

CONSIDERATION OF OPTIONS FOR THE LOTUS PLAZA PROJECT (GALLERIA PROJECT)
AT 10080 AND 10189 GARDEN GROVE BOULEVARD (F: 20.GPA-2-5(A))

Jonathan Curtis, Attorney representing Cathay Bank, and Bill Grant, representing The Hoag Foundation, provided historical perspective to this project.

After staff's presentation, and City Council discussion, it was moved by Mayor Nguyen, seconded by Council Member Bui that:

Staff be authorized to commence a court action to enforce the Notice and Order to have a court abate the nuisance and appoint a receiver to ensure removal of all structures on the site.

Council Member Jones made a substitute motion, seconded by Council Member Beard that:

This matter be continued until the May 24, 2016, meeting in order to give the parties more time to come to an agreement, and/or the courts decide on the matter.

After further discussion, the substitute motion carried by a 3-2 vote as follows:

Ayes: (3) Beard, Bui, Jones
Noes: (2) Nguyen, Phan

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott Stiles
Dept: City Manager
Subject: CONSIDERATION OF OPTIONS FOR THE LOTUS PLAZA PROJECT (GALLERIA PROJECT) 10080 AND 10189 GARDEN GROVE BOULEVARD

From: Karl Hill
Dept: Community Development
Date: November 24, 2015

OBJECTIVE

For the City Council to consider options and provide direction on the issued Notice and Order to effectuate abatement action on the Lotus Plaza Project construction site at 10080 and 10189 Garden Grove Boulevard.

BACKGROUND

At the regular City Council meeting of November 10, 2015, the City Council requested for Staff to return with the opportunity to consider enforcement of the pending Notice and Order issued July 2, 2013 on the above site.

The City Council received a written status update on May 26, 2015, which included prior status updates; a project time-line history; and correspondence from Cathay Bank, Hoag Foundation, and a prospective Developer: Brooks Street. Since the meeting of May 26, 2015, it was anticipated that involved parties concerning the Lotus Plaza development, would have shown certain progress to assure the City that the project was moving forward. Recently, as reported to the City, a Purchase and Sales Agreement (PSA) had been reached between the prospective Developer, Brooks Street, and Cathay Bank to begin the process to renew the project. That action was to be followed by agreement(s) between these two entities and the Hoag Foundation. To date, it is the City's understanding that no further agreement and/or action has occurred to move the project forward. Therefore, at this time, no entitlement package has been submitted to the City for further consideration in order to renew the project.

DISCUSSION

Due to inaction on the part of the parties involved, it is suggested that City Council consider additional information and/or input that may be provided by the parties involved in this matter along with the following options:

- Authorize commencement of a court action to enforce the Notice and Order to have a court abate the nuisance and appoint a receiver to ensure removal of all structures on the site; or

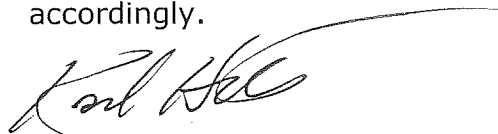
- Allow all parties involved more time to continue to work through the issues concerning the pending agreements to allow the project to move forward; or
- Consider an alternative approach by setting incremental deadlines for certain actions to occur, and subsequent to failing to meet such deadlines, take the appropriate action to have the structures removed.

FINANCIAL IMPACTS

Commencement of an action will cost the City an estimated \$6,000 to \$ 10,000 dollars. However, the costs can increase depending on the parties' cooperation or opposition to the action.

RECOMMENDATION

It is recommended that the City Council consider the matter, including any additional input, testimony or other information/material, and direct staff accordingly.



KARL HILL
Acting Community Development Director

- Attachment 1: Administrative Board of Appeals Resolution No. 002-13
- Attachment 2: Notice and Order dated July 2, 2013
- Attachment 3: Notice and Order Extension dated November 7, 2014
- Attachment 4: Request to provide evidence of agreements and applications to move project forward, dated September 11, 2015
- Attachment 5: Status Update dated May 26, 2015 with accompanying attachments

Recommended for Approval



Scott C. Stiles
City Manager

RESOLUTION NO. 002-13

A RESOLUTION OF THE ADMINISTRATIVE BOARD OF APPEALS OF THE CITY OF GARDEN GROVE, CALIFORNIA, DENYING THE APPEAL OF CATHAY GENERAL BANCORP, INC. OF THE GARDEN GROVE BUILDING OFFICIAL'S JULY 2, 2013 NOTICE AND ORDER RE: BOARDING UP / DEMMOLITION OF ABANDONED CONSTRUCTION PERTAINING TO THE GARDEN GROVE GALLERIA PROJECT LOCATED AT 10080 & 10180 GARDEN GROVE BOULEVARD

WHEREAS, on July 2, 2013, pursuant to the provisions of the 2009 International Property Maintenance Code (as adopted pursuant to Section 18.04.010 of the Garden Grove Municipal Code), the Building Official of the City of Garden Grove issued a Notice and Order to Emlen W. Hoag Foundation, Garden Grove Galleria, LLC, and Cathay General Bancorp, Inc. (the "Notice and Order") related to the Garden Grove Galleria Project located at 10080 and 10180 Garden Grove Boulevard in the City of Garden Grove, which directed that the abandoned construction site thereon be boarded up for future repair for a period not to exceed one year and that the structure thereon be demolished if construction was not recommenced within that one year period; and

WHEREAS, on July 18, 2013, Cathay General Bancorp, Inc. filed an appeal of the Building Official's July 2, 2013 Notice and Order and requested a hearing on its appeal before Administrative Board of Appeals of the City of Garden Grove; and

WHEREAS, on October 30, 2013, a hearing before the Administrative Board of Appeals of the City of Garden Grove was held at which the Administrative Board of Appeals considered testimony and evidence related to the July 2, 2013 Notice and Order and Cathay General Bancorp, Inc.'s appeal of the Notice and Order pursuant to the relevant provisions of the Garden Grove Municipal Code, the 2009 International Property Maintenance Code, and Resolution 001-13 of the Administrative Board of Appeals of the City of Garden Grove; and

WHEREAS, Cathay General Bancorp, Inc. and all other persons with an interest in the subject matter of the appeal were afforded an opportunity to be heard and present evidence to the Administrative Board of Appeals of the City of Garden Grove;

NOW, THEREFORE, THE ADMINISTRATIVE BOARD OF APPEALS OF THE CITY OF GARDEN GROVE, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The Administrative Board of Appeals of the City of Garden Grove hereby makes the following findings of fact:

1. Construction on the development project commonly known as the Garden Grove Galleria, which is located at 10080 and 10180 Garden Grove Boulevard in the City of Garden Grove (hereinafter the "Project"), commenced shortly after issuance of Building Permits 88685 through 88688 in January of 2007;
2. Construction activity at the Project site ceased in approximately July 2009, which is when the City conducted its last inspection of the progress of the construction work at the Project site;
3. The City was formally informed that construction activity on the Project ceased via correspondence dated March 22, 2010, which advised that the Project experienced a "stop to work due to the economic climate and the funding from Cathay Bank", and which requested an extension of Building Permits 88685 through 88688.
4. The City granted the March 22, 2010 request for an extension of Building Permits 88685 through 88688 for a period of 180 days, and thereafter granted four additional requests for extensions of those Building Permits in September 2010, March 2011, August 2011 and February 2012. Construction activity at the Project Site did not recommence during the period the Building Permits were extended.
5. On September 1, 2012, Building Permits 88685 through 88688 expired.
6. On July 2, 2013, the Building Official issued a Notice and Order to Emlen W. Hoag Foundation, Garden Grove Galleria, LLC, and Cathay General Bancorp, Inc. directing that the Project site be boarded for future repair for a period not to exceed one year from the date of the Notice and Order and that the uncompleted structures on the Project site be demolished if construction was not recommenced within that one-year period.
7. Section 110.1 of the 2009 International Property Maintenance Code directs and authorizes the City's Building Official to order the demolition and removal of any structure, normal construction of which has ceased for a period in excess of two years. Alternatively, that section authorizes the Building Official to order that such a structure be boarded up for future repair for a period not to exceed one year.
8. Normal construction activity on the Project site has ceased for a period in excess of two years.
9. The provisions of the IPMC fully apply to the Project and the Project site.
10. The Building Official correctly interpreted the intent of the IPMC in issuance of the Notice and Order.

11. The Building Official has determined that measures in place at the Project site as of October 30, 2013, specifically, the maintenance of fencing, gates, and utilization of a full time security company to monitor the Project site, satisfy the requirements of the Notice and Order and IPMC to "board up" the structure for future repair and that the property be secured from entry.

SECTION 2. Based on the findings of fact referenced herein and after consideration of all relevant testimony and evidence submitted at the October 30, 2013 meeting of the Administrative Board of Appeals of the City of Garden Grove, the July 2, 2013 Notice and Order of the Building Official of the City of Garden Grove is hereby affirmed, and the appeal filed by Cathay General Bancorp, Inc. on July 18, 2013, is hereby denied in its entirety.

SECTION 3. The Building Official is directed to provide notice of the decision of the Administrative Board of Appeals and of this Resolution to Appellant, Cathay General Bancorp, Inc. within seven (7) days of the date this Resolution is adopted.

SECTION 4. This Resolution shall become final effective immediately.

Adopted this 30th day of October, 2013.



CITY OF GARDEN GROVE

July 2, 2013

Bruce A. Broadwater
Mayor

Dina Nguyen
Mayor Pro Tem

Steven R. Jones
Council Member

Christopher V. Phan
Council Member

Kris Beard
Council Member

VIA CERTIFIED MAIL,
RETURN RECEIPT REQUESTED & U.S. MAIL

Garden Grove Galleria, LLC
c/o Theodore Yoon
886 Fallen Leaf Road
Arcadia, CA 91006

Cathay General Bancorp, Inc.
c/o Perry Oei
9650 Flair Drive
El Monte, CA 91731

The Emlen W. Hoag Foundation, Inc.
c/o William Brinckloe, Jr.
9841 Irvine Center Drive, #220
Irvine, CA 92618

Re: **Notice and Order of Building Official re Boarding**
Up/Demolition of Abandoned Construction: Garden Grove
Galleria Project:
10080 & 10180 Garden Grove Boulevard, Garden Grove, CA

Gentlepersons:

As you know, normal construction on the Garden Grove Galleria Project located at 10080 & 10180 Garden Grove Boulevard (the "Project") ceased in 2009. The building permits issued for the Project (Permit Nos. 88685 - 88688) expired in November of 2012. In its current condition, the Project constitutes blight in the community, negatively impacts property values, and if allowed to remain unfinished, the Project's construction site will likely become unsafe, an attractive nuisance, and a harborage for vagrants and criminals.

This correspondence will serve as the City's written notice and order, pursuant to the provisions of the 2009 International Property Maintenance Code ("IPMC"), which is adopted by Garden Grove Municipal Code section 18.04.010, that the Project must be boarded up for future repair as set forth in this notice. IPMC section 110.1 states in relevant part:

"[w]here there has been a cessation of normal construction of any structure for a period of more than two years, the code official shall order the owner [of the structure] to demolish and

remove such structure, or [to] board up [the structure] for future repair. Boarding up the building for future repair shall not extend beyond one year"

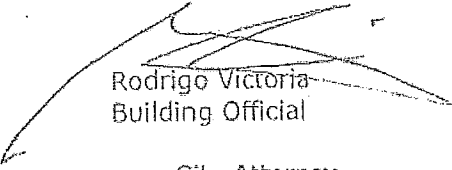
Pursuant to IPMC section 110.1, you are hereby ordered to board the Project for future repair for a period not to exceed one year from the date of this notice, unless that period is extended, in writing, by the Building Official. In the event that construction on the Project does not commence within one year of the date of this notice, you are hereby ordered to demolish and remove any and all structures and materials related to the construction of the Project to the satisfaction of the Building Official. In the meantime, you must take steps to ensure that the Property remains secured from entry and advise the City of the measures taken to comply with this order. Further, please be advised that nothing in this Notice and Order shall preclude the City from instituting other enforcement action with regard to the site, including requiring earlier repair or demolition of the building, should the City determine that the structure is dangerous or the property is otherwise in violation of the Garden Grove Municipal Code or its adopted building standards codes.

As mentioned above, all previously issued building and other permits related to the Project have expired. Accordingly, prior to commencement of any construction on the Project you must first secure any necessary permits and submit updated plans as may be required by the Building Official. Please be advised that resumption of construction activities may require new discretionary land use approvals.

Pursuant to the provisions of the IPMC, you have the right to appeal this order to the City's designated Board of Appeals. (See, IPMC §111 et seq.) Any appeal must be in writing and must be filed within 20 days of the date of this notice. If you have any questions about the actions required by this notice, or wish to discuss the Project in greater detail, please do not hesitate to contact the undersigned.

Respectfully,

Community Development Department
Susan Emery, Director



Rodrigo Victoria
Building Official

cc: City Attorney
City Manager

**CITY OF GARDEN GROVE**

November 7, 2014

VIA CERTIFIED MAIL,
RETURN RECEIPT REQUESTED & US MAIL

The Emlen W. Hoag Foundation, Inc.
Attn: William A. Grant, II, President
9860 Larson Avenue
Garden Grove, CA 92844-1630

Re: **July 2, 2013 Notice and Order of Building Official re**
Boarding Up/Demolition of Abandoned Construction:
Garden Grove Galleria Project at 10080 & 10180 Garden
Grove Boulevard, Garden Grove, CA

Mr. Brinckloe:

This correspondence is in reference to the July 2, 2013 Notice and Order pertaining to the Garden Grove Galleria Project located at 10080 & 10180 Garden Grove Boulevard (the "Project"), a copy of which is enclosed herewith. The Emlen W. Hoag Foundation, Inc. ("Hoag Foundation") is the owner of the subject property.

In accordance with Section 110.1 of the International Property Maintenance Code, adopted pursuant to Section 18.04.010 of the Garden Grove Municipal Code, the July 2, 2013 Notice and Order required (a) that the Project be boarded up for future repair for a period not to exceed one year from the date of the Notice and Order and (b) that, in the event that construction of the Project did not recommence within one year of the date of the Notice and Order, all structures and materials relating to construction of the Project be demolished and removed.

It has been well over one year from the date of the Notice and Order and construction of the Project has not recommenced. Further, as of the date of this letter, no application has even been submitted by or on behalf of Hoag Foundation for land use entitlements and permits needed to facilitate commencement of construction of the Project.

Assuming that a complete application package for the necessary land use entitlements needed to facilitate recommencement of construction of the Project has not been submitted to the City by or on behalf Hoag Foundation by December 1, 2014, Hoag Foundation is hereby directed to comply with the July 2, 2013 Notice and Order and Section 110.1 of the International Property Maintenance Code and promptly commence and pursue to completion the demolition and removal of all structures and materials relating to construction of the Project.

Respectfully,

Susan Emery
Assistant City Manager and Director of Community Development



Bill Tewfik
Building Official

cc: City Attorney
City Manager

William Brinckloe, Jr.
9841 Irvine Center Drive, #220
Irvine, CA 92618

William A. Grant, II, DVM
Community Veterinary Hospital, Inc.
13200 Euclid Street
Garden Grove, CA 92843

Garden Grove Galleria, LLC
c/o Theodore Yoon
886 Fallen Leaf Road
Arcadia, CA 91006

Cathay General Bancorp, Inc.
c/o Perry Oei
9650 Flair Drive
El Monte, CA 91731

Enclosure



CITY OF GARDEN GROVE

September 11, 2015

714-741-5100

VIA EMAIL AND FIRST CLASS MAIL

Lisa L. Kim
 SVP, General Counsel & Secretary
 Cathay Bank
 Corporate Center
 9650 Flair Drive
 El Monte, CA 91731

Bao Nguyen
 Mayor

Steven R. Jones
 Mayor Pro Tem

Christopher V. Phan
 Council Member

Phat Bui
 Council Member

Kris Beard
 Council Member

Re: Property Owned by The Emlen W. Hoag Foundation Located at 10080
 and 10180 Garden Grove Boulevard, Garden Grove, California

Dear Ms. Kim:

Thank you for attending the City of Garden Grove City Council meeting of August 25, 2015, wherein you informed the City Council that Cathay Bank and Brooks Street were very close to finalizing a Purchase and Sale Agreement ("PSA") to facilitate development of the unfinished construction on the above-referenced property. Although you had mentioned that the parties were days from finalizing the PSA, we have not received confirmation of the same. In our telephone conversation on Tuesday, September 8, 2015, you indicated that you would call me on Thursday, September 10, 2015, to provide me with confirmation.

