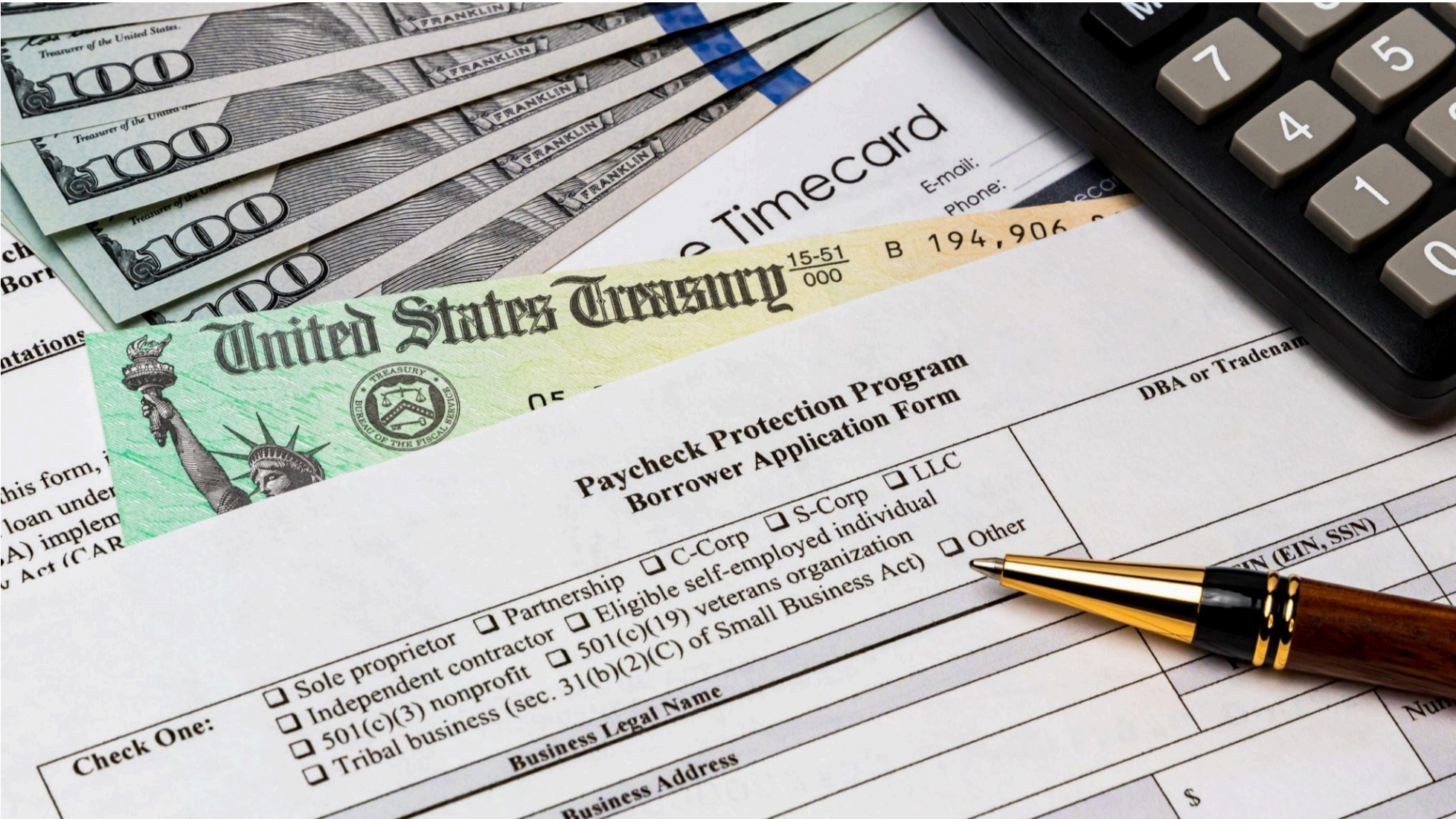


ASSOCIATION BOARD PPP

PPP Update: Honest Mistake, or Reckless Gamble?

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All RSFA Members expect the Association Board of Directors to protect the long-term interests of all who are attracted to buy here, and expect the operation of the RSFA to be professional and truthful in all respects. To allow otherwise is beneath our character and intelligence. The Board must also protect our right of “quiet enjoyment” to any or all aspects of living in this special 100-year-old community. When evidence of problems arise, the Board **as our Fiduciary** is required to investigate and correct to prevent future reoccurrences.

A recent email from the anonymous “J.W.” boldly claimed that an ex-board director and I “*failed to acknowledge their own role in the (PPP) matter and have not taken responsibility for their own actions, shifting the blame to the current board for their own past mistakes.*”

PPP Hide and Seek

I had the honor of serving on the Board twice. First from 2001-2004, and again from 2019-2022. During my second term, the Association applied for and received the government’s Paycheck Protection Program (PPP) loan during the Covid shutdown.

The all too obvious “J.W.” is completely false in many respects. First, the PPP Application was submitted two weeks prior to Board approval. We did not see the actual loan papers, and were told it consisted of “standard government documents,” and that we would not incur any legal expenses with the application. And during my last year as a Director, I was denied many documents and have been asking for full disclosure ever since.

The Board, the Finance committee, the ex-manager, the ex-CFO, and ex-auditor **all** knew the RSFA was a 501 c(4). In fact, the Association manager signs all the RSFA tax returns prepared by the auditor. I can’t imagine the auditor didn’t know that 501 c(4) organizations were not eligible for PPP loans. The sad part is the money wasn’t even needed. Before the PPP program was announced, the Association had obtained a \$2 million line of credit to cover unexpected costs during the shutdown. Was the allure of free money blinding to the criminal consequences?

