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### PRESS RELEASE

County Attorney Joshua Koplovitz announced that the New York State Attorney General's Office has filed a major lawsuit in the Ulster County Supreme Court against the not-for-profit corporation Lower Esopus River Watch, Inc. (LERW) and the following individuals who were either members of the Environmental Management Council (EMC), Directors of LERW or both: Frederick ("Rick") Fritscher, R. Dixon Onderdonk, David B. Straus, Bruce C. Duffy, Jennifer Mcleroy, and Joel Schuman — Fritschler being the Chair of the EMC during the 6 year period covered by the complaint.

The lawsuit was filed on Friday (Oct 10) with the Ulster County Clerk. Once served, the Defendants will have twenty days to answer the complaint.

"The lawsuit is the culmination of an in -depth and thorough investigation by the Attorney General's Charities Bureau of the activities of Fritschler and the interactions between LERW and the EMC" stated Koplovitz.

"When taking office in 2006 we made it clear that we would not tolerate fraud, waste or abuse", stated the Chairman of the Ulster County Legislature, David Donaldson. "While most governments avoid forensic reviews out of fear of whom and what might be implicated as suspect, County Administrator Mike Hein requested such call for total transparency and the Legislature overwhelmingly obliged. I am proud of him and the legislature in taking this hard

stand against the political power plays that attempted to protect this organization” further stated Donaldson.

County Administrator Michael Hein stated:

“This is clear victory for the people of Ulster County and for those of us committed to reforming County government. We have made accountability and transparency top priorities. The forensic review was sound business practice and it’s my great hope this action will result in the return of substantial assets that rightfully belong to the people of Ulster County.”

The Attorney General’s investigation was initiated as a result of an almost unanimous January, 2007 resolution of the County Legislature which directed the County Attorney to request that the Attorney General look into the operation of the EMC and, in particular, its relationship with LERW --- with which the EMC had contracted to administer some of its environmental programs. The Attorney General was also asked to look into possible conflicts of interest on the part of Fritschler in his capacity as Chair of the EMC

The genesis of the January, 2007 action of the County Legislature in requesting the intervention by the Attorney General was a forensic audit conducted by BST Valuation & Litigation Advisors of Albany.

This forensic review was part of a general audit of selected County departments proposed by County Administrator Michael Hein and approved by the Legislature shortly after Hein’s appointment in mid- 2006.

It was on the basis of the findings of this forensic review and further issues raised in a report prepared by the then County Auditor, Lisa Cutten, that the Legislature voted to seek the intervention of the Attorney General.

As stated by the Attorney General in the complaint, the lawsuit has been brought to hold the Defendants Fritschler, Onderdonk, Strauss, and Duffy, as current or former members of the

Ulster County EMC personally liable and financially accountable for breaching their fiduciary duties to Ulster County (a) by causing the EMC to contract with LERW while each of them held an interest in both entities and (b) by failing to disclose these interests to the Ulster County Legislature.

The Attorney General further charges that through the concealment of their interests, Fritschler, Onderdonk, Strauss, and Duffy surreptitiously transferred control over EMC's assets to LERW, thereby causing the County to suffer significant financial losses.

In addition, the lawsuit charges the individual Defendants other than Fritschler with "abdicating their fiduciary duties to LERW by failing to oversee Fritschler's use of LERW's charitable assets.

The period covered by the complaint begins as early as 1997 when, as the complaint states "Fritschler had identified LERW as a small charity he could use to divert County funds earmarked for the EMC program. And having joined the LERW Board he then proceeded to "funnel large portions of the EMC budget to LERW by causing the EMC to enter into contracts with LERW and by concealing from the County Legislature his dual roles of EMC Chairman and LERW Board member. "

The complaint goes on to state that Fritschler effectively controlled every aspect of LERW's financial affairs, and that control was well known to the other individual Defendants.

It further states that since the EMC's programs were "largely carried out by County employees and officials on County property," LERW offered no value to the County or to the EMC...

The complaint continues that from January 1, 2002 through December 31, 2006, LERW received more than \$1.7 million through its contracts with the EMC. And although Fritschler

represented that most of the monies would come from grants from the federal and state governments and other not for profit agencies, these grants were in many cases not awarded, requiring the County during those 5 years to use \$339,096 of additional taxpayer funds to cover EMC's contractual obligations to LERW.

The Attorney General is also seeking the repayment by the individual Defendants to LERW of a large quantity of LERW funds illegally converted by Fritschler, with the knowledge of the other individual Defendants.

The complaint specifically charges that during the time period in question Fritschler made over \$800,000 in "unsubstantiated purchases" and that he used the LERW bank account and credit card as he saw fit; that during 2002 through 2006, he used the LERW checking account and American Express credit card at least 950 times at delis and restaurants, spending over \$48,000 on meals for himself and others – said payments being without any apparent valid charitable purpose.

The complaint further states that of the approximately \$250,000 in cash in LERW's bank account as of the beginning of 2007, Fritschler , during the course of that year, mismanaged those monies, drawing down the amount to \$6453 and paying over one-third of that original amount to himself.

The complaint also notes that he used a substantial part of the County money (almost \$300,000) to purchase both land and various items of equipment, placing them in the name of LERW and then removing them when the County terminated its relationship with LERW at the beginning of 2007.

As a result of the Defendants' misconduct set forth in the Complaint, the Attorney General is seeking the following relief:

1. A judgment directing Fritschler and the members of the LERW board who also served as members of the EMC to make restitution to the County for all government monies paid out as a result of their wrongdoing.
2. A judgment directing Fritschler and the members of the LERW board to account for all LERW assets misdirected for their benefit and/or for all LERW assets lost or wasted as a result of their wrongdoing or breaches of duty;
3. A judgment directing Fritschler and the members of the LERW board to make restitution to LERW for any waste, loss or misdirection of LERW assets;
4. A judgment dissolving LERW pursuant to the applicable terms of the New York Not - for Profit-Corporation Law for having conducted itself in a persistently fraudulent and illegal manner and solely for the personal benefit of Fritschler;

5. A judgment ordering the distribution of LERW's assets to the County (This obviously includes whatever funds the Attorney General can collect for LERW as restitution from Fritschler and the individual LERW Board members.)

The complaint also seeks to permanently enjoin Fritschler from soliciting charitable contributions in New York based on his status as a convicted felon pursuant to Executive Law Section 175(3) and asks the court to award the Attorney General costs and disbursements, including attorneys' fees.

A copy of the summons and complaint filed by the Attorney General is attached to this press release. Additional; copies are available at the Ulster County Attorney's Office.