Based on the representations provided to the City Council on August 25, 2015, and earlier this week, the City is hereby requesting that Cathay Bank provide evidence of the PSA with Brooks Street by Tuesday, September 15, 2015. In order to maintain the momentum, we also ask that Cathay Bank, Brooks Street, and the Hoag Foundation provide the City evidence of a tri-party agreement permitting Brooks Street to proceed with development of the property by Friday, September 25, 2015 with application(s) for entitlements filed by October 9, 2015. The entitlement application(s) will require the signature of the Hoag Foundation as property owner.

Note that this letter is not intended to constitute an extension of time for compliance under the July 2, 2013, Notice and Order. The Notice and Order remains in full force and effect, and the City reserves the right to enforce it at any time. Provided the above timelines are met, however, the City will entertain entering into a tolling agreement pertaining to enforcement of the July 2, 2013, Notice and Order.

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Mayor & City Council Members From: Allan Roeder
Dept: Dept: City Manager
Subject: STATUS REPORT ON THE LOTUS Date: May 26, 2015
 PLAZA PROJECT (GALLERIA
 PROJECT), 10080 AND 10189
 GARDEN GROVE BOULEVARD

Background

At the regular City Council meeting of March 24, 2015, the City Council received an update on the progress involving Cathay Bank and the Hoag Foundation towards development of the subject property. Copies of the staff reports for that City Council presentation as well as the earlier City Council request to review options for the site are attached as background for you and members of the public.

At the conclusion of the presentation of March 24, 2015, the City Council requested that this subject be brought back on agenda in 60 days for an update. The City Council additionally requested a Closed Session for legal advisement as to options available to the City as they pertain to the current condition of 10080 and 10189 Garden Grove Boulevard. The Closed Session regarding legal options was subsequently held at the regular City Council meeting of April 14, 2015.

On May 19, 2015, representatives of the Hoag Foundation and City staff received a presentation and status update from Cathay Bank and its selected developer, Brooks Street (Lucas, Austin & Alexander LLC). As City Council will recall, representatives of Brooks Street addressed the City Council at your March 24th meeting regarding its experience & qualifications to undertake this project. At the presentation held on May 19, 2015, Brooks Street shared in more specific terms the status of its investigation of the site as well as the introduction of a new member of its team, LABHolding, Inc. Mr. Shaheen Sadeghi of LABHolding, Inc. provided an extensive overview of the commercial & open space concepts for the site. The concepts presented were generally well received by all parties with the recognition that considerably greater detail is needed. Brooks Street is working in concert with LABHolding, Inc. to prepare information for presentation to the City Council and the public at your May 26, 2015 meeting.

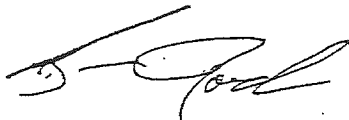
All parties are continuing to communicate and work collaboratively to create a project that will not only be successful but which the Garden Grove community can be proud of. Based on the presentation of May 19, 2015, we are at the stage where Brooks Street will begin meeting with City staff in an effort to document required

STATUS REPORT ON THE LOTUS PLAZA PROJECT (GALLERIA PROJECT), 10080 AND
10189 GARDEN GROVE BOULEVARD

May 26, 2015

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land use approvals and a timetable for formal submission. Representatives of the Hoag Foundation, Cathay Bank and Brooks Street will be in attendance at your meeting to address any questions the City Council may have regarding progress to date.



ALLAN ROEDER
Interim City Manager

Cc. City Attorney, Community Development Director

Approved for Agenda listing



Allan L. Roeder
Interim City Manager

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To:	Mayor & City Council Members	From:	Allan Roeder
Dept:		Dept:	City Manager
Subject:	STATUS REPORT ON THE LOTUS PLAZA PROJECT (GALLERIA PROJECT), 10080 AND 10189 GARDEN GROVE BOULEVARD	Date:	March 24, 2015

BACKGROUND

At your regular meeting of February 24, 2015 at the request of Mayor Nguyen, the City Council received a report on the status of the existing building structure at the above, subject location. A copy of the staff report and written input from Cathay Bank and the Emlen W. Hoag Foundation were submitted to the City Council and the public at that meeting (please see attached Exhibit A).

Representatives of both the Hoag Foundation and Cathay Bank addressed the City Council and the community in terms of their respective efforts to move forward with a new project for the site. The attached materials provide a comprehensive summary of what was presented to the public in terms of what has transpired to date and some of the challenges remaining ahead. Following questions and deliberations by the City Council, it was requested that this matter be brought back to the City Council in 30 days for a status report as to progress made.

On Tuesday March 17, 2015, representatives of Cathay Bank, Board members and representatives of the Hoag Foundation and representatives from the City Attorney's Office, Development Services Department and City Manager's Department met to discuss the progress to date. Over the past 30 days, Cathay Bank advised that it has actively solicited proposals for the site. They indicate that they are down to a few finalists and expect to select the preferred developer within 2 weeks. As a demonstration of the level of effort taken over the past 30 days, a presentation was made (please see attached Exhibit B) by one of the finalists, Brooks Street (Lucas, Austin & Alexander LLC). It is important to bear in mind that this is not a specific proposal and any graphic representations, milestones and/or illustrative detail in Exhibit B is for purposes of expressing Brooks Street's experience in undertaking a project of this nature.

STATUS REPORT ON THE LOTUS PLAZA PROJECT (GALLERIA PROJECT), 10080 AND
10189 GARDEN GROVE BOULEVARD

March 24, 2015

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In summary, the meeting was valuable in terms of learning of the progress made over the past 30 days and keeping the lines of communication open between the Foundation, the City and Cathay Bank. It bears noting, however, that there are still significant concerns over the mixed use zoning for the site, the retail component, parking and related factors. The Foundation has commissioned a market analysis to assist in guiding its prospective deliberations and has agreed to share that analysis with the City.

Representatives of the Hoag Foundation and Cathay Bank will be in attendance at the City Council meeting to speak to their progress to date and to answer questions of the City Council.

A handwritten signature in black ink, appearing to read 'A. Roeder', with a long horizontal flourish extending to the right.

ALLAN ROEDER
Interim City Manager

Attachments:

- Exhibit A – Request to Review Options for Lotus Plaza Project/Galleria Project
- Exhibit B – Brooks Street Presentation

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Mayor & City Council Members From: Allan Roeder
Dept: Dept: City Manager
Subject: REQUEST TO REVIEW OPTIONS Date: February 24, 2015
FOR LOTUS PLAZA
PROJECT/GALLERIA PROJECT
LOCATED AT 10080 AND 10180
GARDEN GROVE BOULEVARD

Summary

At the regular City Council meeting of February 10, 2015, Mayor Nguyen requested that the above subject project be brought back before the City Council with a staff presentation as to options for removing the "steel skeleton" on the subject site. As the City Council is aware, this location has a significant history leading up to its current condition. To better put matters in perspective, staff has prepared the attached "Timeline for Emlen W. Hoag Foundation Project" for the benefit of the City Council and the public.

City staff had previously scheduled a meeting with representatives of the Hoag Foundation and Cathay Bank to discuss the status of the site. That meeting took place on February 13, 2015 and focused on many of the topics of interest to the City Council and the community. Overall it was a very candid conversation that concluded with an expression of interest by all parties to attempt to move matters forward. To that end, representatives of the Hoag Foundation and Cathay Bank are expected to be in attendance at your meeting of February 24, 2015 to address the City Council.

Staff will be prepared at your meeting to generally discuss options available to the City, the Hoag Foundation and Cathay Bank. Elimination of the structure as it currently exists may occur under a limited range of scenarios as generally noted in the following:

1. Construction of a project utilizing the existing structure that conforms to the existing General Plan and Zoning for the Site, subject to Planning Commission and/or City Council approval of a new Site Plan and other required land use entitlements.

REQUEST TO REVIEW OPTIONS FOR LOTUS PLAZA PROJECT/GALLERIA PROJECT
LOCATED AT 10080 AND 10180 GARDEN GROVE BOULEVARD
February 24, 2015
Page 2

2. Construct a project utilizing the existing structure that requires a General Plan, Zone Change, and/or Zoning Code amendments, subject to City Council approval of the necessary /desired General Plan and/or Zoning amendments and a new Site Plan and other required land use entitlements.
3. Full or partial demolition of the existing structure in conjunction with construction of an entirely different project on the Site, subject to Planning Commission and City Council approval of all required General Plan or Zoning amendments and required land use entitlements.
4. Full demolition of the existing structure prior to consideration and/or approval of a replacement project.

As I believe you will hear at your meeting, there are conflicting interests for the site due to market conditions, a desire to utilize what has already been invested in the site and the City's General Plan goals. At this point in time, it is unclear whether those competing interests can be reconciled and, if so, in what fashion, at what cost, and in what length of time?

Any options under discussion will need to take all of these factors into consideration.



ALLAN ROEDER
Interim City Manager

Attachment: Timeline for Emlen W. Hoag Foundation Project

Timeline for Emlen W. Hoag Foundation Project

At 10080 and 10180 Garden Grove Boulevard

Galleria Project 2004-2011

Lotus Plaza Project 2011 – 2014

- 2004 **REVIEW OF CONCEPTUAL PLANS.** Planning staff begins working on review of Design Development plans for the Galleria project with Architect Sungjun Yoo. By October 2004, regular meetings are occurring with Planning, Engineering, Building and Fire staff to review Galleria project and work on outstanding issues.
- May 6, 2005 **NEIGHBORHOOD MEETING** held at the Boys & Girls Club Gymnasium at 9680 Larson Street to discuss the Garden Grove Galleria mixed-use project.
- May 19, 2005 **PLANNING COMMISSION APPROVES SITE PLAN.** The Galleria project is presented to Planning Commission and a public hearing is held. Planning Commission votes 5 - 1 to adopt the Mitigated Negative Declaration and to approve the Site Plan and to recommend to City Council the approval of the General Plan Amendment, Mixed Use Planned Unit Development, and a Development Agreement. [SP-368-05, PUD-107-05, GPA-2-05(A)]
- June 28, 2005 **CITY COUNCIL MEETING.** The Galleria project is heard by City Council, a public hearing is held and all interested parties were given an opportunity to be heard and the proposal was given due and careful consideration.
- July 12, 2005 **CITY COUNCIL ADOPTS ORDINANCES APPROVING GPA, PUD, & DA.** The City Council adopts ordinances approving the Planned Unit Development (PUD-107-05) which changes the zoning designation from C-3 (Heavy Commercial) to Mixed Use PUD, approving the General Plan Amendment [GPA-2-05(A)] changing the land use designation from Heavy Commercial (HC) to Mixed Use (MU), and approving a Development Agreement for the Garden Grove Galleria, LLC.
- January 10, 2007 **PERMITS ISSUED.** The City issued Building Permits numbered 88685 through 88688 for the Galleria Project.
- July 20, 2009 **LAST INSPECTION.** The last building inspection by the City in relation to the Galleria project was conducted on July 20, 2009.

- February 2010 **GG GALLERIA LLC, FILES LAWSUIT.** The Garden Grove Galleria, LLC, files a lawsuit against Cathay Bank.
- March 22, 2010 **GALLERIA DEVELOPER STOPS WORK.** Garden Grove Galleria, LLC advises the City that they had temporarily stopped work on the Project, citing "the economic climate and funding from Cathay Bank".
- March 23, 2010 **CITY GRANTS FIRST BUILDING PERMIT EXTENSION.** Garden Grove Galleria requests a 180-Day extension of the Building permits which is granted by the Building Department. (SUBSEQUENT EXTENSIONS were requested on September 13, 2010, March 7, 2011, August 5, 2011, and February 15, 2012. All these requests were granted by the Building Department.
- September 2011 **GG GALLERIA, LLC, TERMINATES LEASE AND ABANDONS PROJECT.** The Hoag Foundation is served a Notice of Default and Right to Terminate Garden Grove Galleria's ground lease. Garden Grove Galleria, LLC, notifies the Hoag Foundation that it is abandoning the property and giving possession to the Hoag Foundation.
- January 2012 **NEW MIXED USE ZONING FOR PROPERTY.** The City Council adopts an ordinance approving new Mixed Use Zones throughout the City. The subject property is rezoned to Garden Grove Mixed Use 1 (GGMU1) which allows for 42 residential units per acre with a mandatory commercial component of 0.3 FAR (Floor Area Ratio).
- January 2012 **REVISED PROJECT (Lotus Plaza) FROM NEW ARCHITECT AND DEVELOPER.** A new architect and developer for the Hoag Foundation submits design development plans for a revised project. The developer, Tri-Millennium Homes, and their architect, Mahmoud Gharachedaghi, propose 144 residential units and 53,000 sq. ft. of commercial floor area.
- February 22, 2012 **FINAL NOTICE OF EXTENSION ISSUED BY BUILDING DEPARTMENT.** The final notice of extension is issued by the City on February 15, 2015 for the Galleria project. The final notice specifies that Building Permits will expire on September 1, 2012, unless work on the Project recommences and inspections are requested by that date.
- February 2012 **MEETINGS BETWEEN CITY STAFF AND LOTUS PLAZA ARCHITECT AND DEVELOPER.**
- August 31, 2012 **JURY VERDICT FOR GARDEN GROVE GALLERIA.** Jury verdict in favor of Garden Grove Galleria, LLC, and against Cathay Bank. Jury awards GG Galleria the amount of its investment. The judgment is appealed.

- September 1, 2012 **BUILDING PERMITS EXPIRED.**
- July 2, 2013 **NOTICE AND ORDER ISSUED BY CITY BUILDING OFFICIAL.** Given the lack of construction activity, a Notice and Order was issued. The Notice and Order required that the Project site be boarded for future repair for a period not to exceed one year from the date of the Notice and Order, and that the Project be demolished in the event that construction on the Project did not recommence within the one-year period.
- October 30, 2013 **BOARD OF APPEALS MEETING – CATHAY BANK APPEAL IS DENIED.** Cathay General Bankcorp, Inc. (Cathay Bank) appealed the July 2, 2013 Notice and Order. The Garden Grove Administrative Board of Appeals met on October 30, 2013, held and closed a public hearing, and adopted a Resolution to deny the appeal.
- End of 2013 – 2014 **ONGOING MEETINGS AND REVIEW OF LOTUS PLAZA PROJECT.** Lotus Plaza project goes through process of committee technical review.
- May 2014 **MEETING WITH HOAG FOUNDATION BOARD AND ATTORNEY.** Susan Emery and Erin Webb meet with members of the HOAG Foundation Board and their attorney, Bill Brinckloe.
- July 2014 **CITY AGREES TO GPA TO AMEND DU PER ACRE/NATIVE AMERICAN TRIBAL NOTIFICATIONS ARE SENT/DRAFT OF NEW INITIAL STUDY – MITIGATED NEGATIVE DECLARATION IS SUBMITTED/HOAG FOUNDATION AGREES TO 12-FOOT LOT LINE ADJUSTMENT.** Through committee review process, City agrees to allow General Plan Amendment to change density from 42 du per acre to 50 du per acre (50 du is the density approved and being built at the Brookhurst Triangle also in the GGMU-1 zone). Because of GPA, notification is required to be sent to the Native American Tribal Council. Notices are sent and the representatives have 4 months to respond with an end date of November 17, 2014. This will delay the noticing for any public hearing.
- September 2014 **TECHNICAL REVIEW OF TRAFFIC TECHNICAL MEMO AND PROPOSED DROP-OFF.**
- October 29, 2014 **LETTER FROM HOAG FOUNDATION ARCHITECT STATING LOTUS PLAZA IS NOT A VIABLE PROJECT.** The architect states that the project is under parked based on his review of City requirements including the Housing Element and the commercial component is not viable. He states the project has little chance for success.
- November 3, 2014 **PHONE CONVERSATION WITH LOTUS PLAZA ARCHITECT ABOUT HOAG CONCERNS.** HOAG Foundation is not in agreement with the 10% reduction in

parking provided by the zoning code. The architect is working to minimize this to a 4% reduction. Also, HOAG asked him to inquire if the City would allow a waiver from the required commercial FAR of .3; they would like the amount of commercial space reduced.

