

*Account*  
*✓ 7/10/09*  
*AP*

**William Fraser**

**From:** William Fraser  
**Sent:** Friday, July 10, 2009 9:13 AM  
**To:** SCGroup@together.net; 'Patrick'  
**Cc:** 'Steven Stitzel'; 'gar@glenrobinsonesq.com'  
**Subject:** Response to July 7th letter

Dan

I have your letter dated July 7<sup>th</sup>. While I appreciate your efforts to avoid further litigation, your suggestions and proposals fall far short of the specific information and offering that the city needs in order to engage in any meaningful conversation with you.

Perhaps you are not completely clear on the situation. I am not an attorney and I strongly suggest that you have an attorney precisely explain to you the legal situation if one has not done so already. However, based on my understanding, the Washington County Superior Court has already issued a default judgment against you and in favor of the city in the amount of \$397,079.90 plus \$53.66 per day in interest. This is a court order which has replaced your note. The city is actively pursuing legal avenues to collect on this default. The city has taken these actions because of continued failed promises and lack of payment on your part. The final straw was the loss of the Pembroke property which had been our one source of security.

Now you want to meet with us to address the situation and the only specific that you have to put on the table is somebody else's gravel of some unknown amount and value. It is simply not logical that the city would delay collection action on a court ordered judgment without substantially more money, assets and security presented for consideration. City officials did not want to go to court either – For e your failure to honor obligations and preserve the secured Pembroke property gave us no other choice to protect our public's interests.

I will repeat and refine what I said on the phone and what was in my July 7<sup>th</sup> e-mail to you. The city may consider entering into discussions with you when you specifically demonstrate the following:

- 1 – An identified property with at least \$400,000 in value that can be used as a security with the city of Montpelier in FIRST position on a mortgage.
- 2 – Cash payment in full of all money in arrears. We will not accept gravel, in kind work or any other barter for the back due.
- 3 – A demonstration of how you will be able to stay current on monthly payments. We would like the Bank to guarantee these payments and in the event that you fail to make them.
- 4 – Specific summary of all work that you are performing and how that creates an expectation of you paying off the loan.

The city will not delay any legal proceedings while waiting for you to meet the above conditions. You have had ample opportunity in the past to remedy this situation and have failed to do so.

Based on your letter and our recent conversation, it appears that the Chittenden Bank has a great deal of control over your assets and your cash flow. For example, you told me that it was essentially the Bank's decision to let the Pembroke property go through foreclosure and, apparently, you had very little to say about that. Given this situation, it seems to us that any potential meetings must directly include the bank since it is obvious that no solution can be reached without their involvement.

Please let me know the status of the above conditions and whether the bank is willing to meet with the city,

Bill

7/10/2009

**William Fraser**

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**From:** William Fraser  
**Sent:** Wednesday, July 08, 2009 12:28 PM  
**To:** 'Patrick'  
**Cc:** 'Diane Bertrand'  
**Subject:** RE: Follow up to conversation

Thank you for letting me know.

I am also confirming that I received the e-mail and attachment from Dan Scott via Diane Bertrand sent at 8:34 AM today – July 9<sup>th</sup>. I also received the attachment in fax form.

Bill Fraser

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**From:** Patrick [mailto:patricku@scigroupvt.com]  
**Sent:** Wednesday, July 08, 2009 11:32 AM  
**To:** William Fraser  
**Subject:** Follow up to conversation

Bill,

Please see Dan Scott's comments below.

Patrick Uhsmann  
SCI Holdings Inc.  
p)802-334-5225  
f)802-334-7169

Bill,

I did not receive your email dated 7/7/09 until this AM 7/8/09.

Dan



*Con*

P.O. Box 909  
333 Citizens Road  
Newport, VT 05855

Tel (802) 334-5225  
Fax (802) 334-7169  
E-Mail scigroup@together.net

July 7, 2009

Wm. Fraser, City Manager  
City of Montpelier  
39 Main St.  
Montpelier, VT 05602

Email: wfraser@montpelier-vt.org

Re: Payment

First: I want to meet with you.

Second: Thank you for taking the time to discuss the issues that pertain to our position.

