
Girard Bouchard, in his capacity as :
President of the Board of Directors :
of the Central Coventry Fire District :
Plaintiff :
 :
 :
vs. :
 :
Central Coventry Fire District :
Defendant :

K.B. No. 12-1150

SPECIAL MASTER’S SECOND INTERIM REPORT

To the Honorable Superior Court for the County of Kent, respectfully represents Richard J. Land, Esq. (“Special Master”), as follows:

1. On October 16, 2012, your Special Master was appointed the Temporary Special Master of the Central Coventry Fire District (“CCFD” or “District”), and on November 13, 2012, the Special Master was appointed Permanent Special Master of CCFD.

2. At the time of the Special Master’s appointment, the future of the District was uncertain due to the lack of funding for operational expenses. The Court considered the District’s lack of funds an untenable situation and ordered the Special Master to send interim tax invoices to raise funds. This Court explicitly recognized that continued emergency services in the District were of primary importance. The Court instructed the Special Master to develop both a short-term and long-term plan for the District’s operations, necessarily requiring the Special Master to negotiate with the fire fighter’s union to develop a new budget to present to the voters of the District.¹ As set below, and in the Special Master’s First Interim Report, throughout these

¹ In this regard, many people, including the Special Master, have incorrectly characterized the pre-mastership vote as having been a rejection of the budget and/or the District itself. In fact, the voters at the October 2012 meeting voted to continue consideration of the budget for 60 days after hearing the treasurer’s report. This vote, however, virtually

proceedings the Special Master has continued these efforts at the Court's direction.

3. On or about November 30, 2012, the Special Master filed his First Interim Report ("First Report") with the Court setting forth his acts and doings from his appointment through the date of the First Report. On December 11, 2012, this Court entered an order approving the Special Master's First Report. A copy of the Order is attached hereto as Exhibit 1.

4. This Court should be aware that, throughout the entire sequence of events set forth below, the Special Master and his office have received and responded to an extraordinary amount of phone and email inquiries including requests for information and consultation from District residents, media, legislators, legislative staff, former board members and other interested parties.

I. TAX SALE

5. On or about December 17, 2012, this Court authorized the Special Master to engage Country Title, LLC ("Country Title") to render tax sale services to CCFD. With the assistance of Country Title, the Special Master reviewed delinquent tax accounts and prepared to hold a tax sale to collect past due taxes for years 2010 and prior. Subsequently, the Special Master filed his Petition to Authorize Tax Sale on January 25, 2013. As a result of forwarding notice of the Petition to delinquent accounts, CCFD collected approximately \$72,795 in past due taxes prior to the hearing. After hearing thereon, this Court entered an Order approving the Special Master's Petition. A copy of the Order is attached hereto as Exhibit 2.

6. Notice of the tax sale was provided in accordance with Rhode Island law and the tax sale is presently scheduled for June 20, 2013. The Special Master anticipates approximately \$150,000 in revenue from the tax sale based on the delinquent accounts outstanding at the time of this Second Report. The Special Master continues to receive and respond to inquiries

sealed the fate of the District as there were insufficient funds to continue operations.

regarding tax sale properties and hopes that more delinquent accounts are paid in advance of the tax sale.

II. FEBRUARY 11TH MEETING

7. As set forth in the Special Master's First Report, the Special Master held a special meeting on December 10th to inform CCFD residents of the District's operations, budget, future and the Special Mastership proceedings. The Special Master scheduled a meeting for February 11, 2013, at which time voting on the proposed FY2012-2013 budget ("February Budget") would occur. In the time between the December 10th meeting and the February 11th meeting, the Special Master and his professionals worked diligently to (i) compile and improve the reliability of financial information, (ii) complete a proposed FY2012-2013 budget, (iii) review property assessments and tax rates, (iv) respond to taxpayer inquiries, (v) further negotiate modifications to the collective bargaining agreement with the firefighters ("CBA") including short-term and long-term changes, (vi) further analyze the fiscal impact of CBA modifications, and (vii) engage the existing board in discussions regarding its continuing role. As a result, the Special Master was able to develop and post information for the taxpayers in advance of the February 11, 2013 meeting. On or about January 31, 2013, the Special Master posted the February Budget and a tax rate summary on the Special Master's website and notified District residents of the same by publishing notices in the Coventry Reminder, Kent County Times and the Coventry Patch.

8. The Special Master met with Coventry legislators as a group, on multiple occasions, to discuss the Special Master's progress and plans, the District's tiered tax system and potential legislative initiatives to address the District's financial crisis. One such legislative initiative took the form of a proposed bill² which sought authorization to utilize a tiered tax

²The Special Master is aware that several bills have been proposed by various legislators and are currently in differing states of travel through the General Assembly.

system, a carry-over levy, issue supplemental tax bills and conduct annual audits. As discussed below, an amended bill including only the carry-over levy provision was enacted which authorized the District to send out enforceable tax bills based on the tax levy last approved by the District residents.³

9. Prior to the February meeting, several parties disseminated information to the public about the District which the Special Master believes was inaccurate and/or misleading. See Exhibits 4-8 attached to the Petition to Authorize Liquidation. Such parties either failed to contact the Special Master to verify their assertions or mischaracterized the Special Master's public statements. The Special Master believes that such dissemination was a disservice to voters. It is also the Special Master's position that the dissemination of misinformation continues notwithstanding the Special Master's consistent willingness to provide information to the public.

10. On February 11, 2013, the Special Master held a special meeting of the District in the Coventry High School auditorium at which time the Special Master gave a presentation to the District residents. During the presentation, among other things, the Special Master (i) gave a summary of his progress, (ii) discussed modifications to the CBA, (iii) discussed proposed legislation, and (iv) discussed future planning and alternatives. The keynote portion of the Special Master's presentation was the February Budget to be voted on by the taxpayers, which included a description of the savings achieved as a result of negotiations with the Union. In connection with the February Budget, the Special Master also discussed a proposed tax rate of \$3.15 per \$1,000 of assessed value.

