

**CORRECTED RESPONSES TO THE FREQUENTLY ASKED QUESTIONS REGARDING
THE SEVEN PEARLS FOUNDATION, INC.**



All answers in bold face type are from the Seven Pearls Foundation, Inc.

All answers in blue type are from Sigma Gamma Rho (Deborah Hughes, Esq.)

1. When did the Sorority purchase the ICHQ headquarters property located at 1000 Southhill Drive, Cary, North Carolina (“ICHQ”)?

ANSWER: The property was purchased in December 2004.

CLARIFICATION: The property was purchased after the approval of the grand chapter at the 50th Boule-2004.

2. Does the Sorority hold the title for ICHQ?

ANSWER: No. For various strategic reasons, the Sorority decided it would not hold title to ICHQ but would have a third-party hold title and manage the property on the Sorority’s behalf. To this end, in December 2004, Seven Pearls Foundation, Inc. (“Seven Pearls”) was authorized to serve as the third-party holder and manager of ICHQ.

CLARIFICATION: The Seven Pearls Foundation, Inc. was given the responsibility to maintain and protect the property at 1000 Southhill Drive, Cary, North Carolina in the event of litigation by the Grand Chapter at the 2004 Boule. This action protects us against negative behavior by a sorority member, organization or individual legally insulating our valuable asset on behalf of the sisterhood. This is no different than other fraternal and sorority situations designed to legally protect precious assets. At that time, Soror Deborah Hughes was the attorney for Seven Pearls. In 2006, she spoke to the Seven Pearls Board about branding and the wise decision the sorority made in placing ICHQ under the foundation.

3. What is the total of amount for the loans Seven Pearls received related to the acquisition of the ICHQ property in 2004?

ANSWER: The Sorority is aware of the following loans related to ICHQ:

a) December 2004: for \$2.6M for the ICHQ property

b) December 2004: \$260K for furniture

CLARIFICATION: A fourteen (14) page document was submitted to Past Grand Basileus Loveless at the 2006 Boule in California that included an inventory of all furniture plus the corporate attorney spoke to the Grand Chapter and answered all questions regarding the move and cost. A loan for \$260,000 was taken out for FURNITURE AND

MOVING EXPENSES which was separate from the mortgage was paid in full on December 28, 2014.

4. How much is the monthly mortgage?

ANSWER: The monthly mortgage is \$15,410.

CLARIFICATION: See the amortization table from Bank of America (month and year for exact payments)

5. Who pays the monthly mortgage?

ANSWER: Since the Sorority moved into the ICHQ in 2005, the Sorority has paid 100% of the monthly mortgage amount, not just a proportional amount equal to the space it occupies in the building. The Sorority also pays to Seven Pearls its share of various ICHQ-related expenses (e.g., utilities, maintenance, cleaning, etc.).

CLARIFICATION: While Sigma Gamma Rho does pay the mortgage and its share of utilities, the Seven Pearls Foundation ensures all other bills such as maintenance (beyond our management company's responsibilities), taxes and insurance are paid. Sigma Gamma Rho has not received a rent increase in 18 years. They also do not have a lease. Sigma Gamma Rho is a tenant at will. Proposed leases by Seven Pearls in the past allowed the rent to be lowered over time.

6. Are there any other loans tied to ICHQ?

ANSWER: Yes. In March of 2020, the Sorority became aware of an additional loan Seven Pearls obtained in September 2016 in the amount of \$200K, purportedly for renovations to office space for a new tenant.

NOT TRUE: The answer is NO.

It is inaccurate that the sorority was not informed of a \$200,000 loan secured by the Foundation in 2016.

The balance on the \$200,000 loan is zero (\$0.00). The loan was paid in full on July 5, 2020. It is unclear why Past Grand Basileus Catchings-Smith stated the loan was a "discovery" as she was a member of the Board of Directors of the Seven Pearls Foundation. She was invited to every Board of Directors meeting. As such, she received a copy of the monthly Treasurer's report in which the loan was indicated for 40 months.

The loan and tenant were discussed in the following board meetings: June 2016, September 2016, October 2016, November 2016 and December 2016 and is reflected in the agendas and minutes. In addition, on September 13, 2016, the Immediate Past President wrote a letter to Past Grand Basileus Catchings-Smith reminding her of the Foundation's Boule Report and informing her of the up-coming construction renovation. Also, on page 2 of the October 2016 Treasurer's Report, the deposit of the Commercial Loan for renovation was clearly listed. For the past forty (40) months the loan payments have been listed in the Treasurer's Report.