Safe Harbor

The Association even had an opportunity to correct it. Four months after the PPP loan was received, the government offered the “Safe Harbor” program when it was discovered that many recipients were ineligible. If the Association had participated in the program, we could have avoided almost a *million dollars* in penalties and interest.

Right before Thanksgiving last year, the Association informed the Covenant membership of the DOJ’s loan investigation and settlement. This was followed shortly by the departure of the CFO, who would not be present to answer any questions at the next open Board meeting. Treasurer Phil Trubey became the Board spokesman, but had absolutely no first-hand knowledge of PPP events. He claimed an intensive investigation was performed (“similar to a proctology exam”), but does not reveal who conducted it, who was interviewed, if a report was written, or any conclusions. His statements only created more questions.

Was it an honest mistake? Or a reckless gamble? What *is* clear is that some type of concealment took place over the past three years. The result is a loss of member trust by a multitude of questionable Board actions. These are some of the many questions still unanswered about what happened surrounding the loan, the DOJ’s investigation, and the settlement:

- Why did the Board not disclose there was no legal review of the PPP application in 2020?
- Why did the Board fail to act two years ago, once learning of the false written representations of Board officers and two staff members? (It may be possible that four years of RSFA financials require restatement.)
- Why did the RSFA not avail themselves of the government's "Safe Harbor" amnesty program? Was the PPP loan problem hidden for one year, or three?
- Why wasn't the loan amount repaid in February 2023, after the DOJ made it clear the RSFA was not eligible? The DOJ case was about "representations and eligibility," *not* "intent" as the Association claimed.
- Certain Directors who were serving on the Board at that time (myself included) were not contacted by anyone, even the DOJ, as part of their investigation. What Directors and staff were contacted or gave information? Who determined if their information was correct?
- Why did the ex-manager receive an extraordinarily large bonus upon departing in May 2023, after what many would agree is a failure of duty as the Chief Administrative Officer?
- The person who served as Board president in 2020 when the PPP Loan was applied for, remained as a Board Director until July 2023. Did that person recuse themselves from discussions and decisions about the PPP settlement?
- Why were 160 new RSF property buyers and sellers put in jeopardy by the lack of disclosure that the RSFA was under a DOJ investigation?
- Why were members not informed of the PPP violations and the \$3 million impact for 10 months?
- Why would the RSFA Boards adamantly refuse and attack those requesting audits or investigations over the last three years?
- Why did the Board claim they were seeking reimbursement from those responsible, yet not disclose they had indemnified the advising bank, the auditor, and possibly the ex-manager? Who else was indemnified by the RSFA?

The Board has hundreds of documents related to the PPP loan and forgiveness. Members pay over \$9 million a year in Assessments, but do we have any rights to the financial information? This current Board says, "No!" If there has been no concealment of material information, why won't they release the 10 or less key documents that were requested almost seven months ago?

### **"Boardus Defensus"**

Instead, the Association is paying up to \$1,400 an hour for a new legal team of white-collar criminal defense lawyers to withhold this information and documents from the members. What is being hidden? Who is being protected, and at what cost? Should these expensive legal costs be charged to the members, or should they be personally covered by the Directors involved? This legal maneuvering creates the fear there could be other undisclosed problems. Meanwhile the Board complains that the ones asking for the documents are to blame for the Association's increasing legal expenses.

This Board suffers from a bad case of "Boardus Defensus." The Board *itself* has caused these troubles and loss of member trust. First by hiding the DOJ Investigation from the members for 10 months, then promising answers and transparency, but blocking virtually all requests for information.

Considerable evidence exists that recent Boards have not properly investigated and made changes to correct and prevent these serious mistakes, and it certainly has affected our "quiet enjoyment." Intelligent discussion to reach thoughtful solutions requires **facts**. Yet recent Boards have hidden the facts which have increased the human and capital costs, as shown by this nasty election season. How we discuss issues speaks volumes. No one wins by conflicts between our various interests and age groups. Cordial discussion on what happened and why, is the only responsible path forward.

### **Thirteen Principles**

When I ran for the RSFA Board in 2019, I published "13 principles" that I recently amended and have listed below. I believe the evidence shows recent Boards have violated almost all of them by demonstrating a preference for secrecy and personal agendas. With the current election in full swing, perhaps candidates, *and voters*, would find the following helpful as we elect two new Directors.

1. Represent all members' long-term interests in a fair and honest way.
2. Conduct discussions in a factual, fair, neighborly, and wise manner, prioritizing the long-term interests of all members.
3. Protect our historic rural uniqueness. No density increases.
4. Focus on the Future. Concentrate on major issues. Avoid personalization.
5. Make fiscally conservative decisions. Use assets wisely. Seek membership votes before major purchases or projects.
6. Listen to all members/owners, including suggestions or criticism without becoming defensive.
7. Create a "2030 Committee" dedicated to future planning, preserving real estate values and Covenant attractiveness.
8. Avoid all conflicts of interest, including the appearance of, or even the potential for, conflicts of interest.
9. Encourage broadest possible participation: Social, Committees, Board, and Clubs.
10. Volunteers are the lifeblood of the Covenant. Show appreciation and encourage volunteer turnover with new members.
11. Stabilizing RSFA regulations that are easily understood and consistently enforced, rather than the constant revisions.
12. Remove or defuse potential conflicts between members whenever possible.
13. Avoid micromanagement. Clearly define Association staff goals and responsibilities with regular reviews, support and praise.

*Bill Strong is a longtime Covenant member and former Board Director.*