**FAIR OAKS ROTARY CLUB FOUNDATION**

**Board of Trustees Executive Meeting**

**September 2, 2021**

**CALL TO ORDER – A special meeting was called to order by President Broad at 5:08 pm on *Zoom*. This meeting is in the strictest confidence.**

1. Attending – Nick Broad, Marlow Simonetto, Dennis Dunbar, Bonnie McClain, Alisa Lisagor, Anne Browning, Jim Cralle, Alida Bray, Diana Cralle
2. Absent – None
3. Guests - Dustin Buck, Melanie Hirsch, CPA

Opening Remarks

President Nick welcomed all attendees to this important executive meeting and reviewed the Agenda.

Minutes from last meeting were sent out just today; to be approved at a later date.

Legal and financial strategy

* Update shared regarding what happened this past Tuesday and Wednesday.
* Information was given to us but nothing in writing.
* Nick called Steve Lemmon in the District for professional advice. Steve said the best approach is to *quietly* get the money back.
* Money had been reported on the balance sheet by Peter but not in the bank for 7 years or more. Money is not to be found. Mr. Lemmon suggested two different approaches:
  + Advise to get money back quickly plus interest and securities against it.
  + Legal method which may take a long time and never happen plus will cost the club extra money & problems.
* We all know Peter, and it is still speculation about loss of funds.
* He gave us a check for $2,500 and Steve Lemmon said we should cash it, write a letter to Peter suggesting a financial plan of putting the money into a clearing account and a written note.
* This is all speculation but no facts. When you know things, put it in writing
* Nick tried to avoid a conflict situation which affects FO Rotary Foundation, Peter and his health.
* There is a two pronged approach which we should take.
* Quietly try to get the money back with interest, but how? Who could approach Peter confidentially, ask what happened and tell him we are looking for repayment? Could the money be transferred in full? Could it not?
* Nick asked Ralph Carhart to talk to Peter confidentially. We want to know what happened to the money. We are interested in protecting the foundation and protecting Peter. Requesting that Peter speak to Nick so we can work out a repayment of the funds confidentially. Ralph is thinking about this as Peter is away on a weekend trip.
* It has gone back so far we don’t have records; we are trying a quiet approach.

Discussion followed

* Some agreed this is a good approach and Ralph was a good candidate as mediator.
* Didn’t Peter tell Dustin he agrees to give the money back in October or March?
* Dustin said Peter mumbled several things in the office about how he can do this. He has a CD maturing in October. He will try to make payments by March 31, 2021. He will create a clearing account and make payments, but he did not say how much. Peter was there for about 12 minutes. Many red flags were flying.
* Nothing is in writing. We are giving him the benefit of the doubt.
* Question whether Peter was given the exact amount he owes us. Dustin asked him about the whereabouts of these 2 CDs and stated the amounts.
* Anne said he would just give a verbal amount at the meetings. We never questioned him. Don’t recall there has been an audit until now.
* The immediate issue:
  + Two CDs are missing, and we can’t locate them.
  + To allow Ralph to talk to Peter, find out the details and create a repayment plan against an asset. This will be in writing with an attorney.
* There have been two separate reviews of American River Bank. They can only go back 7 years. We would have to make specific requests prior to that.
* He had been running multiple businesses and may have been comingling funds amongst them.
* Melanie Hirsch, a Rotarian and CPA, shared it will be turned over to a District Attorney if Peter does not cooperate.
* We should do a Promissory Note, drafted by an attorney, secured by a Deed of Trust against his home.
* Should also do a Title Search to determine if other liens are against his house already.
* With today being September 2nd it was agreed we would give him until September 24 to figure out a payment plan that he can make. Nick will draft a plan. Steve said let Peter provide a payment plan that we can accept. Ralph will be speaking as a trusted envoy and is not invited to the call.
* Alida agreed it sounds like a good plan, but it must happen this month with documentation through an attorney. Board agreed not to hire Steve Lemmon but need to hire an attorney who will write legal agreement with payment against an asset.
* Proper accounting arrangements will be needed, perhaps using Melanie.
* Nick will request $2000 for attorney fees from the Foundation. No motion taken. There will be two parts: a payment plan and, proper accounting of what we are doing as this has to be reported to the Franchise Tax. Thus, why Melanie is here to record this properly.
* The board decided to choose an attorney from outside the club. Dustin suggested Tyler Hoppe (a previous FO Rotarian) or Rick Morin who Dustin has used for a similar case. Jim Cralle will help Nick in selecting an attorney.
* An audit of the financials is needed. Obtain the last year’s bank statements and coordinate with our records. Melanie said to obtain bank statements to clarify. It is difficult to find bank records 10 years past and it may take a few months.
* Alida suggested we should explore with the bank first whether or not we obtain results in time.
* Dennis reminded the board the data in QuickBooks belongs to the club. He had his own QuickBooks program, but the data is ours. We are entitled to it and he should provide it.
* Nick wants to know when it happened and how….was it an accident or intentional? We want details and for him to actually admit it happened.
* Would it appear on his taxes if had $85,000 transferred to his personal account? Can we go back 10 years plus with the IRS? Melanie said it is a gross admission of income on his part and the money is missing and is technically a debt he owes.
* At end of this meeting we want to know if Ralph Carhart is meeting with Peter and making agreement of the amount and a repayment plan.
* The first attempt is to get the money back. The next step is to get an attorney and proceed with legal issues.
* Since he came to Dustin’s office with a check it shows he knows he knows he has to repay it. Whether he is able and willing is another issue. We want the money back with interest as soon as possible.

Amending our Tax Records

* How do we record this? Should go back 3 years or more and record as a *loan receivable from an officer*. That way we can disclose related party transactions. We should report it on our financials.
* It must be reported to Franchise Tax. Melanie will provide recommendations. Must go back 2 years and the third is about to go in. Nick will not sign anything that is knowingly false. We will need to amend the 2 previous years.

Investment Committee ~ Dustin

* Dustin will have an *investment committee* meeting quarterly and the chairman will report back to the board if needing any changes in the investments. Not much activity required in managing the accounts. Members are Patrick Furlong, Chris Castillo, Jim Cralle and John Carr.
* Nick wants *a review auditing oversight committee*; maybe Chris Castillo could do this as he is a fraud specialist as well as doing investments. Will wait til we see how Peter responds.
* We should consider the fact that Peter may get an attorney also.

Any Other Business

* With the upcoming Chicken Festival there is an ABC disagreement with the Parks department. The Park District wants us to give our license to SacMoTown for their charity “Christmas Hope” as the event cannot have two beer sights. Nick agreed to rescind our ABC License for one year only. Jake will be unhappy.
* Now is the time to withdraw if you have any Conflict of Interest. Nick thanked all for their input and confidentiality.
* Marlow reminded us “it’s service above self”, “is it fair to all”. This could impact the club and any future members plus members who donate money to the club. So don’t let this out.
* No other business.

Adjournment

* Meeting adjourned at 6:23 PM
* Next meeting is Tuesday, November 30th at 6 pm. Location may be at conference room in the village.

Sincerely,

Bonnie McClain

FO Rotary Foundation Secretary