

This is intended to provide operational guidance on merging or the consolidation of separate chapters. Included is an outline of necessary steps, guidance on how to approach exploratory transitions, and identified staff who can assist.

Mergers & Consolidations

A Chapter's Guide

November 2022

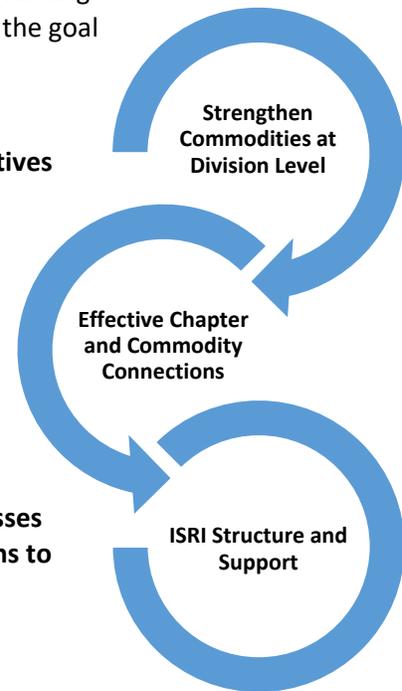
ONE ISRI, ONE INDUSTRY

In January 2019, the ISRI Board accepted the final report¹ from ISRI’s Planning Committee outlining several recommendations centered on achieving the goal of *One ISRI*.² Implementation is focused on three key areas:

Centralizing the coordination of commodity-specific issues and initiatives through Commodity Divisions.

Creating effective connections between Chapters and Commodity Divisions.

Developing the structure required so that ISRI Chapters and National work in tandem as *One ISRI*. This includes the development of processes that allow for successful integration of new members and connections to ISRI Commodity Divisions.



The report also outlined reinforcements for **1.)** Association sustainability and continued growth as One ISRI; **2.)** The strengthening of ISRI’s Value Proposition, nationally and regionally; **3.)** Promoting efficient use of ISRI resources and providing guidance on continuing education; **4.)** Providing guidance around chapter operations, procedures, and potential chapter mergers/consolidations that better support member needs and reflect today’s industry; and **5.)** Reduction of discrepancies (i.e. state advocacy, utilization of state resources, representation), as much as possible, from chapter to chapter.

OVERVIEW

Chapters may determine that by joining one chapter with another, the combined entity could achieve what could not be achieved, or not as effectively, by the chapters operating individually. The process of joining two or more chapters involves a commitment in principle for all involved chapter boards to successfully explore a potential merger³ or consolidation⁴. This also requires the formation of respective exploratory committees that will discuss the many facets of uniting. Such exploration should lead to an

¹ [Best Practices: Creating New Chapters within One ISRI](#) (accepted by the ISRI Board on January 25, 2019)

² **One ISRI:** The effective integration of all parts of ISRI so as to better connect ISRI with its members and provide the same level of value to all, regardless of a member’s location or the commodities they process.

³ **Merger:** When one or more chapters combine forces, generally with one acquiring chapter absorbing the other(s) and all assets and liabilities.

⁴ **Consolidation:** When each respective chapter dissolves and joins collectively to form a new entity. In this case, the newly formed entity takes on assets and liabilities. New leadership is elected and new bylaws are created in accordance with ISRI Bylaws.

informed conclusion that a merger/consolidation is warranted and is feasible or that it should not be pursued at present time.

This document is intended to provide operational guidance on the considerations that go into merging or consolidating, how to begin exploring the possibility of a transition, the necessary steps and time involved, and the key staff who can assist. Additionally, as a companion resource, the **Best Practices: Creating New Chapters within One ISRI (accepted by the ISRI Board on January 25, 2019)** should also be dually referenced. This outlines considerations around chapter sustainability, increased value propositions, expanded member resources, and recommends committee structures that support diversified representation.