Third: I met with Glenn Robinson, Attorney and discussed our position, and at that time we called and further discussed with Steve Stitzel, the want to catch-up on payment plan and move forward. We identified with the issues that have led up to this situation and consequences suffered, and our need to talk with you, as well as continue as planned.

I will identify with brief outline of issues and reasoning for your consideration.

We do not want to go to court.

We did not walk away from Pembroke and we did not anticipate or accept the outcome. We did present our case to Don Gartrell, Attorney with Gallagher, Callahan & Gartrell who can vouch for our creditability in this issue; not that this is the answer to our position with City of Montpelier, but the whole matter does come back down to credibility and structure of finance. We are not at liberty to speak for Chittenden. However, we feel that the economy and land value at bank level was depreciated and discarded.

.../2

Wm. Fraser, City of Montpelier  
Page 2  
July 7, 2009

We want to speak to keeping up with payment plan, and we also want to further discuss work out. This has been our position all along, and we have some options that are yet to be offered regarding work out with labor force, and aggregate source that is available in E. Hardwick that may support some material (sand, gravel) you may have a need for. We would like to discuss, as this may prove to help with a pay-down of debt. Note: we realize that work out is not the only answer, but would emphasize that workout is something that would help keep up with payment issues. We need to discuss, please.

We also have labor force and equipment available. Any work could be negotiated to save you money and pay our bill.

Workload in place is now on-going, and I will copy you with the projects in hand. We continue to look for work, and we continue to fight with the economy, but we do have work.

We have and will continue to support a work program that will provide "cash flow" and would advise that our relationship with Chittenden "includes" Montpelier in a budgeted payment plan. To support that plan, the Bank needs to know that Montpelier is working with Scott's. This, in itself, means structure, and how we can support all parties.

Collateral: Offering collateral to replace collateral is a necessity. We would hope that we do have collateral available and would suggest we would go to our current lender, Chittenden, and allow Montpelier a position. I am noting for the record, that this does not speak to the economic trend. We all know what "real estate" is doing in this economy. I need to discuss this, but do have to seek and get Chittenden's approval. I will promote and move on this immediately, but want to know if you will give us a chance to move. We need to discuss, please.

You mentioned that you may seek and get approval to meet and if so, possibly Friday, July 10<sup>th</sup>. I would appeal to you to be heard and discuss further.

Thank you for your time in this matter. Please acknowledge receipt of this email.

Sincerely,

  
Daniel L. Scott

DLS/ali

Cc: File  
Glenn Robinson  
Steve Aldrich  
Jess Fitzgerald

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## William Fraser

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**From:** William Fraser  
**Sent:** Tuesday, July 07, 2009 10:41 AM  
**To:** SCGroup@together.net  
**Cc:** Steven Stitzel; gar@glennrobinsonesq.com  
**Subject:** Follow up to conversation

Hi Dan

I wanted to follow up on our conversation this morning so that the outcome is clear and we can reduce confusion in the future.

You asked to meet with me to propose a means of returning to the payment plan as per our note. You asked to have the meeting before the 13<sup>th</sup> which is the date the Chittenden Bank must provide your financial records to us as per subpoena.

I did not agree or commit to meet at any time. I told you that before considering meeting I would need the following in writing:

- 1 – An offer of an identified property security with the city in FIRST position with enough value to cover the full loan.
- 2 – A statement of how much cash you are willing/able to pay immediately toward the past due amount with the expectation of full payment of all past due amounts.
- 3 – Summary of work that you currently performing
- 4 – Your proposal for how you will be able to maintain monthly payments as per the note.

When/if I receive this I will review it with the City Council on Wednesday night the 8<sup>th</sup> and we will decide whether continued discussions are in the city's best interests. I will get back to you on Thursday the 9<sup>th</sup>.

After our conversation, I reviewed the records and dates. In the event that any agreement is reached it will have to be considered and approved at the City Council meeting on July 22<sup>nd</sup>. Therefore the disclosure of bank records on the 13<sup>th</sup> will proceed regardless of our discussions unless, perhaps, you arrange to have the entire note paid in full by the 13<sup>th</sup>

\Bill Fraser

June 24, 2009

Tel (802) 334-5225  
Fax (802) 334-7169  
E-Mail scigroup@together.net

Steve Stitzel  
Stitzel, Page and Fletcher  
171 Battery St.  
P. O. Box 1507  
Burlington, VT 05402

Re: Montpelier Pay

Dear Steve:

I would suggest that our position with regard to payment and payment plan, and the amount that we are in arrears is related to participation by Chittenden Bank as our current lender and the conditions required under our LOC/Revolver account.