11. The February Budget was presented to the taxpayers with detailed line items for

³ In this regard, it is important to note that the legislation that was passed mirrors legislation in place and available for cities and towns. However, this bill is available to the District only for FY2012-2013 as it sunsets on September 1, 2013.

revenue and expenditures.⁴ The Special Master's budget contained far greater detail than taxpayers had ever received in prior years. The February Budget corrected an assessment error, adjusted for a balanced budget and included approximately \$154,000 in savings in FY2012-2013 (nearly \$885,000 over three years) resulting from negotiated modifications to the CBA.⁵ In addition, the February Budget was adjusted to reflect a single tier tax system.

12. The Special Master obtained a summary of the December 31, 2011 Town property assessments and adjusted for the decrease in residential and commercial assessments and collapsed the tiered tax classes into a single tier. In advance of the February meeting, the Special Master provided an explanation of the corrections and adjustments to the tax rate in a summary available on the Special Master's website and provided a detailed explanation of the proposed tax rate in his presentation to the taxpayers. As the Court is aware, the District had been taxing at tiered rates, even though doing so is not expressly authorized by the District's charter.

13. The February Budget was rejected by the voters in attendance at the February 11th meeting. See Voting Results attached to the Petition to Authorize Liquidation as Exhibit 11. A copy of the voting results was made available to the public on the Special Master's website on February 12, 2013.

III. PETITION TO AUTHORIZE LIQUIDATION

14. After the February Budget was rejected, the Special Master filed his Petition to

⁴ Prior to the February 11 meeting, the Special Master posted the proposed budget and the tax rate analysis on his firm's website, www.crflp.com, and advertised in local media that such information had been posted. At the December 10, 2012 meeting, the Special Master informed those present that information regarding the February meeting would be posted on his firm's website and that interested parties should check the site from time to time for further information.

⁵ The February 11, 2013 presentation included a slide showing the annualized savings of \$154,000 in FY2012-2013, \$327,000 in FY2013-2014 and \$404,000 in FY2014-2015. In addition, the Special Master described changes to the CBA which were expected to result in significant additional savings but which were hard to measure until the changes were implemented.

Authorize Liquidation setting forth, *inter alia*, the Special Master's belief that liquidation of the District was necessary because (a) without an approved budget, the District could not issue enforceable tax bills, (b) the voluntary Preliminary Invoices, even if paid in full, would leave the District with a significant FY2012-2013 deficit, and (c) the Special Master would be unable to continue to fund operations for more than a short period of time because of the limited cash on hand.

15. This Court held two days of hearings on the Special Master's Petition to Authorize Liquidation on February 14th and 15th, at which hearings interested parties presented their positions to the Court. During the course of the hearings, John Assalone, a vocal resident of the District who had engaged in a campaign to defeat the Special Master's proposed February Budget, met with David Gorman on behalf of the firefighters' union, Chief Baynes, and Gary Cote, the President of the Coventry Town Council. As a result of that meeting, Messrs. Assalone, Gorman, and Cote represented to the Court that they had agreed upon the closure of one station, reductions in the CBA of \$250,000 (to be determined by the Special Master and Mr. Gorman), and that the Town would take over the District's tax office. Additionally, Mr. Assalone agreed to support a revised budget if the Court authorized another special meeting and vote. After two days of hearing and considering the papers and arguments of interested parties, this Court entered an Order (a) directing the Special Master to prepare a liquidation plan for the District, (b) directing residents to pay taxes for FY2012-2013 quarters 1 through 3, (c) recommending that all the CCFD board members resign, and (d) authorizing the Special Master to hold another special meeting of the District, on March 26, 2013, at which the Special Master would present a revised proposed FY2012-2013 budget ("March Budget").

IV. PRE-MARCH MEETING

16. Following the Court's order, the Special Master met with David Gorman and

negotiated further changes to the CBA to achieve the additional \$250,000 savings in FY2012-2013, much of which would carry forward in subsequent years. In addition, the Special Master met with CCFD board members to explain the Court's recommendation and asked for each member's resignation. With reluctance, each board member eventually tendered his or her resignation to the Special Master. In connection with the resignations, this Court entered an Order recognizing that Marie Fisher and David Jervis were not involved in the District's operations prior to the appointment of the Special Master and only acted in an advisory capacity after the Special Master's appointment.

17. Between the February meeting and the March meeting, the Special Master worked carefully to prepare the March Budget for presentation to the voters. Again, the Special Master's finance expert, John Murray, played an integral role in developing the March Budget.

18. The Special Master continued negotiating the CBA with the Union and analyzed, with the invaluable assistance of Steve Johnston, areas of the CBA where savings could possibly be achieved. While much has been volleyed on the point of the short-term and long-term impact of CBA concessions on the District's budget, it is the Special Master's position that significant savings were achieved. The March budget included additional⁶ Union concessions of approximately \$252,000 in year one, \$180,000 in year two and \$154,000 in year three.⁷ The estimated total savings resulting from the multiple rounds of negotiations conducted by the Special Master was \$1.5 million. Many of the modifications to the CBA would be permanent,

⁶ To be clear, the March Budget included the \$154,000 reduction in year one from the February Budget and the \$254,000 reduction in year one negotiated after the February meeting, for an estimated total reduction of \$406,000 in year one of the CBA. In this regard, changes to the CBA include reductions in financial obligations from the beginning of the fiscal year.

⁷ As the Special Master has advised the Court and, on several occasions, the public and Coventry legislators, the Special Master also negotiated soft changes to the CBA, such as reduction in sick time accrual, which could not be monetized in the short-term but which were expected to result in significant savings in the long-term.

including the elimination of a captain position.⁸

19. While planning for the March meeting, the Special Master continued to meet with Coventry legislators and respond to their inquiries on a relatively frequent basis. The Special Master provided information to the legislators when requested and made himself available to answer questions about the District.

20. The Special Master engaged the Town of Coventry Board of Canvassers (“Canvassers”) to conduct and administer the voting at the March meeting. The Canvassers met with the Special Master in advance of the meeting to coordinate the logistics of the vote and worked with the District administrators in preparing a certified list of voters. The Special Master believes that voting was improved at the March meeting.

21. In connection with the March special meeting, the Court entered a Supplemental Order (i) authorizing the Special Master to engage Jeffrey B. Cianciolo, Esq. to serve as moderator of the March meeting, (ii) setting forth the voting procedures, and (iii) authorizing the Special Master to send a letter to all residents regarding the March meeting.

