Associated Companies-Account 123	\$ 1,175,075
Less: Misstatement of Beginning Balance-1/1/04	<u>(240,306)</u>
 Corrected Change in Account 123 Balance	 934,769
Less: Lot Purchase Proceeds	(229,723)
Less: Note Payments	(200,000)
Less: Note Interest Payments	<u>( 43,946)</u>
 <b>Actual Funds to Associated Companies</b>	 <b>\$ 461,100</b>
Less: Personal Interest Payments on loans for funds advanced to the Utility	  (196,602)
 <b>Funds to Associated Companies-Adjusted</b>	 <b><u>\$ 264,498</u></b>

But whatever the final number may be determined to be after a more comprehensive and complete audit, none of this has had any impact or effect on the rate structure of WMSI or its ratepayers. The company, WMSI, owns all of the outstanding stock of the associated company, Brown Management Group, which has a documented net worth in excess of the \$1,215,075 balance in account 123, "Investments in Associated Companies."

- (7) In the audit report issued by the PSC auditor on July 29, 2011, the auditor states that the balance in account 123 should be zero, and that all the advances to associated companies over the years should be netted out and put back into

account 145, "Accounts Receivable from Associated Companies" or account 146, "Notes Receivable from Associated Companies." But that would require WMSI to violate the clear mandate of NARUC, which provides in the instructions under account 146 on page 66 as follows:

Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.) See Exhibit "K" attached.

The instruction under account 145 on page 65 says: "See account 146."

The word "shall" is mandatory, and all advances to associated companies have been properly recorded in account 123, including those which were originally carried in accounts 145 and 146, but which were not paid within one year.

The reclassification of the 123 balance back into accounts 145 or 146 would also require WMSI to amend many years of Federal and State tax returns which have treated the funds represented in account 123 as equity, not debt, on the advice of WMSI's tax professionals. This would cause havoc with WMSI's tax accounting and would be unexplainable to the IRS and WMSI's lenders.

#### SUMMARY

This entire subject of WMSI's cash flow and account 123 is irrelevant to any issue properly before the Commission in this proceeding. Accordingly, WMSI will have nothing else to say on this subject until and unless the Commission enters an order which defines the precise legal issue involved in this docket, and the legal standard which either was or was not violated by WMSI.

# **EXHIBIT “C”**

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**JANUARY 3, 2011**

<b>ASSETS</b>		
Cash in Bank		\$88
Notes Receivable (4)		498,836
Water Management Services, Inc. Stock		606,459
Tower Lease Rights		250,000
Sgi Acreage		50,000
Sgi Condos		288,000
Investment Real Estate -Mustang Drive		120,000
John Knox Office Condo		220,000
		-----
<b>TOTAL ASSETS</b>		<b>\$2,033,383</b> =====
<b>LIABILITIES</b>		
Notes Payable		831,366
		-----
<b>TOTAL LIABILITIES</b>		<b>\$831,366</b>
<b>NET WORTH</b>		1,202,017
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$2,033,383</b> =====

**BROWN MANAGEMENT GROUP, INC.**  
**SCHEDULE OF NOTES PAYABLE/RECEIVABLE**  
**JANUARY 3, 2011**

**NOTES PAYABLE**

CCB-MUSTANG DRIVE	\$70,315
E.W. LAWRENCE	81,251
FMB-TALQUIN LOAN	14,999
FMB-CONDO LOAN	158,186
FMB-WORKING CAPITAL	27,851
FMB-OLD MAGNOLIA	120,049
BB&T-MARIE CIRCLE	93,091
CITIZEN'S STATE BANK	150,000
CCB-COTTON PATCH	80,209
ALLY BANK-CHEV TAHOE	35,415
	-----
	<b>\$831,366</b>
	=====