- November 7, 2014 LETTER FROM CITY ATTORNEY EXTENDING NOTICE & ORDER DEADLINE TO 12/1/14.
- November 24, 2014 LETTER FROM CATHAY BANK ATTORNEY THAT A DRAFT TRI-PARTY AGREEMENT HAD BEEN RECEIVED AND REQUESTING A 45-DAY EXTENSION OF THE 12/1/14 DEADLINE FOR THE NOTICE & ORDER.
- January 9, 2015 LETTER FROM ATTORNEY FOR HOAG FOUNDATION THAT THE BOARD DISAPPROVED THE LOTUS PLAZA PROJECT.



CATHAY BANK

VIA EMAIL AND PERSONAL DELIVERY

February 20, 2015

Honorable Mayor Bao Nguyen
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Mayor Pro Tem Steve Jones
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Councilman Christopher Phan
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Councilman Phat Bui
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Councilman Kris Beard
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Mr. Allan L. Roeder
Interim City Mgr. – City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Ms. Erin Webb
Senior Planner
City of Garden Grove – Comm. Dev. Dept.
11222 Acacia Parkway
Garden Grove, CA 92840

James H. Eggart, Esq.
Thomas R. Nixon, Esq.
Woodruff Spradlin & Smart
555 Anton Blvd., Suite 1200
Costa Mesa, CA 92626

Re: 10800 and 10180 Garden Grove Boulevard, Garden Grove, CA (the "Property")

Dear Sirs and Madam,

Cathay Bank, the current lender on the leasehold interest of the Property, appreciates this opportunity to provide to the Garden Grove City Council and affiliated parties, a brief background and current status of the Property. As you are aware, the Emlen W. Hoag Foundation, a California non-profit corporation ("Hoag Foundation"), the fee owner of the Property, as Landlord and Garden Grove Galleria, LLC, a California limited liability company ("GGG"), as Tenant, entered into a Ground Lease dated March 18, 2004, as amended (the "Ground Lease"), pursuant to which Hoag Foundation leased to GGG the Property. Under the GGG Ground Lease, the original proposed project was to construct a mixed-use residential and retail development, containing sixty-six (66) condominiums and approximately one hundred thousand (100,000) square feet of retail floor area, which was commonly known as the "Garden Grove Galleria" (the "GGG Project").

On October 30, 2007, Cathay Bank, along with two other participant banks (with Cathay Bank as the lead bank), made a loan to GGG in the original principal amount of \$42,500,000.00 (the "Loan"). The Loan was made pursuant to a Construction Loan Agreement dated as of October 30, 2007 (the "Loan Agreement"). The Loan was secured by that certain Construction Deed of Trust dated as of October 30, 2007 (the "Deed of Trust") encumbering GGG's rights and interest under the GGG Ground Lease as security for the Loan and wherein GGG assigned to Cathay Bank all of the right, title and interest of GGG in and to all leases, rental agreements, tenant improvement, construction and reimbursements agreements involving or relating to the Property as security for the Loan.

In connection with the Loan, Hoag Foundation, Cathay Bank and GGG entered into a Ground Lease Consent, Estoppel Certificate and Agreement dated November 7, 2007 (the "Ground Lease Consent"). The Note, the Loan Agreement, the Deed of Trust, the Assignment of Leases, the Ground Lease Consent and any and all other agreements, documents or instruments entered into by GGG and Cathay Bank in connection with the Loan are collectively referred to as the "Loan Documents".

Thereafter, disputes arose between GGG and Cathay Bank over their respective rights and obligations pursuant to the Loan Documents, which culminated in the filing of a lawsuit in February 2010 by GGG against Cathay Bank in the Superior Court of the State of California in and for the County of Orange captioned *Garden Grove Galleria, LLC v. Cathay Bank, et al.* (Case No. 30-2010-00342212), as well as the filing of Cathay Bank's cross-complaint against GGG and the guarantors in April 2010 (the "Lawsuit"). On or about August 31, 2012, the jury issued a verdict on the complaint in favor of GGG and against Cathay Bank and awarded damages in favor of GGG in the sum of \$11,275,000.00. On or about January 14, 2013, the Court, in the cross-complaint, ruled against Cathay Bank, including its motion to be permitted to judicially foreclose under the Deed of Trust. Judgment was subsequently entered in the Lawsuit on February 24, 2014 ("Judgment"). Cathay Bank obtained a statutory appeal bond and filed an appeal of the Judgment in July 2014 in the Court of Appeal of the State of California, Fourth Appellate District, Division Three; Appeal No. G050395 (the "Appeal"), which is pending as of this writing. Cathay Bank's appellate brief was filed on November 6, 2014. GGG's respondent's appellate brief was filed on or about January 26, 2015. Cathay Bank's reply brief is due to be filed on or before March 19, 2015. Oral argument has not yet been set by the Court of Appeal.

On September 17, 2012, Hoag Foundation, in the manner provided in the GGG Ground Lease, served on GGG and Cathay Bank Three Day Notices to Cure or Quit. On October 9, 2012, Hoag Foundation and Cathay Bank entered into a Reinstatement and Cure Agreement (the "Cure Agreement"). In the Cure Agreement, Cathay Bank agreed, among others, to cure the monetary defaults of GGG pursuant to the GGG Ground Lease. In consideration for the covenants and agreements of Cathay Bank, in the Cure Agreement, Hoag Foundation agreed in the Cure Agreement to reinstate the GGG Ground Lease.

On July 2, 2013, the City of Garden Grove (the "City") served Hoag Foundation, Cathay Bank and GGG with written notice regarding the GGG Project contending, among other things,

that the partially completed improvements on the Property constitute blight, and the Property is unsafe and an attractive nuisance. As a result, the City gave Hoag Foundation, Cathay Bank and GGG one year to commence construction of the GGG Project or, if that did not occur, to commence the demolition and removal of the existing partially-completed improvements on the Property. The City subsequently extended the demolition deadline to August 16, 2014. Thereafter, Hoag Foundation received correspondence from the City to Hoag Foundation, upon which Cathay Bank and GGG were copied, dated November 7, 2014, directing the partially completed improvements on the Property be demolished if by December 1, 2014 a "complete application package for the necessary land use entitlements needed to facilitate recommencement of construction of the Project has not been submitted to the City ..." In a letter to the City from Cathay Bank dated November 24, 2014, Cathay Bank requested the City to grant a forty-five (45) day extension of the demolition deadline. The City has not yet responded to the extension request of Cathay Bank.

During this period of time, Cathay Bank sought a developer that might be acceptable to Hoag Foundation to complete the GGG Project, but taking into account that the real estate and economic environment had materially changed subsequent to the start of the GGG Project. With this in mind, Cathay Bank had numerous communications with Tri-Millennium Homes, Inc. ("TMH") about the nature of the GGG Project. TMH also had communications with Hoag Foundation concerning changes to the GGG Project.

Ultimately, Cathay Bank and TMH entered into a Purchase and Sale Agreement and Joint Escrow Instructions, dated April 16, 2014 (the "PSA"). In the PSA, Cathay Bank agreed to sell, and TMH agreed to purchase, certain assets, including the right to enter into a new ground lease with Hoag Foundation. In connection with the PSA, Cathay Bank and TMH requested Hoag Foundation to enter into a new ground lease of the Property with TMH, or an affiliate of TMH, as TMH proposed to construct a retail/apartment development on the Property to be known as "Garden Grove Lotus Plaza" (the "TMH Project").

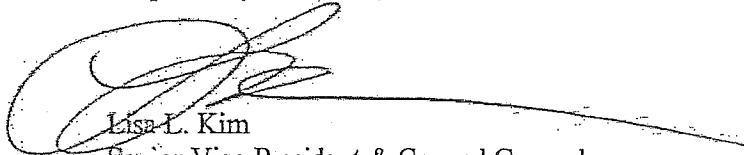
Thereafter, Hoag Foundation, Cathay Bank and TMH began negotiations of a Tri-Party Agreement ("TPA"), which, among other things, would grant TMH a new ground lease at closing of the PSA and TPA. However, prior to Hoag Foundation and the parties completing negotiations for the TPA, on or about December 18, 2014, Hoag Foundation voted to disapprove the TMH Project.

Since then, Cathay Bank has been and is actively working to identify other potential purchasers/developers of the GGG Project, with the cooperation of Hoag Foundation. Once this occurs, it is Cathay Bank's goal to enter into a purchase agreement with the buyer/developer, negotiate a tri-party agreement with such party and Hoag Foundation, and then consummate the transaction so that construction of the building on the Property can be completed. The prospective buyer/developer will need to entitle the Property for whatever project is ultimately agreed upon among the parties, including the City. Cathay Bank has to date received a letter of intent by an interested buyer/developer as well as received numerous inquiries from other mixed use developers and have been showing the site to numerous but capable developers. One of the challenging issues that the prospective developers have indicated to both Cathay Bank and Hoag

Foundation is the required retail component of the project. The City requires at least 40,000 square feet of retail space. Since the inception of the GGG Project and the current market trend for residential units, the mixed used/retail concept may pose certain challenges for all parties. Cathay Bank and Hoag Foundation are diligently pursuing the best feasible development project for the Property and will continue to work with each other and the City. In the next few months a buyer/developer will be selected by Cathay Bank and Hoag Foundation who we hope will be compatible with working with the City to obtain entitlements to complete the project. It is Cathay Bank and Hoag Foundation's goal to construct a building that the City of Garden Grove and the Hoag Foundation will be proud to have in its City for a very long time.

On behalf of Cathay Bank, we appreciate this opportunity to meet with the City and answer any questions you may have. You may also contact me at (626) 279-3297 or lisa.kim@cathaybank.com.

Respectfully submitted,



Lisa L. Kim
Senior Vice President & General Counsel
of Cathay Bank

cc: Mr. Bill Grant
Mr. Scott Weimer
William Brinckloe, Esq.
Mr. Heng W. Chen

THE EMLLEN W. HOAG FOUNDATION

**9860 Larson Avenue
Garden Grove, California 92844**

February 20, 2015

Mr. Allan L. Roeder
Interim City Manager
City Manager's Office
City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

Re: Property Owned by The Emlen W. Hoag Foundation ("Hoag Foundation") and Located at 10080 & 10180 Garden Grove Boulevard, Garden Grove, California (the "Property")

Dear Mr. Roeder:

Hoag Foundation appreciates the efforts of the City of Garden Grove in establishing the meeting among the representatives of the City, Hoag Foundation and Cathay Bank on February 13, 2015. Hoag Foundation believes the meeting was very productive and informative.

In the meeting you advised the City Council requested the status of the Property and the partially constructed improvements thereon be addressed at the City Council meeting on February 24, 2015. The City Council instructed City staff to advise as to the options of the City. The purpose of this letter is to provide the City with the input of Hoag Foundation.

I. ABOUT HOAG FOUNDATION.

Hoag Foundation is a charitable foundation that was formed in 1951 for the benefit of the children of Garden Grove. The Board of Trustees for Hoag Foundation administers the operations of Hoag Foundation. The Board of Trustees are volunteers and members of the community.

Hoag Foundation owns approximately 11 acres of property. The property consists of 2 parcels, a 3-acre parcel on Garden Grove Boulevard, which is referred to as the Property in this letter. Hoag Foundation also owns an 8-acre parcel to the south of the Property, upon which the Boys & Girls Club of Garden Grove ("BGCGG") main facility is located. In addition, the 8-acre parcel contains KiwanisLand, an approximate 5-acre park, and the Lions Club building.

II. HISTORY OF THE PROPERTY.

Historically, Hoag Foundation ground leased the Property and used the rent to support the BGCGG. In 2003, Hoag Foundation entered into a 99-year Ground Lease of the Property with Garden Grove Galleria ("GGG"). Pursuant to the Ground Lease, GGG was to construct a mixed-use high-end retail and luxury residential project on the Property. The retail component consisted of a 2-story shopping center containing a total of 125,983 square feet. The residential component consisted of 66 condominiums.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
Page 2

In connection with the construction of the GGG project, GGG obtained a loan from Cathay Bank. In January 2010, Cathay Bank ceased funding the construction loan. When construction halted numerous lawsuits were filed and litigation ensued, which took approximately 4 years to resolve. Ultimately, GGG was awarded a judgment against Cathay Bank for approximately \$11,275,000. The GGG judgment is currently being appealed by Cathay Bank.

GGG maintains that it no longer has any leasehold or other interest in the Property and has "walked away" from the Property. Cathay Bank is endeavoring to locate a replacement developer to enter into a new ground lease with Hoag Foundation and complete the partially constructed improvements. Hoag Foundation is cooperating with Cathay Bank in connection with Cathay Bank's efforts to locate a replacement developer. However, Hoag Foundation has final approval over both any new ground lease of the Property and the proposed development.

III. OBJECTIVES OF HOAG FOUNDATION.

Hoag Foundation is willing to cooperate with both Cathay Bank and the City in an effort to have a project developed on the Property that benefits Hoag Foundation and the City on a long-term basis. Hoag Foundation recently disapproved a development proposal for the Property based upon concerns regarding whether parking would be sufficient and the resulting negative impact on the community.

Additionally, pursuant to the zoning requirements of the City, the developer was required to have a minimum of 40,000 square feet of commercial/retail space. Hoag Foundation had serious reservations as to whether the retail component would be successful due to, among other things, the fact that retail patrons would have to park in a parking garage.

Although the decision to disapprove the proposed project was difficult for the Board of Trustees, the Board concluded it was in the best long-term interest of both Hoag Foundation and the community for the project not to proceed. Hoag Foundation is aware the partially constructed improvements on the Property are an eyesore and detract from the community.

Hoag Foundation is also cognizant of the fact that the City issued a demolition Notice and Order on July 2, 2013. Pursuant to the Notice and Order, the partially constructed improvements were to be demolished by December 1, 2014. As the City is aware, both Hoag Foundation and Cathay Bank have requested a reasonable extension of the demolition deadline.

It is the position of Hoag Foundation, if a developer and development plan for the modification of the partially constructed improvements cannot be identified within a reasonable period of time, the improvements should be demolished. Hoag Foundation agrees with the strong sentiment and consensus in the City that either a project must move forward in an expeditious manner, or the partially constructed improvements should be demolished.

IV. CHALLENGES INVOLVING THE PROJECT.

In connection with Hoag Foundation's efforts to cooperate with Cathay Bank in locating a new developer, Hoag Foundation has met with various developer representatives. Additionally, Hoag Foundation has referred to Cathay Bank all developers and interested parties who have contacted Hoag Foundation.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
Page 3

From the discussions with the various representatives of developers and interested parties, there are certain issues that have been identified, which constitute major hurdles to the completion of any project on the Property. As members of the community and in view of the significant cooperation of the City in the past, the Board of Trustees of Hoag Foundation believes it is appropriate to disclose to the City and its constituents issues of concern.

