

Missouri River Ranches/Eagle Canyon Ranches Landowners Corporation

PO Box 162
Cascade, Montana 59421-0162

12/19/2020

Michelle Peterson
VIA EMAIL

Dear Michelle,

Thank you for your thoughtful email. I will attempt to cover each point you brought up.

To begin, if I believed all of the lies, personal smears and gossip going around about myself and other board members, I wouldn't trust myself or the board members either. Although I can't address these falsehoods spread by the "opposition", as I call them, I can reply to your concerns in a factual manner. I will breakdown and answer each of your concerns:

1. Election Results. At the Annual Meeting I announced the preliminary results. I also stated that these results were subject to verification. Here is what was found in the verification:

- a) The election judges verified (96) votes for Richard Kollars and (75) votes for David Allen (I'm attaching a copy of the vote verification for your review). This count did not include the votes from Montana Recreational Properties.
- b) Prior to the Annual Meeting the Board, through its attorney, requested a certification of the Properties owned by Montana Recreational Properties. They were also informed that if they did not provide the board with this information, it could affect their voting rights at the Annual Meeting. On August 25th Montana Recreational Properties provided a certification indicating that MRP owned (23) lots (I'm attaching a copy of MRP's certification).
- c) One of the lots that was certified by Montana Recreational Properties, MR-118, had been removed from the Landowners Corporation in 2004 by Montana Recreational Properties. Since MR-118 is not part of the Landowners Corporation, it doesn't qualify for a vote. This left MRP with the voting rights to (22) lots.
- e) At the Annual Meeting Mark Belew presented a proxy, from Montana Recreational Properties, claiming to have (32) lots and thus (32) votes. This is what gave the initial appearance that David Allen had won.
- f.) During the verification process the election judges found that a landowner with (2) lots had voted these lots three times. Once in person; once using a proxy designating another person; and once using a proxy designating a totally different person. These votes were thrown out as fraudulent.
- g) If you take David Allen's (75), from the election judges certification, and subtract the (2) fraudulent votes, and then add the (22) votes of Montana Recreational Properties, this equals (95) votes for David Allen and (96) votes for Richard Kollars. Richard Kollars vote count never changed during the entire verification process.

It should be noted that approximately (8) landowners left the Annual Meeting prior to voting because of the hostile environment. A few folks tried to bring firearms into the meeting and were asked to leave the weapons in their vehicle. Ultimately, three Lewis & Clark Sheriff Deputies arrived to ensure the safety of members. This demonstrates the complete disregard for the Landowners attending, and the length some folks will go to push their agenda.

The landowners who left, were robbed of their right to hear the presentations, ask questions and vote accordingly. Shame on the opposition.

It should also be pointed out that the opposition held a meeting prior to the Landowners Annual Meeting, to plan their attack on the Corporation and the Board members. Board members were prohibited from attending this meeting. They objected to our labeling it a "secret" meeting, but what else do you call a meeting that excludes certain landowners?

2. Ballot Possession. It was the Board's wishes that the actual ballots and certifications be kept by an independent person, and not a Board member. One of the election judges volunteered to keep them for us. However, on a Saturday morning, that election judge came to my cabin and handed me an envelope containing all of the ballots and certifications. She indicated that she was being harassed by certain landowners and was fearful for her safety. These landowners were coming to her door demanding documents, sending threatening texts and leaving notes on her windshield. Since she was living alone at the time, she was rightfully concerned for her safety.

The ballots and certifications are in my possession; have been electronically preserved on the LOC's cloud server; and have not been tampered with and match exactly to the signed certification of the election judges.

3. Election Security. It is important that elections for the Landowners corporation are secure, fair and accurate. In the past elections votes were tallied by show of hands. No one I know believes this was a good way to hold elections.

In that vein, the Board decided to use paper ballots so that only the folks who were eligible to vote voted, and ballots were preserved. Due to the chaotic environment of the Annual Meeting and other issues that were discovered during the verification it has become clear that the method we used did not work as planned.

The Board has discussed your idea of mailing ballots to all members and have those ballots sent back to our accounting firm for tabulation. This is an issue that needs to be resolved before our next Annual Meeting.