22. The Supplemental Order provided the time for voting and the special meeting despite significant differences of opinion in the community as to how the special meeting should be conducted. Certain constituencies felt that the vote should be an all day referendum the day after the meeting while others felt that the vote should occur only at the end of the meeting. A third view was a long voting period during which the meeting would simultaneously take place.

23. In addition, there was significant public outcry about voters being required to attend an entire meeting before being permitted to vote. The Special Master contacted several of

⁸ The status of these concessions is unclear because the March Budget was rejected by the voters. The Special Master believes that the Union may take the position that the concessions are not enforceable because they were negotiated with the expectation that the March Budget would pass and unpaid amounts now represent accrued liabilities of the District.

the interested parties to obtain their input regarding the voting procedures. As suggested by interested parties, and as requested by members of the voting public, residents were allowed to vote without attending the informational presentation. As a result, the Court ordered that the Special Master bifurcate voting and the informational presentation, allowing voters to cast their ballots without attending the Special Master's presentation.

24. On or about March 11, 2013, the Special Master sent a letter to CCFD residents informing them of the March meeting and setting forth information relating to the March Budget and CCFD operations. A copy of the March 11, 2013 letter is attached hereto as Exhibit 3. The Special Master believed it was important for the voters to have an opportunity to review the March Budget prior to the meeting so he forwarded notice, made it available on his website and forwarded the March Budget to any party who requested it.

25. The Court held a hearing in anticipation of the March meeting, at which time the Special Master reported on the status of the March meeting and the District's operations. At the hearing, certain parties objected to limited aspects of the Special Master's letter and as a result, a subsequent clarification was sent by the Special Master to residents.⁹

26. On March 22, 2013, Representative Morgan and Senator Nicholas Kettle¹⁰ filed a Motion to Release Fire Department 'Contingency Plans' ("Release Motion") seeking the release of all contingency plans filed with the Special Master or the Court. Hopkins Hill Fire District, Coventry Fire District and Western Coventry Fire District (collectively referred to as the "Other

⁹ It is important to note that there were 2 alleged errors in the Special Master's letter dated March 11, 2013. One group argued that the letter gave the impression that the Court had "approved" the budget. The Other Districts were dissatisfied with claims in the letter which allegedly made it appear that they did not have an alternative plan for emergency services. Both of these issues were addressed in the Special Master's follow up letter to taxpayers dated March 21, 2013.

¹⁰ Representative Morgan is joined by differing parties in various pleadings filed with the Court. For convenience of discussion, Representative Morgan and the other parties joining her will be referred to collectively as the "Morgan Group" even where Representative Morgan was not named in the pleading because all of the parties are represented by the same attorney and have taken consistent positions.

Districts”) did not support the release of the plans because the plans were only in draft form and were voluntarily delivered to the Court for the Court’s in camera review. The Release Motion contained numerous erroneous assertions which the Special Master addressed in his Response to Motion to Release Fire Department ‘Contingency Plans’. The Court, after hearing thereon, denied the Release Motion. The Court explained that the Other Districts voluntarily submitted draft plans to the Court without the expectation that such plans would be made available to the public. The Court also clarified that the Special Master did not receive any contingency plans from the Other Districts and the Special Master was not aware of the details of any draft plans.

V. MARCH 26TH MEETING

27. On March 26, 2013, the Special Master held another special meeting of the District. Residents were allowed to vote without attending the informational presentation and voting was held from 6:00p.m. – 10:00p.m.

28. On March 26, 2013, at the informational presentation, the Special Master presented the March Budget which was balanced, corrected prior errors and included additional modifications to the CBA. The new tax rate proposed was \$2.99 per \$1,000 of assessed value (reduced from \$3.15 in February). Although everyone was invited to attend the informational meeting, very few of the approximately 1,800 people who actually voted attended the meeting. As this Court is aware, the March Budget was rejected by a vote of 484 in favor and 1337 against. It is the Special Master’s opinion, based upon comments of taxpayers, that the vote was not based upon the March Budget but rather an overall dissatisfaction with the District.

VI. POST-MEETING MOTIONS

29. The Special Master notified all interested parties that the Court scheduled an emergency hearing on March 29, 2013 to address liquidation and the future of the District. On March 28, 2013, the Court entered an Order requesting the attendance of certain parties at the

March 29, 2013 hearing.

30. The Special Master met with Chiefs of the Other Districts, emergency response professionals and representatives of the Town to solidify contingency plans in the event the District was closed.

31. The Other Districts filed a Motion for Miscellaneous Relief (“First Motion”) on or about March 29, 2013. The Motion requested (a) that the Court secure CCFD’s funds to support future operations of the Other Districts in the event they provide services to CCFD residents, (b) that CCFD’s equipment be secured so that the Other Districts could use it when providing services to CCFD residents, and (c) that the CCFD fire stations be secured by the Coventry Police Department.

32. In connection with the Other Districts’ First Motion, the Other Districts filed a second Motion for Miscellaneous Relief (“Second Motion”) seeking the use of specific CCFD equipment to provide services to CCFD residents. In the Second Motion, each of the Other Districts specified the type and quantity of equipment needed to provide services to CCFD residents.

33. The Central Coventry Professional Firefighters, Local 3372 (“Union”) filed its Verified Motion for Temporary Restraining Order, Pre-Judgment Writ of Attachment and Order Directing Issuance of Fourth Quarter Tax Bills (“Union Motion”) on or about March 29, 2013. In essence, the Union Motion requested that the District be enjoined from transferring any work or assets to the Other Districts, or any other entity, and that the Court order the issuance of tax bills sufficient to fund the CBA.¹¹

34. On March 29, 2013, the Court held a hearing on the status of the Special

¹¹ The Morgan Group objected to the Union Motion arguing primarily that a Court ordered tax levy would be a violation of the Rhode Island Constitution and that this Court lacks the authority to order a tax levy.