A. **DESIGN CONSTRAINTS.** One of the primary constraints faced by developers is how to adapt the existing improvements for a different development. The steel structure of the building has been erected, and the adjacent concrete parking garage is approximately 50% complete. As a result, it is difficult for any developer to adapt the existing improvements for a different use such as apartments and/or to add parking.

Hoag Foundation has also been advised the GGG project would not be constructed today. This is because land values in Garden Grove are not sufficiently high to justify the construction of a steel high-rise, mixed-use development building. Also, there is not sufficient demand for retail space, especially in a high-rise building with a parking garage, to support retail uses.

For example, Lennar Homes' A-Town project in the Platinum Triangle in the City of Anaheim was to contain 11 high-rises, including 2 mixed-use, residential and retail 35-story towers. Lennar Homes is in the process of significantly revising the A-Town development plan with the tallest buildings being 6-story residential. Furthermore, the office and retail components are to be significantly reduced.

Several other developers of projects in the Platinum Triangle have modified their development plans to remove or significantly reduce any office and/or retail component. It appears residential housing is in demand and the most expanding segment of the Orange County real estate market as compared to office and/or retail uses.

B. **ZONING ISSUES.** The overall consensus of the development community and the architectural consultant engaged by Hoag Foundation is that it will be extremely challenging for retail uses to be successful on the Property as part of a mixed-use development. This is because consumers in Orange County have consistently demonstrated an aversion to patronizing retail establishment where the consumer must park in a parking garage.

Examples of the foregoing are the Triangle Square project in Costa Mesa and the Kaleidoscope project in Mission Viejo. Upon opening, Triangle Square had many nationally-recognized retail tenants as well as a grocery store. Ultimately, all of the initial tenants ceased operations due to the fact that there was not sufficient patronage. The foregoing appears to be primarily attributable to the fact that consumers had to park in a parking garage.

As noted above, pursuant to the zoning ordinance of the City, the minimum required retail space is 40,000 square feet. Although the first floor could be developed with 40,000 square feet of retail, this would force consumers to park on the second floor or above, which is less than ideal. If the 40,000 square feet of retail is divided between the first and second floors, Hoag Foundation has been advised it is questionable whether either or both the first and second floor retail space would be successful.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
Page 4

Hoag Foundation respectfully submits that the City might consider revisiting the mixed-use zoning ordinance of the City. This is because numerous developers have advised Hoag Foundation that retail space in the project will not be successful. Hoag Foundation believes that vacant retail space in the project would substantially detract from any residential component and be counterproductive to the intent of mixed-use zoning and the revitalization of Garden Grove Boulevard.

An Orange County residential apartment developer has advised Hoag Foundation it would be interested in adapting the partially constructed improvements for apartments, provided there is no requirement to construct retail/commercial space. However, even if the City approved the adaptation of the partially constructed improvements for apartments only, there are other challenges that would have to be overcome, including parking and access issues.

Perhaps, a Commercial Market Analysis should be performed in an effort to ascertain the viability of any commercial/retail space in the project. It is the understanding of Hoag Foundation that, in connection with developers' requests for the modification of existing entitlements involving a reduction of the required retail/commercial space, other Orange County cities have required a Commercial Market Analysis to be performed.

C. CONSTRUCTION ISSUES. Several developers have advised Hoag Foundation it may be a challenge for a developer to locate a construction company and structural engineer who are willing to certify the construction of the improvements on the Property. This is because of the uncertainty created by the cessation of construction and/or as a result of having to adapt the partially constructed improvements. Additionally, the general contractor and structural engineer for GGG are no longer in business.

All of the entitlements and building permits for the GGG project have terminated. Thus, it will be necessary to obtain new entitlements and building permits for any proposed project. Additionally, all of the plans and specifications will have to be updated, as the Uniform Building Code has changed since the GGG project was initially approved.

Although there may have been millions of dollars spent on the partially constructed improvements, they may have no value (or a negative value, if the cost to demolish is more than the scrap value), unless a developer can adapt the improvements for a use that is acceptable to the City and Hoag Foundation. Additionally, any developer must ascertain whether the cost to complete construction of the improvements versus the ultimate value of and the projected return from the project upon completion will make economic sense.

V. REQUESTS/RECOMMENDATIONS OF HOAG FOUNDATION.

In the February 13 meeting with the City, Cathay Bank's representatives requested the City to grant an extension of the December 1, 2014 demolition Notice and Order deadline to December 31, 2015. Cathay Bank requested the extension to provide time for Cathay Bank to identify a developer and development plan that is acceptable to the City and Hoag Foundation.

You responded the City may be willing to agree to a reasonable extension of the demolition Notice and Order deadline. However, you noted, as a condition to any extension of the demolition Notice and Order deadline, the City may require Cathay Bank to enter into a written agreement with the City.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
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You suggested that in consideration for the City agreeing to an extension of the demolition Notice and Order deadline, Cathay Bank agree in writing to reasonable milestones and/or conditions that must be satisfied by a specified date. If the milestones and/or conditions are not satisfied by the date specified, Cathay Bank would consent and agree to the demolition of the partially constructed improvements. Furthermore, Cathay Bank would be required to post a bond with the City for the estimated demolition cost.

Hoag Foundation is completely supportive of your suggestion. Although Hoag Foundation is willing to cooperate with Cathay Bank, Hoag Foundation believes there must be a date by which either the project proceeds, or the partially completed improvements are demolished. Furthermore, in connection with any extension of the demolition deadline, Hoag Foundation is willing to enter into a written agreement with the City and Cathay Bank consenting to the demolition of the partially constructed improvements, if the benchmarks are not achieved.

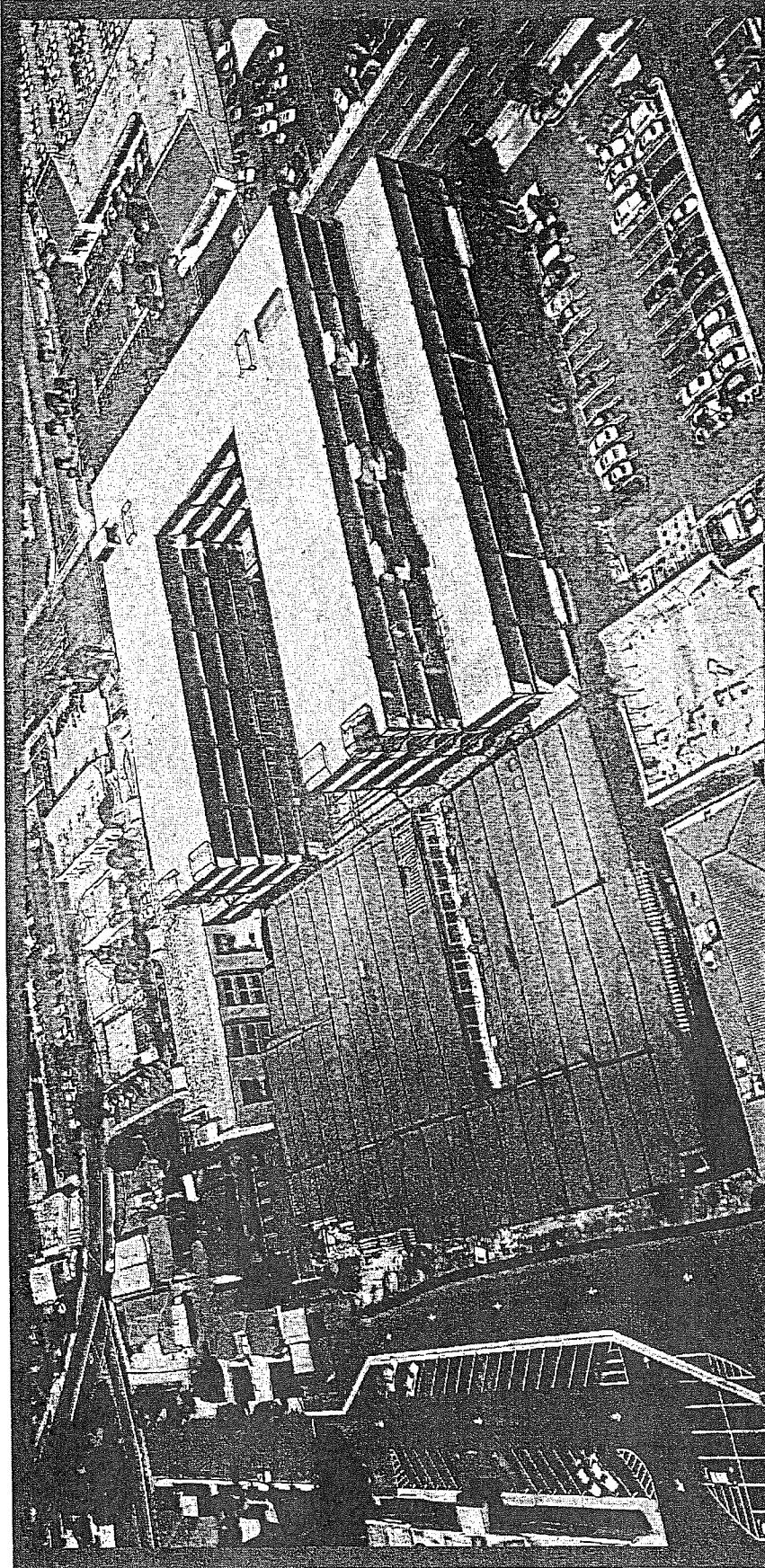
Hoag Foundation's representatives will be present at the City Council meeting on February 24, 2015, to answer any questions and provide any additional information requested by the City. Hoag Foundation appreciates the City's consideration of this letter.

Very truly yours,

William A. Grant, II / sp

William A. Grant, II
President
The Emlen W. Hoag Foundation

cc: Hoag Foundation Board of Trustees (via email)
Ms. Pat Halberstadt, The Boys & Girls Club of Garden Grove (via email)
William B. Brinckloe, Jr., Esq. (via email)
Ms. Erin Webb (via email)
Thomas F. Nixon, Esq. (via email)
James H. Eggert, Esq. (via email)
Mr. Heng W. Chen, Cathay Bank (via email)
Lisa L. Kim, Esq., Cathay Bank (via email)



Garden Grove Galleria

Brooks Street

March 2015

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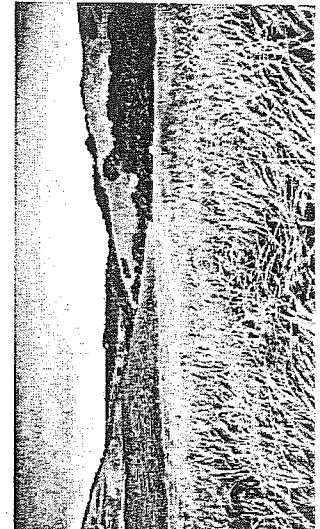
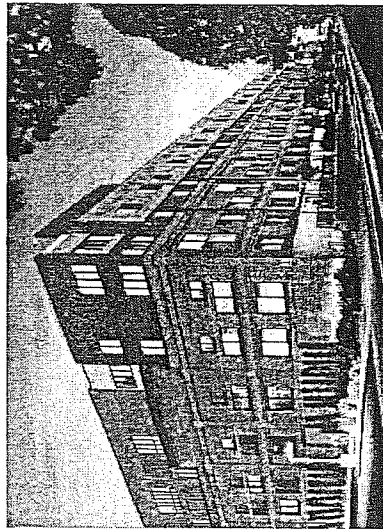
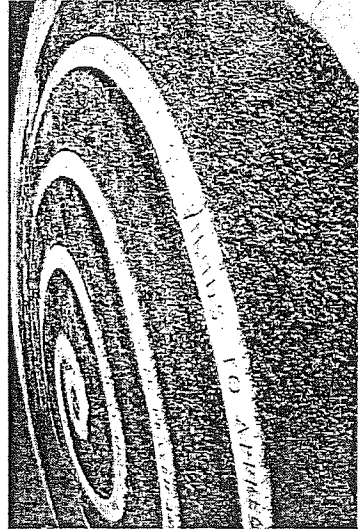
About Brooks Street

Who We Are

- Founded in 2002, Brooks Street is a fully-integrated real estate company with over \$1 billion of real estate under active management in California.
- The company manages a diverse range of projects, including homebuilding, urban infill, adaptive reuse, mixed-use, hospitality and master planned communities.

The Company

- Brooks Street's management team consists of experienced real estate professionals with a proven track record in acquisitions, entitlements, land development, and construction.
- The company employs approximately 40 associates with headquarters in Newport Beach and an office in Orinda, California.
- Brooks Street's development platform includes full accounting, human resources, sales, marketing, construction and customer service support with rigorous policies and procedures.



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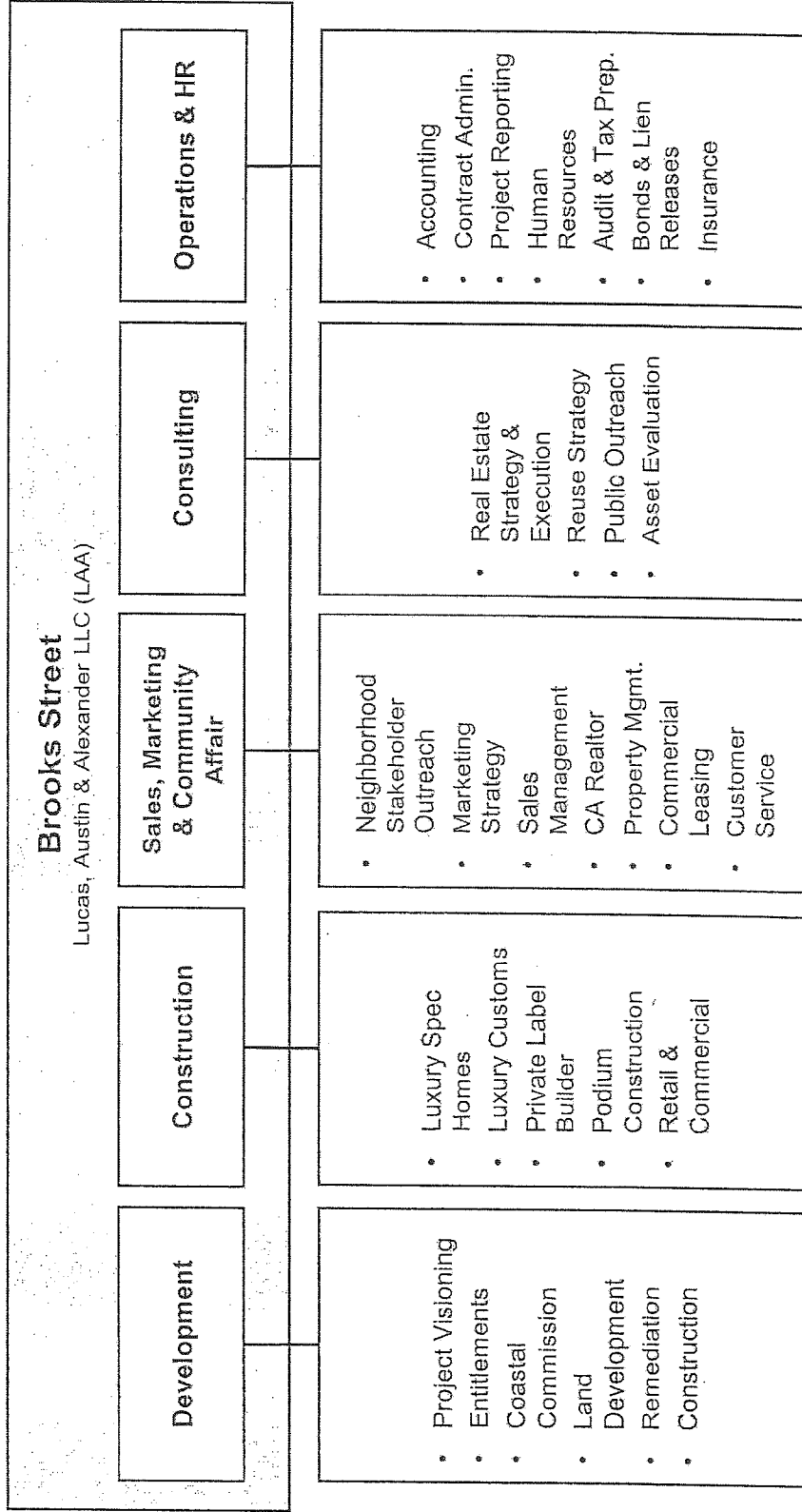
Our Principles for Success

1. Location: Brooks Street focuses on premier locations such as those near the coast and proximate to gateway employment, entertainment, shopping, and educational centers. Brooks Street has successfully managed projects through out the western United States.
2. Experience: The company's management team brings extensive operational expertise from former leadership positions with public and private companies, including Lennar, Lowe Enterprises, Pacific Bay Homes (a Ford Motor Company subsidiary), Shea Homes, Centex Homes, and CityView.
3. Partnerships: Brooks Street has successfully built long-term relationships with capital partners, financial institutions, public agencies and other project stakeholders which has resulted in many repeat deals. The reputations of both the company and individuals has always remained at the core of every deal, and Brooks Street prides itself on successfully demonstrating its commitment to honesty, transparency, and integrity.
4. Underwriting: Brooks Street utilizes a rigorous underwriting process that incorporates multiple disciplines, including detailed market analytics, risk assessments, and financial scenarios. Every deal is evaluated critically by a formal Investment Underwriting Committee that includes principals and key members of the management team.

