

Deer Creek Landowners, Inc. Spring General Meeting

May 13, 2017

A. The meeting was called to order at 11:00 AM by President, Tys Sniffen. A Spring 2017 Landowner Voting Eligibility (based on Member in Good Standing JMA provisions) spreadsheet (Attachment #1) had been prepared and was distributed as eligible Landowners signed into the meeting at the door. Ballots for voting had also been prepared but were not distributed until they were needed for the election. A Proxy Voting Eligibility spreadsheet (Attachment #2) was used to distribute eligible ballots to Proxy assignees.

B. Landowners present at the meeting introduced themselves and their land location throughout the room.

C. President Comments:

1. Tys described the devastation inflicted upon our road system and the herculean efforts required by the Road Manager to respond to the needs of residents for access. In addition he outlined the efforts made by disgruntled road users to impede the repair process and the Board's efforts to work out agreements with adjacent landowners (Whitson and Locatelli) to implement repairs.

2. Tys stated the intention of this meeting is to gage the membership's support for two alternatives for future road maintenance and repairs. One option would include a Small Business Association loan, perhaps in the \$200K range at 2.5%. The other option would be assessing Landowners for critical (problems blocking road access) repairs and for replenishing our Emergency Reserves.

3. Board Policy is: What we decide at this meeting today is official unless somebody raises an issue regarding the existence of a quorum; in case of some objection we will have to re-decide the issue(s) at another meeting with a quorum.

4. We have 79 DCLI Members plus another 15 that we call "845s" (people in front of Yellow Gate). A quorum for making business decisions is defined in our JMA as 30% of the total DCLI Members, so a quorum is $30\% \times 79 = 24$.

5. Secretary Note: The final sign-in count at the door was 17 and there were 7 valid proxies resulting in a total of 24 DCLI Landowners and establishing a quorum for this meeting.

D. Road Manager's Report by Dave McGuire:

1. Dave outlined the storm destruction of slides, down trees, and road undermining and erosion.

2. We spent a huge amount of work and about \$25K on making the road as passible as possible, but we are out of money.

3. Options for road repairs and maintenance will be presented later and depend upon our decision to pursue or not pursue an SBA Loan.

E. Treasurer's Report by Mac Marshall:

1. Mac provided an annotated Bank Register showing DCLI funds depleted by storm damage costs and insufficient to continue maintaining the roadway.

2. The report also shows the amount spent on each road section.

3. Landowner Road Maintenance Fee checks were posted to member accounts and deposited into the DCLI Liberty Bank checking account.

4. Checks were created and mailed to suppliers and vendors to cover road maintenance and administrative costs of DCLI.

5. A Statement of Financial Position report was created to provide an Income Statement and bank account reconciliation for the DCLI FY2016/17 U.S. Federal and California State tax returns and statement of information.

F. Secretary's Report by Ron Chandik

1. Secretary works on issues relating to land ownership and sale, tax issues, and several documents used to facilitate the smooth and efficient administration of corporate issues.
2. Parcel Map of DCLI road system with Map #s and APNs relating back to the landowner: This is used to identify who owns land on each road and how far they travel on the road for billing purposes.
3. Updates on Master Lists: Members' data & changes.
4. Work with Title companies on land sales and new owners.
5. Process Lien and Release transactions with Santa Cruz County Recorders office and with Tys.
6. Record & Distribute Meeting Minutes.
7. Attended a meeting at Lakeside Elementary School on Black Road hosted by Santa Cruz County Supervisor, Bruce McPherson and Santa Clara County Supervisor, Mike Wasserman, and attended by Public Works and CALTRANS officials who made the severe impact of this winter's storms clear to everyone.
8. Prepared documents for DCLI Spring General Meeting and assembled and mailed the meeting announcements.
9. Reviewed tax documents which had not yet been filed and identified three forms which are required by Federal and State taxing authorities and by the California Secretary of State:
 - a. U.S. Federal form 1120-H
 - b. CA Form 199N
 - c. California Secretary of State Statement of Information Form SI-100
10. Reviewed filing requirements with personal tax attorney.

G. SBA Loan Discussion

1. There was a discussion initiated by several Landowners regarding SBA loan requirements and process and liability exposure and the experience of Bear Creek Canyon Road Association in working to secure a loan. Also stated was the possibility and desirability of securing a lower loan amount for a shorter period of time.
2. In clarifying a Landowner's concern about our current objectives, Tys stated that we will decide whether or not to pursue the SBA loan today, and if we do decide to pursue the loan, we will vote on a corresponding road projects budget. If we decide NOT to pursue the loan, we will vote on a road projects budget which will only include whatever we are willing to fund without the loan.
3. There was disagreement expressed by several people regarding the fact that those present in this meeting would make the final determination on the SBA loan. Simon: We can either do an additional meeting or we can do a mail vote. Tys: We have a quorum here and we can do a mailing to see who objects, but we need to gage the willingness of the people here to proceed with the loan application. Tom: BCCA did a contingency vote. They voted to do the loan application and then decide later whether to accept it. Andrew: There is a concern about timing. We cannot afford to drag out the process for several weeks or we will get nothing done by next winter. Chalk: The road doesn't look any different now than it did 15 years ago. We should take all the money we

can get at the low interest rate and pay back the loan later with inflated dollars, but get the road into good enough condition to increase property values. Manuela: Her discussions with the SBA verified that projects are monitored as they progress and that loan defaults will NOT be the responsibility of all Landowners. Jay: We already have a substantial investment in addressing the storm damage and we have receipts in hand. We should be able to recover this investment and use the funds as we see fit including paving. Chandik: Other areas of the road system will be damaged in the future. Just because we fix the current damage doesn't mean that we won't incur substantial repair expense in the future. Ginny: We are sure to have lots of problems in the future. We can't anticipate them all. We need to deal with the situation as it exists now.