PRELIMINARY CONVERSATIONS

Most chapter mergers/consolidations begin with an informal discussion among chapter leaders. This is where initial opportunities, challenges, and goals associated with transition will be identified. For a merger/consolidation to be successful, assessments should be shared collectively and goals should be developed to achieve a “win-win” outcome for all involved chapters and their respective members. Key staff or volunteers can be available to help facilitate conversations ensuring that objectives are met effectively and next steps are outlined.

FORMALIZING THE MERGER / CONSOLIDATION EXPLORATION PROCESS

Following initial conversations, chapter leaders should consult ISRI and chapter bylaws for any provisions related to chapter mergers/consolidations or dissolutions⁵ that could impact further action. Contact ISRI’s Director of Chapter Relations to obtain a copy of current chapter bylaws and ISRI’s Legal Department for assistance in the interpretation of any bylaw provisions.

The next step is to formally proceed in exploring a potential merger/consolidation. A business case should be made to the chapter board(s) to begin exploration with applicable chapter(s). **A motion should also be introduced and approved by each chapter board to proceed with merger/consolidation exploration by engaging in a process of discussion/evaluation, due diligence, and conclusion.** Additionally, each chapter board will want to establish a committee or committees to focus on the different facets involved in a potential transition. ISRI staff or volunteers can assist with the process of determining key areas of focus.

Once all involved chapters have passed exploratory motions, each chapter president should notify ISRI’s President, Board Chair, General Counsel, Vice President of Membership, and the Director of Chapter Relations *in writing* of the decision. A copy of the meeting minutes, including specific language of the presented motion, and documentation that quorum was achieved should also be included in the notification.

DISCUSSION AND EVALUATION

Open and collaborative discussions should begin with the primary focus being placed on outlining collective goals and objectives to be achieved with a merger/consolidation. Doing so will guide conversations and next steps to determine whether or not these are achievable through a transition.

⁵ **Dissolution:** The official dissolving of an ISRI Chapter.

Additional steps may be required to ensure all designated areas are addressed in a short and long-term plan. Keep in mind that goals can be prioritized and may be more appropriately addressed and achieved post-transition.

Examples of Goals:

- Ensuring lobbyist representation in every state;
- Achieving consistency with advocacy direction and priorities, without conflict(s), such as the case of two chapters currently operating within a split-state equation;
- Increasing revenue by developing an expanded comprehensive plan and targeted budget for chapter activities and events (virtual and in-person);
- Achieving economies of scale—lower cost(s) by increasing the member base;
- Unifying members under one entity to reflect natural industry trading patterns (i.e. two cities in differing chapter boundaries where companies consistently do business with one another);
- Diversifying representation and increasing engagement across all commodity segments both within membership and chapter leadership;
- Increasing the volunteer pipeline and developing strategies for recruitment and mentorship.

While many goals will be focused on chapter business and operations, such as achieving greater cost efficiency, member value-based goals should also be included. Ultimately, if a merger/consolidation is approved, members will need to be convinced of how this transition will increase the value offered. Since membership dues are the primary source of revenue for most chapters, it cannot be overstated that any chapter merger /consolidation must be viewed positively by a majority of members to help ensure retention post-merger.

DUE DILIGENCE

Now that agreed-upon goals and objectives are determined, all chapter exploratory committees should begin the process of evaluating considerations from the perspective of their current chapter. Chapter leadership should anticipate that the process will take several months or more to complete. Due diligence is *necessary* to provide an informed recommendation to the chapter board to merge/consolidate chapters or to remain independent. **Each chapter board is elected by its members to lead and represent the interests of its members.** For this reason, each exploratory committee has a duty of care to conduct due diligence on behalf of its respective chapter and membership. Each exploratory committee should discuss the following elements of a potential merger/consolidation as they exist today, noting differences, and identifying potential conflicts and/or liabilities.