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Company Organization



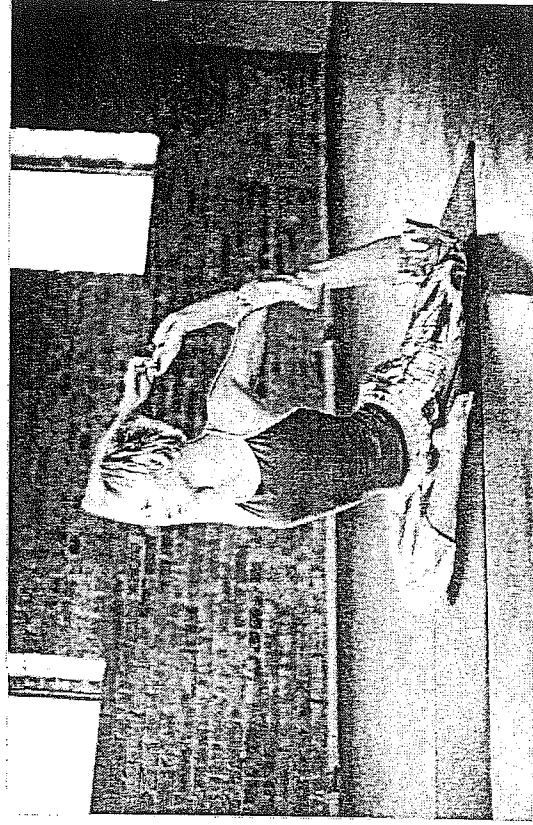
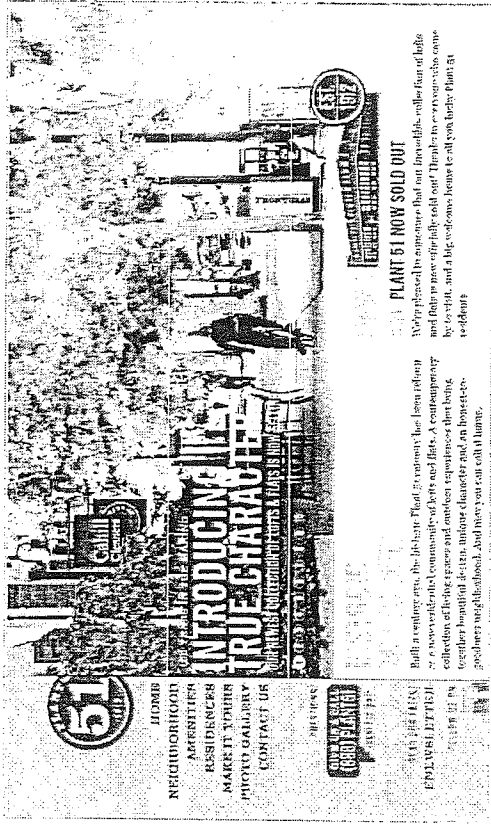
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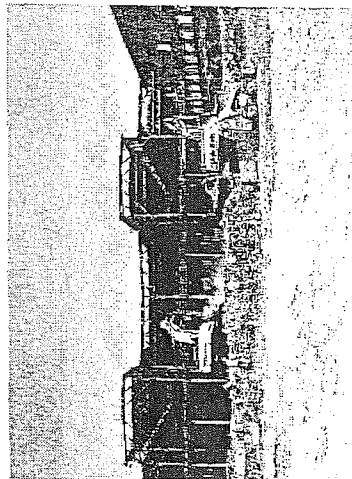
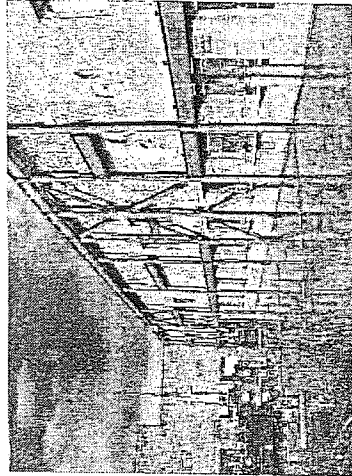
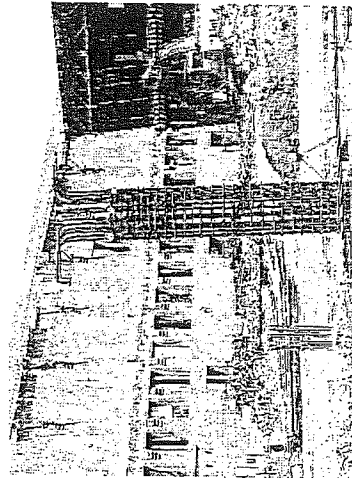
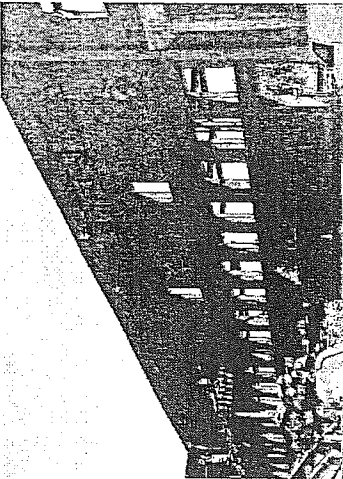
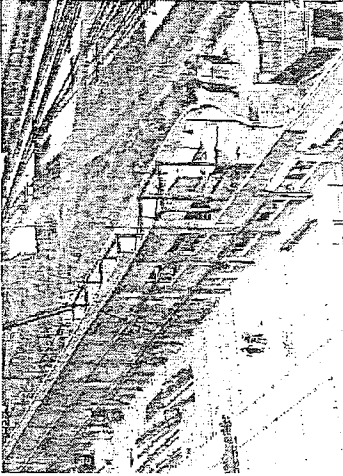
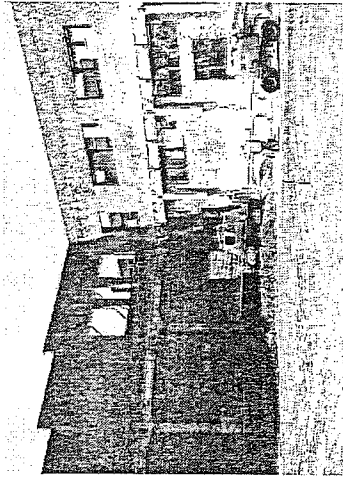
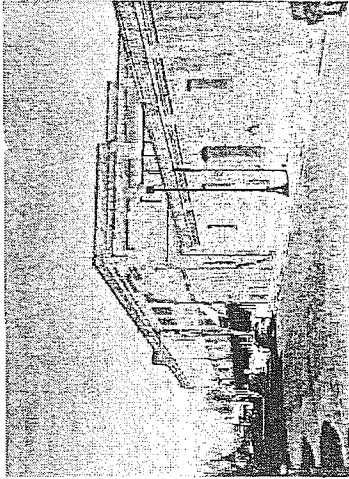
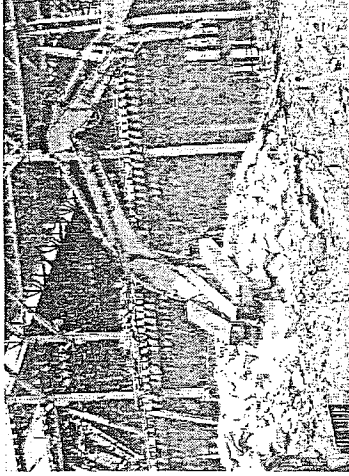
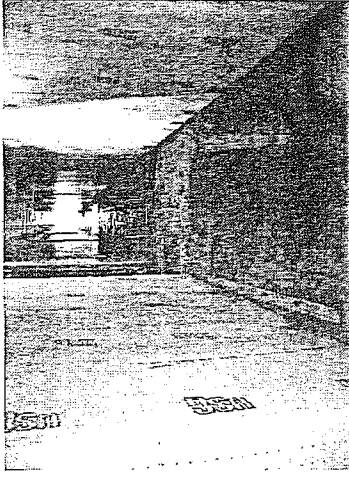
PRECEDENT PROJECT – BACK FROM THE DEAD

Plant 51 – San Jose, California

- Distressed asset from Centex Portfolio.
- Rehabilitation of old commercial building into residential.
- Project was partially demolished with some structural upgrades started but not completed. Brooks Street restarted project after 3 years of dormancy.
- Brooks Street took over the development and modified the plan to fit surrounding urban lifestyle.
- Urban lifestyle amenities
 - Yoga studio
 - Bike kitchen
 - Transit
- Best selling project in San Jose ('11)

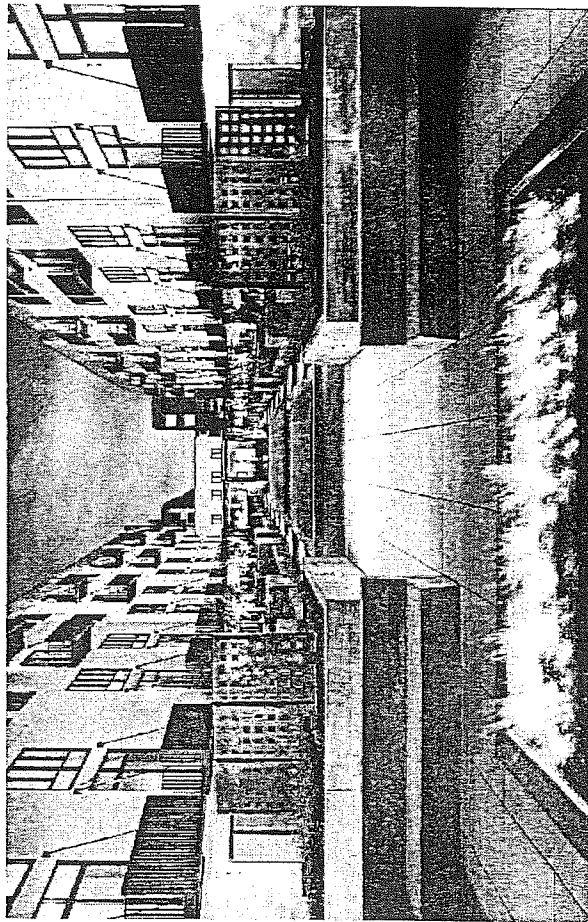
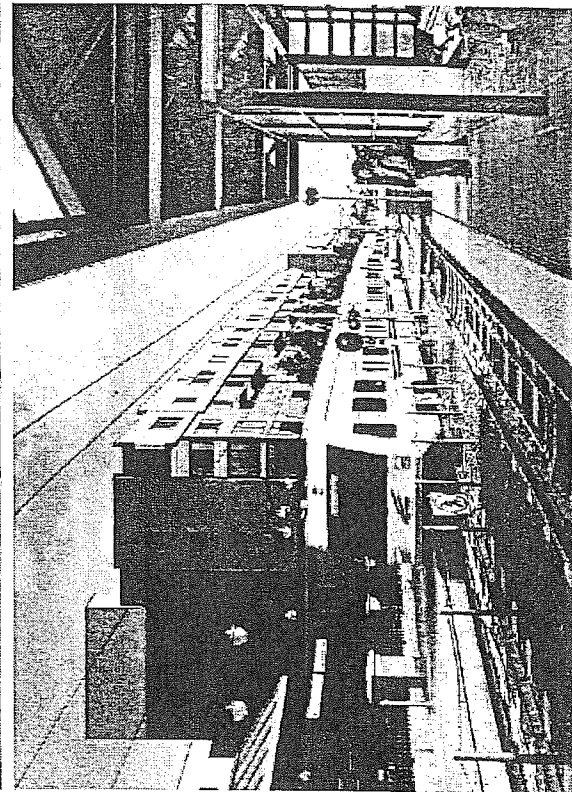
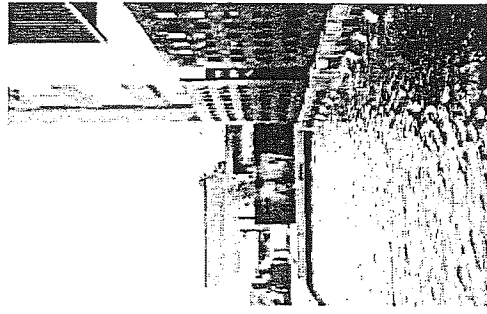
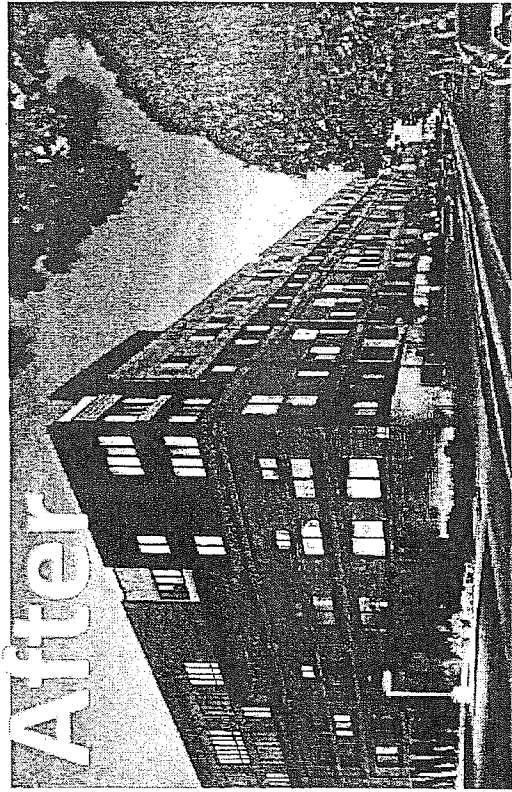