Mastership, on the Other District's Miscellaneous Motions, and the Union Motion. The Court reserved ruling on the Union Motion and the Other District's Miscellaneous Motions but made certain other rulings resulting in an order dated April 1, 2013. In the April 1, 2013 Order, the Court (a) directed the Special Master to engage an appraiser and auctioneer to prepare for the sale of CCFD's assets, (b) directed the Rhode Island State Fire Marshalls Office to take control of operations and responsibilities of CCFD Deputy Fire Marshalls, (c) directed various emergency service related agencies to evaluate the impact of the closing of CCFD and file reports with the Court, and (d) directed the closing of CCFD on April 11, 2013 at 11:59p.m.

35. The Retirement Board of the Municipal Employees' Retirement System ("MERS") filed a Motion for Order Allowing Priority Status of Claim ("Priority Motion") and a Motion to Compel Tax Levy and Petition for Issuance of A Writ of Mandamus ("Mandamus") on April 5, 2013. In the Priority Motion, MERS argues that payments to the pension system are statutorily mandated and seeks treatment of its claim as priority under 11 U.S.C. § 507(a)(5). In the Mandamus, MERS seeks an order from this Court directing a tax levy sufficient to satisfy MERS' claim and argues that mandamus should issue compelling the same. Like the Union Motion, the Priority Motion and the Mandamus have not been ruled upon and leave open the issue of the District's, and its taxpayers', liability for accrued obligations of the District.

36. On or about April 10, 2013, in order to afford the District more time to operate during which the General Assembly could consider pending legislation, the Town of Coventry ("Town") filed its Motion for Priority Status and Other Miscellaneous Relief ("Loan Motion"). The Loan Motion sought to provide CCFD with a \$300,000 loan on the condition that the Town be granted a priority in CCFD's FY2012-2013 tax revenues and granted a second position mortgage on CCFD's real property. At hearing on the Loan Motion, the Morgan Group objected

to the Loan Motion arguing that the will of the voters should be followed and the District shut down. In addition, the Morgan Group challenged the propriety of the Town's actions in approving the loan. On April 11, 2013, this Court entered an Order approving the Loan Motion over the Morgan Group's objection.

37. In addition to approving the Loan Motion, the April 11, 2013 Order set a schedule for filing memoranda with the Court addressing the liability of CCFD residents for the obligations of the District and the treatment of certain claims.

VII. MEMORANDA TO COURT ON LIABILITY

38. As requested by the Court, numerous parties filed memoranda addressing the liability of CCFD residents for the obligations of the District and the treatment of certain claims. The Court has taken the memoranda under advisement and no additional action has been taken with respect thereto.

39. The Special Master believes that, before the Court takes any action concerning the issues and arguments raised in the memoranda, all parties should be permitted to file supplemental memoranda responding to the issues and arguments raised and that the Court hold a hearing on the same.

VIII. OPERATIONS

40. After the March meeting, the Special Master met with the Chief and the Union to discuss modifying operations and staffing levels. As a result, minimum manning was reduced from 10 firefighters to 8 firefighters and three fire stations were taken offline. If made permanent, this reduction in minimum manning would likely result in approximately \$400,000-500,000 of savings each year of the CBA, primarily by reducing overtime costs.

41. If made permanent, the minimum manning modification would reduce the single-tier tax rate by approximately \$0.22 – 0.27 each year of the CBA going forward. The Special

Master believes this modification is a clear example of a structural change to the District and that such change could directly impact the budget for FY2012-2013 and future years. The status of the modification as permanent, however, is unclear as the District moves forward.

IX. PUBLIC RECORDS REQUESTS

42. The Special Master has received and continues to receive numerous public records requests pursuant to the Rhode Island Access to Public Records Act (“APRA”), R.I. Gen. Laws § 38-2-1 et seq. Under normal circumstances APRA requests would not be a significant burden; here, however, the District’s records are not well maintained and the Special Master and his agents have devoted considerable time responding to such requests. Furthermore, parties continue to make APRA requests for information that is publically available from various sources. Nevertheless, in the Special Master’s continuing effort to cooperate with interested parties and provide information, the Special Master responded to requests for information that is publically available through other resources.

43. Although the Special Master has diligently sought to respond to records requests (including those made verbally or in a non-traditional form) a considerable amount of the Special Master’s time and energy has been spent dealing with duplicative requests and demands of requesting parties. This Court is well aware of the time commitment necessitated by these requests as the Court itself has gotten involved as a result of motions and/or objections filed with the Court.¹²

X. EQUIPMENT

44. The District’s ladder truck has been a source of tension since the appointment of the Special Master. Accordingly, the Special Master requested that Chief Baynes advise the

¹² It is the Special Master’s view that cordiality and professional courtesy has at times taken a back seat to expediency in this matter. While the Special Master recognizes that others may have different views, the Special Master respectfully suggests that often a phone call, whether as a reminder or otherwise, can resolve many issues.

Special Master whether the ladder truck could be taken out of service and returned to the lender, Oshkosh Capital, LLC, without severely threatening the provision of fire and emergency services. Although Chief Baynes believes that the ladder truck is a valuable and necessary resource for the community, along with other changes to the District operations, Chief Baynes has removed the ladder truck from operations. The Special Master continues to communicate with counsel to coordinate the return of the vehicle.

45. Contemporaneously herewith, the Special Master filed a Petition to Authorize Return of 2009 Pierce Aerial Truck and Compromise of Claim which seeks this Court's authorization to return the truck and compromise Oshkosh Capital's claim against the District.

XI. BOARD ELECTIONS

46. As the Court is aware, there has been much public outcry regarding the performance of the CCFD board of directors prior to the Special Master's appointment. On February 19, 2013, this Court recommended that the CCFD board members tender resignations to the Special Master. After the Court's recommendation, and after speaking with the Special Master,¹³ all of the board members resigned.

47. The Special Master attended a meeting on May 6, 2013, with Governor Chafee and members of his staff, Rep. Morgan, Rep. Guthrie, Rep. Serpa, Sen. Raptakis, Sen. Kettle, and representatives of the legislative leadership. At that meeting, Governor Chafee agreed, with the support of the legislature present, to allow House Bill 5176 (Sub A)¹⁴ to pass into law with the understanding that a special meeting of the District would be held as soon as possible for the purpose of electing a new board of directors.

