

**bbwilbur@frontier.com**

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**From:** "Dustin Frederick" <dustin@local519.org>  
**Date:** Saturday, June 08, 2013 7:09 AM  
**To:** "Bob Wilbur" <bbwilbur@broadstripe.net>; "Gwyn Staton" <gwynstaton1@msn.com>  
**Subject:** FW: Whidbey Island Bank ---construction loan information

fyi

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**From:** Dustin Frederick  
**Sent:** Saturday, June 08, 2013 7:08 AM  
**To:** 'Karen Shaak'  
**Cc:** 'Jean Salls'; 'Maria Chamberlain'  
**Subject:** FW: Whidbey Island Bank ---construction loan information

Karen ---I appreciate the frustration expressed in your last email to me because I have similar frustration. However, you are an officer of the board and I am a member in good standing as well as an appointed committee member and sending you correspondence is one of my rights. You have every right to expect the correspondence to be non- threatening and I have never sent you or anyone else threatening correspondence of any kind. If you have an example ---please produce it.

In order to understand the genesis of my email to the three of you about the meeting with WIB, please read the email below from Megan Wise because it is in direct contradiction with your version of the meeting.

Megan says ----- ***“Other than that, the officers of the Board have asked that I only communicate with them going forward.”***

You say-----Megan requested to not deal with the membership. She asked who officers on the board were by name. This was her request none of us ever made mention. I kind of thought based on her request that she may have gotten calls from homeowners because you published her name on ND - don't know but you could ask her.

Since you are an intelligent person I'm sure you can see the contradiction between Megan's version and your explanation of what occurred. Since I am now presumably restricted from talking directly to Megan---how would you suggest I reconcile the contradiction? Pretty difficult, so I asked the three of you for a "report" on what was said.

You are the only Officer that responded to me so I am replying to you. I'm struggling to figure out why Megan would phrase her response in the manner that she did, she has no reason to misrepresent anything. Megan could have said to me in her email---"Dustin--I would really rather talk only with the Board members". She did not say that---she clearly indicated it was a request of the "...officers of the Board..."---while you say---"...none of us ever made mention." Hence my frustration and my comment about covert activity and "deception."

Another inexplicable contradiction between your report on what occurred at the meeting and the record of correspondence is the issue of financial information. Megan requested financial information on May 2<sup>nd</sup> (see below email)---yet you report the following:

Megan was explicit about not wanting any information or paperwork from us in writing until there was a vote to refurbish the pool.

Finally---if everything is open and transparent and nothing nefarious---why didn't one of you take a few minutes to send me an email after the meeting and tell me what Megan said about loan terms when you met with her? You knew I was interested and wanted to attend yet no one bothered to contact me. Actually, I am not really surprised that none of you voluntarily contacted me because we're not exactly working together on this notion of financing with a mortgage.

In any event----I am a very easy person to work with, extremely collaborative, if everyone is up front and willing to convey their interests openly.

I have a lot of time, energy and money invested in my property at Admiral's Cove and I am committed to the maintenance and improvement of the community areas. I think it is a disastrous economic decision and shortsighted to not refurbish the pool and pool building.

Therefore---I am going to vigorously resist the destruction of the pool. I am very confident that there is a way to fund the refurbishment of the pool and address the interests of those with limited income and those who simply don't want to pay dues. I intend to keep working the problem until we have a solution that includes keeping the existing pool.

I'm hopeful that there will be a report at today's meeting on your conversation with Megan that is as accurate as humanly possible and conveys to the membership at the meeting that this is a viable option for financing.

Dustin

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**From:** Megan Wise [<mailto:meganw@wibank.com>]  
**Sent:** Friday, May 31, 2013 9:28 AM  
**To:** Dustin Frederick  
**Subject:** RE: Whidbey Island Bank ---construction loan information

Good Morning,

No I haven't. I did meet with Jean Salles, Maria Chamberlain and Karen Shaak on Tuesday upon their request. We discussed basic loan structure, etc., if the vote comes back in favor of restoring the pool. Other than that, the officers of the board have asked that I only communicate with them going forward.

Thanks, Dustin.