BROOKS STREET

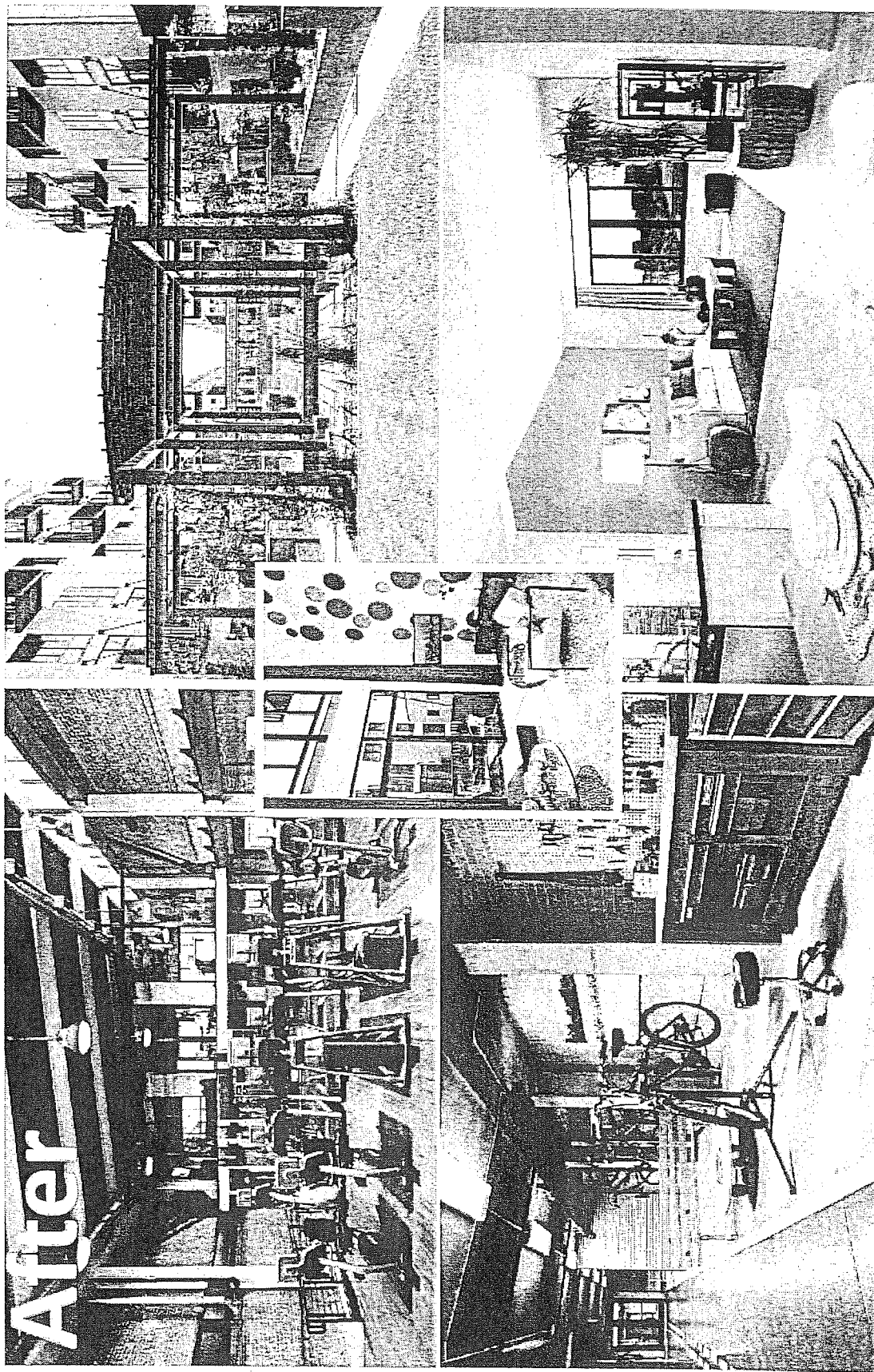


BEFORE

BRACKS
STREET

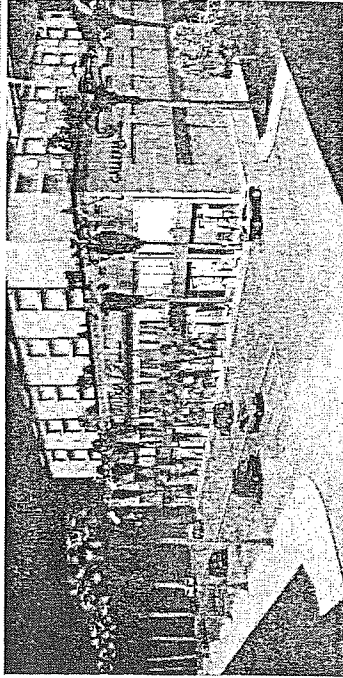
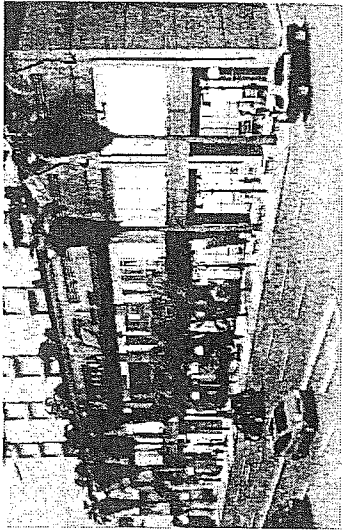


B R I C K S
S T R E E T



B R I C K S
S T R E E T

KEY MILESTONES - DRAFT



Meeting
City &
Stakeholders
1 day
(3/17/15)

Due
Diligence
90 day
(6/15/15)

Presentation
to City and
Hoag
Foundation
1 day
(6/15/15)

Structural
Cleanup /
Stabilization
90 day
(9/15/15)

Update
Architecture
/ Engineering
30 day
(10/15/15)

Presentation
to City &
Stakeholder
of final plans
and
renderings

Update
Permits Bid
and G/C
60 day
(12/15/15)

Construction
& TI's
21 months
(8/15/17)

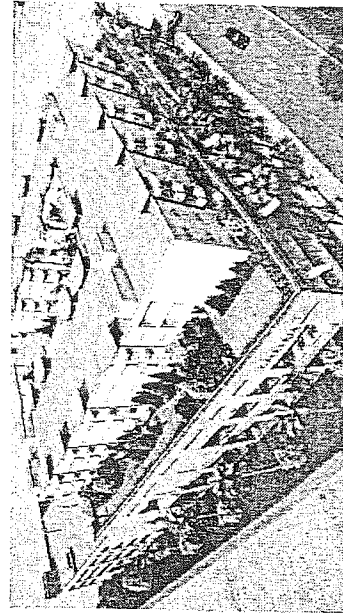
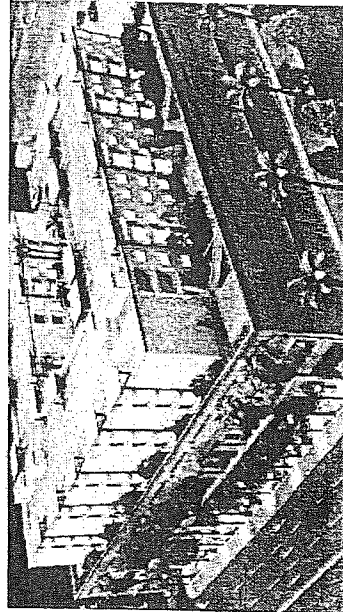
Community
Open House
Grand
Opening
(9/1/17)

Residential Absorption

Residential Pre-Lease

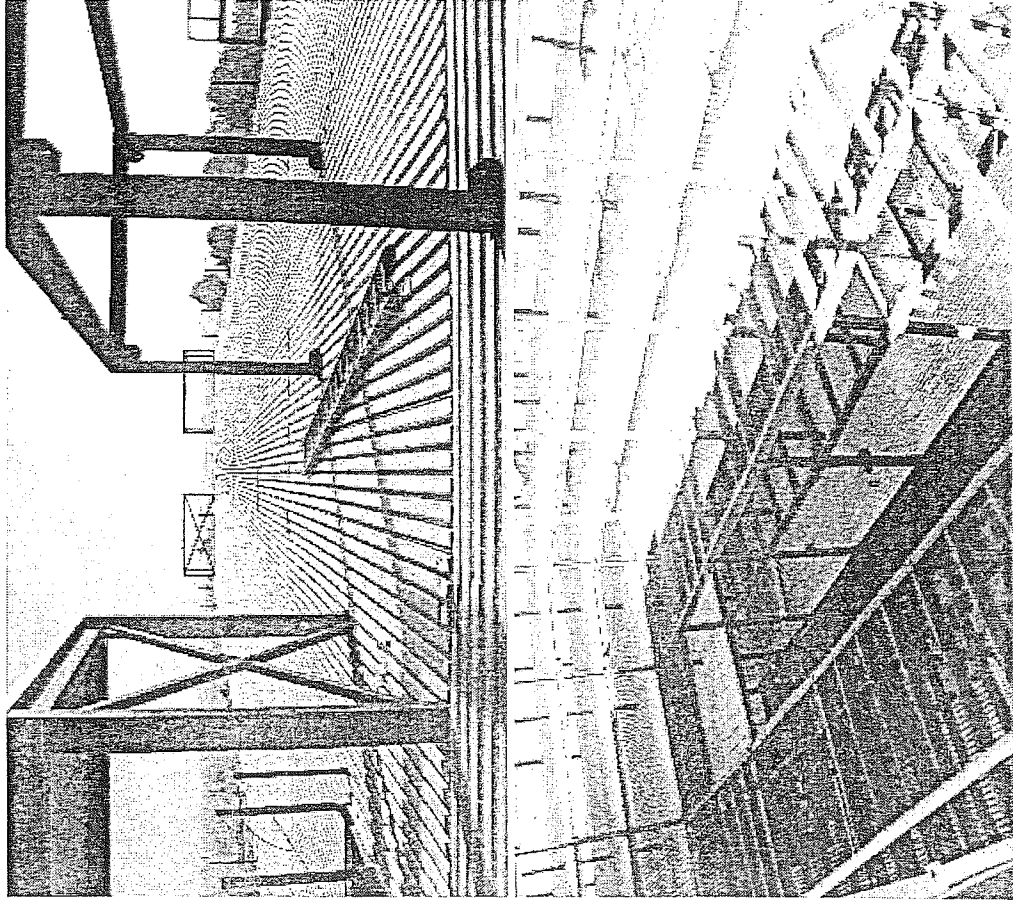
Retail Leasing

Announcement of Tenant Mix



DUE DILIGENCE CHECK LIST

- Plans and Construction Forensic Analysis
 - Structural Integrity
 - Plan 'as-built' Constructability Review
 - Construction Costs Analysis
- City Interface – Staff & Decision Makers
- Meet with Community Stakeholders
- Market Analysis
 - Residential
 - Retail
- Financial Analysis
 - Revenue
 - Costs
 - Cash Flow
- Legal Review
- Financial Structure
 - Bank Debt
 - Equity



B R I K S
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About Us

Principals & Management Team

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Scott Goldie

Managing Principal, Northern California Division

- 25+ years of experience in finance, entitlements and operations
- Former Northern California Division President of Pacific Bay Homes, LLC
- Former Principal of Northgate Environmental Management, Inc.
- BS from George Washington University, MBA from Kellogg

Chris Yelich

Managing Principal, Southern California Division

- 25+ years of experience in entitlements, operations, sales and marketing
- Former Orange County Division President of Pacific Bay Homes, LLC
- Award-winning master plan developer
- BA from University of California, Los Angeles

Neil Brandom

Managing Principal, Southern California Division

- 25+ years of real estate development, homebuilding and finance
- Managed large international infrastructure projects
- Luxury custom homebuilder and industrial developer
- BE from University of New South Wales, MBA from CSU Fullerton

Rich Knowland

Principal, Southern California Division

- 25+ years of experience in homebuilding throughout the Southwest
- Former Managing Principal of Pacific Terra Holdings
- Former Division President and Regional Vice President for Lennar
- Proven track record in entitling, developing and selling large master planned communities

Chuck Dragicevich

Principal, Southern California Division

- 35+ years of experience in real estate development, financing, and operations
- Former Partner and EVP of CityView, a pension fund advisory firm
- Managed portfolio of 48 projects exceeding \$2B
- Former Division President of Lennar Homes

Michael Mohler

Chief Operating Officer, Southern California Division

- 35+ years of experience in resort, residential and mixed-use developments
- Managing Director of Newport Banning Ranch in coastal Newport Beach
- Extensive experience processing entitlements through the CA Coastal Commission
- Former Senior VP of Lowe Enterprises

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Bruce Yamamoto

Chief Investment Officer, Northern California Division

- 20+ years experience in real estate development and finance
- Formerly served as a Project Manager for Pacific Bay Homes
- Former Principal of North Lawn Ventures strategy consulting
- BS from UC Berkeley and MBA from The Anderson School at UCLA

Ken Jo

Vice President of Business Development, Southern California Division

- 20+ years experience in finance, acquisitions, construction, and sales
- Former Director of Real Estate Development for BETEK Corporation
- Former VP of Business Development for CalPac Engineering and Construction
- Former Asset Manager for Lennar Communities and Lennar Orange County Homebuilding

Mike Perry

Director of Sales, Northern California Division

- 25+ years in real estate sales and marketing and a California Licensed Real Estate Broker
- Former Director of Training for Centex and VP of Sales for the Northern California Division
- Former VP of Sales and Marketing for the Bay Area Region for John Laing Homes
- Former member of US Air Force

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Valerie Roos

Director of Sales & Marketing, Southern California Division

- 20+ years in homebuilding and a California licensed broker
- Former Division President for Lennar Homes
- Over 15 years VP of sales and marketing for Lennar homes and Lennar Urban
- Recently responsible for the sale out of Central Park West, Irvine, CA.

Brett Isaacman

Vice President of Operations, Southern California Division

- Extensive expertise in constructing multi-family and mixed-use developments
- Proven track record on projects with 20-300+ residential, 20k SF-300k SF retail and office, multi-level reinforced concrete garages, site development work, and offsite improvements
- Formerly headed up The Sun Group's legal department and handled all of their legal and governmental matters

Greg Brun

Senior Project Director, Northern California Division

- 30+ years in residential and commercial real estate
- Oversees the integration of redevelopment with remedial work for several of PG&E's Manufactured Gas Plant sites in Northern California
- Formerly operated his own real estate development, brokerage, and consulting firm with over \$152M in assets under management

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Alice Lewis

Controller, Southern California Division

- 10+ years of real estate specific accounting experience
- Extensive operational expertise from working with publicly traded companies
- Focuses on audit/tax management, treasury, and corporate governance
- Manages accounting and reporting functions for Brooks Street

Peter Helfrich

Project Director, Southern California Division

- Successfully secured entitlement approvals for Timoteo, a 250-acre property in Beaumont, CA that is slated for a 2.9M sq ft distribution facility
- Active in business development and investor relations
- Former co-founder of telecommunications company Axcelerate, which was successfully sold to iPass

Rewdy Holstein

Project Director, Northern California Division

- Current project manager for Newport Banning Ranch, a 400-acre property in Newport Beach with a complex entitlement process
- Former Director at Developers Research, an Irvine-based real estate consulting group
- Former Audit Associate with KPMG
- Bachelor of Accounting from University of San Diego

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www.brooks-street.com

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B R O O K S
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WILLIAM B. BRINCKLOE, JR.
ATTORNEY AT LAW

COPY

December 8, 2015

VIA EMAIL

Lisa L. Kim, Esq.
SVP, General Counsel & Secretary
Cathay Bank
9650 Flair Drive
El Monte, California 91731

Re: Property Owned by The Emlen W. Hoag Foundation (the "Hoag Foundation") and Located at 10080 and 10180 Garden Grove Boulevard, Garden Grove, California (the "Property")

Dear Ms. Kim:

At the City Council meeting on November 24, 2015, you made several public statements that Hoag Foundation believes were false and/or misleading. Among the misstatements were, "We didn't make many changes. Brooks Street didn't make many changes to the Ground Lease or anything."

Attached to Jonathan Curtis' October 6, 2015 email to me were revised drafts of the Tri-Party Agreement among Hoag Foundation, Brooks Street ("BST") and Cathay Bank (the "TPA"), and the Ground Lease between Hoag Foundation and BST. Attached are redlined drafts of the TPA and the Ground Lease that Hoag Foundation generated.