**NOTES RECEIVABLE**

NFWD	\$147,678
MCCORD	102,103
JOHNS	143,363
TAYLOR	105,691
	-----
	<b>\$498,836</b>
	=====



# **EXHIBIT "D"**

BROWN MANAGEMENT GROUP, INC.  
 LOAN ACTIVITY  
 JAN 3,2011 THRU 12/31/11

NOTES PAYABLE	01/03/11	12/31/11	CHANGE	PRIN PMTS	INT PMTS	TOTAL PMTS
CCB-MUSTANG DRIVE	\$70,315	\$69,931	(\$384)	\$384	\$4,272	4,656
E.W. LAWRENCE (Negotiated int rate from 6.5% to 5%)	81,251	71,484	(\$9,767)	9,767	4,965	14,732
FMB-TALQUIN LOAN (Negotiated to interest only)	14,999	14,999	\$0	0	964	964
FMB-CONDO LOAN (Negotiated to interest only)	158,186	158,146	(\$40)	40	10,664	10,704
FMB-WORKING CAPITAL (Negotiated to interest only)	27,851	27,851	\$0	0	1,846	1,846
FMB-OLD MAGNOLIA (Negotiated to inteterest only)	120,049	120,049	\$0	0	7,912	7,912
BB&T-MARIE CIRCLE	93,091	91,950	(\$1,141)	1,141	6,717	7,859
CITIZEN'S STATE BANK (Interest only first two years-Through 5/7/12)	150,000	150,000	\$0	0	11,879	11,879
ALLY BANK-CHEV LOAN	35,415	29,804	(\$5,611)	5,611	2,706	8,317
CCB-COTTON PATCH	80,209	76,172	(\$4,037)	4,037	4,766	8,803
	\$831,366	\$810,386	(\$20,980)	\$20,980	\$56,692	\$77,672

**BROWN MANAGEMENT GROUP, INC.**  
**SCHEDULE OF NOTES PAYABLE/RECEIVABLE**  
**DECEMBER 31, 2011**

**NOTES PAYABLE**

CCB-MUSTANG DRIVE	\$69,931
E.W. LAWRENCE	71,484
FMB-TALQUIN LOAN	14,999
FMB-CONDO LOAN	158,146
FMB-WORKING CAPITAL	27,851
FMB-OLD MAGNOLIA	120,049
BB&T-MARIE CIRCLE	91,950
CITIZEN'S STATE BANK	150,000
ALLY BANK-CHEV LOAN	29,804
CCB-COTTON PATCH	76,172
	-----
	\$810,386
	=====

**NOTES RECEIVABLE**

NFWD	\$120,184
JOHNS	141,197
TAYLOR	104,168
	-----
	\$365,549
	=====

**EXHIBIT "E"**

MINUTES OF JOINT MEETING OF  
THE BOARD OF DIRECTORS OF  
WATER MANAGEMENT SERVICES, INC.  
AND  
BROWN MANAGEMENT GROUP, INC.

A joint meeting of the Board of Directors of Water Management Services, Inc. (WMSI) and the Board of Directors of Brown Management Group, Inc. (BMG) was held on January 3, 2011 at 11:00 a.m. at 250 John Knox Road, Suite 4, Tallahassee, FL 32303.

The purpose of the meeting was to consider and resolve the issue of cash advances that were made from WMSI to BMG and Gene D. Brown between January 1, 2004 and December 31, 2010. These advances were treated as investments in associated companies under account 123 of the NARUC system of accounts, which provides as follows:

123. Investments in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

To resolve this matter for the benefit of all concerned, Gene D. Brown transferred all of his right, title and interest in BMG, consisting of 1,000 shares, to BMG ON January 1, 2011. To further resolve this matter, the Board of Directors of WMSI and the Board of Directors of BMG have agreed to take the following actions, effective immediately:

1. All of the authorized capital stock of BMG, consisting of 100,000 shares, shall be issued to WMSI, which shall become the sole owner of BMG.
2. The President of WMSI is directed to conduct an internal cash flow audit of account 123 and the overall cash flow of WMSI for the past 10 years, i.e., January 1, 2001, through December 31, 2010, to determine the amount of financial resources contributed to WMSI by Gene Brown, his affiliates and other third parties during such 10 year period as compared to the financial resources received from WMSI's ratepayers during the same period. All amounts advanced under Account 123 to Gene Brown or any affiliates other than BMG shall be considered as investments toward the purchase of Gene Brown's stock in BMG, which is a

"sub-s" corporation in which Gene D. Brown was the sole shareholder through year end 2010. All parties recognize that this transfer of stock has the effect of terminating the "sub-s" status, and BMG shall so notify the IRS within the time required by law. The internal audit shall include a "bottom-line" analysis as to the net amount in Account 123 at 12-31-10 that is in excess of the amounts in Account 123 that represent benefits to WMSI.

3. A summary of the above-referenced internal audit shall be filed in the minute books of both WMSI and BMG as soon as such audit is complete. The "bottom-line" net amount in Account 123 at the end of 2010 shall be the consideration for the 100,000 shares of stock in BMG which is being transferred by this Board action.
4. The WMSI Board and the BMG Board have determined and agreed that the value of all the outstanding capital stock of BMG is in excess of the net amount invested by WMSI under Account 123 through December 31, 2010.
5. The controller and the accountant for WMSI shall be notified immediately that Account 123 shall be used only as a fixed, balance sheet account after December 31, 2010. The reference to "Investment in Associated Companies" shall include a notation that it represents the ownership of 100% of the capital stock of BMG.