4. Re-vote. The Board doesn't have an issue with a re-vote for the At-Large Board position. In fact, Mark Pieloch suggested we mail ballots to all Landowners. However, Mark Belew and Roy McFarlane insisted the election only allow one vote per Landowner. The Board cannot authorize an election based on their criteria. We must follow the bylaws that specifically state that each lot has one vote.

The Board does not have authority to change or alter the bylaws.

5. Annual Meeting. The Board set the Annual Meeting for the second Saturday in September. This has been the historical date for the meeting for as long as anyone can remember. To my knowledge, it has never been held on a different date.

I believe we should canvas the members and see when they would like the meeting to be held. Some folks don't want it in the summer because they go vacation; others don't want it in September because of hunting season & school. I don't believe it really matters to any Board member. We were just following tradition.

6. Annual Meeting Format. The Board agrees that there may be a better way to hold the Annual Meeting, such as a Zoom meeting. Not being an IT expert, I don't know what it would take to do that. I also wonder about the limitations of Zoom. It may work well with a small number of people, but I don't know how it would work with 80-100 people. Additionally, as a year around resident, I can attest to the fact that internet service in the mountains is fair at best, and terrible at the worst. Also, I believe there are a number of landowners who don't have internet service.

This is something the Board will have to resolve prior to our next Annual Meeting. We are open to any suggestions members may have.

7. Following Bylaws. Contrary to what you've heard, the Board is following the bylaws and the Montana Non-Profit Corporation Act as written. This is one of the biggest reasons we are being attacked so vigorously. The opposition agenda is no road improvements, no covenant enforcement, and no assessment enforcement. This position is contrary to what the bylaws require.

In the past, the Lanes (through the Landowners Corporation) never followed the bylaws, covenants or the Montana Non-Profit Corporation Act. There was minimal road work, no covenant enforcement and no action taken on landowners who were delinquent in their assessments. It is a Board member's fiduciary responsibility to maintain & repair the roads; enforce the covenants; and collect delinquent assessments.

The Board was also fortunate to have legal counsel, by an attorney that specializes in HOAs and LOCs. This advice and counsel was vital in understanding the duties, responsibilities and limits that Board members have in carrying out their duties.

This service was generously paid for by Mark Pieloch. Mark will be ending his subsidizing of attorney fees as of January 1, 2021. From that point on, the Landowners Corporation will be responsible for attorney fees related to legal questions, covenant enforcement and delinquent assessment enforcement.

8. Covenant Enforcement. As you indicate in your correspondence, the covenants have never been enforced since the inception of the subdivisions. This has led to many, many lots that are basically garbage dumps. Contrary to what the opposition says I don't believe that any landowners are garbage. We are all created equal. However, some landowners' properties have turned into garbage dumps. This is not an opinion but a simple fact. This situation affects all Landowners in the community and is a scourge on Mother Nature.

Just like you, my wife and I purchased our property as our retirement home. Before we purchased the properties we obtained the LOC bylaws, covenants and road easements. We knew what we could and could not do before we ever signed on the dotted line.

We knew prior to purchase that we were responsible for paying our LOC assessments and the LOC was responsible for repairing and maintaining the roads; enforcing the covenants and collecting assessments from all landowners. After attending many Annual Meetings it became clear that the LOC was not doing road repair and improvement (only minimal maintenance & emergency repairs); would not enforce the covenants; and would not hold delinquent landowners accountable.

This is legal contract that all landowners have with the LOC. We have paid our assessments and have a reasonable expectation that the LOC do its job. Repair, improve and maintain the roads; enforce the covenants; and make everyone pay their fair share.

9. Road Maintenance and Repair. 2020 has been an learning experience for the Board. We initially contracted with a local contractor to grade the roads and make some much needed repairs on Charbonneau, Beaverslide Loop, and Spring Drive. The contractor committed to having the work done by May 31st. Low and behold every month we would get an update that he would have them completed by the end of the next month, and then the end of the next month. Finally, on September 1st he sent me an email stating that he would not be able to complete the work.

At this point we scrambled to find an alternate contractor. We found one that was willing to squeeze us in his already booked schedule. We weren't able to get all the work done that we wanted, but we got the main roads bladed and some badly needed repairs on Arrow Drive, Beaverslide Loop and Charbonneau done.

