

July 28<sup>th</sup>, 2011

To the Board of Directors of the Zen Studies Society – *Part II*,

In reference to the attached note, I owe some clarifying words. I want you to know that, while my words are sharp, I understand that some of you truly want to do the right thing. I also want to point out, which in oversight I neglected to do in the note, that the majority of the issues you face are legacies that you inherited. (It is also true that some members of the current board are legacies in their own right, and therefore share responsibility for these issues.)

As rational folk, your mandate is to clean up Zen Studies Society. People were extremely heartened to hear Joe Dowling say, “No,” to Shimano Eido when he asked to have a vote at DBZ on the access issue – *that single act, I believe, added much to your credibility*. (People are also concerned that there is slippage on this issue, and are also disappointed over Genjo vacating his seat on the Board.)

Many people do not believe that you are able or willing to clean things up. I believe you can, if you just take a few decisive steps. Turn the Society into a transparent membership organization, consisting of an invested Sangha, meaning that the, “Sangha churn,” experienced through Shimano Eido’s tenure, no longer occurs, and people are committed to the organization for the long-haul. (In fact, many of the most vocal critics are involved because they are, either consciously and unconsciously, committed to the Society and the Dharma.)

Identifying and executing on the decisive steps is what you need to do. This has festered for too long. Develop your own solutions, and execute against them. I believe that resolution revolves around addressing a few key points:

- Cut the dependent thread between the Society and Shimano Eido – *this means bi-directionally cut (cut-kill, Catskill, whatever), what is in many ways a codependent and dysfunctional relationship, the two-way interdependency (spiritual, financial, etc.);*
- Nurture a culture of openness and transparency – *remember, nature abhors a vacuum, and when there is a vacuum, someone or something is going to fill it (appropriately or inappropriately);*
- Rewrite the bylaws, and organize the Society into a true membership organization, which will cross-nurture bullet point 2, above; and
- Put in place a plan with hard goals and a scorecard to build the endowment, so you can support both the organization and the ordained members of the organization – *by addressing the first three bullet points, this last bullet point should be achievable.*

I have repeatedly acknowledged that what you have been through during the last 18 months has been difficult, and what still needs to be accomplished is difficult. I also recognize that, frankly, this is not your day job, and I know from some of you that this has taken its toll. While this has been a heavy burden for you, it has been an even heavier burden on those who have been deeply and negatively affected by this man and the unhealthy culture he created.

Thanks, and tidings for success,

-Tenshin

July 27, 2011

To the Board of Directors of the Zen Studies Society,

I began my association with Zen Studies Society in the early 1980's. I have contributed financially to Zen Studies Society for many years. My contributions were all based on two factors. The first was the financial needs of the organization as represented by the Society (e.g., the DBZ roof replacement in the 1990s). The second was based on additional representations made by the Society. These representations included the requirement that all officers, employees, and associates of the organization abide by the Society's bylaws and ethical standards. An additional representation made was the requirement that the Society engage in its business in an ethical and legal manner. These points are all outlined in the Zen Studies Society, "Guidelines of the Zen Studies Society," dated June-1993.

In light of recent revelations I am deeply troubled by a number of matters:

**The first** is the unwillingness of the Society to decisively deal with instances where an officer of the Society has violated the organization's ethical guidelines. I am deeply concerned with the Society's Board of Director's ("BOD") apparent attempts to provide future income to a former, disgraced officer of the Society who has repeatedly violated the Society's ethical guidelines – and, yes, he is clearly on record as having done so.

The BOD appears to hide behind an existing "Retirement" Agreement ("Agreement"), as if they have no choice but to fulfill the terms of this agreement despite the facts that (a) meeting the terms of the Agreement would jeopardize the Society financially and (b) providing financial and other benefits to a former executive officer of the organization who has publicly admitted to repeated violations of the Society's Ethical Guidelines is a patently irresponsible action for any Board of Directors to take. In other words, by doing so, the BOD is abrogating its fiduciary responsibility to the organization, the Sangha, and the State of New York.