There being no further business to come before the Board of Directors, the meeting was adjourned.

WATER MANAGEMENT SERVICES, INC.

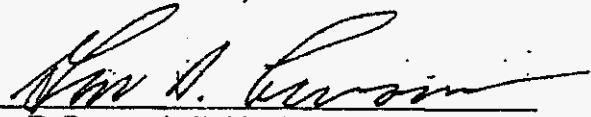
By: 

Gene D. Brown, Sole Director

BROWN MANAGEMENT GROUP, INC.

By: 

Gene D. Brown, Sole Director

  
Gene D. Brown, individually and as  
President of Water Management Services, Inc.  
and Brown Management Group, Inc.

CERTIFICATE NO. 7

NO. OF SHARES 100,000


**BROWN MANAGEMENT GROUP, INC.**  
INCORPORATED UNDER THE LAWS OF THE STATE OF FLORIDA

THIS CERTIFIES THAT: WATER MANAGEMENT SERVICES, INC. is hereby issued One Hundred thousand Shares (100,000) fully paid and transferable only on the books of the Corporation by the holder hereof in person or by an authorized attorney upon surrender of this Certificate properly endorsed.

IN WITNESS WHEREOF, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 7th day of JANUARY, 20 11.

  
Secretary

SEAL

  
President

**CLIENT  
COPY**

Brown Management Group, Inc.  
250 John Knox Rd, Suite #4  
Tallahassee FL 32303

March 8, 2011

Revocation of S Election  
Under I.R.C. 1362(d)(1)(D)

Internal Revenue Service Center  
Department of the Treasury  
Ogden UT 84201

And: Copy to:

Internal Revenue Service Center  
Atlanta GA 39901

Gentlemen:

RE: Brown Management Group, Inc.  
250 John Knox Rd, Suite #4  
Tallahassee FL 32303  
FEI # 59-30015860

The above corporation hereby revokes its election made under Internal Revenue Code 1362(a) to be treated as an S corporation. This revocation is being made by the 15<sup>th</sup> day of the third month of the beginning of the corporation's taxable year and, accordingly, will be effective as of January 1, 2011 (the first day of the current taxable year).

Attached are consents signed by shareholders who at the time of revocation own more than one-half of the issued and outstanding shares of the corporation's stock. The total number of shares of the corporation's stock outstanding is 1,000. The attached consent is being made by the holder of all 1,000 shares.

BROWN MANAGEMENT GROUP, INC.

By:

  
President

3-8-11  
Date



Shareholder Consent to Revocation  
of Election Under I.R.C. 1362(d)(1)

Brown Management Group, Inc. (FEI# 59-3001586)  
250 John Knox Rd, Suite 4  
Tallahassee FL 32303

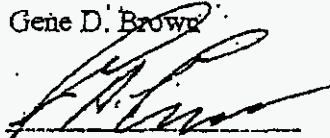
The undersigned, a shareholder of Brown Management Group, Inc., hereby consents pursuant to 1362(a) of the Internal Revenue Code to the revocation of the corporation's election to be treated as an S corporation for its taxable year beginning January 1, 2011.

Name of Shareholder: Gene D. Brown  
Address of Shareholder: 250 John Knox Rd, Suite 4  
Tallahassee FL 32303

ID No. of Shareholder: 263-72-2979

No. of Shares of Stock Owned by All Shareholders at Time of Revocation:

Gene D. Brown 1,000 Shares (100% of shares)



Gene D. Brown

3-8-11

Date

**EXHIBIT "E-1"**

At December 31, 2010, the balance in Account 123 was \$1,175,075, and the net worth of Brown Management Group was \$1,191,227, an excess of \$16,152. The Brown Management Group net worth value was used as the value of all outstanding stock in Brown Management Group. That value is shown by the 2010 balance sheet which shows the following assets and liabilities:

<u>Cash</u>	\$88
<u>Notes Receivable (4)</u> These are all secured performing notes with regular monthly payments so they are included at face value.	\$498,836
<u>Water Management Services, Inc. Stock</u> This represents a 10% ownership in WMSI. The value of WMSI is based on a 2005 appraisal by Gerald Hartman of \$14,400,000, which has been updated by WMSI management to \$14,864,275 as of December 31, 2010.	\$606,459
<u>Tower Lease Rights</u> This is a leasehold interest in the elevated water tank on St. George Island under which BMG has the right to sub-lease space to a cell phone provider, such as AT&T. The value of \$250,000 is based upon comparable sales during 2010.	\$250,000
<u>SGI Acreage</u> This represents a 50% interest in three acres on St. George Island, which is estimated to have a total value of \$100,000.	\$50,000
<u>SGI Condos</u> These are two residential condos located above the WMSI offices on St. George Island. They are almost the same size, and are rented for the same amount. One was appraised by Jack B. Hanway on March 4, 2010 for \$144,000, so it is estimated that both are worth \$288,000.	\$288,000
<u>Investment in Real Estate-Mustang Drive</u> This is a 4 bedroom, 2 bath house on 1 acre located off Oak Ridge Road in Leon County. It has a good rental record and is estimated to be worth \$120,000.	\$120,000
<u>John Knox Office Condo</u> This is the office condo in Tallahassee occupied by WMSI. It was appraised by Paul Cureton on August 20, 2009 for \$220,000 and is assumed to have that value at year end 2010.	\$220,000
<u>Notes Payable</u>	\$342,156

The notes are listed at the full outstanding balances as of December 31, 2010.

**EXHIBIT "F"**

**2012 FOR PROFIT CORPORATION ANNUAL REPORT**

**DOCUMENT# L43229**

**FILED  
Feb 27, 2012  
Secretary of State**

**Entity Name: BROWN MANAGEMENT GROUP, INC.**

**Current Principal Place of Business:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Principal Place of Business:**

**Current Mailing Address:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Mailing Address:**

FEI Number: 59-3001586

FEI Number Applied For ( )

FEI Number Not Applicable ( )

Certificate of Status Desired ( )

**Name and Address of Current Registered Agent:**

BROWN, GENE D  
250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303 US

**Name and Address of New Registered Agent:**

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

SIGNATURE: \_\_\_\_\_

Electronic Signature of Registered Agent

Date

**OFFICERS AND DIRECTORS:**

Title: PSD  
Name: BROWN, GENE D  
Address: 250 JOHN KNOX ROAD, SUITE 4  
City-St-Zip: TALLAHASSEE, FL 32303

I hereby certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with all other like empowered.

SIGNATURE: GENE D. BROWN

PRES

02/27/2012

Electronic Signature of Signing Officer or Director

Date

**2011 FOR PROFIT CORPORATION ANNUAL REPORT**

DOCUMENT# L43229

FILED  
Apr 20, 2011  
Secretary of State

Entity Name: BROWN MANAGEMENT GROUP, INC.

**Current Principal Place of Business:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Principal Place of Business:**

**Current Mailing Address:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Mailing Address:**

FEI Number: 59-3001586    FEI Number Applied For ( )    FEI Number Not Applicable ( )    Certificate of Status Desired ( )

**Name and Address of Current Registered Agent:**

BROWN, GENE D  
250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303 US

**Name and Address of New Registered Agent:**

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

SIGNATURE:

\_\_\_\_\_  
Electronic Signature of Registered Agent

\_\_\_\_\_  
Date

**OFFICERS AND DIRECTORS:**

Title: PSD  
Name: BROWN, GENE D  
Address: 250 JOHN KNOX ROAD, SUITE 4  
City-St-Zip: TALLAHASSEE, FL 32303

I hereby certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with all other like empowered.

SIGNATURE: GENE D. BROWN

P

04/20/2011

\_\_\_\_\_  
Electronic Signature of Signing Officer or Director

\_\_\_\_\_  
Date

**2010 FOR PROFIT CORPORATION ANNUAL REPORT**

**DOCUMENT# L43229**

**FILED  
Apr 29, 2010  
Secretary of State**

**Entity Name:** BROWN MANAGEMENT GROUP, INC.

**Current Principal Place of Business:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Principal Place of Business:**

**Current Mailing Address:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Mailing Address:**

**FEI Number:** 59-3001586      **FEI Number Applied For ( )**      **FEI Number Not Applicable ( )**      **Certificate of Status Desired ( )**

**Name and Address of Current Registered Agent:**

BROWN, GENE D  
250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303 US

**Name and Address of New Registered Agent:**

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

**SIGNATURE:**

\_\_\_\_\_  
Electronic Signature of Registered Agent

\_\_\_\_\_  
Date

**Election Campaign Financing Trust Fund Contribution ( )**

**OFFICERS AND DIRECTORS:**

**Title:** PSD  
**Name:** BROWN, GENE D  
**Address:** 250 JOHN KNOX ROAD, SUITE 4  
**City-St-Zip:** TALLAHASSEE, FL 32303

I hereby certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with all other like empowered.

