



December 9, 2021

To: Board of Directors
Scotia Community Services District

I write this letter in hopes that we can come to an amicable resolution of having the Board approve the Town of Scotia closeout documents listed in the last board agenda, dated November 18, 2021 under H. 1.c. for phase 3. The Phase 3 work has been completed.

As of this date, my understanding is that the new pumps have been running efficiently and as planned. Although we, TOS, will not meet the 30 days of simultaneous running by this coming board meeting, there is no indication that they will not continue to perform in a satisfactory manner now and into the future. As we all know, part of the delay in the timeline was a result of the untimely historical low water level in the Eel River watershed because of the severe drought. With additional, careful engineering, a solution was designed and I gave the approval for the additional expenditure to lower the pumps, so that in the future, this hopefully will not be an issue. This decision was made for basically two reasons. One was to stay as close to the timeline as possible and the other, more important, was to do the right thing. All indications are that the droughts are not going away. This decision will give the SCSD a more reliable water supply in the future and I might add, does not provide any benefit to TOS. The overall delay in completing this pump project has been very disappointing to me, however, with the learning curve of the past failures, I believe the end product is a substantially improved version over the original plan. Again, this delay actually ended up creating a future benefit to the SCSD.

I would like to think that TOS has a substantial interest in the SCSD providing safe, reliable water as I believe we are probably your second largest customer. To my recollection, at no time during the pump replacement did the SCSD run out of water because of a pump failure. There was a plan in place if the old high voltage pump would have failed. Even though it was not seeming liked by the board, there was a plan in place. Fortunately, we did not have to find out the adequacy of the backup.

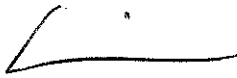
At the last board meeting, I believe I heard concerns about the will serve letter and accepting liability. I believe the SCSD is already under a will serve for the entire subdivision and I do not see where changing ownership of the houses in phase 3 either increases or decreases the liability to serve.

I don't expect the board to be sympathetic to TOS's cash flow, and the delay in selling houses is basically only a cost of money, unless of course we miss the market. The same goes for the Rio Dell Fire

Protection District as they will benefit from the benefit assessment for each parcel instead of only one currently. However, the County of Humboldt stands to lose a substantial amount of property tax money each day a house is not sold. Based on the recent resales of two houses in phase 2, the assessed value of current market is approximately 10 and a half times the current prop 13 value!

In closing, I would like to think that we could come to some reasonable solution to having the Board approve the phase 3 documents. If there are any other concerns, or you would like to discuss further, please contact me.

Town of Scotia Company, LLC

A handwritten signature in black ink, appearing to read 'Steven T. Deike', with a horizontal line extending to the right.

Steven T. Deike
President