DISCUSSION POINTS/AREAS OF REVIEW

❖ Governance

- Obtain a current copy of the chapter bylaws and policies
- Assess existing board structure and size including board committees
- Make note of officer and board member terms
- Identify quorum requirements and/or anything requiring a membership vote
- Note any bylaw provisions that seem to conflict with chapter bylaws and where amendments and/or additions should be made

- Reference [Best Practices: Creating New Chapters within One ISRI](#) (accepted by the ISRI Board on January 25, 2019) for committee and board composition recommendations

❖ **Membership**

- Assess size/composition of the member base, noting member types, commodities
- Review recruitment and retention rates, at minimum, over the last three years
- Review dues structure and total dues and/or assessments collected
- Identify duplicate members between the chapters to be merged/consolidated

❖ **Financial**

- Statement of cash flow
- Profit and loss statement, balance sheet
- Annual Budgets (current and over last three years)
- Reserves and Investments
- Contractors for which 1099 is issued

❖ **Advocacy**

- Paid lobbyists (frequency of payment and locations)
- Lobbyist contracts terms, along with any early termination penalties
- Resources shared with third parties (i.e. state associations, MOU's) for advocacy support
- Annual membership assessments, where applicable (i.e. who, where, cost, frequency, does the assessment fully cover all expenses)
- Identification of gaps in advocacy coverage (i.e. some states covered, but not all)

❖ **Events**

- All virtual and in-person events (i.e. type, frequency, typical attendance, location where applicable)
- Fee structure (i.e. member, nonmember, active, associate)
- Financial success of all events including budgets, profit/break-even/loss, sponsorships structures
- Assessment of event revenue used to support other chapter business (restricted vs non)

❖ **Scholarship Program** (where applicable)

- Assess program (overview, prior history, process) and ensure that it is operating per all expectations communicated by the Recycling Education and Research Foundation (RERF)
- Standardized application form should be used (review previously submitted applications)
- Transparency on recipient selection criteria (no conflicts of interest, clear requirements)
- Dedicated committee to review applications and select recipients (no conflicts of interest)
- Ensure scholarship funds raised are allocated and restricted solely to the scholarship program
- Review any additional history and/or anticipated changes with REFF staff liaison and ISRI CFO

Chapters should retain minutes along with a list of participants from all meetings (i.e. working groups, exploratory committees) for historical reference. Approved minutes should be submitted to the Director of Chapter Relations and ISRI's Legal Department no later than 30 days post-meeting. Given the nature of discussion and sensitivities to be accounted for, minutes may need to be expedited for review, accounting for any required approvals, to proceed with next steps.

INITIAL CONCLUSIONS

Following due diligence and review of discussion points, exploratory committees should have identified:

- Synergies between the chapters to be merged/consolidated;
- Differences between the chapters that can be overcome without significant disruption to the membership;
- Areas that require additional discussion.

Assuming that the areas requiring additional discussion are minimal, the exploratory committees should report *in writing*, to the respective chapter boards, that due diligence has been completed and nothing was found that would adversely impact its membership by continuing exploration. Conversely, if in the judgment of the committee there are notable concerns, those should be brought to the forefront to determine if exploration should continue. Additional follow-up may be required before proceeding.

If all parties are in agreement that the exploration should proceed, it is time to determine the best approach for next steps with these two options **1.) Merger**: when one or more chapters combine forces with an existing chapter absorbing the other(s) or; **2.) Consolidation**: when all respective chapters *dissolve* and join collectively to form a new entity under a new identity, new leadership, and new bylaws under ISRI. **Dissolution** will apply to both scenarios above.⁶

In scenario one, the remaining chapter's name, leadership, bylaws, taxpayer ID, bank accounts, and overall structure would live on once the dissolved chapter(s) are assumed. With scenario two, the chapters to be consolidated will dissolve and cease to exist upon completion. A new name is determined, articles of incorporation would need to be filed, a new taxpayer ID obtained, elections conducted to establish leadership, and new bylaws drafted and approved by the newly combined membership.