48. Agreeing that electing a new board was in the best interest of the District, the

¹³ No former board member wanted to resign. All the former board members felt that they had done nothing wrong and objected to the position they found themselves in, some more than others.

¹⁴ H5176 (Sub A), which sunsets on September 1, 2013, allows the District to send out tax bills based on the tax levy last approved by its voters.

Special Master filed his Emergency Petition for Authorization to Conduct Board Election on or about May 8, 2013.¹⁵ The Special Master sought to conduct an election of a new board on an approximately 45 day schedule, to include a 15 day signature-collection period and 30 days to campaign and prepare for voting. In addition, the Special Master proposed having the Board of Canvassers administer the voting at an all day referendum. This Court held a hearing on the Special Master's Petition on May 10, 2013, at which time the Morgan Group, the Union, the Town, and other interested parties each presented their positions on the board election issue. The Court, however, reserved ruling on the Emergency Petition for a later time.

49. On May 17, 2013, the Court issued a written decision concerning the Emergency Petition for Authorization to Conduct Board Election. Pursuant to the Court's written decision, the Court entered an Order on May 21, 2013 regarding the board election, voting procedures and the newly constituted board's authority.

50. Pursuant to this Court's Order, an election of board members will take place from 8:00a.m. – 8:00p.m. on June 29, 2013 at a place to be announced no later than 15 days before the vote. The Special Master continues to work with the Canvassers to prepare for the June election. Notice of the vote has been circulated and additional notice will be published in accordance with this Court's Order, including in the Kent County Times.

51. On or about May 31, 2013, the Special Master filed a Petition to Approve Voting Procedures. The Petition outlines the Special Master's efforts with regard to notice and administration of the election process. In addition, the Petition asks the Court to approve the notice, location and voting procedures proposed therein. A hearing on the Petition is scheduled before the Court on June 10, 2013 at 2:00p.m. in Providence Superior Court.

¹⁵ It is worth noting that the Special Master has consistently taken the position, and has stated in public meetings, that he believed it was in the District's best interest to restore power to the board as soon as the Court deemed reasonable, taking into account the financial status of the District and its liabilities.

52. At the June 10, 2013 hearing, the Court reserved ruling on the Petition and continued the matter to June 17, 2013 for a decision on the Petition pending certain submissions by the parties.

53. On or about June 7, 2013, the Town filed its Memorandum Submitted by the Town of Coventry Regarding Special Master's Emergency Petition to Conduct Board Election with the Court.

XII. GAP FINANCING

54. Recognizing that tax payments are likely to lag behind expenses, the Special Master engaged in discussions with Centreville Bank to obtain a drawdown loan to provide a cash flow safety net for the District. After coming to terms with Centreville Bank, the Special Master filed an Emergency Petition to Authorize Financing Arrangement ("Finance Petition").¹⁶

55. The Town filed an objection to the Finance Petition, arguing that the Town's Loan should not be subordinated to Centreville Bank's proposed new loan.

56. On May 10, 2013, this Court held a hearing on the Special Master's Finance Petition, at which hearing, the Morgan Group objected to the Special Master borrowing any money from Centreville Bank and the Union implied that there was no basis to determine that the proposed loan was commercially reasonable and suggested that the Special Master seek alternative lenders for the funds necessary to supplement tax revenues.

57. The Court denied the Finance Petition without prejudice, kept the Finance Petition on the Court's calendar, and ruled that the Special Master could renew the Finance Petition in his discretion at a later time.

58. At the hearing on the Finance Petition, the Morgan Group requested that the Court

¹⁶ It is worth noting that Centreville Bank is not a "Johnny come lately" to this matter, nor is the Bank seeking to capitalize on the District's difficult fiscal position. Rather, Centreville Bank has been willing to help the District move forward on commercially reasonable terms. The Special Master believes that any criticism of Centreville Bank under these circumstances is misplaced.

set aside \$250,000 to fund alternative services in the event CCFD closed. The Court denied the Morgan Group's request.

59. Since the hearing, the Special Master has contacted several other lending institutions about the prospect of lending the District funds. As of the filing of this report, however, the Special Master has not been able to secure financing to support the District's cash flow needs. The prospect of obtaining funds from alternative lenders is very low.

XIII. LEGISLATION

60. As mentioned herein, the Special Master attended informational meetings with Coventry legislators, leadership from both the Senate and House of Representatives and representatives of the Governor's office. The Special Master has and continues to make himself available to answer questions regarding the District. The Special Master has consistently taken the view that his role in this regard is not to advocate for any particular legislation, but to report on the potential impact thereof.

61. On or about May 10, 2013, H5176 (sub A) became effective without the Governor's signature. The newly enacted law allows the District to issue tax bills to residents based on the last approved tax levy. Accordingly, the Special Master is in the process of issuing new tax bills to residents based on the approximately \$5.179 MM tax levy approved by the voters at the 2011 annual meeting. The new tax bills will be accompanied by a cover letter which explains adjustments and the new December 31, 2011 assessments. The Court must note, however, that H5176 is a short term solution because it sunsets on September 1, 2013.

62. The Special Master is advised that several bills are pending before the General Assembly which propose long term solutions and/or alternatives to the current CCFD model. The Special Master does not know the status of the various bills other than what is available from the State's online legislative database. The Special Master does know that, should the FY2013-2014

budget fail at the next annual meeting, it is likely that the legislative session will be in recess at that time. As such, any potential legislative solutions must be completed prior to the next annual meeting.

XIV. COMMERCIAL TAXPAYER CLAIMS

63. The Special Master received proofs of claim, in the total amount of approximately \$135,000, seeking reimbursement for taxes paid from the following commercial taxpayers:

- a. Venus Pizza Inc.
- b. Boston Neck Realty, Inc.
- c. Tom's Fruit and Deli, Inc.
- d. Ruzzo Properties, LLC
- e. Atlantic Plumbing Supply
- f. Bamford Lakeside Properties, LLC
- g. Baird Properties, LLC
- h. JCB Excavation
- i. Philip St. Jean Trust

64. The proofs of claim allege that the District illegally taxed commercial properties at a rate higher than residential properties and seek repayment for such amounts.