To identify with the actual amount in arrears is my quest. Please acknowledge. I believe it is Six Thousand Dollars (\$6,000.00) approximately. Please advise as soon as possible.

I apologize for the lack of legal representative, as I was working with Glenn Robinson on an as needed basis under retainer and deposit to account. No excuse but money and "cash" flow held up Glenn's continuance, and I am trying to re-identify with him by June 25<sup>th</sup>.

The fact that you have decided to sue is tied to a "default" on payment plan. As previously negotiated, the payment plan was premised on our "project" workload and percentage of revenues. You returned with a Three Thousand Dollar (\$3,000.00) month plan and we accepted.

We do not wish to go to Court and spend thousands of dollars defending a "default" on payment plan, and we are asking for your continuance on catching up with plan. We would appeal your action and request your forgiveness, as we are working and will address dollars owed when we receive your input.

I will identify with Glenn and copy him with this.

Thank you for your time.

Sincerely,



Daniel L. Scott  
President

DLS/ali

Cc: Glenn Robinson, Attorney  
File  
William Fraser

Rec'd, 6/30  
9:50AM  
JP



P.O. Box 909  
333 Citizens Road  
Newport, VT 05855

June 8, 2009

Tel (802) 334-5225

Fax (802) 334-7169

E-Mail scigroup@together.net

Court Clerk  
Superior Court of Vermont  
Washington County Superior Court  
65 State St.  
Montpelier, VT 05602

Re: Motion for Hearing received today 6/8/09  
City of Montpelier vs Scott's Construction Inc.

Dear Sir/Madam:

I am forwarding this Notice of Hearing to my attorney, Glenn Robinson.

As received and read and as noted, we would request time to review, respond and defend the position we are in. As of this date, we are unaware of our attorney's position with regard to handling this motion, and we ask the Court for time as the Summons was assumed to be answered by our attorney. I apologize but I am short staffed and my time is tied to too many things.

We would beg the Court for time to answer this motion as well as summons received 5/6/09, which certainly is not our intent to circumvent. I apologize but I am short staffed and my time is again tied to too many other things.

Please advise. We will be copying our attorney with this correspondence and will attach copy of Summons & Motion requesting his appearance.

Time requested is two weeks or until my attorney responds, if sooner.

Also, for the Court's information a letter was prepared and sent to Montpelier, copy attached. We apologize to all parties for this happening and request furtherance.

Sincerely,

Daniel L. Scott  
President

DLS/ali

Attach: Notice of Hearing for 6/16/09 (Receive 6/8/09)  
Summons Dated 5/4/09  
SCI Letter of 4/14/09 – Advising of Delay  
SCI Letter of 5/25/09 – Events at SCI

Cc: William Fraser – City of Montpelier – Manager  
Glenn Robinson – Attorney  
Steve Stitzel – Attorney



P.O. Box 909  
333 Citizens Road  
Newport, VT 05855

May 25, 2009

Tel (802) 334-5225

To: Administrative and/or Corporate Related Vendors, Subs, Lien and Mortgage Holders

Fax (802) 334-7169

From: S.C.I.

E-Mail scigroup@together.net

Re: Notice of Events/Plans and Payments

As of this date, we have had several incidental happenings which prolong and/or delay our functions and operating flows.

- A) This is to advise that as of this date, Mike Counter, CFO left our employ due to health related issues. He suffered a back injury which put him out of commission and was hospitalized. He also had other health issues which are "confidential", however affected his performance. This has dramatically set us back and slowed our process and plan.

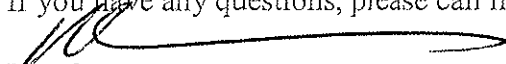
Comment: Banking related "cash flows", budgets, etc. are affected as he was the "main" stay in planning, tracking and supporting plans.