**SIGNATURE:** GENE D. BROWN

PD

04/29/2010

\_\_\_\_\_  
Electronic Signature of Signing Officer or Director

\_\_\_\_\_  
Date

**2009 FOR PROFIT CORPORATION ANNUAL REPORT**

**DOCUMENT# L43229**

**FILED  
Apr 20, 2009  
Secretary of State**

**Entity Name: BROWN MANAGEMENT GROUP, INC.**

**Current Principal Place of Business:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Principal Place of Business:**

**Current Mailing Address:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**New Mailing Address:**

**FEI Number: 59-3001586      FEI Number Applied For ( )      FEI Number Not Applicable ( )      Certificate of Status Desired ( )**

**Name and Address of Current Registered Agent:**

BROWN, GENE D  
250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303 US

**Name and Address of New Registered Agent:**

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

**SIGNATURE:**

\_\_\_\_\_  
Electronic Signature of Registered Agent

\_\_\_\_\_  
Date

**Election Campaign Financing Trust Fund Contribution ( ).**

**OFFICERS AND DIRECTORS:**

**Title:** PSD ( ) Delete  
**Name:** BROWN, GENE D  
**Address:** 250 JOHN KNOX ROAD, SUITE 4  
**City-St-Zip:** TALLAHASSEE, FL 32303

**ADDITIONS/CHANGES TO OFFICERS AND DIRECTORS:**

**Title:** ( ) Change ( ) Addition  
**Name:**  
**Address:**  
**City-St-Zip:**

I hereby certify that the information supplied with this filing does not qualify for the exemption stated in Chapter 119, Florida Statutes. I further certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with an address, with all other like empowered.

**SIGNATURE: GENE D. BROWN**

**PSD**

**04/20/2009**

\_\_\_\_\_  
Electronic Signature of Signing Officer or Director

\_\_\_\_\_  
Date



**2008 FOR PROFIT CORPORATION ANNUAL REPORT**

**DOCUMENT# L43229**

**FILED  
Apr 15, 2008  
Secretary of State**

**Entity Name: BROWN MANAGEMENT GROUP, INC.**

**Current Principal Place of Business:**

3200 COMMONWEALTH BLVD  
TALLAHASSEE, FL 32303

**New Principal Place of Business:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**Current Mailing Address:**

3200 COMMONWEALTH BLVD  
TALLAHASSEE, FL 32303

**New Mailing Address:**

250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303

**FEI Number: 59-3001586**

**FEI Number Applied For ( )**

**FEI Number Not Applicable ( )**

**Certificate of Status Desired ( )**

**Name and Address of Current Registered Agent:**

BROWN, GENE D  
3200 COMMONWEALTH BLVD  
TALLAHASSEE, FL 32303 US

**Name and Address of New Registered Agent:**

BROWN, GENE D  
250 JOHN KNOX ROAD  
SUITE 4  
TALLAHASSEE, FL 32303 US

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

**SIGNATURE:**

**04/15/2008**

Electronic Signature of Registered Agent

Date

**Election Campaign Financing Trust Fund Contribution ( )**

**OFFICERS AND DIRECTORS:**

**Title:** PSD ( ) Delete  
**Name:** BROWN, GENE D  
**Address:** 3200 COMMONWEALTH BLVD  
**City-St-Zip:** TALLAHASSEE, FL 32303

**ADDITIONS/CHANGES TO OFFICERS AND DIRECTORS:**

**Title:** PSD (X) Change ( ) Addition  
**Name:** BROWN, GENE D  
**Address:** 250 JOHN KNOX ROAD, SUITE 4  
**City-St-Zip:** TALLAHASSEE, FL 32303

I hereby certify that the information supplied with this filing does not qualify for the exemption stated in Chapter 119, Florida Statutes. I further certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with an address, with all other like empowered.