It is clearly **\*by choice\*** that the Board continues to attempt to fulfill the crushing and unrealistic obligations of this Agreement with Shimano Eido. Because fulfilling that Agreement would destroy the Society financially, it can easily be revoked – a point you have already been advised on by counsel. The Society can simply seek protection under the Reorganization Statutes of 11 United States Code, Title 11 (commonly referred to as the US Bankruptcy Code) to shed itself of its obligations under this Agreement, which is the Society's single, largest financial liability.

Under 11 USC, Title 11, this Agreement would quickly be identified by the Court as an executory contract and as such nullified. This solution is that simple, yet the Board does not take the appropriate, reasonable, and responsible business actions. It appears to many that the BOD is either unwilling or incapable of fulfilling its obligations, both as the directors of a 501(c)(3) and to the Society's benefactors, including me and the family and estate of its largest benefactor, Doris and Chester Carlson – and, yes, Mrs. Carlson, the daughter of Doris and Chester, is still alive.

**The second** issue is the recent discovery, through reading the online *Eido Roku*<sup>1</sup>, that after paying membership dues to Zen Studies Society for years, it was not actually a membership organization at all. During that time, I was referred to as a Member. I have seen internal Society documents that refer to the revenue stream from these "dues," as, "membership dues." Sangha members were referred to as

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<sup>1</sup> <http://www.shimanoarchives.com/>

either, “Members,” or, “Provisional Members.” This slight-of-hand and lack of transparency appears to me as, in the least, deceptive, and potentially, as outright fraud.

**The third** issue has to do with the Board’s apparent inability or unwillingness to conduct proper due diligence. Members of the Society’s Board have stated that audits were performed of the finances of the Society, Dai Bosatsu Zendo, and New York Zendo, and that nothing inappropriate or illegal was uncovered. I question the accuracy of these statements, because the Board apparently never uncovered or investigated the Abbot Tani Foundation (“Tani Foundation.”)

Shimano Eido is an officer of the Tani Foundation, serving in the capacity as Vice President and Treasurer, and the accountant for the foundation is Nagano & Morita of 250 East 1<sup>st</sup> Street, Los Angeles, CA. Documentation on the Foundation is available publicly. I was able to uncover a substantial set of records about this foundation, and I therefore question how the Society’s BODs overlooked the existence of a Foundation controlled by its former Chairman, especially when monies were transferred between the Society and the Tani Foundation.

Whether this oversight is the result of obfuscation by or is due to negligence on behalf of the Board is irrelevant. Either way, it clearly demonstrates that the current Board of Directors of the Zen Studies Society is incapable and/or unwilling to execute their fiduciary responsibility to the Sangha and the State of New York. The only tenable solution is for the New York State Attorney General’s Office to be invited or to step in and restructure the Society in the public interest.

The Tani Foundation has existed since 1993, and continues to this day with assets of approximately \$1.3 million and cumulative disbursements of at least \$914 thousand from 1996 through 2009. The majority of disbursements have been made to organizations controlled by either Shimano Eido or another officer, Yamakawa Shogen, the current Abbot of Shogen-ji Temple in Minokamo-shi, Gifu, Japan. IRS documents (990-PFs) show Shimano Eido as the Vice President and Treasurer of the Foundation and indicate he in control of disbursing funds. The Foundation is structured as an IRS 501(c)(3) Private Foundation, meaning it must give away a percentage of its assets annually.

Why this Foundation should trouble you is quite simple. It has transferred at least \$132 thousand to DBZ – I suspect this figure is higher as an additional \$425 thousand was disbursed during the 1996 through 2000 period and possibly more in the 1993-1995 period, although detailed information on the recipients is not available from that far back. Since money has been transferred to DBZ, it should be reflected in DBZ’s books.

- If the transfers are on the DBZ books, then the Board had the responsibility to uncover and investigate those transfers during its audits. The board had the responsibility to identify the source of those funds, especially since they were transfers from one tax exempt organization to another and both organizations were under the direct or indirect control of Shimano Eido.
- If the transfers are not on DBZ’s books, then how was the money accounted for and how was it used? How did your audit reconcile the discrepancy between the Society’s General Ledger and its accounts? Having answers to these questions and knowing what is going on with the organization’s finances is an example of exercising fiduciary responsibility. Lack of oversight is one concern, but the larger concern is the possibility that the Society has been used to launder money for some purpose.