The International Grand Basileus receives an email with the board of directors indicating the date and time of all foundation meetings. The agendas reflect that the Grand Basileus has time on the agenda for each meeting. PIGB Catchings-Smith, provided us with updates and stated she would have to leave the call because of other meetings.

There was never any attempt on the part of the Seven Pearls Foundation to hide the renovation loan as the payments appeared on the Treasurer's Report from November 2016 to June 2020 (40 months).

7. Why did Seven Pearls obtain an additional loan for \$200K?

ANSWER: According to Seven Pearls, the 2016 loan was for improvements to the space intended to be occupied by future building tenants. We note, in many instances, costs for renovations to a commercial real estate property are often the responsibility of the incoming tenant and not incurred by the landlord.

NOT TRUE: In November 2016, the Foundation was required to take out a renovation loan to renovate the first-floor space to meet the requirements agreed upon by tenant Cranial Technology and the Foundation as required by the city code. Landlords are obligated to renovate the space for the tenant. Cost of the uplift renovations:

- Cranial Technologies Uplift @ \$126,422.26
- Powell Electronics Uplift @\$37,495.50
- Roof Replacement @\$55,977.00
- ADA Phone Replacement/Elevator Uplift@ \$9,138.76
- Front Door Frame, glass, hardware replacement and ADA door installation@\$11,051.97
- HVAC Compressor replacement- 2 compressors@ \$28,031.70
- Joint Work on Building/Windows@\$31,766.38

8. Is the Sorority liable for the newly discovered 2016 200K loan?

ANSWER: Yes. The Sorority signed an agreement that guaranteed payment of the loan obligations connected to the ICHQ property, including the 2016 \$200K loan. This means that the Sorority would be responsible for all past due amounts, fees, costs of collection, and attorneys' fees in the event that Seven Pearls defaults on its payment obligations. Seven Pearls explained it intended the 2016 \$200K loan to be "completely separate" from the obligations guaranteed by the Sorority. However, Seven Pearls has not produced any documentation supporting this position.

NOT TRUE: The sorority was never in financial risk because of the loan. The loan was not a second mortgage nor was it added to the current mortgage. The loan was the responsibility of the Foundation. The loan was never in default and always paid on time. The loan was paid in full by the Seven Pearls Foundation on July 5, 2020.

9. Why is it important for the Sorority to learn more about the 2016 \$200K loan?

ANSWER: Although Seven Pearls signed the loan agreements for the ICHQ property and is responsible for repaying the loans, the Sorority signed an agreement (a "guarantee

agreement”) that makes the Sorority responsible for the loan debt in the event the Seven Pearls does not repay the loans. In addition to the original mortgage and furniture loans, the guarantee extends to any new loans Seven Pearls receives that are tied to the ICHQ property. Therefore, the Sorority is responsible for the \$200K loan, even though the Sorority was not aware of this new loan until Spring 2020. To pay off the mortgage, the Sorority needs to fully understand all of the financial obligations tied to the ICHQ property.

NOT TRUE: The sorority was never at financial risk for any loan. The Seven Pearls Foundation has been great stewards of the building never defaulting on a payment ensuring all payments were paid on time and in full.

10. What is the balance owed for these loans?

ANSWER: The Sorority does not know the balance owed for these loans. The Sorority has requested that Seven Pearls provide a current mortgage payoff statement from the bank that includes all loans encumbering the property; however, the Sorority has not received the statement.

NOT TRUE: The Grand Basileus receives the agenda, the Treasurer’s Report and Income Statement Report each month.

11. Can the Sorority contact the bank directly about the status of the ICHQ loans?

ANSWER: Since Seven Pearls holds the loan, the Sorority requested that Seven Pearls request the payoff information from the bank. The Sorority is considering various options to obtain this information if Seven Pearls refuses to provide the Sorority with the requested payoff statement.

CLARIFICATION: Seven Pearls never refused to submit any documentation to Sigma Gamma Rho. The payoff date was submitted to the sorority’s attorney on 3/30/20 with confirmation of receipt from K. Pope, Esq. received on 4/28/20 (see documentation table).

12. Is the Sorority committed to paying off the mortgage in full before the Centennial Celebration?

ANSWER: Yes; absolutely. The Sorority is committed to pay off the mortgage by December 2021. The Sorority will continue to reach out to Seven Pearls to understand the complete financial obligations for the ICHQ property and develop a plan as to how the parties will operate once the mortgage is paid in full.