The road committee is currently putting together our 2021 road repair and maintenance plan, so that we can get it scheduled with a reliable contractor before the season begins. Our intention is to be first in line rather than last in line. You can read the Boards Road Plan & Policy on the website. It is posted for all to read.

It's going to take a number of years to get the roads in reasonable condition. Since the developer never invested in improvements or repairs, it's up to the LOC to get the job done. We still have many roads that need immediate repairs. However, we can only do so much with the budget we have.

As for Mark Pieloch and myself. No road work has been done on my road at the expense of the LOC. In fact, Jim Panitzke and myself have been maintaining our road (mostly Jim). What gravel has been put on the road is gravel that I personally bought for my driveway and bad spots on the road.

In Mark Pieloch's case, I'm not aware of any road repairs around his properties, except maybe Spring Drive. However, Spring Drive is a main road that services North Fork, Beaverslide Loop and many other locations. There were no repairs done there, only grading and widening of the road. Additionally, while Mark was repairing his ranch road, he provided and graded over \$13,000 of gravel on North Fork Road. This road was probably one of the worse roads in the subdivision and is now one of the best. No one gives Mark credit for the good things he has done for the community. This is one less road the LOC has to fix and the landowners have to pay for.

10. Assessment Levels. Like you, I don't really like the higher assessments. We also have two lots for \$800. However, I also know this is what is needed in the near future, to clean up the mess left by the Lanes.

Road repairs, improvements are going to take a few years to get on top of. It will take around \$50,000 a year to tackle the bad areas and get the other roads crowned so that we won't have so much damage from erosion. Ditches need to be cut in many areas in order to channel runoff and prevent erosion. None of this has been done in the past and it's now up to us to turn it around.

The LOC has never had a cash reserve account to cover emergencies. In the past road maintenance funds were diverted for repairs of washouts. In some years road work in one year was paid for by assessments from the following year.

As stated, the previous LOC has never enforced the covenants. This Board has notified 14 properties (owned by the Lanes) that they are in violation of the covenants and must be cleaned up.

We will be notifying them shortly that they have a date certain to come into compliance, or the LOC will take additional actions. These actions cost money. In some cases we will have to get a court order to force violators to comply.

In collecting delinquent assessments the LOC may have to place liens on properties and ultimately file for foreclosure. This all cost money and is reflected in the legal costs we anticipated in the budget.

11. Forgiveness of Delinquent Assessments. This is an issue that sticks in everyone's craw. Most Board members were of the opinion that we should go against all delinquent landowners. However, after receiving legal counsel and weighing the situation it was decided to forgive all delinquent assessments prior to 1/1/2020. The reasoning is as follows:

- a) The records provided to us by the Lanes were terrible, to be charitable. They were keep on spreadsheets with hand written notes. There were no invoices or other source documents showing how much the landowners were billed; and there were no source documents showing payments made or not made. This made it difficult to impossible, to determine exactly who owed what.
- b) Our legal counsel informed us that we had a very weak case in collecting past due assessments on Landowners in the Eagle Canyon subdivision due to the Lanes letting the corporation be involuntarily dissolved (they didn't file the annual report with the Secretary of State).
- c) When weighing the cost benefit, we determined that it would probably cost the Corporation \$10,000 to collect \$8,000. This is not cost effective.
- d) The board was faced with many issues (roads, covenant enforcement, etc). It was felt that it was better to focus our attention on the bigger issues rather than focus and expend resources on a no-win situation.

I hope I have been able to answer all of your questions and address your concerns. If not, please let me know.

I also ask that you take the rumors and trash talk with a grain of salt. They are just that, rumors and trash talk.

Also, please forgive me for the lengthy response. You had a lot of questions and concerns.

We will be posting your email and my response on our website "Members letters" so that all members are able to review your concerns and the response.

Have a Merry Christmas and a Happy New Year!

Sincerely,

MRR/ERCLOC

Dennis W Greany
President/Chairman of the Board

Board Members

Richard Kollars
Dennis Greany
Roy McFarlane
Mark Pieloch
Mark Belew