65. On or about April 23, 2013, Anthony DeSisto, Esq. filed a Memorandum in Support of Payment and Priority of Commercial Taxpayers' Claims Against the Central Coventry Fire District for Illegally Tiered Taxes ("Commercial Motion"). The Commercial Motion alleges that the District has been illegally taxing commercial properties at a higher tiered rate since 2009 and seeks a refund of such payments. Second, the Commercial Motion seeks priority treatment of the claims under constructive trust and equitable theories. Third, the Commercial Motion requests that this Court certify the commercial taxpayers as a class pursuant to Super. R. Civ. P. 23. Lastly, the Commercial Motion seeks an award of attorneys' fees under the common benefit doctrine.

66. In light of other more emergent matters before the Court, the Court has not addressed the Commercial Motion. However, the Special Master will continue to communicate

with Attorney DeSisto regarding the commercial claims and update the Court with any developments.

67. Subsequent to filing the Commercial Motion, Mr. DeSisto's office filed an APRA request seeking information regarding all commercial taxpayers in the District purportedly for a class action law suit. The Special Master provided a response to Mr. DeSisto's request.

68. The Special Master began a preliminary investigation into the commercial taxpayer claims and is in the process of analyzing the potential for liability.

69. The Special Master requests that, prior to the Court taking any action on the Commercial Motion, the Court schedule a status conference to discuss a briefing schedule, procedures and/or a discovery schedule.

XV. CBA

70. On or about May 16, 2013, the Union filed a Request for Declaratory Relief seeking an order from this Court that the CBA is valid and enforceable. The Special Master has spent considerable time analyzing the issues surrounding the validity of the CBA and its enforceability against the District. The Special Master requests that, prior to the Court making ruling, the Court schedule a status conference to discuss a briefing schedule, procedures and/or a discovery schedule.

XVI. INSURANCE CLAIM

71. As the Special Master indicated he would at public meetings, the Special Master reviewed the District's insurance policies and investigated potential claims on behalf of the District. As a result, the Special Master filed a claim with the District's insurance carrier on or about February 7, 2013. The claim spans over multiple years and involves multiple parties. Counsel to the insurance carrier is investigating the Special Master's claim and continues to correspond with the Special Master to move the claim forward.

XVII. ADMINISTRATION

72. On October 24, 2012, this Court authorized the Special Master to engage John Murray to assist the Special Master in matters of finance and budgeting. Mr. Murray's expertise and efforts have been an invaluable part of the Special Mastership from the date of appointment. The Special Master is advised by Mr. Murray that he has and continues to provide his services gratis. The Special Master requests that the Court recognize on the record Mr. Murray's gracious contribution to the Special Mastership. The Special Master also requests that the Court likewise acknowledge the contribution of Steve Johnston to the Special Mastership for his efforts related to the CBA.

73. The Special Master has incurred fees and expenses of \$319,972.31 for his services rendered from November 29, 2012 through June 5, 2013. Recognizing the uniqueness of this matter, and the financial instability of the District, the Special Master is seeking approval of his fees and expenses after applying a 10% discount to his fees, which results in adjusted fees and expenses of \$288,738.31. Copies of the Special Master's Fee Statements have been filed with the Court. The Special Master will make his fee statements with respect to administration of the Special Mastership available to all parties. However, because the commercial tax claims and insurance claim are disputed matters, the Special Master will not disclose the contents of such fee statements. The balances of such invoices are \$5,373 and \$10,710 respectively.¹⁷ Such amounts are included in the adjusted amount set forth above. The Special Master hereby requests that the Court award the Special Master an interim allowance for his fees and expenses and direct the Special Master to pay himself \$288,738.31 on account of services rendered.

74. From the date of the First Report, your Special Master has had additional receipts in the amount of \$2,519,290.59 and made additional disbursements of \$3,180,575.35. Since the

¹⁷ These amounts reflect a 10% discount on the Special Master's fees.

appointment of the Special Master, there have been cumulative receipts of \$4,263,129.75 and has made cumulative disbursements of \$3,813,494.75, leaving cash on hand in the amount of \$449,635, all as set forth in Exhibit 4 annexed hereto.

WHEREFORE, your Special Master prays that (a) all of his acts, doings, and disbursements as Temporary and Permanent Special Master up to and through the date of hereof, be approved, confirmed and ratified, (b) this Court authorize and direct the Special Master to pay himself \$288,738.31 as an interim allowance for his fees and expenses as Temporary and Permanent Special Master for the period of November 29, 2012 through June 5, 2013, and (c) this Court grant any other such further relief as the Court deems appropriate.

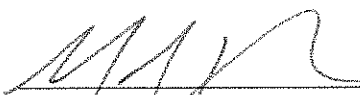

Richard J. Land, Special Master (#5592)
Chace Ruttenger & Freedman, LLP
One Park Row, Suite 300
Providence, RI 02903
Tel.: (401) 453-6400
Email: rland@crflp.com
Dated: 6/7/13

EXHIBIT 1

STATE OF RHODE ISLAND
KENT, SC.

KENT SUPERIOR COURT
FILED

Girard Bouchard, in his capacity as
President of the Board of Directors
of the Central Coventry Fire District
Plaintiff

12 DEC 11 AM 11:26

MAHOY STRIULLO CLERK

vs.

K.B. No. 12-1150

Central Coventry Fire District
Defendant

ORDER ON FIRST INTERIM REPORT

The above captioned matter having come before the Court on the 11th day of DECEMBER, 2012 on the Special Master's First Interim Report, it is hereby:

ORDER, ADJUDGED AND DECREED

1. That the Special Master's First Interim Report is hereby approved.
2. That all the acts, doings, and disbursements of the Temporary and Permanent Special Master up to and including the date hereof are approved, confirmed and ratified.
3. That due and timely notice of the Special Master's First Interim Report has been given to parties in interest, creditors and employees as set forth in the Affidavit of Notice filed in connection with the First Interim Report.
4. That the Special Master is hereby authorized and directed to pay himself \$ 63,472.55 for his services rendered and expenses incurred in connection with the above captioned matter.