There are advantages and disadvantages to be considered, however a merger or consolidation has the same end goal of positioning ISRI for long-term sustainability and continued growth. The below chart provides broad, big-bucket examples of pros and cons under One ISRI. Each chapter will have its own sub-set of variables impacting pros and cons.

PROS

- Stronger Resources and Heightened Impact
- Reciprocal synergies/strengthened value proposition
- Reduced discrepancies
- Increased Volunteer Pool
- Stronger/healthier Board of Directors
- Better positioning for long-term recruitment/retention
- Consistent member experience that supports effective growth strategies across the board
- Representation of all-commodities

CONS

- Inconsistent membership experience (ROI) and in some cases, (2) sets of chapter dues for split-state equations
- Lack of cross-commodity representation or under represented members
- Lack of member consensus (i.e. culture, misalignment of goals, lack of understanding interdependence of ISRI/Chapters) resulting in inaction
- Overextension/burnout of existing volunteer leadership or talent loss

⁶ See complete definitions on Pages 1 and 2 of this document.

Whichever approach best meets all parties’ needs, this is an opportunity to reinvigorate the membership of the remaining chapter or to create a new chapter that better meets member needs and market realities. Ultimately, it is an opportunity to create a new model, whether from scratch or by amending existing bylaws and policies.

CREATING A NEW MODEL

With either option, existing business, all contracted obligations, financial situations, and governance models will need to be assessed and modified accordingly to avoid any shock to members when a merger/consolidation is completed. A good first step is to review the chapter dues schedule located at ISRI.org/renewal and connect with ISRI Legal for bylaws and process guidance. This will ensure key and required areas are followed – i.e., review of the board structure, elections, quorum requirements, membership types, amendment requirements, etc. For this step in the process, the exploratory committees from all parties to be merged/consolidated should also work together to discuss other supporting areas for consideration:

Business Model: Determine the Value Proposition

Value Proposition (ROI)	In Person Events + Virtual Offerings	Scholarship
<ul style="list-style-type: none"> • Services • Resources • Benefits 	<ul style="list-style-type: none"> • When, Where • Funding/Sponsorships • Replacing/Expanding or both • Breakeven vs. Revenue Generating • Existing Contracts: Renegotiate, cancel, postpone 	<ul style="list-style-type: none"> • Assessment of existing scholarship program(s) and interest in continuing • Forming and funding a new scholarship program • <i>Changes/Additions should be made in consultation with RERF</i>

Financial Model: Operations

Funding	Revenue with Merger / Consolidation Equation	Accounts / Investments
<ul style="list-style-type: none"> • Existing Dues/Assessments • Required Reconciliation • Join Cycle (Renewals) 	<ul style="list-style-type: none"> • Assessment of anticipated dues revenue • <i>Refer to the membership bullet in the Discussion Points/Areas of Reviews on page 4</i> 	<ul style="list-style-type: none"> • Short and Long-Term Plan • <i>ISRI Finance can provide guidance regarding account and investment transitions, next steps, etc.</i>

Whenever a merger/consolidation takes place, mid-cycle or at the beginning of ISRI’s renewal period, coordination with ISRI staff is critical and timing needs to be mutually agreed upon.

Advocacy: Representation

Model	Funding	Third-Party
<ul style="list-style-type: none"> • Lobbyist(s) hired • Retainer vs. fee for service • States covered • Diversifited Commodity Representation / Education 	<ul style="list-style-type: none"> • Membership Dues • Other Revenue Sources Required 	<ul style="list-style-type: none"> • Support or assistance required • Other

Governance: Model

Bylaws / Policies	Similarities and Differences	Compare to ISRI's Model Bylaws
<ul style="list-style-type: none"> • Review governing structures and policies for all parties to be merged/ consolidated • Identify best provisions 	<ul style="list-style-type: none"> • Noting similarities and differences of governance ahead of time, will allow for efficient assessment • This will also simplify the process of drafting newly envisioned or revised bylaws 	<ul style="list-style-type: none"> • Ensure all key areas and components are incorporated • Companion chapter policies should also be drafted/ revised where applicable (i.e. travel reimbursements)