The redlines compare the drafts of the TPA and Ground Lease prepared by Cathay Bank and BST and attached to Jonathan Curtis' email, to the final drafts of the TPA and the Ground Lease Hoag Foundation negotiated with Cathay Bank and Tri-Millennium Homes ("TMH"). Apparently, due to the significant changes made to the TPA and the Ground Lease by Cathay Bank and BST, all to the detriment of Hoag Foundation, Cathay Bank chose not to provide Hoag Foundation with redlines of the documents.

As Cathay Bank is aware, at the inception of the discussions regarding Cathay Bank's proposed transaction with BST, Cathay Bank agreed the final drafts of the TPA and the Ground Lease with TMH would be used as the forms. As shown on the attached redlines of the TPA and the Ground Lease, Cathay Bank and BST substantially modified the terms of the documents. Furthermore, all of the modifications benefitted Cathay Bank and BST, and substantially reduced and/or eliminated the rights Hoag Foundation had previously negotiated.

MODIFICATIONS TO THE FORM OF THE TRI-PARTY AGREEMENT

The following are the highlights of the revisions made by Cathay Bank and BST to the TPA, which substantially detracted, eliminated and/or modified Hoag Foundation's rights:

1. **Page 6, Recital R** - Recital R was revised to provide BST, or an affiliate of BST, is to be "Tenant" pursuant to the Ground Lease. As noted below, BST is granted the absolute right to assign the TPA, up to five days prior to the TPA Closing with notice to Hoag Foundation, to an affiliated entity of BST. There is no capital requirement, or any other qualifications or requirements, for any assignee of BST.

2. **Page 6, Recital R** - Recital R provides it is "currently anticipated" the BST Project will consist of 55,000 square feet of retail, entertainment and office use, and 135 apartment units. However, Cathay Bank and BST deleted Recital Z, which stated Hoag Foundation had been provided with the "conceptual plans and overall specifications for the Developer Project," which were defined as the "Conceptual Plans." The Conceptual Plans were to be attached as Exhibit "C" to the TPA. As discussed below, Section 51 of the Ground Lease grants BST, or its assignee, the right to develop the residential portion with condominiums.

3. **Page 6, Recital S** - This Recital states BST "has completed the BST Due Diligence," which is contrary to Recital U as discussed in the following paragraph.

4. **Page 7, Recital U** - This Recital grants BST the right to perform investigations of the Property and the "Improvements." BST has the right, in its sole and absolute discretion, to approve or disapprove the Property and the Improvements, in accordance with the terms of the PSA (which is the alleged Purchase and Sale Agreement between Cathay Bank and BST). Hoag Foundation insisted the TPA govern the terms of any transaction among Hoag Foundation, Cathay Bank and BST, and not the terms of the PSA. This is because Hoag Foundation has no control over the terms of the PSA. Also, Hoag Foundation has not even been provided with a copy of the alleged PSA.

5. **Page 7, Recital B** - This Recital was added, which references the Confidentiality and Non-Reliance Agreement between Cathay Bank and Hoag Foundation (the "CB-CNA"), and the Confidentiality and Non-Reliance Agreement between Hoag Foundation and BST (the "BST-CNA"). As noted below, the TPA provides the transaction will be subject to the CB-CNA and the BST-CNA. Thus, even if Cathay Bank and/or BST breached the TPA, Hoag Foundation would not have a claim against either party, except for a claim for liquidated damages as discussed below.

6. **Page 8, Recital Z** - Recital Z, which referenced the Conceptual Plan, was deleted.

7. **Page 10, Section 1.3.1** - The "Permitted Exceptions" and the "Disapproved Exceptions" were removed from this Section, which addresses title to the Property. Apparently, BST has not reviewed title to the Property and/or is not willing to commit to approving title to the Property.

8. **Page 10, Section 1.3.2** - This Section was revised to delete any requirement for BST to enter into a new Development Agreement with the City and/or remove the prior Development Agreement Garden Grove Galleria ("GGG") executed. The Section provides, if required by the City, BST and the City shall agree upon the terms of any "BST Development Agreement." Hoag Foundation is not granted any right to approve any BST Development Agreement, even though any BST Development Agreement would be binding on Hoag Foundation and the Property.

9. **Page 11, Section 1.3.4** - This Section was added and provides Hoag Foundation "shall execute" a "new Hoag Foundation Consent pursuant to which Hoag Foundation consents to the conditions of approval of the City in connection with the BST Project, in the form attached as Exhibit K" Exhibit K to the TPA is blank. Once again, Hoag Foundation has no right to review, approve, disapprove and/or comment upon any of the conditions of approval for the BST Project.

10. **Page 12, Section 1.3.5.3** - This Section was added and provides Hoag Foundation "shall reasonably cooperate" and grant BST any easements or rights required in connection with the BST Project, which are defined as the "Additional Easements." There are no restrictions or qualifications on the obligation of Hoag Foundation to grant BST Additional

Easements, which would include the requirement for Hoag Foundation to grant Additional Easements in the adjacent Boys & Girls Club of Garden Grove parcel.

11. **Page 13, Section 1.3.7** - This Section was revised to state BST shall be obligated to provide Hoag Foundation with only whatever assurances BST provides to the "Construction Lender" to assure the completion of the BST Project, which is to constitute a "dual" obligation of BST. Hoag Foundation is not sure as to the intent or meaning of a "dual obligation." However, as between Hoag Foundation and any lender to BST, any lender would clearly require the right to pursue the security prior to Hoag Foundation exercising any rights. Previously, the Section provided any construction loan would not exceed 65% of the projected cost to complete the "Developer Project." Additionally, the developer was required to have minimum equity equal to 35% of the projected cost to complete the Developer Project. Also, as required by the Ground Lease with GGG, there were to be Guarantors of the Ground Lease, which provision was deleted.

12. **Page 15, Section 1.5** - This Section formerly addressed access to the Property and was deleted. The Section was revised to reference the new proposed "Caretaker Agreement to be entered into between Cathay Bank and GGG and assigned to BST." As Cathay Bank is aware, Hoag Foundation in its correspondence to Cathay Bank dated October 11, 2015, advised Cathay Bank that Cathay Bank could not enter into any Caretaker Agreement with GGG, without the consent and approval of Hoag Foundation.

13. **Page 16, Section 2.1.1** - This Section was revised to provide BST, "[e]xcept as approved and consented by Cathay Bank," with a "Permit Period" until January 31, 2017, to obtain all "Entitlement Approval." The foregoing time period is extended until July 31, 2017, if any "Entitlement Appeal" is filed.

14. **Page 16, Section 2.1.2** - This Section provides BST is to submit its "Permit Application" to the City by December 15, 2015 "or as such date may be extended by Cathay Bank." Hoag Foundation is granted the right to approve the Permit Application, which approval is not to be unreasonably conditioned, withheld or delayed.

15. **Page 17, Section 2.1.3** - This Section was revised to provide that Cathay Bank and BST shall "seek to obtain" a Tolling Agreement with the City for the "Demolition Deadline Extension," which is a condition to the TPA Closing. Any Tolling Agreement is to be in a form approved by Cathay Bank and BST only. Furthermore, if the Tolling Agreement is not entered into for any reason, it will not constitute a breach of the TPA by Cathay Bank and/or BST.

16. **Page 17, Section 2.1.5** - As noted above, this Section grants BST the unfettered right to assign its interest in the TPA by delivering notice to Hoag Foundation by no later than five (5) days' prior to the TPA Closing. In the event of an assignment, Hoag Foundation is to enter into the Ground Lease with the assignee of BST. Once again, there are no requirements whatsoever as to the financial capabilities, background or experience of any assignee of BST.

17. **Page 18, Section 2.2** - This Section was modified to define the term "Entitlements." Entitlements include a "general plan amendment (which shall only be required in the event the BST project contains more than one hundred thirty (130) residential units" As noted in Section 2 above, the BST Project currently contemplates 135 apartment units. Thus, it appears a general plan amendment would be required.

18. **Page 18, Section 2.3** - This Section was revised to delete the requirement for Cathay Bank to reimburse Hoag Foundation's attorneys' fees in the event the TPA is terminated.

19. **Page 19, Section 2.3.4** - This Section was revised to provide, ifdd “for whatever reason the TPA Closing does not occur”, the rights and obligations of Hoag Foundation shall be subject to the terms of the CB-CNA and the BST-CNA. Thus, Hoag Foundation would have no claims against Cathay Bank and BST, even if they defaulted pursuant to the TPA, except for liquidated damages as discussed below.

20. **Page 22, Section 3.3.2.11** - This Section was deleted, which required, as a condition of the TPA Closing, BST to deposit in the Escrow the "Final Project Plans," the "Construction Timeline" and the "Construction Budget." Thus, there is no assurance, even as of the TPA Closing, if any, that Hoag Foundation would have any idea as to the final plans for the BST Project, including the cost or timeline to construct.

21. **Page 23, Section 3.3.2.12** - This Section was deleted. Previously, this Section provided, as a condition to the TPA Closing, BST was to deposit in the Escrow evidence that BST had legally committed funds sufficient to complete the BST Project, in accordance with the Construction Budget.

22. **Page 24, Section 4.2.5** - This Section was deleted. Previously, this Section contained the "Project Indemnity" of Cathay Bank. Pursuant to the Project Indemnity, Cathay Bank agreed to indemnify and hold Hoag Foundation harmless from "Project Liens." The Project Indemnity was to terminate on the issuance of a certificate of completion for the BST Project.

23. **Page 25, Section 4.2.4** - This Section was added to provide Cathay Bank will pay the "CB Payment" of \$350,000 to Hoag Foundation at the TPA Closing. Additionally, Cathay Bank is to pay, outside the TPA Escrow, an additional \$650,000 to Hoag Foundation, "which shall only be due and payable upon funds received by Cathay Bank from BST under the PSA upon issuance of a certificate of occupancy for either the building shell or the BST Project" Obviously, Cathay Bank and BST control the PSA. Therefore, there is no guarantee BST would ever make any payment to Cathay Bank pursuant to the PSA. Thus, there is absolutely no guarantee Hoag Foundation would ever be paid the additional \$650,000 by Cathay Bank.

24. **Page 26, Section 4.3.5** - The language requiring BST to provide Hoag Foundation with advanced notice of any governmental agency hearings or meetings involving the BST Project was deleted.

25. **Page 26, Section 4.3.8** - This Section was deleted. This Section formerly provided that BST could not revise the Conceptual Plans, without the prior written consent of Hoag Foundation. Apparently, since BST proposes it not be required to provide any Conceptual Plans to Hoag Foundation, this Section was deleted by Cathay Bank and BST.

26. **Page 27, Section 4.3.6** - This Section was added to grant Cathay Bank and BST the right to perform all acts necessary to obtain the "Demolition Deadline Extension," and requires Hoag Foundation to reasonably cooperate.

27. **Page 34, Section 6.2.4** - This Section was revised to provide, as a condition to the TPA Closing, all conditions precedent to the PSA Closing "which are required for Cathay Bank to proceed with the PSA Closing shall have been satisfied (or waived by Cathay Bank)" The foregoing provision grants Cathay Bank complete control over the TPA Closing.

28. **Page 34, Section 6.3.5** - This Section was added, which is the same as Section 6.2.4, except for the benefit of BST. Specifically, the TPA Closing is conditioned upon all conditions precedent to the obligation of BST to proceed with the PSA Closing being satisfied or waived by

BST. Hoag Foundation has no control over the conditions in the PSA to the obligation of BST to proceed with the PSA Closing.

29. **Page 35, Section 7.3** - This Section was revised to provide Cathay Bank will reimburse Hoag Foundation a maximum of \$50,000 in attorneys' fees for the period of October 1, 2015 until the TPA Closing. Cathay Bank is not required to make the "CB Attorneys' Fees Payment," if the TPA terminates "as a result of a default or termination or failure to approve by Hoag Foundation" The reference to "termination" could mean any termination of the TPA by Cathay Bank and/or BST. Also, the reference to "failure to approve" could mean any failure by Hoag Foundation to approve anything requested by Cathay Bank and/or BST, including, without limitation, Additional Easements.

30. **Page 38, Section 8.1** - This Section formerly provided Hoag Foundation will be conveying to BST the Improvements on the Property "as-is". The language was revised to exclude the "Excluded Claims" from the "as-is" language. The categories of Excluded Claims are extremely broad and, in essence, eliminate the "as-is" protection for Hoag Foundation. The Excluded Claims include "fraud" by Hoag Foundation or "any claims against Hoag Foundation relating to claims by third parties made against BST ..."

31. **Page 39, Section 8.2** - Hoag Foundation's disclaimer and releases of both Cathay Bank and BST were not substantially modified. For example, no exclusions were included for "fraud" by either Cathay Bank or BST, or any other "Excluded Claims."

32. **Page 42, Section 8.2(e)** - This Section was deleted. This Section previously provided BST would indemnify "Hoag Foundation Parties" from any liability in connection with BST's acquisition of the Improvements and/or use and operation of the Property. Additionally, Cathay Bank and BST's representations that they are sophisticated investors was deleted from former Section 8.2(f).

33. **Page 48, Section 10.2** - This Section was revised to provide, if Hoag Foundation defaults pursuant to the TPA, Cathay Bank and/or BST's sole and exclusive remedies are to either recover \$500,000 each from Hoag Foundation, as liquidated damages, or specifically enforce the TPA.

34. **Page 50, Section 10.3** - This Section was revised to provide, if Cathay Bank defaults pursuant to the TPA, Hoag Foundation is entitled to liquidated damages in the maximum amount of \$500,000. Hoag Foundation waives all other claims against Cathay Bank.

35. **Page 50, Section 10.5** - This Section was revised to provide, if BST defaults pursuant to the TPA, Hoag Foundation is entitled to liquidated damages in the maximum amount of \$500,000. Hoag Foundation waives all other claims against BST.

36. **EXHIBITS** -

Mutual Settlement and Release Agreement - It is unclear from the redline the exact revisions that were made to the draft of the Mutual Settlement and Release Agreement between Hoag Foundation and Garden Grove Galleria, which is attached as an Exhibit to the TPA. In any event, as Hoag Foundation determined, Hoag Foundation will not be proceeding with the Mutual Settlement and Release Agreement. Hoag Foundation returned to Cathay Bank the \$10,000 that Cathay Bank deposited with Hoag Foundation, as partial reimbursement of GGG's attorneys' fees in connection with the Mutual Settlement and Release Agreement.

Bill of Sale - Cathay Bank and BST significantly modified the Bill of Sale, which is Exhibit "I" to the TPA. Pursuant to the Bill of Sale, Hoag Foundation is to convey the Improvements to BST. The provisions of the Bill of Sale providing that Hoag Foundation is conveying the Improvements to BST without representation or warranty were deleted. In essence, by deleting the foregoing language, Cathay Bank and BST want Hoag Foundation to be potentially liable for the condition of the Improvements. The foregoing is not consistent with the terms of the TPA negotiated by Hoag Foundation.

