

Friends of the City & County of Honolulu

A 501c(3) Organization

Environmental Foundation

A 501c(4) Organization



c/o 737 Bishop Street Suite 2100 Honolulu, Hawaii 96813

September, 2002

Because of the recent media attention on the Friends of the City & County of Honolulu and the Environmental Foundation, we are responding to address issues that have been raised.

Since 1995, funding from the Friends and the Environmental Foundation has supported a number of official events of the City & County of Honolulu as public-private partnerships. Had it not been for the Friends or the Environmental Foundation, the projects would have had to be funded solely by taxpayers' dollars - or, they may not have been held at all.

NO CAMPAIGN CONTRIBUTIONS

Solicitations for corporate sponsorships were made to the environmental consulting companies and others who do business in the Asia-Pacific. While the underlying purpose of the Environmental Summit is to provide information and advance environmental matters, sponsorships provide broad favorable exposure to sponsoring companies and provide business opportunities by bringing the decision-makers from the Asia-Pacific region together in Honolulu.

In addition to corporate sponsors, the organizations received contributions from non-profit foundations and organizations such as the Asian Development Bank, interested in environmental protection and responsible economic development in the region.

As non-profit organizations both the Friends and the Environmental Foundation comply with the Internal Revenue Service policy of not participating in political campaigns.

QUESTION OF THE \$100,000 PUBLIC MONEY

The Acting Director of the Department of Budget and Fiscal Services from the very beginning of these unfounded allegations has repeatedly said that:

1. The City & County of Honolulu and the Friends of the City & County of Honolulu had a bonafide contract, the same kind of contract that the City has with other nonprofit organizations it provides funding for, such as the Honolulu Symphony;
2. The City Council approved the appropriation as a line item in the 1999 Fiscal Year Budget;

3. The \$100,000 appropriation was properly applied to expenses for the Environmental Summit and such a report was provided months ago as required.

DISCLOSURE OF CONTRIBUTORS

The City Council and others have contended that federally qualified non-profit organizations such as the Friends and the Environmental Foundation are obligated to disclose private information about their donors. There is no basis for such a contention.

On August 16, 1997 the City Council received a legal opinion from Council Services that:

1. Disclosure of private information about donors who contributed to private charities like the Friends cannot be compelled under existing ordinances and state laws governing non-profits;
2. The State Campaign Spending Commission has no jurisdiction over the Friends;
3. The Friends cannot be compelled to disclose its donor list because of Resolution 86-298 policies regarding gifts to the City;
4. A proposed ordinance to require disclosure would probably violate Hawaii constitutional privacy rights;
5. IRS laws (federal) do not require disclosure of donors, and
6. A State Office of Information Practices Opinion (97-3) (OIP Ruling) regarding the UH Foundation specifically held donor names may not be released without consent of donors.

Given the unwarranted controversy, some donor information, although not required, was recently released. One of the reasons for this decision is that these major contributors have already been made public by being acknowledged in the print programs of the Environmental Summit and subsequently on the website. In essence, the organizations and by implication the sponsors, were being accused of secrecy – implying that there was something to hide, when the sponsors had already been publicly acknowledged.

NOT GIFTS TO THE CITY

Our attorneys have advised us all along that corporate donations and any other funding to the Friends or the Environmental Foundation are not gifts to the City.

REPORT ON THE FRIENDS AND THE ENVIRONMENTAL FOUNDATION

A report of the Friends of the City & County of Honolulu and the Environmental Foundation is enclosed for your information. Since the first Environmental Summit in 1999, Honolulu has gained international recognition in the global environmental community. This August, the Mayors' Commitments Program of the Environmental Summit was recognized in Johannesburg at the United Nations World Summit on Sustainable Development.

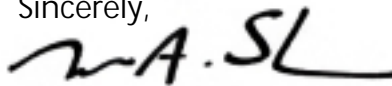
The intent in establishing both the Friends of the City & County of Honolulu and the Environmental Foundation has always been well-meaning to promote environmental knowledge in the Asia-Pacific region, to promote Honolulu as a world-class city and to lessen the financial burden of the City & County of Honolulu. However, until now there was no reason to highly publicize this effort; no one wanted to appear to be self-serving. Sometimes the best intentions are misconstrued.

Finally, we remain committed to supporting the 2003 Mayors' Asia-Pacific Environmental Summit in Honolulu. However, we will consult with our collaborating partners and sponsors concerning future events and plans. Moreover, we will consult with our sponsors concerning how they should be publicly acknowledged in connection with any future events.

We also hope that the scrutiny of any innuendos concerning the Friends and the Environmental Foundation will not have a chilling effect on donors, other public-private joint ventures, and other non-profits dealing with government agencies. The officers of the Environmental Foundation have represented and/or served as officers of numerous such non-profits, in Honolulu and across the Mainland, and have never before witnessed such a politicization of charitable or environmental groups.

Thank you for hearing our side of the story.

Sincerely,

A handwritten signature in black ink that reads "M.A. SL". The signature is fluid and cursive, with the initials "M.A." followed by "SL".

Michael Shea

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