The governance foundation will be in place once amendments or new bylaws are drafted for the merger/consolidation. This is an opportunity to discuss what has and has not worked well with each of the chapters' bylaws up to this point, determine what is missing, and what should be addressed going forward. Keep in mind that chapter bylaws cannot contradict [ISRI's Bylaws](#) (login required). The **Best Practices: Creating New Chapters within One ISRI** (accepted by the ISRI Board on January 25, 2019)⁷ should continue to be referenced for guidance on diversification of commodity and state representation (i.e. Board Composition). Additionally, [ISRI's Policy Manual](#) for Policy on Chapter Officers.⁸ Once an outline or markup of drafted bylaws, and companion policies where applicable, have been created, these should be submitted to ISRI's Legal Department for review and comment. Once all parties are in agreement with revisions, ISRI's Legal Department will facilitate the final draft to be presented for approval.

IMPLEMENTATION PLAN

Now that the merged/consolidated chapter model has been developed and initial bylaws prepared, it is time to consider transitional implementation. This involves **1.)** Outlining a timeline for the completion of

⁷ [Best Practices: Creating New Chapters within One ISRI](#) (accepted by the ISRI Board on January 25, 2019)

⁸ ISRI Policy Manual, **5.26, Policy on Chapter Officers, Pg. 137**, (as adopted by the ISRI Board of Directors on October 30, 2020).

the merger /consolidation (and dissolution); **2.)** Continuous communication of expectations and reinforcement of member benefits; **3.)** Conducting elections, where necessary, for the joined leadership; **4.)** Consolidation of assets and completion of TBD financial requirements; **5.)** Coordinating with ISRI Finance to update state filings if needed, and **6.)** Contracting of third parties, where applicable, to continue operations (i.e. lobbyist(s), bookkeeper).

Timeline

The timing and coordination of a merger/consolidation is extremely critical as there are operational, leadership, and membership implications that must be accounted for and coordinated (i.e. early contract termination penalties, changes in membership dues, voting requirements for ISRI's Board of Directors to approve the decision). Ideally, a tentative effective date will need to be determined first and then a timeline, outlining steps with anticipated deadlines for each, can be developed. This timeline should be coordinated with ISRI, before finalizing, to account for all requirements throughout the process. ISRI's staff can assist with the development. The recommended target timeline for either option to be presented to ISRI's Board is at the Summer Board and Committee meetings. This provides appropriate time for preparation in advance of annual renewals for the upcoming year.

Dues

As noted, membership dues are likely to be the primary source of chapter funding. Careful attention should be given toward creating a dues structure and pricing model that **1.)** supports anticipated chapter expenses under the merger/consolidation; **2.)** reflects the value a member can obtain and; **3.)** is close to what members presently pay. If dues are set too low, reduced operating capital could limit the scope of work or not cover annual operational expenses altogether. Dues that are set too high, risk member attrition from sticker shock. A merger/consolidation represents *change* and as such, a 5-10% decline in member retention should be anticipated for the first year of renewals.

Furthermore, when determining dues, the *total combined membership* of all chapters to be merged/consolidated (subtracting for duplication) should also be reviewed and the *average retention rate* of all should also be determined. Take the result and, at minimum, subtract 5% for the first year. This total will represent the member base to which dues can be applied.

Secondly, member recruitment should also be reviewed, at minimum, over the last three years for each of the chapters to be merged /consolidated. Find the average and then find the average of the average for all chapters to be combined. This result will represent the *likely* number of new members that will be gained in the first year of operation, depending on the timing of the merger. ISRI's VP of Membership and Director of Chapter Relations can assist with navigating dues considerations.