We are now working with "new" outside consultant regarding accounting and maintaining reconciliation of accounts and bank related "cash flow" projections. These were and are critical path.

- B) We appeal to those that are awaiting follow through of payment plan or are expecting prescribed payout changes. Changes in management and staff have been many and we do not consummate happenings, but have had changes that were unannounced or without notice.
- C) Deadlines previously identified were based on bank participation and accounts receivables, and in this case, were critical to payout.
- D) As of the authority to pay was as identified in plan and documentation previously presented to bank we suffered from a loss of our CFO and interaction with documentation prepared by him. We are working it out and believe it is coming around and back into place.
- E) April accounts receivables are not coming in. Erratic receivables are not complimenting flow, but we do have receivables out there.
- F) As we have received claims and notice of claims we would advise that our lag in payout is due to collections and banking.

We are at the mercy of those awaiting payment. We intend to catch up and, in fact, want to respond, cooperate and perform.

If you have any questions, please call me.

  
Dan Scott  
President

Cc: City of Montpelier – Attn: William Fraser  
Steve Stitzel

April 14, 2009

William J. Fraser  
City Manager  
City of Montpelier  
39 Main Street  
Montpelier, VT 05602

Dear William:

As we are currently delinquent in making a monthly payment, we are advising you that our payment schedule and plan is completely dictated by our banking authority, which as structured is set up on a "revolving account" based on accounts receivables and the use of percentages of revenues.

This is mid-April and we have started work.

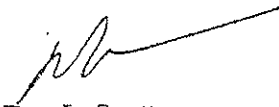
We request an extension to make payments and we would advise that our position is still whole and our need to extend is a spring start up problem. Time needed is one month.

We do not intend to promote our delay in payment schedule as a normal. This is strictly a timing issue; bank, work, start-up and sales pending all feed this request.

Please contact Mike Counter, our CFO at this office or Dan Scott for follow-up.

Thanking you in advance for your time, patience and understanding.

Yours truly,



Dan L. Scott  
President

DLS/ali

Cc: Michael Counter  
Glenn Robinson  
Ed Gaudreau  
Kory Scott  
File



CITY OF MONTPELIER, VERMONT  
- THE SMALLEST CAPITAL CITY IN THE UNITED STATES

**COPY**  
*Client*

Mayor Mary S. Hooper

City Council:

Tom Golonka  
Andy Hooper  
Sarah Jarvis  
Jim Sheridan  
Nancy Sherman  
Alan Weiss

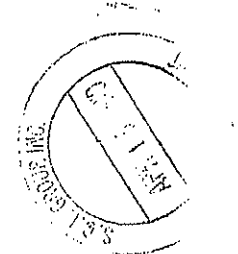
RECEIVED  
APR 14 2009  
GLENN ROBINSON, P.C.

William Fraser,  
City Manager  
wfraser@montpelier-vt.org

Beverlee Pembroke Hill  
Assistant City Manager  
bhill@montpelier-vt.org

Mr. Daniel Scott, President  
Scott's Construction, Inc.  
P.O. Box 909  
333 Citizen's Road  
Newport, Vermont 05855

	DATE
CAL/CONF	April 13, 2009
GAR	
Client	4/14/09
File	



Dear Dan,

This letter is official notice of default in accordance with the promissory note and agreements made dated February 24, 2009. Any payment more than ten days late is considered delinquent. As of April 10th no payment for April of 2009 had been received by the city. Under the terms of the note, the full payment plus a \$100 late fee is due within 12 days of this notice which, in this case, is April 29, 2009. In the event that payment is not made, the City Council will have the option, at their meeting of May 13, 2009, to call the entire note and seek foreclosure.

In both months since we reached agreement on the revised terms, I have had to send out this formal delinquency and notice letter. In addition, you did not pay the \$100 late fee last month and have now incurred another late fee this month. Therefore we expect a minimum payment of \$3,200 as per the terms of the note. I truly hope that we will not be required to send these default notices in the future.

In addition, we received a notice from the Town of Pembroke, New Hampshire that a tax lien has been placed on the Pembroke 600 property in the amount of \$372.25. I must remind you that a condition of the mortgage you signed with the city concerning this property requires that property taxes remain current.