CLARIFICATION: This statement remains unclear as although Seven Pearls has submitted all requested documentation, the sorority has ceased to pay rent and is not in compliance with NC commercial property laws. The 2018 Boule report addresses the occupancy lease. We have offered three lease agreements and MOU to the sorority. The sorority wants Seven Pearls to turn over ownership of the building to them however this removes the protection of the Foundation putting the property at risk in the event of litigation.

13. Is it appropriate for the Sorority to ask Seven Pearls for financial information related to ICHQ?

ANSWER: Yes. The Sorority has an important interest in understanding the financial operations related to ICHQ because the Sorority is the guarantor of the loan and acquisition of the ICHQ was intended for the benefit of the Sorority. Therefore, it is important for the Sorority to have clarity and understanding of all financial exposures that could place the Sorority's interest in the ICHQ at risk. Since the Sorority is ultimately responsible for the loans Seven Pearls has received, the Sorority should understand how the monies it has paid have been used. Also, the Sorority's members deserve to understand the financial position of Seven Pearls since they send assessments and donations to Seven Pearls.

CLARIFICATION: The Seven Pearls Foundation is in full agreement. At each boule, the Foundation provides a detailed financial report to the board of directors, life members and delegates. We have always given this information because we were transparent and wanted you to know how your money was being utilized. We have developed a video and placed it on the Foundation's website. The video responds to all allegations that were made in 2020.

14. Why is it important for Seven Pearls to share information about how it has used assessments, donations and income received related to ICHQ?

ANSWER: Seven Pearls' use and stewardship of Sorority-provided funds is important. Although Seven Pearls holds the title to the ICHQ property, the Sorority's Board of Directors has a fiduciary duty to understand how assessments and donations paid to Seven Pearls by our members are used. As the entity ultimately responsible for the mortgage, the Sorority is more than a company merely occupying office space in a building – this is the Sorority's headquarters, and the Sorority is on the hook for the \$2.6M debt. It is important for the Sorority to understand how money is being used to satisfy that debt.

CLARIFICATION: The sorority since 2004 has been made fully aware of expenditures via detailed financial reports to the Grand Basileus, S.G. Rho board of directors, Life Members and membership.

15. Is there a current lease agreement between the Sorority and Seven Pearls related to the Sorority's occupancy of its offices at the Sorority's ICHQ?

ANSWER: No, there is no current lease agreement with Seven Pearls; however, the Sorority has always paid the full mortgage and related building expenses since 2004, even after Seven Pearls received additional income from two new tenants.

NOT TRUE: The rent from the tenants is not income for Seven Pearls. This money goes directly to the management company for monthly maintenance. Again, we have offered three lease agreements and MOU to the sorority. The sorority wants Seven Pearls to turn over ownership of the building to them however this removes the protection of the building putting the property at risk in the event of litigation. At the 2004 Boule, the grand chapter voted for the sorority to have a lease with the Foundation which has yet to be honored.

16. What are some of the sources of income Seven Pearls receives?

ANSWER: The Sorority is aware of the following income sources:

Full mortgage amount from the Sorority each month (since 2004): \$184,920/year

Rental income from two tenants leasing space at ICHQ ((Amounts are approx. & do not include expenses like maintenance):

Tenant #1 (since 2016): \$78,500/year

Tenant #2 (since 2017): \$32,400/year

New and returning Sorority members pay a one-time assessment for building fund.

Alumnae: \$100 (For 2019-2020): \$139,400

Undergrad: \$50 (For 2019-2020): \$87,100

Donations from third parties: unknown

NOT TRUE: The rent from Sigma Gamma Rho is not income. It goes directly to the payment of the mortgage note. The rental income from Cranial Technology and Powell Electronics goes directly to the management company for monthly maintenance of the building. Our CORRECT income stream is as follows:

- Building assessment for all new members (\$100 alumnae, \$50 undergraduate)
- Re-activation fees for members who have not been active since 2004 (we do not get this automatically. We must always request it from the sorority, and it takes up to two years to receive the funds)
- In-kind donations
- Fundraisers such as galas (on off boule years), Boule Life Member Luncheons, Tree of Life leaf sales, Seven Pearls pin, Seven Pearls bracelet and t-shirts

All income is outlined in the detailed financial reports submitted to the grand basileus, S.G. Rho board of directors, life members and membership annually.

17. If the Sorority is paying 100% of the mortgage each month, how is Seven Pearls using the income collected from member assessments, donations, and the two tenants at ICHQ?

ANSWER: Unknown. The Sorority has requested that Seven Pearls provide this information; however, it has not received this information.

NOT TRUE: All income is outlined in the detailed financial reports submitted to the grand basileus, S.G. Rho board of directors, life members and membership annually. In addition, the documents have been submitted at the request of the sorority's attorneys and Executive Director as indicated on the Document Submission Table.