Legal Matters

ISRI's Legal Department, specifically, ISRI's General Counsel should be contacted early in the planning phase. This will ensure that what is being sought is reviewed well in advance of any action taken and conforms to national bylaws, as well as any state laws. Staff can help identify and facilitate the process of navigating any required state filings and timelines.

Combining Financials

It is assumed that all collective assets of a merger/ consolidation will be combined, however, all parties should be in agreement. Note that reserves should be sufficient to weather a (potential) one-year decline in member retention and any required dues adjustments. ISRI's Chief Financial Officer should be included in conversations before any action is taken to allow for thorough review (i.e. bank/investment accounts, risk assessment) and coordinated timing with required steps (i.e. form completion, closing/opening accounts, signatory changes). Each situation is unique and requirements will be communicated accordingly. ISRI's Director of Chapter Relations and General Counsel should be included in any initial correspondence. This will dually confirm that this step in the process has begun.

Leadership Options

Merger: No officer changes occur if a chapter dissolves and is absorbed by an acquiring chapter. This is because the acquiring chapter remains in place and follows the election cycle outlined in the existing chapter bylaws. However, as a means of goodwill and leadership integration, the acquiring chapter may want to consider the addition of board seats or appointed committee chair positions from the dissolving chapter(s). As such, ISRI's Legal Department can assist with drafting bylaws amendments and identifying voting requirements that may be needed to implement changes.

Consolidation: A new officer and board slate is formed and current members within the geographic boundaries of the newly formed chapter (or region) determine new leadership through an election. A call for leadership nominations should be shared with each respective transitioning chapter, along with a submission deadline and election date. The leadership of each transitioning chapter should feel free to self-nominate. *This step should only be completed following a vote by ISRI's Board of Directors to approve chapter dissolution(s) and the formation of a new chapter (or region).*

Communications

Each respective membership should be informed about the exploration of a merger/consolidation as early as when the board approves the motion to begin the process. Members should also be presented with the opportunity to have an open discussion, share feedback, and begin acclimating with the prospect of a change. ***This step is critical to the process and transparency throughout each phase is key.*** ISRI staff can assist with the development of unified messaging, provide access to membership lists where appropriate, and support the chapters' communications efforts so that information is accessible, consistent, and timely. Information should clearly communicate merger/consolidation decision(s) to date, reason(s) for change, anticipated effective date of merger, anticipated membership dues structure, and the anticipated date/time of the first membership meeting post-transition. Communication should be approached as a campaign with multiple touches utilizing multiple methods (i.e. email, member calls, chapter meetings, town halls).

Execution

Once the merger/consolidation implementation plan has been developed, it should be shared with the boards of directors of all impacted chapters for another review and comment period. Following this, and any final changes, a vote to proceed with the merger/consolidation should be sought. Each of the impacted chapters will need to introduce a motion with their respective boards of directors to merge, consolidate, and/or dissolve according to the implementation plan contingent upon acceptance by an



ISRI is the voice of the recycling industry, promoting safe, economically sustainable, and environmentally responsible recycling through networking, advocacy, and education.

affirmative vote by the ISRI Board of Directors. Following the vote, meeting minutes should be shared with ISRI's President, General Counsel, Vice President of Membership, and Director of Chapter Relations.

Once chapters' have approved motions to proceed, the presidents of the affected chapters should work with ISRI's President, General Counsel, and ISRI's Chair to introduce a motion for action by the ISRI Board of Directors to approve the chapters' decisions and take any other actions required to execute them. Following approval by the ISRI Board of Directors, the affected chapters will begin the execution of their implementation and communications plans, consulting staff as required for guidance and assistance.

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LINK REFERENCES **ISRI.org log in required*

[Best Practices: Creating New Chapters within One ISRI](#) (accepted by the ISRI Board on January 25, 2019), Pages 1, 4, 7

[ISRI.org/renewal](#) , Page 6

[ISRI Bylaws](#), Page 7

[ISRI Policy Manual](#), Page 7