4. Jay: Considering existing repairs and future repairs in road preparation costs, we should be able to use about 50% of the SBA funds for mitigating long-term repairs including paving. Tys: Based on the long-term repair contingency, how many Landowners are willing to pursue the SBA Loan: **YES= 24; NO= 0** Based on this response, we will send out a mailing to all DCLI Landowners requesting their input on the SBA Loan issue.

5. Ginny: Does DCLI need an engineer to discuss proposed road repairs with the SBA ? Manuela: SBA will send its own engineers to do the evaluation. Dave: At this point we can present all the details of what needs to be done, but your offer may be useful later.

H. Road Manager's Report by Dave McGuire on Road Projects using SBA Loan:

1. Little Buck: Rock & roll to Mary's Gulch
2. From 1st incline past the 1st bridge over slide area \$26K by K&M 3" hot mix, 18 ft wide and wider at the turnouts.
3. Deer Creek to Palm Cutoff paved for \$28K one tenth of mile section.
4. Hartman \$25K Rock & roll plus \$60-80K to pave to Spadaccini's
5. Ramble Little Buck to Mike Brown's for \$60K, 6 tenths of mile.
6. Repairing existing asphalt \$40K
7. 3rd bridge to Marco/Jose paving \$87K
8. \$10K SBA Loan payment plus Admin \$4K plus other unknown issues.
9. Tys: Budget with SBA Loan: \$10K Loan Pmt, \$2K iron work on bridges, \$5K tree work cleaning along roadway, \$12K Ron's Road boulder removal to creek by Locatelli slide, \$5K Emergency Fund. This amounts to a \$39K + \$4K Admin budget if the SBA Loan is received.
 - a. Given this budget Tys can tell each person right now what their FY2017/18 Road Maintenance Fee billing would be.
 - b. Vote on this proposed budget with SBA Loan: **YES = 24; NO = 0**

I. Road Manager's Report by Dave McGuire on Road Projects **WITHOUT** SBA Loan:

1. Finish Locatelli washout
2. Rip, grade, rock and roll ½ mile of Hartman
3. Rip, grade, rock and roll Ramble to Deer Creek Heights.
4. Paving repair
5. Upper part of Ramble past the S turn rip and grade
6. Rebuilding Emergency Fund.

7. Tys: This comes up to a \$46K +\$4K Admin budget = **\$48K**

8. Comments: Ginny: Front of road should get more work because it services more people. Andrew & Ginny think that this budget is insufficient to meet Landowner needs and that the loan is needed. Tys: SBA may tell us we can't have the loan. We have to have another option. Jay: If we can't get SBA Loan, we still need to do more to make the road more usable. We need \$75K-\$100K to start improving the road and people's access to their property and their land value. Mo: A large number of current DCLI Landowners will not support this proposal. Jay: The motion is to think what we would do with \$75K rather than continuously make minor fixes on the roadway. Additional comments on not just doing minor fixes but to spend enough to improve the road each year so that eventually it would become a fully functional county road. Tys: Would you support an additional line item to this budget to create a reserve for \$10K to be exclusively used for new paving ?

a. Vote on Paving Reserve: \$10K =?; \$15K =more

b. Vote on FY2017/18 Budget without SBA Loan Total amount is \$48K + \$15K = **\$63K:**
YES = about 23; NO = 1

J. Elections were conducted as follows:

1. The President, Treasurer, and two directors at large are elected at the Spring General Meeting. Vote is for DCLI Members in Good Standing only. Members in Good Standing are defined as DCLI Landowners who are completely paid up (NO Prior Years' Balances Due) or have a Board approved payment plan in effect. 60 DCLI Landowners are eligible to vote in this election and we have 7 proxies.
2. Nominations were open for President. Tys agreed to run. There were no other nominations and Tys was accepted by acclamation.
3. Nominations were open for Treasurer. Mac agreed to run. There were no other nominations and Mac was accepted by acclamation.
4. Nominations were open for Director #1 currently held by Dave "Mo" Moscoe, who has declined to run. Manuela nominated Ginny Stone. There were no other nominations and Ginny was accepted by acclamation.
5. Nominations were open for Director #3 currently held by Jay McClelland. Jay agreed to run. There were no other nominations and Jay was accepted by acclamation.

K. Andrew proposed a motion to direct the Board to proceed expeditiously to secure the SBA Loan, but no action was taken.

L. Tys formally closed the meeting.

Respectfully Submitted by DCLI Secretary,

Ron Chandik

06Jun17