

MRWA Board of Directors Telephonic Meeting  
May 29, 2015 at 11:30 am

Participating members: Chris (joins at 12:28), Bruce, Jeff Kobrock, Jeff Day, Matt, Jamie  
Also Participating: Kirsten

Bruce opens the meeting at 11:14am.

Kirsten provides a general overview of the issues in ASRWWA. First and foremost, Henry Meyer, President and National Director of ASRWWA, tendered his resignation this morning during a board meeting with NRWA.

Bruce stated that the focus of today's discussion would be to alert the MRWA Board as to ASRWWA's expected insolvency and talk about their inability to repay MRWA. Bruce provided an outline of the issues:

- Three federal programs (Circuit Rider, Source water, Wastewater)
- RI SRF Technical Assistance (up to \$75,000)
- RI SRF CCR (\$23,000 – deliverables due June 30)
- RI Sampling Contracts (value \$28,000 annually)

As a MRWA Board member, Bruce stated that he cannot ask the MRWA membership to continue to subsidize ASRWWA one minute longer. We need to get out of the renewal of the contract/management agreement. Bruce cautioned that he was too close to this issue, serving on both boards, and encouraged discussion among the other members.

Jeff K asked if we were to sever relations with ASRWWA would we ever see any repayment of the monies owed. This question was posed against that of whether if we continued the relationship would we be put in a position to continue to subsidize the other association.

Kirsten stated that it should be argued that the current management agreement has been materially breached and that it doesn't exist or that it is null and void. She noted that she argued this several years ago during which time the ASRWWA Circuit Riders made fraudulent representation of contacts. The Board, at that time, agreed to continue the contract. Kirsten also noted that ASRWWA has not paid MRWA for its services under the contract; she submits this is yet another material breach.

Kirsten did explain that the promissory note due to NRWA owed by ASRWWA for the \$47,000 repayment of Circuit Rider monies resulting from the fraudulent visits was owed by ASRWWA and ASRWWA alone. The Maine Board motioned to share the cost; the note only names ASRWWA as the obligated party. Kirsten suggested that the MRWA Board consider no longer honoring payment and saving approximately \$13,000; while we may not recoup monies from ASRWWA, at least we could reduce our good faith "obligation". Kirsten will research the outstanding balance in time for the Board meeting.

Jeff K asked about the ASRWWA Bylaws and how a vacancy was to be resolved. Kirsten said that she would send the bylaws, however, the Board was not currently following the composition defined in the bylaws; rather they are acting under the proposed amendments to the bylaws. To her knowledge, these amendments were never presented, nor adopted by the membership.

Penny asked if NRWA would step in and repay MRWA. Bruce stated no, their only obligation is to protect the federal programs.

Jeff K stated that if ASRWWA really owes MRWA \$200,000 then this is a serious matter; we need to creatively think about how to resolve this and how to exhaust every possibility before we step away. Can they recreate a governing board and function? If we sever the relationship and walk away, we could well be stepping away from \$200,000.

Bruce said that he has been on the Board for three years this December. The audit has shown that over that time ASRWWA owed MRWA almost \$200,000 and at the close of the last audit (June 30, 2014) they owed \$117,000 (approx.). At some point, we need to stop throwing good money after bad. I think we should get a legal opinion on this issue and see what standing we have if ASRWWA files bankruptcy.

Jeff K stated that we need a logical framework upon which to formalize this agreement and the debt owed. If there were another party (a 3<sup>rd</sup> party) to negotiate with, then we would have a better understanding of our chances. If ASRWWA is determined to be a going concern, and ASRWWA continues to have access to funds, then our chances are better. We don't want to spend MRWA's limited resources on any activities that don't benefit us.

Bruce asked what kind of agreement would satisfy this concern. Jeff K said that if we could get ASRWWA's Board reconstituted and the bylaws clarified, amended and adopted, then they could at least be a legal entity to negotiate with.

Bruce asked what power NRWA has for the sake of repayment. Kirsten noted that the debt owed is not an obligation that can be classified as an indirect rate (i.e., not a program expense), so NRWA may have their hands tied as to how to pay that back (unless they use funds other than federal monies).

Bruce said that the management agreement is really irrelevant since there is no ability to pay for the contracted services and this violates the agreement. This is all circular.

Matt asked what MRWA may be able to recoup for the recent \$49,000 invoice to ASRWWA for MRWA staff time from July to April. Kirsten stated that she did not know, as there are very little, if any funds available to pay staff, travel and AP. She anticipates that there is not enough available to take care of those primary programmatic functions for the June 12<sup>th</sup> and June 26<sup>th</sup> payrolls without MRWA's financial resources and the Line of Credit. She stated that this most recent payroll was the first time we have had to use our Line of Credit in over 6 months.

Chris joins the call 12:28pm

Penny asked if there is any way to track the transfers of monies between ASRWWA/MRWA. Kirsten said that she had gone back in time to review the joint board minutes from six or seven years ago to see if there was information contained therein; finding none, the audit is the only information we have. Within this current year we should be able to see the “due to/due froms” between the companies (even with the recreation of the books). This will tell us from July 1, 2014 to current what ASRWWA owes MRWA.

Chris asked for an approximation of what ASRWWA owed. Kirsten stated that at the close of the June 30, 2014 audit, they owed \$117, 148 and at the close of the June 30, 2013 audit they owed \$192,554. We just invoiced ASRWWA \$49,000 for staff time from July 1 to April 30<sup>th</sup>. She said that she fully anticipates that the debt will be upwards of \$175,000 to \$200,000. None of the federal programs are current (CR and WW are three months in arrears at approximately \$8000 per biweekly payroll for three staff members [\$8,000 x 6 payrolls = \$48,000] and this does not include staff travel reimbursement) the SRF monies haven’t been released yet for this contract period (January start date). All of those salaries have been paid by MRWA with a debt owed by AS.

Jeff K stated that perhaps by our Joint Board meeting on Wednesday some of the dust will have settled and ASRWWA will be in a better position to have a good discussion that leads to opportunities.

Penny moved to adjourn at 12:41, seconded by Chris.  
Adjourned.

The undersigned \_\_\_\_\_ certifies that he is duly elected secretary of the corporation and that the above is a true and correct copy of minutes of the May 29, 2015 telephonic Board Meeting.

Dated \_\_\_\_\_

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Signature of the Secretary of MRWA