18. When did the climate of the negotiations for a lease agreement and an operating agreement change?

ANSWER: Negotiations took a turn around April 2019 when the Sorority requested a payoff statement for the mortgage. Rather than provide a payoff statement, Seven Pearls suggested that the Sorority determine the payoff amount by consulting an online amortization calculator. Seven Pearls' unusual response, triggered the Sorority's outside legal counsel to investigate the original loan transaction further. In Spring 2020, the

Sorority's outside legal counsel's due diligence investigation discovered the 2016 \$200k loan.

NOT TRUE: The payoff along with other requested documentation was submitted on March 30, 2020, the same date it was requested. The documents were submitted by Past President Sandra Hunt and Seven Pearls Legal Advisor, Charity Williams. Again, there was no "discovery" of the \$200K loan as for 42 months, the loan and its balance was addressed in the financial report provided to Grand Basileus Catchings-Smith as well in our Boule financial report. To this end, it is not clear why the climate of negotiations changed.

19. Has Seven Pearls been given an opportunity to discuss this matter with the Board of Directors?

ANSWER: Yes. The Sorority invited Seven Pearls to attend an International Board of Directors meeting on April 14, 2020, to discuss the 2016 Loan. Seven Pearls initially agreed to attend the April 14 meeting, but at the last minute, advised they would not attend the meeting. The IBOD extended another invitation to Seven Pearls to attend an April 28 meeting, but Seven Pearls declined.

NOT TRUE: The Foundation asked to be allowed to have another board member and the representative of the management company to attend the meeting. The purpose was to provide the specific information that was requested by the board. That request was denied. The meeting time was assumed to be the same but changed at the last minute. The sorority stated they needed an hour. Our attorney, Soror Charity Williams due to family obligations informed she could not be on the call that long and requested the board members (three were present) to be excused at the same time. Communication was sent via e-mail prior to the meeting stating she could not present at that time. Moreover, the Seven Pearls Foundation attorney, R. Jonathan Charleston, Esq. has been in contact with Mr. K. Pope and Mr. Reed and several conversations regarding the matter have been communicated.

20. Has Seven Pearls provided the requested information about the loans and use of the income received from assessments and donations?

ANSWER: No. To date, Seven Pearls has failed to provide the Sorority's outstanding information requests. To be clear, the Sorority remains unaware of the current amounts owed for all the loans taken against the ICHQ, how the income it receives is used, or whether the other building tenants are current on their rent obligations.

NOT TRUE: See documentation submission table for documents submitted, dates submitted, to whom and receipt acknowledgement

21. How is COVID-19 impacting the finances and management of the ICHQ property?

ANSWER: Seven Pearls notified the Sorority that at least one of the tenants occupying space on the first floor of ICHQ had requested a 3-month rent deferral due to the COVID-19 crisis. Also, we suspect there may changes to cleaning protocols, changes in common areas, and other requirements necessary to comply with CDC guidelines.

CLARIFICATION: Regarding the deferred payment, the agreement was for three months, and the balance of those three months were to be paid in full before the end of the current lease period. This goes to the property manager not the Seven Pearls Foundation. As outlined in the Boule and regional conference reports, the building has been sanitized more than once because of COVID-19. The janitorial service cleans the building in the evenings and any maintenance issues are handled by the property manager.

22. What are the Sorority's next steps?

ANSWER: The Sorority remains committed to working with Seven Pearls in an open and transparent manner and hopes Seven Pearls will provide the loan and financial information the Sorority has requested as soon as possible so that we can achieve our common goal of paying off the Headquarters Property in advance of our Centennial Celebration.

NOT TRUE: At the 2020 Boule we were not allowed to speak and respond to the misinformation that was presented to the membership. Since then, the sorority has continued to hinder our attempts for providing clarification and truth to this matter. Prior to the 2020 Boule and the motion ceasing to pay rent, the Seven Pearls Foundation has remained committed to our purpose of protecting and maintaining our headquarters by submitted all requested documentation and paying the mortgage.

23. Who can I contact if I have questions about the ICHQ property negotiations?

All questions related to these negotiations can be directed to the International Legal Advisor, Soror Debra Hughes at legaladvisor@sgrho1922.org.

NOT EQUITABLE: Members should have the opportunity to also reach out to the Seven Pearls Foundation so we can provide our side of the story. It is imperative FULL transparency be allowed for the sake of our illustrious sisterhood:

president@sevenpearls.org or use our contact page on our website: www.sevenpearls.org.