ENTER:



Associate Justice

Dated:

BY ORDER:

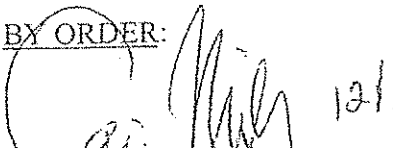
 12/11/12
Clerk, Superior Court Deputy

EXHIBIT 2

STATE OF RHODE ISLAND
KENT, SC.

KENT SUPERIOR COURT
FILED SUPERIOR COURT

13 FEB -4 PM 2: 35

Girard Bouchard, in his capacity as
President of the Board of Directors
of the Central Coventry Fire District
Plaintiff

NANCY STRIULI, CLERK

vs.

K.B. No. 12-1150

Central Coventry Fire District
Defendant

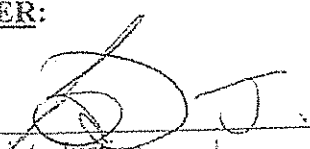
ORDER AUTHORIZING TAX SALE

The above captioned matter having come before the Court on the 4th day of February, 2013 on the Special Master's Petition to Authorize Tax Sale ("Petition"), it is hereby:

ORDER, ADJUDGED AND DECREED

1. That the Special Master's Petition is hereby approved.
2. That due and timely notice of the Petition has been given to parties in interest, creditors, employees and the property owners affected by the Petition, as set forth in the Affidavit of Notice filed in connection with the Petition.
3. That conducting tax sales is in the best interest of the District and that the Special Master is authorized to conduct a tax sale in accordance with the Rhode Island General Laws.

ENTER:


Associate Justice
Dated:

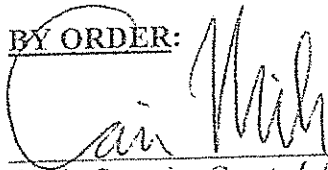
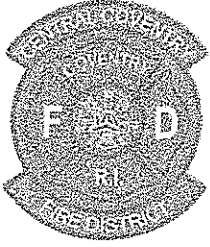
BY ORDER:
 2/4/13
Clerk, Superior Court (Deputy)

EXHIBIT 3



CENTRAL COVENTRY FIRE DISTRICT

240 Arnold Rd
Coventry, RI 02816
(401) 825-7800

FIRE – RESCUE – EMS – PREVENTION

RICHARD J. LAND, SPECIAL MASTER

March 11, 2013

Dear Resident:

I was appointed Special Master of the Central Coventry Fire District (“CCFD” or “District”) by the Kent County Superior Court to take control of CCFD. As you may know, on February 11, 2013, District residents rejected the proposed FY2012-2013 budget at a public meeting which left the District without an approved budget. However, the Judge in this case approved a revised budget, which is included with this letter, and we will be holding another vote on March 26, 2013 at the Coventry High School.

Please consider the following when deciding how to vote:

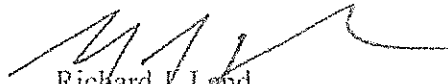
- The firefighters agreed to an additional \$252,000 in reductions from the firefighters’ contract, resulting in a total reduction in firefighters’ compensation for this year alone of over \$400,000
- The new tax rate is \$2.99 per \$1,000 of assessed value (reduced from \$3.15 in February) for FY 2012-2013
- I have negotiated changes to the firefighters’ contract and the Chief’s contract that will result in hundreds of thousands of dollars in savings over each of the next several years
- The new bills will use the most recent Town of Coventry property assessments
- You will receive a credit for any payments you already made this fiscal year
- All of the Board Members for the District have resigned
- Other fire districts are likely to see their tax rates rise due to anticipated changes in Rhode Island law
- The budget includes payment for fire hydrant rentals (to Kent County Water Authority) and costs to maintain street lighting
- If the revised proposed FY2012-2013 budget does not pass, the Judge has authorized me to close CCFD and liquidate the District’s assets
- There is no alternative plan in place that would allow the other districts to provide effective emergency services to residents of the District

- Bankruptcy is not an option and a liquidation of the District will not eliminate the debts of the District
- Please review the Tax Comparison Chart to see the estimated change in your tax bill

In order to ensure uninterrupted emergency services, I strongly suggest you review the included information, come to the meeting to have your questions answered, and vote in favor of the revised proposed FY2012-2013 budget. The meeting and presentation will begin at 7:00 p.m. Voting will begin prior to the start of the meeting, at a time TBA, and you may leave immediately after voting.

The budget can also be viewed at www.crfllp.com by going to the "receivership assets" tab then Central Coventry Fire District. In the meantime, if you have questions feel free to contact Richard J. Land or Andre S. Digou at (401) 453-6400.

Very Truly Yours,



Richard J. Land
Special Master of the Central Coventry Fire District

EXHIBIT 4

CENTRAL COVENTRY FIRE DISTRICT
RECEIPTS AND DISBURSEMENTS FROM NOVEMBER 29, 2012 THROUGH JUNE 4, 2013

CASH ON HAND FROM FIRST INTERIM REPORT \$1,110,919.76

RECEIPTS SINCE FILING OF FIRST INTERIM REPORT

Transfer of Funds from Coventry Credit Union Account (Rescue Recovery) \$321,360.60