*Megan*

Megan Bray Wise | Vice President | Commercial Loan Officer



Office Address: 450 SW Bayshore Drive | Oak Harbor, WA 98277  
Phone: **360.240.6471** | Fax: **360.240.4936**

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**From:** Dustin Frederick [<mailto:dustin@local519.org>]  
**Sent:** Thursday, May 30, 2013 8:06 PM  
**To:** Megan Wise  
**Subject:** RE: Whidbey Island Bank ---construction loan information

Hi Megan----have you received any of the below information yet from members of the ACBC Board?

Dustin

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**From:** Megan Wise [<mailto:meganw@wibank.com>]  
**Sent:** Thursday, May 02, 2013 10:05 AM  
**To:** Dustin Frederick  
**Subject:** RE: Whidbey Island Bank ---construction loan information

Hey Dustin,

Talking with my manager and he is interested, but we need a bit more info. Can you please send me:

- 2011,2012 Profit & Loss and Balance Sheets
- Projections reflecting increased dues to pay for project (if available)
- HOA Budget (if available)
- Project budget (if available)
- Also remind me...you have 400 +/- homeowners and 700 or so lots?

Anything you have completed will help!

Thanks, Dustin.

Megan

Megan Bray Wise | Vice President | Commercial Loan Officer



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**From:** Dustin Frederick [<mailto:dustin@local519.org>]  
**Sent:** Wednesday, May 01, 2013 10:14 AM  
**To:** Megan Wise

**Subject:** RE: Whidbey Island Bank ---construction loan information

No---we could do a donation program and come up with more than that.

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**From:** Megan Wise [<mailto:meganw@wibank.com>]  
**Sent:** Wednesday, May 01, 2013 10:03 AM  
**To:** Dustin Frederick  
**Subject:** RE: Whidbey Island Bank ---construction loan information

Dustin, is \$65K the most cash the association can put in to the project?

Megan Bray Wise | Vice President | Commercial Loan Officer



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**From:** Dustin Frederick [<mailto:dustin@local519.org>]  
**Sent:** Wednesday, May 01, 2013 7:35 AM  
**To:** Megan Wise  
**Subject:** RE: Whidbey Island Bank ---construction loan information

Karen is currently on the Board and is an Officer. She is not in favor of rehabilitating the pool and her approach is to make the cost so high and so unaffordable that when presented to the members it will be voted down.

The two funding options suggested so far are: and assessment of \$1500 per lot and my suggestion of a mortgage. I am 100% confident that an assessment of \$1500 will not pass.

I believe the only viable option is a mortgage from a bank that is part of the community and wants to be part of the group that saves this irreplaceable asset. I'm thinking 5, 10 15 years down the road the demand for recreational property will drive up the lot values in Admiral's Cove and having an updated fully operational pool will only enhance those values. That is the reason I wanted to use WIB---I thought it would be tremendous advertizing for WIB to be the lender and part of this effort. Heck---we could name it the "Whidbey Island Bank pool---at Admiral's cove."

I'm looking for some people with vision and there is a shortage on the current board. I fully believe that with the proper leadership this community would support the renovation.

The vast majority of members will admit that the dues have been inadequate---they are currently 138 per year per lot. If we raised the dues to a very reasonable 250---300 per lot per we could fund operations and pay the debt service. The costs are all prospective and can be budgeted with payment plans.

The IRS issue is a straw man----we had some people do some minor work on the pool as independent contractors and did not call them employees. It is a tempest in a tea pot. We also had a community vote to convert to an HOA and the paperwork was done incorrectly ---so our registration with the state got messed up. there are some minor fines---that's it.

I do believe that the majority of the property owners would understand and realize the value to their property of renovating the pool---if they were presented a reasonable and manageable funding plan. I'm working with a core group of people with vision and our challenge is to get the plan in front of the members to vote on.

The negative members of the Board (5 out of 7) ---are trying to be able to say to the members---“well—we talked to the bank and they won't lend to us” so no point in putting a vote to the community re that option.

We have the capability to communicate directly with the members but there is no point in pushing for a mortgage if---in fact---WIB --or any other lending institution would not lend.

Our problem is ---we simply don't trust Karen's research and her negative slant---as evidenced by her very pessimistic “report” on her discussion with WIB representatives.