**SIGNATURE: GENE D. BROWN**

**P**

**04/15/2008**

Electronic Signature of Signing Officer or Director

Date

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DEC 31, 2007**

<b>ASSETS</b>		
Cash in Bank	\$40,143	
Note Receivable-NWFWD	219,953	
Water Management Services, Inc. Stock	600,000	
Commonwealth Commercial Lots	480,000	
Personal Property	67,000	
SGI Condos	450,000	
Investment Property-Mustang Drive	55,811	
Investment Property-Marie Circle	101,841	
Investment Property-Jackson County	32,242	
John Knox Office Condo	221,019	
Leasehold Interest in Tower	360,000	
	-----	
<b>TOTAL ASSETS</b>		<b>\$2,628,008</b> =====
<b>LIABILITIES</b>		
Accounts Payable	\$28,701	
Note Payable-E.W. Lawrence	135,615	
Note Payable-Farmers & Merchants Bank	40,667	
Note Payable-Farmers & Merchants Bank	359,188	
Note Payable-Farmers & Merchants Bank	100,650	
Note Payable-SGI Condos	200,000	
Note Payable-Gulf State Bank	91,878	
Note Payable-BB&T	96,000	
Note Payable-John Knox Condo	169,975	
	-----	
<b>TOTAL LIABILITIES</b>		<b>\$1,222,673</b>
<b>NET WORTH</b>		<b>1,405,335</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$2,628,008</b> =====

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DEC. 31, 2008**

<b>ASSETS</b>		
Cash in Bank	\$8,100	
Notes Receivable	302,160	
Water Management Services, Inc. Stock	600,000	
Commonwealth Commercial Lots	480,000	
SGI Acreage	50,000	
SGI Condos	350,000	
Investment Real Estate		
(Mustang Drive, Jackson County, Old Magnolia Road & Blountstown Hwy)	499,055	
John Knox Office Condo	222,756	
Leasehold Interest in Tower	650,000	
	-----	
<b>TOTAL ASSETS</b>		<b>\$3,162,071</b> =====
<b>LIABILITIES</b>		
Note Payable-E.W. Lawrence	118,654	
Notes Payable-Farmers & Merchants Bank	822,563	
Notes Payable-Capital City Bank	161,000	
Note Payable-SGI Condos	150,000	
Note Payable-Gulf State Bank	60,233	
Note Payable-BB&T	95,151	
	-----	
<b>TOTAL LIABILITIES</b>		<b>\$1,407,601</b>
<b>NET WORTH</b>		<b>1,754,470</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$3,162,071</b> =====

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2009**

**ASSETS**

Cash in Bank	\$250
Notes Receivable (4)	527,223
Water Management Services, Inc. Stock	600,000
Commonwealth Commercial Lots	480,000
SGI Acreage	50,000
SGI Condos	288,000
Investment Real Estate (Mustang Drive, Jackson County & Blountstown Hwy)	267,000
John Knox Office Condo	220,000
Cell Phone Leases	650,000

**TOTAL ASSETS**

-----  
**\$3,082,473**  
=====

**LIABILITIES**

Note Payable-E.W. Lawrence	100,559
Notes Payable-Farmers & Merchants Bank	997,347
Notes Payable-Capital City Bank	159,379
Note Payable-SGI Condos	100,000
Note Payable-Superior Bank	23,793
Note Payable-BB&T	94,158

**TOTAL LIABILITIES**

-----  
**\$1,475,236**

**NET WORTH**

1,607,237

**TOTAL LIABILITIES & NET WORTH**

**\$3,082,473**  
=====

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2010**

<b>ASSETS</b>		
Cash in Bank		\$88
Notes Receivable (4)		498,836
Water Management Services, Inc. Stock		606,459
Tower Lease Rights		250,000
SGI Acreage		50,000
SGI Condos		288,000
Investment Real Estate -Mustang Drive		120,000
John Knox Office Condo		220,000
		-----
<b>TOTAL ASSETS</b>		<b>\$2,033,383</b> =====
<b>LIABILITIES</b>		
Notes Payable		842,156
		-----
<b>TOTAL LIABILITIES</b>		<b>\$842,156</b>
<b>NET WORTH</b>		
		1,191,227
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$2,033,383</b> =====

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2011**

<b>ASSETS</b>		
Cash in Bank		\$3,426
Notes Receivable (3)		365,549
Autos/Trucks		25,000
Tower Lease Rights		429,432
SGI Acreage		50,000
SGI Condos		288,000
Investment Real Estate -Marie Circle		145,000
Investment Real Estate -Mustang Drive		120,000
John Knox Office Condo		220,000
		-----
<b>TOTAL ASSETS</b>		<b>\$1,646,407</b> =====
<b>LIABILITIES</b>		
Notes Payable		810,386
		-----
<b>TOTAL LIABILITIES</b>		<b>\$810,386</b>
<b>NET WORTH</b>		836,021
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$1,646,407</b> =====