Loan from Town of Coventry \$300,000.00

Payment for Public Records Requests Copies \$94.80

Settlement Payment (Slater v. Richegis Class Action Suit) \$500.00

Collection of Tax Payments \$1,897,335.19

TOTAL RECEIPTS SINCE FILING OF FIRST INTERIM REPORT \$2,519,290.59

DISBURSEMENTS

A. Fire Safety Co., Inc. (Services Rendered) \$684.45

Advance Auto Parts (Services Rendered) \$531.03

Air Cleaning Specialists Of New England, Inc. (Services Rendered) \$1,996.00

Airhart Electric Inc. (Services Rendered) \$450.00

Alegra (Copy Paper) \$447.04

American Arbitration (Services Rendered) \$225.00

Beacon Mutual Insurance Co. (Worker's Compensation Insurance) \$324.00

Bound Tree Medical, LLC (Services Rendered) \$2,409.87

C & S Specialty Repair Div. (Services Rendered) \$528.49

Cartridge World (Supplies) \$393.89

Coventry Credit Union (Vehicle Loan Payment) \$16,839.12

Cox Communications \$6,216.34

Diversified Mobile Services, Inc. (Services Rendered) \$22,483.07

Payroll Expenses	
Net Payroll*	\$1,054,992.43
Payroll Taxes	\$486,468.31
457 Nationwide Retirement Solutions (Payroll Deductions w/e 11/24/12 - 5/18/13)	\$8,850.00
American Funds (Payroll Deductions w/e 11/24/12 - 5/18/13)	\$22,620.00
College Bound Fund (Payroll Deductions w/e 11/24/12 - 5/18/13)	\$600.00
Colonial Life Insurance (Payroll Deductions w/e 11/24/12 - 5/18/13)	\$7,407.19
Employee's Retirement System Of RI (Employee Payroll Deduction Remittance)	\$1,127.64
Employee's Retirement System Of RI (MERS Payments w/e 10/6/12 - 5/18/13)	\$411,746.82
IAFF (Payroll Deductions w/e 10/6/12 - 5/18/13)	\$2,059.61
Local 3372 (Life Insurance)	\$12,000.00
Local 3372 (Union Dues Payroll Deductions w/e 11/24/12 - 5/18/13)	\$21,364.98
Local 3372 (Unassess Union Dues Payroll Deductions 11/24/12 - 5/18/13)	\$4,511.52
Local 3372 PAC (Payroll Deductions w/e 11/24/12 - 5/18/13)	\$6,045.00
Nationwide Retirement Solutions (Payroll Deductions w/e 12/29/12 - 3/23/13)	\$7,525.00
RI Family Court (Wage Garnishments for Child Support Payments)	\$7,560.00
CSC Paymaster Fee	\$3,368.50
Health Benefit Expenses	
Blue Cross And Blue Shield Of RI (Medical Insurance)	\$276,656.92
London Health Administrators, Ltd. (Employee Medical Debits)	\$1,890.00
Nationwide Retirement Solutions (Post-Employment Health Plan w/e 10/6/12 - 2/9/13)	\$66,822.05
Employee Medical Reimbursement	88,052.51
FireCompanies.com (Services Rendered)	\$479.94
Gina Gomes (Hearing Transcripts)	\$558.00
Hometown Newspapers (Advertising)	\$367.68
Industrial Welders Supply, Inc. (Services Rendered)	\$664.07
Kent County Water Authority (Hydrant and Water Bills)	\$51,064.92
Louis Cote, Jr. (Snow Plowing)	\$1,000.00
Meeting Expenses and Taxpayer Communications	\$20,262.23
NAPA Coventry Auto Parts (Services Rendered)	\$248.00
National Grid (Electric)	\$105,226.14
Nestle Pure Life (Water Cooler)	\$659.85
New England Detroit Diesel-Allison, Inc. (Services Rendered)	\$1,870.39
Panasonic Finance Solutions (Lease Payment)	\$5,882.64

Parente's Oil Service, Inc. (Oil Delivery)	\$18,456.95
Pat's Service (Services Rendered)	\$825.00
PC Troubleshooters, Inc. (Services Rendered)	\$150.00
Physio-Control, Inc. (Services Rendered)	\$49.30
Precision Garage Door (Services Rendered)	\$475.00
Rac Man (Copy Machine Repair)	\$619.50
Ray Plante & Sons, Inc. (Septic Pumping)	\$435.00
Rhode Island Court Reporting, Inc. (Meeting Transcripts)	\$2,354.00
Rhode Island Telephone (Telephone Contract)	\$3,240.00
S & T Hardware True Value (Supplies)	\$310.63
Sanichem Inc. (Services Rendered)	\$426.00
Shipman's Fire Equipment Company (Services Rendered)	\$607.35
SJ Corio Company (Appraisal Services Rendered Per Court Order)	\$3,025.00
Sprint (Cell Phone)	\$1,931.76
Stamps.com (Postage Stamps)	\$95.94
Suburban Propane (Propane)	\$1,377.65
Sullivan Tire Co., Inc. (Services Rendered)	\$1,382.79
Supplies	\$4,376.77
Tasca Ford (Truck Repairs)	\$1,867.55
The Allied Group (Ballots)	\$552.90
The Dawson Group (Services Rendered)	\$23,014.63
Tiogue Vet Clinic (Services Rendered)	\$189.61
Town Of Coventry (Fuel)	\$23,082.76

Universal Gold Inc. (Services Rendered)	\$1,388.45
US Bank Equipment Finance (Lease Payments)	\$7,847.66
VFIS (Insurance)	\$29,606.00
Vision Government Solutions, Inc. (Services Rendered)	\$250.00
Wells Fargo Equipment Finance, Inc. (Lease Payments)	\$29,298.83
Wex Bank (Fuel)	\$4,016.93
Bank Fees	\$2,368.20
Interim Fees Approved by Order of the Court Dated 12/11/12	\$63,472.55
Administrative Reserve per Court Instructions	<u>\$220,000.00</u>
TOTAL DISBURSEMENTS	\$3,180,575.35
CASH ON HAND AS OF 6/4/13	\$449,635.00

*See Attached Payroll Summary

CENTRAL COVENTRY FIRE DISTRICT
 PAYROLL SUMMARY FOR THE PERIOD OF 12/1/12 THROUGH 5/18/13

<u>Payroll Time Period</u>	<u>Base Payroll</u>	<u>Overtime</u>	<u>Out of Rank</u>	<u>Holiday</u>	<u>Collateral</u>	<u>DTL40/HR</u>	<u>Longevity</u>	<u>Cardiac</u>	<u>On the Job Injury</u>	<u>Retro</u>	<u>MedLieu</u>	<u>OT/JJ/Holiday</u>	<u>Prior\$</u>
w/e 12/1/12 - 5/18/13	\$1,216,224.06	\$253,160.45	\$2,680.82	\$46,857.75	\$2,197.93	\$3,510.00	\$0.00	\$45,520.00	\$74,423.76	\$1,915.74	\$18,474.30	\$3,819.88	\$500.00

Average Weekly Overtime

<u>Payroll Time Period</u>	<u>Total Overtime</u>	<u>Weekly Average</u>
w/e 12/1/12 - 3/30/13	\$233,916.88	\$12,995.38
w/e 4/6/13 - 5/18/13	\$19,243.57	\$2,749.08