If ---at the end of the day no bank will work with us---then we will accept that---and try some other approach to save the pool.

We are just looking for a straight answer.

Any clarification you could provide would be appreciated.

Dustin

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**From:** Megan Wise [<mailto:meganw@wibank.com>]  
**Sent:** Tuesday, April 30, 2013 10:44 AM  
**To:** Dustin Frederick  
**Subject:** RE: Whidbey Island Bank ---construction loan information

Hi Dustin.

Interesting. Is Karen one of the officers of the HOA / Club? It would be helpful to know who she spoke with at WIB. Some of the requirements she lists sound reasonable, others do not sound accurate to me. With a higher loan amount, underwriting does get more strict, this is true. However I don't know why if a bank would make a term loan to the HOA /club they wouldn't do the construction portion as well. A construction loan allows the bank to have more control over the project and assures that funds are used appropriately—in my opinion—but I'm not the only commercial loan officer out there that's for sure.

All that being said, this is a larger dollar amount and the folks I work with in loan management here are different players than when we spoke a year or so ago, so let me discuss this with them in more detail and get back to you.

Have you found out anything else regarding the IRS? How much is owed?

Thanks.

Megan

Megan Bray Wise | Vice President | Commercial Loan Officer



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**From:** Dustin Frederick [<mailto:dustin@local519.org>]  
**Sent:** Monday, April 29, 2013 9:33 PM  
**To:** Megan Wise  
**Subject:** FW: Whidbey Island Bank ---construction loan information

Megan---this email will be confidential. Please see the summation below. I don't know who karen talked with--but it wasn't you. Simply put---based on prior incidents I can't believe what karen reports because she has a negative slant regarding refurbishing the pool.

Is it possible that we could qualify for a construction loan? If so---what would be the down payment?

Dustin

**From:** karen shaak [<mailto:karensaak@gmail.com>]  
**Sent:** Monday, April 29, 2013 8:16 PM  
**To:** Dustin Frederick  
**Cc:** [rapeetz@gmail.com](mailto:rapeetz@gmail.com); Dan Jones; Ed Delahanty; Elsa Palmer; Jean Salls; Maria Chamberlain  
**Subject:** Re: Whidbey Island Bank ---construction loan information

As was the case with Wells Fargo, Whidbey Island Bank said our project and our status is not a good candidate for a construction loan. It is possible they would fund a regular loan but sounds dubious. Here is what i was told:

- Until we submit a loan application we cannot confirm whether we qualify for a loan. Officers will be required to provide disclosure and sign as to the truth of info provided
- Our credit rating is would play into whether they'd even consider a loan of this magnitude (\$650k). I don't know what our rating is.
- We would have to make full disclosure of the IRS situation and likely have a letter from the IRS that the issue is satisfied to use our land as collateral as well as disclose any lawsuits of significance over the past 5 years as part of the loan disclosure process
- He inquired about our insurance coverage to protect the corporation against lawsuits, we'd have to provide it. We have insurance but an endorsement excluding any coverage for suits from our homeowners to or from club status as an HOA or beach club.
- We could not use the money we have in the bank as a down payment as we'd have to prove we had funds to operate based on our current expenses
- a conventional secured loan would likely require 20% down
- our rating could likely dictate a higher interest rate - 8%+
- He inquired about our HOA documents - I explained our status was not such. Like Wells he asked about our vehicles to collect assessments and dues (we have none) and our current attrition rate of payers - 10% year over year since the law suit.
- Like Wells, Whidbey also requires an audited financial state for a loan of this magnitude.

Key Bank is next; then I will summarize for the membership faq.

karen

On Mon, Apr 29, 2013 at 5:00 PM, Dustin Frederick <[dustin@local519.org](mailto:dustin@local519.org)> wrote:  
 Karen---would you also please confirm the least amount we would need to put down, whether we could use a construction loan or not and which type of loan would have the best interest rate--construction or regular---as well as the best terms overall.

I know these are all questions that will be asked at the special meeting and if we have the accurate information in advance it will be much more efficient.

Thank you.