Whether these transfers are reflected in the Society's books or not, these transfers reflect potential negligence on behalf of the Board, in the worst, they may reflect criminal activity.

As a donor to Zen Studies Society, I would like some answers. I asked the Board in 1998 to provide all contributors with an annual sources and uses of funds statement, and never received a reply. Now that there is evidence of money being transferred from one tax exempt organization to another, both under the control of the same individual, I fear that something inappropriate or potentially illegal might have transpired. The bottom line is, have my and other donors' contributions been used in a manner consistent with our wishes and in line with the representations made by the Society? This is also going to be a question asked by corporations that matched their employee's donations to the Society.

This is not about, as some like to say, "Judeo-Christian morality" – in my opinion, a rather prejudiced and startling comment to come from a religious organization. It is simply a matter of sound, transparent, and responsible business practices and accounting.

I await your timely response to my questions. This note shall be posted publicly.

Sincerely Yours,

David S. Hill

Attachment

Abbot Tani Foundation IRS Filings									
	<u>Sum (1996-2010)</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Adjusted Distributions</b>	\$ 926,226	\$ 95,576	\$ 132,446	\$ 52,369	\$ 44,160	\$ 51,336	\$ 48,863	\$ 46,342	\$ 125,858
<b>Assets</b>		\$1,319,227	\$1,278,050	\$1,182,000	\$1,331,310	\$1,342,623	\$1,362,455	\$1,372,317	\$1,288,589
<b>Recipients</b>									
DBZ	\$ 131,726						\$ 3,995	\$ 4,421	\$ 86,415
Rinzai Zen Gesellschaft, Zurich	\$ 40,800						\$ 10,200	\$ 10,200	\$ 10,200
Rinzai Zen Temple LA	\$ 149,400						\$ 21,600	\$ 21,600	\$ 21,600
Shogen Zendo Zurich	\$ 5,600						\$ 4,400	\$ 1,200	\$ -
Taiu Ogaru	\$ 28,666						\$ 4,000	\$ 4,000	\$ 4,000
Rinzai Zen Society In Switzerland	\$ 32,300						\$ -	\$ -	\$ -
Shogen Junior College, Gifu-Ken, Japan	\$ 42,462								
Unidentified	\$ 425,413	\$ 85,083	\$ 85,083	\$ 85,083	\$ 85,083	\$ 85,083			
Japan Society	\$ 57,896						\$ -	\$ -	\$ -
<b>Total</b>	\$ 914,263	\$ 85,083	\$ 85,083	\$ 85,083	\$ 85,083	\$ 85,083	\$ 44,195	\$ 41,421	\$ 122,215
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
<b>Adjusted Distributions</b>		\$ 38,636	\$ 68,070	\$ 38,870	\$ 51,187	\$ 69,672	\$ 2,416	\$ 60,425	
<b>Assets</b>		\$1,265,088	\$1,236,151	\$1,246,627	\$1,222,930	\$1,224,075	\$1,226,728	\$1,209,509	
<b>Recipients</b>									
DBZ		\$ 895	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 6,000	
Rinzai Zen Gesellschaft, Zurich		\$ 10,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Rinzai Zen Temple LA		\$ 19,800	\$ 19,800	\$ 19,800	\$ 21,600	\$ 3,600	\$ -	\$ -	
Shogen Zendo Zurich		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Taiu Ogaru		\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 666	\$ -	\$ -	
Rinzai Zen Society In Switzerland		\$ -	\$ 10,200	\$ 10,200	\$ 10,200	\$ 1,700	\$ -	\$ -	
Shogen Junior College, Gifu-Ken, Japan		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,462	
Unidentified		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Japan Society		\$ -	\$ -	\$ -	\$ 5,000	\$ 52,896	\$ -	\$ -	
<b>Total</b>		\$ 34,895	\$ 64,000	\$ 34,000	\$ 40,800	\$ 58,862	\$ -	\$ 48,462	