



From Governor Kari Vieth

Dear Zontians

March 2009

The purpose of this information is, to give you further information about the ZI/ZIF case – an annoying case, which has raised a lot of questions and concern among Zontians.

President Beryl Sten and the Zonta International Board have recently informed us about:

1. The change of the ZIF board: ZI “took over” the ZIF board as “one sole member”, and replaced all board members, except the two ZI members, who cannot be removed, as they represent ZI and are born members. (They are elected to their positions by Convention as the President and President –elect).
2. ZI paid off all ZIF’s mortgage. ZI is thereby temporarily using the ZI reserve fund. The loan to ZI will be paid back, when the real estate is sold.
3. ZIF’s real estate (a building at West Randolph (old HQ) and an office condominium at West Wacker) is for sale.
4. ZI is renting the new HQ premises in Oak Brook, near O’Hare airport.

The ZI Board decided that members/clubs could contact the President directly with questions. She has a.o. answered Danish Club Presidents in an “Open Letter” on Feb. 10.th. 2009. In spite of this information there has been further questions. In Bonn, at the inter – European Zonta seminar in February, we discussed the case with Beryl.

European Governors (8) had asked for a special meeting with Beryl. Personally, I had a breakfast meeting with Beryl too. Beryl also informed the other 200 participants at the seminar, answering questions. There was at the meeting full support to Beryl and ZI’s decisions.

I have collected information from many sources regarding the change in the ZIF board etc. The following information is according to my best knowledge:

Why was there such a big disagreement between ZIF and ZI in 2008?

I believe, that communication could have been better between the two parts. ZI did not find that ZIF listened to their opinion – a.o. about how to interpret bylaws and which organization could decide what.

When ZI in October realized, that ZIF had pledged Foundation service money - when buying the new Office Condominium, - ZI turned to its legal counsel for advice. This finally resulted in removal of the ZIF board.

ZIF was founded in 1985, when ZI bought the building at West Randolph Street. For tax reasons ZIF was the owner, and ZI rented it. Let it be no doubt, that the purpose of The Zonta International Foundation is to carry out the charitable service purposes of Zonta International, and that ZI is the formal owner.

ZI has, as mentioned, always had the formal ownership and two members in the ZIF board, the International President and President Elect. The other ZIF-board members were appointed by ZI and the executive committee of the foundation board.(and not elected at Convention, like the ZI board)

Why did ZI use its financial assets to replace the mortgage in the Condominium?

The simple answer is that this was to secure ZIF's assets. ZIF pays a lower interest (3,25% to ZI, instead of 6,5% to the bank).

As the bank required security in addition to the condominium, the restricted assets of the foundation were pledged, when ZIF bought the condominium. This means, that the restricted assets could be seized by the bank, if the bank for instance felt insecure about the value of the security.

The restricted funds were part of the International Service, Amelia Earhart, JM Klausman and YWPA.. 44% of ZIF's assets were pledged. (This figure has been confirmed by both parts)

The banking situation in US is, as we know, risky business, and loaners do not have the same protection as in Europe. ZI used US dollars 1.578 mio. of its operation reserve fund to pay off the bank loan and thus avoided the risk of loosing foundation money. The ZI reserve fund is invested to cover multi-year contractual emergencies.

According to by-laws, ZI must approve ZIF's actions about sale, lease, mortgages etc, or pledge of substantially all the assets of the foundation. ZIF and ZI disagreed upon whether pledging 44% is considered substantial or not.

Furthermore, ZIF did act in conflict with bylaws when taking the loan without approval from ZI. Bylaw states that ZI must approve any mortgage. The mortgage of US 1.715.000 (about nine mio.d.kr) was not according to ZI known by ZI until October 18th, 2008.

Why did ZI not use it's "buffer" and finance the Condominium when this was bought in July 2008?

ZI says it did not want to move into this new condominium bought by ZIF, and that ZIF never informed ZI of any mortgage. ZI says, it did not know about the bank loan and the pledged assets, before ZI requested a Special Board Meeting in ZIF, on October 18.th.2008.

ZI and ZIF had agreed on selling West Randolph Street and buying a condominium. An offer to buy premises at the 4th floor of West Walker was discussed, but provisions/conditions prior to buying were discussed. 4.th floor went to someone else. And ZIF bought instead the 8.th floor in an office condominium in the same building - still with provisions/conditions from ZI. ZI did not want to rent this, as it was too small/inadequate for it's purpose. (5000 Square feet. The rented space at West Randolph is more than 10.000 sqf.).

ZI has stressed the importance of having space for ZI/ZIF, and for keeping artefacts donated by Zontians from Taiwan, Japan and other districts and clubs. The condominium did not have any space for these artefacts.

Why did ZI rent a new office before the old one was sold?

ZI had to move out of West Randolph Street, because ZIF asked them to leave the building by Oct. 31.2008, as the building was expected to be sold at that time. ZI never signed a rent agreement with ZIF, and because of this ZI searched the market for suitable premises. The new head office is very close to the O'Hare airport, which was one of the provisions from ZI. The now rented HQ premises cost less than US 100,000 a year in rent - than the old property. ZI also saves travel expenses for the board etc. The office is rented on a five years contract. As the expected sale by the former ZIF Executive Committee did not succeed, ZIF informed ZI, that ZI could stay in West Randolph until the end of January 2009.

After the ZIF board meeting in October 18th 2008, ZI decided to sign a contract regarding Oak Brook.

ZI/ZIF is right now optimistic about selling both the building and the condominium with the help of well recognized real estate brokers.

The process of selling a house in USA is another than in Europe, and often takes much longer time. A potential buyer can give a bid, and have the sole right to reserve the buildings/house alone for maybe 60 days in order to make technical investigations etc. (Due diligence). On the 60th day the bidder can refuse, free of charge. And the process with a potential new buyer starts over again. ZI is optimistic about being able to sell both the old house and the condominium, at a reasonable price.

The new ZIF structure?

The ZI board continues also acting as the ZIF board. This saves travel costs, hotel costs etc. – and hopefully secure better transparency, – which Beryl has stressed as an important goal for her biennium.

ZI is considering how to make the best of the Foundation Ambassadors, as they are the fundraisers at the ZI projects and educational programs – and therefore part of the ZI District Organisation.

As I mentioned at the beginning, this has been an awkward and painful case. It seems that unsolved questions are now being solved - hopefully to the satisfaction of most members.

Zonta's identity relies upon good judgement, effective and visible communication and problem solving skills – among its members and leaders.

Finally, I hope that we can continue our important work advancing the status of women, helping women - through our service projects. Zontas work is so important !

Best regards

Kari Vieth, Governor