Dustin

-----Original Message-----

From: Karen Shaak [mailto:[karenshaak@gmail.com](mailto:karenshaak@gmail.com)]

Sent: Monday, April 29, 2013 4:29 PM

To: Dustin Frederick

Cc: [rapeetz@gmail.com](mailto:rapeetz@gmail.com); Dan Jones; Ed Delahanty; Elsa Palmer; Jean Salls; Maria Chamberlain

Subject: Re: Whidbey Island Bank ---construction loan information

I have a meeting with WIB in 5 minutes, I am here now and will ask this as well as all of the same questions I asked Wells. And, per Ed's suggestion I am also going to Key Bank.

K

Sent from my iPhone

On Apr 29, 2013, at 4:14 PM, Dustin Frederick <[dustin@local519.org](mailto:dustin@local519.org)> wrote:

> It is a computer generated form letter. If tax payment errors were made during my tenure on the Board and as President--they were unintentional. I did not initiate any changes in our tax payment practices and the IRS is certainly not immune from making mistakes and sending out form letters charging penalties when those penalties were not warranted.

>

> Nevertheless--accountants and tax attorneys advise that you pay the fine and work it out with the IRS later. If you were overcharged or you should not have been fined---they will refund.

>

> I suggest that we let the bank decide if these problems are an issue or not.

>

> -----Original Message-----

> From: Bob Peetz [mailto:[rapeetz@gmail.com](mailto:rapeetz@gmail.com)]

> Sent: Monday, April 29, 2013 3:58 PM

> To: Dustin Frederick; 'Dan Jones'; 'Ed Delahanty'; 'Elsa Palmer'; 'Jean Salls'; 'karen shaak'; 'Maria Chamberlain'

> Subject: RE: Whidbey Island Bank ---construction loan information

>

- > Dustin,
- > The IRS is threatening to seize Tract A for tax problems from 2010/2011.
- > What bank do you think will loan us money using the "equity in Tract A" to secure the loan?
- >
- > Just curious.
- > Bob Peetz
- >
- > -----Original Message-----
- > From: Dustin Frederick [mailto:[dustin@local519.org](mailto:dustin@local519.org)]
- > Sent: Thursday, April 25, 2013 4:12 PM
- > To: Dan Jones ([dan\\_serv@hotmail.com](mailto:dan_serv@hotmail.com)); Ed Delahanty; Elsa Palmer; Jean
- > Salls; karen shaak; Maria Chamberlain; [rapeetz@gmail.com](mailto:rapeetz@gmail.com)
- > Subject: Whidbey Island Bank ---construction loan information
- >
- >
- > Dear Board members;
- >
- > This is a formal request that the board include a construction loan as
- > a funding method for the pool/building renovation project.
- >
- > I believe that this is the best method for the following reasons:
- >
- > 1. It will provide the necessary money immediately so construction can
- > begin and costs don't increase due to inflation/delay. This resolves
- > the most difficult problem---i.e. collecting the assessment money.
- >
- > 2. Taking a construction load out based on the equity in the Tract A
- > is a concept easily understood by homeowners and a proven method of
- > making necessary repairs when homeowners don't have the cash to make a repair.
- >
- > 3. All costs would be included within annual dues and would be
- > prospective---so they could be budgeted with payment plans and/or
- > deferments until the owner's property was sold.
- >
- > 4. Based on the information in the attached letter, the approximate
- > cost of the annual debt service on a 600K loan would be \$42,120. (
- > this is calculated by taking the \$1170 per month quoted by Megan Wise
- > for a 200k and multiplying it by a factor of three). This cost would
- > be divided among all property owners and paid through an increase in
- > dues of approximately \$100 per year (based on 420 dues payers). That
- > would bring the dues to \$238 per year. I would suggest that they be
- > proposed at \$250 per year to begin building the reserve fund which
- > would occur over the next five years through annual dues increases of
- > 10% per year. After 5 years the dues would be at approximately \$403
- > per year---which would provide funding for a very solid reserve. In
- > addition, repair costs should be relatively low during those five years because the entire facility would
- > be renovated.
- >
- > 5. Per the attached email-- item #3---no one is personally liable for
- > the loan---there are no personal guarantees required.
- >



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