I reiterate that this letter serves as an official notice of default under the terms of the promissory note so that the city has preserved all rights and options.

Sincerely,

William J. Fraser  
City Manager

cc: Mayor Hooper & City Council Members  
Steven Stitzel, Esq.  
✓ Glenn Robinson, Esq.

BY CERTIFIED MAIL



P.O. Box 909  
333 Citizens Road  
Newport, VT 05855

Tel (802) 334-5225  
Fax (802) 334-7169  
E-Mail scigroup@together.net

April 14, 2009

William J. Fraser  
City Manager  
City of Montpelier  
39 Main Street  
Montpelier, VT 05602

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We request an extension to make payments and we would advise that our position is still whole and our need to extend is a spring start up problem. Time needed is one month.

We do **not** intend to promote our delay in payment schedule as a normal. This is strictly a timing issue; bank, work, start-up and sales pending all feed this request.

Please contact Mike Counter, our CFO at this office or Dan Scott for follow-up.

Thanking you in advance for your time, patience and understanding.

Yours truly,

A handwritten signature in black ink, appearing to be "Dan L. Scott".

Dan L. Scott  
President

DLS/ali

Cc: Michael Counter  
Glenn Robinson  
Ed Gaudreau  
Kory Scott  
File



## CITY OF MONTPELIER, VERMONT

- THE SMALLEST CAPITAL CITY IN THE UNITED STATES -

Mayor Mary S. Hooper

City Council:

Tom Golonka  
Andy Hooper  
Sarah Jarvis  
Jim Sheridan  
Nancy Sherman  
Alan Weiss

William Fraser,  
City Manager  
[wfraser@montpelier-vt.org](mailto:wfraser@montpelier-vt.org)

Beverlee Pembroke Hill  
Assistant City Manager  
[bhill@montpelier-vt.org](mailto:bhill@montpelier-vt.org)

April 13, 2009

Mr. Daniel Scott, President  
Scott's Construction, Inc.  
P.O. Box 909  
333 Citizen's Road  
Newport, Vermont 05855

Dear Dan,

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I reiterate that this letter serves as an official notice of default under the terms of the promissory note so that the city has preserved all rights and options.

Sincerely,

  
William J. Fraser  
City Manager

cc: Mayor Hooper & City Council Members  
Steven Stitzel, Esq.  
Glenn Robinson, Esq.

BY CERTIFIED MAIL

Hello Dan, Glenn & Steve

I have received all the signed paperwork from SCI, have signed it all myself and sent the original of the novation back to Steve Stitzel.

The City has not received payment which was due, under the revised note, on March 1<sup>st</sup> and was officially delinquent as of close of business yesterday, March 10<sup>th</sup>. Attorney Stitzel inquired about this payment on Friday, March 6<sup>th</sup> and was assured that it would be rectified immediately. It is now March 11<sup>th</sup> with no payment. This is not a good start to this new agreement.

I am sending the formal notice of delinquency today but am notifying you all that the city is invoking the 12 day period and noting that an additional late fee has been incurred.

I sincerely hope that these reminders, formal notices and late fees will not be necessary each month.

Bill Fraser

Sent  
3/11/09

**William Fraser**

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**From:** Steven Stitzel [SStitzel@firmspf.com]  
**Sent:** Friday, December 19, 2008 3:50 PM  
**To:** gar@glenrobinsonesq.com  
**Cc:** William Fraser  
**Subject:** Scott Construction  
**Attachments:** Mortgage to Montpelier.pdf

Glenn,

I have attached the proposed mortgage deed with my proposed additions. The stated principal amount (as of January 1, 2009) is based on the following:

\$377,084.86 current principal balance  
\$11,878 accrued unpaid interest  
\$900 accrued unpaid late fees

Please call me to discuss this on Monday or Tuesday.

Thanks, Steve

Steven F. Stitzel, Esq.  
Stitzel, Page & Fletcher, P.C.  
171 Battery Street  
P.O. Box 1507  
Burlington, VT 05402-1507  
Telephone: (802) 660-2555  
Fax: (802) 660-2552  
Website: [www.firmspf.com](http://www.firmspf.com)

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