MODIFICATIONS TO THE FORM OF THE GROUND LEASE

The following are the highlights of the revisions made by Cathay Bank and BST to the Ground Lease, which substantially detracted, eliminated and/or modified Hoag Foundation's rights:

1. **Page 3, Section 4.1** - Cathay Bank and BST deleted the obligation of BST to construct the BST Project in accordance with the "Final Project Plans," within the timeframe set forth in the "Construction Timeline" and in general accordance with the "Construction Budget."
2. **Page 4, Section 4.2** - This Section, which dealt with complying with the storm water permit requirements of the State Water Resources Control Board, was deleted.
3. **Page 4, Section 4.2** - This is a new Section 4.2, which provides BST will provide Hoag Foundation with the same security as BST provides to the "Construction Lender," if any.
4. **Page 4, Section 5** - The term of the Ground Lease is stated to be 99 years. The Ground Lease with GGG contained a 70-year original term and one 29-year extension option.
5. **Page 5, Section 6.1** - Section 6.1 provides initial Base Rent is to be \$22,000 per month, which is to increase by ten percent (10%) on the fifth (5th) anniversary of the Effective Date of the Ground Lease. The current monthly Base Rent pursuant to the Ground Lease with GGG is \$22,000. As of July 1, 2016, the Base Rent pursuant to the Ground Lease with GGG is to increase to \$24,200 per month. Thus, if and when the TPA Closing occurred in the distant future, the monthly Base Rent paid to Hoag Foundation would be reduced by \$2,200.
6. **Page 5, Section 6.2** - The provisions for the adjustment of Base Rent to fair market value at year 36 of the term of the Ground Lease, which adjustment was not to be less than 10% or more than 15%, was deleted. Instead, Cathay Bank and BST revised Section 6.1 to provide Base Rent will be increased 10% every 5 years.
7. **Page 8, Section 8** - The 29-year option to extend was deleted in Section 8.1. This is because the Ground Lease is to be for 99 years. This Section was also revised to provide that the 99-year term will not commence until a certificate of occupancy is issued for the Property. The provisions for the adjustment of Base Rent to fair market value at commencement of the 29 year option term, which adjustment was not to be less than 10% or more than 15%, was deleted.
8. **Page 11, Section 9.2** - Cathay Bank and BST added this Section. This Section provides Hoag Foundation is to indemnify and hold BST harmless from any liability arising from any Hazardous Materials existing on the Property as of the date of the Ground Lease. The Ground Lease with GGG stated GGG investigated and approved the environmental condition of the Property, and did not contain any requirement for Hoag Foundation to indemnify GGG.

9. **Page 15, Section 15.1** - BST is granted the right to enter into any subleases of the Property, without the consent of Hoag Foundation. However, language was added to this Section requiring Hoag Foundation to enter into with each sublessee "NDAs," which are Recognition, Non-Disturbance and Attornment Agreements. Hoag Foundation has no right to approve the subleases, but is required to consent to and be bound by the subleases in the event of a default by BTS pursuant to the Ground Lease.

10. **Page 23, Section 23** - This Section, which previously addressed subordination and attornment was deleted. In lieu thereof, a paragraph was inserted prohibiting Hoag Foundation from encumbering Hoag Foundation's fee simple interest in the Property, without the prior written consent of BTS, which BTS may grant or withhold in its sole and absolute discretion. Furthermore, in the event BTS consented to Hoag Foundation's encumbrance of the fee simple interest, the encumbrance is to be junior to the "Leasehold Mortgage" obtained by BTS pursuant to Section 24. This is completely the opposite of any Ground Lease transaction. In a ground lease situation, the ground lessor always has the right to encumber its fee simple interest. Additionally, never does a ground lessor agree that any encumbrance of the fee simple interest of the ground lessor will be subordinate to any encumbrance of the ground lease by the lender to the tenant.

11. **Page 24, Section 24.2** - Hoag Foundation's right to approve any encumbrance of the leasehold interest of BTS was deleted from this Section. The "Transfer Criteria" was deleted from Section 24.3D. Also, Section 24.3E was substantially modified to dilute Hoag Foundation's rights, even if BTS defaulted pursuant to the Ground Lease. In the event of a default, Hoag Foundation is precluded from terminating any sublease and/or encumbering the Property, "without the prior written consent of the Lender." Cathay Bank and BTS expect Hoag Foundation to subordinate its fee simple interest in the Property to the rights of all leasehold lenders of BTS.

12. **Page 28, Section 27** - The right of Hoag Foundation to require BTS to remove the Improvements at the termination of the Ground Lease was deleted from this Section.

13. **Page 35, Section 44** - Cathay Bank and BTS added this Section entitled "Purchase Option". Pursuant to the Purchase Option, BTS is granted the right to purchase the Property on or after the fifth anniversary of the term of the Ground Lease. The Purchase Price is left blank. Hoag Foundation previously advised Cathay Bank and all developers that were interested in the Property that Hoag Foundation would not sell the fee simple interest and/or grant a purchase option. BTS is proposing Hoag Foundation suffer through and assume the risk of the development process. However, if the development is successful, BTS wants to be able to exercise the Purchase Option.

14. **Page 38, Section 51** - Cathay Bank and BTS added this Section entitled "Bifurcation of Ground Lease". Pursuant to this Section, BTS is granted the right to process the "Condominium Documents," which are the documents required to obtain approval of a condominium plan. In such event, Hoag Foundation agrees to enter into two new Ground Leases: one for the residential component, and a second for the retail component. The Base Rent pursuant to the Ground Lease is to be allocated 61.7% to the residential Ground Lease, and 38.3% to the commercial Ground Lease. Previously, Hoag Foundation inquired whether BST intended to develop condominiums on the Property. In response, Hoag Foundation was advised BST intended to construct apartments only. Hoag Foundation was concerned, if condominiums were constructed and sold, as to the potential liability of Hoag Foundation for construction defect claims. Apparently, Cathay Bank and BST decided to ignore the concerns of Hoag Foundation.

Lisa L. Kim, Esq.
SVP, General Counsel & Secretary
Cathay Bank
December 8, 2015
Page 8

As demonstrated by the foregoing, Cathay Bank and BST made numerous significant changes to the form of the documents that they both knew, or should have known, would be unacceptable to Hoag Foundation. Your statement to the City Council that Cathay Bank and BST did not make "many changes" does not comport with the significant changes made to the documents by Cathay Bank and/or BST to the substantial detriment of Hoag Foundation.

This is one of the reasons, among many, for the decision of Hoag Foundation not to participate in any transaction with Cathay Bank.

Very truly yours,



William B. Brinckloe, Jr.

Enclosures

cc: Hoag Foundation Board of Trustees (w/encls.)(via email)
Ms. Pat Halberstadt, Boys & Girls Club of Garden Grove (w/encls.)(via email)
Thomas E. Gibbs, Esq. (w/encls.)(via email)
Omar Sandoval, Esq. (w/encls.)(via email)
James H. Eggart, Esq. (w/encls.)(via email)
Jonathan Curtis, Esq. (w/encls.)(via email)

B R O O K S
S T R E E T

December 8, 2015

Via Email and Hand Delivered

City Council
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Re: City Council Meeting of December 8, 2015; Agenda Item 7b; 10080 and 10180
Garden Grove Boulevard; Property Previously Known as Garden Grove Galleria

Honorable Mayor Nguyen and City Council:

A Joint Venture of Brooks Street and the Lab Holdings has been selected as developer of the 10080 and 10180 Garden Grove Boulevard property ("Property"), which was previously known as the Garden Grove Galleria project. Unfortunately, due to the very unusual legal circumstances between Hoag and Cathay Bank, we have been unable to meet with Hoag to finalize a mutually acceptable land lease which will enable us to move forward with the project. Consequently, we are unable to be present at tonight's hearing but do want to share our commitment and willingness to move the project forward should Hoag decide to pursue a development solution.

Over the past year, we have worked with City staff, Cathay and our development team to develop a new vision for the property that will create an iconic mixed use development that will provide long term lease income to the Hoag Foundation, new property tax, sales tax and jobs for Garden Grove and which will be identified as one of the only truly vertically integrated mixed use developments in Orange County. Our plans for the property have been very well received by City staff, Hoag and Cathay and they are market and financially feasible. During your deliberations tonight, please consider the following:

1. Binding Purchase Agreement. Brooks Street, as "Buyer", has entered into a binding Purchase and Sale Agreement and Joint Escrow Instructions dated September 16, 2015 (as amended, "Purchase Agreement") with Cathay Bank to purchase the "Assets" for the development of the Property.
2. Brooks Street and Lab Holdings as Qualified Developer. Brooks Street and Lab

Holdings are both successful and highly respected developers who have turned around troubled projects and developed new and exciting projects that benefit (economically and otherwise) many cities and their citizens. Brooks Street is presently executing on over \$1.5 billion worth of real estate projects, including brownfield remediation, urban infill, adaptive reuse, mixed-use, and master planned communities. Lab Holdings owns and operates a number of highly successful and unique retail and entertainment projects throughout Orange County.

3. Financial Capabilities. Brooks Street is a well seasoned company with debt and equity relationships that include some of the most prominent and active institutions in the United States and Canada, including Cherokee Investment Partners, Farallon Capital Management, Walton Street Capital, Westbrook Partners and Hillwood (a Ross Perot company). For thirty years, Lab Holdings has owned and operated a number of retail centers in Orange County including the Lab, the Camp and the Anaheim Packing House, among others.
4. Unique and Desirable Project Never Objected to by Hoag. The proposed "Project" for the Property is a mixed use residential and retail project with a sense of place where local business and citizens can thrive, all as presented in concept to the City (see Staff report) and Hoag. At NO time has Hoag expressed to Brooks Street/Lab any negative comments as to the company or its Project for the Property.
5. Equity Capital Committed to Project by Respected Capital Partner. Brooks Street/Lab have all the required equity capital to develop the Project. Brooks Street's/Lab capital partner is Hillwood, which is a Ross Perot company.
6. Due Diligence Completed to Date and Limited Due Diligence Remains. Brooks Street/Lab have completed its basic due diligence for the Project, including market studies, engineering and architectural studies, but it was prevented from completing its remaining forensic due diligence of the steel structure and parking structure by Hoag denying access to the Property months ago.
7. Agreements Entered into with Hoag. Brooks Street has entered into the following agreements with Hoag, as required or necessitated by the requirements of its counsel, Bill Brinckloe.
 - a. Access and Indemnity Agreement (now expired), and
 - b. Confidentiality and Non-Reliance Agreement (as amended).
8. Agreements Remaining to be Finalized Using Forms Generated by Hoag's Attorney. Brooks Street has reviewed and made comments or suggestions to ALL of the following remaining draft agreements as originally drafted by Hoag's counsel, Bill Brinckloe, but Brooks Street has never heard from Bill Brinckloe as to whether there are any outstanding questions or objections.
 - a. Ground Lease, which includes as attachments:

- Performance and Completion Guaranty,
 - Subordination, Non-Disturbance and Attornment Agreement,
 - Estoppel Certificate, and
 - Memorandum of Ground Lease.
- b. Tri-Party Agreement, which includes as attachments:
- Mutual Settlement and Release Agreement (prior owner, Garden Grove Galleria, LLC, who we understand has already signed the agreement),
 - Bill of Sale and Assignment of Tangible and Intangible Property,
 - Release of Memorandum of Ground Lease,
 - Acceptance of Responsibility (Demolition Order), and
 - Bill of Sale.
9. Financial Terms Confirmed. Brooks Street did not change the basic financial terms required by Hoag as expressed in the original ground lease or the "TMH" version or otherwise expressed by Bill Brinckloe.
10. Costs to Rebuild Current Improvements. Brooks Street estimates that the hard and soft costs to complete the currently existing steel and parking structure improvements would be approximately \$43,000,000.
11. Critical Information to Consider Regarding Any Demolition. Brooks Street is informed and believes based upon its analysis and market conditions of the following:
- a. it would be economically infeasible to rebuild the current steel structure and parking improvements if they were to be demolished,
 - b. demolishing such improvements would create irreparable injury as the use of the existing improvements is the highest and best use for the Property, and
 - c. demolishing such improvements will result in a termination of the current Purchase Agreement.
12. Time Frames for Project Development. Brooks Street estimates that the following time frames for development the Project can be achieved, with construction commencing as early as 10 months from today:
- a. Complete remaining due diligence (primarily physical): 40 days or less.
 - b. Complete negotiation of remaining agreements, assuming a typical sophisticated party with desire to complete: 20 to 30 days.
 - c. Complete City entitlement application and related plans for City consideration: 60 days after due diligence and agreement of documentation.
 - d. Complete City entitlements: 4 – 6 months from date of submission of entitlements application to City.
 - e. Commence construction: 3 – 4 months from date of City approval of entitlements application.

We hope that this information is helpful and that you do not proceed forward with enforcement of any Demolition Order. Rather, we encourage you to be patient and allow Hoag and Cathay work out any differences. Clearly, *enforcement of any Demolition Order will only result in great harm and a great delay in any type of redevelopment of the Property.*

We will be pleased to answer any questions or provide any further information that you may desire.

LUCAS, AUSTIN & ALEXANDER, LLC, a
California limited liability company, d/b/a
BROOKS STREET

By: Rich Knowlton
Name: Rich Knowlton
Title: Principal

cc: Cathay Bank
Mr. Scott Stiles
Omar Sandoval



CATHAY BANK

IN CONNECTION WITH
AGENDA ITEM NO. 7.b.

December 8, 2015

VIA EMAIL AND HAND DELIVERED

City Council
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Building Official
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Re: Demolition Order for 10080 and 10180 Garden Grove Boulevard ("Property"); Request for Extension of Time to Building Official and City Council at City Council Meeting of December 8, 2015 -- Agenda Item 7b;

Honorable Mayor Nguyen and City Council and Building Official for the City of Garden Grove:

I. Introduction

Cathay Bank made a loan ("Loan") to the Garden Grove Galleria, LLC ("GGG") in the original principal amount of \$42,500,000, which was evidenced by, among other things that certain Promissory Note ("Note") dated October 30, 2007, and secured, in part, by that certain Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("Deed of Trust") as well as by that certain Assignment of Leases ("Assignment").

Hoag Foundation, as "Landlord", and GGG as "Tenant", entered into that certain Ground Lease dated March 18, 2004, which was encumbered by the Deed of Trust to repay the Loan. In connection with the Loan, Hoag Foundation, Cathay Bank and GGG entered into that certain Ground Lease Consent, Estoppel Certificate and Agreement dated November 7, 2007 (the "Ground Lease Consent"). The Note, Deed of Trust, Assignment, Ground Lease Consent and other documents and instruments entered into in connection with the Loan (all as amended) are hereinafter referred to as the "Loan Documents."

II. Objection and Request to City Council and Building Official

Cathay Bank is appearing before you and submitting this letter to the City Council and the Building Official of the City of Garden Grove in Cathay Bank's capacity as a lender under the Loan Documents to:

- (1) inform you of its desire to preserve its collateral under the Loan Documents by objecting to any enforcement of the Demolition Order (defined below) until such time as Cathay Bank has an opportunity to enforce its rights under the Loan Documents and as otherwise permitted in law and equity by and against the Hoag Foundation; and
- (2) request that the Building Official reconsider the Demolition Order after proper notice to all parties, including Brooks Street (the current developer and purchaser of the Assets); and
- (3) request that the Building Official grant an extension of the time period for compliance with the Demolition Order from the original period under the Demolition Order to one (1) year from the date hereof as permitted in accordance with Section 110.1 of the International Property Maintenance Code adopted by the City.

The grounds for granting such requests are as set forth in the public records and herein as well as the information previously submitted to the City, orally and/or in writing, to the City Council and City Staff by Cathay Bank, Hoag Foundation and Brooks Street.

III. Grounds and Support for Request.

A. Necessity to Gain Legal Control.

As stated above, Cathay Bank is a lender with no direct control over the Property. Now that Hoag has suddenly without legitimate explanation terminated the finalization of a structure for the development of the Property, Cathay Bank needs to consider its legal rights to specifically enforce the understanding between parties, and enforce appropriate rights under the Loan Documents and all other potential claims pursuant to applicable law, all of which are expressly reserved.

B. Extension is Within Spirit of Code Provision.

The City is well aware of the work and substantial funds that Cathay Bank has undertaken to secure a new developer to proceed forward with the Project. In fact, pursuant to the binding understandings between parties, Cathay Bank had secured Tri-Millennium Homes, Inc. ("TMH") who worked closely with the City to develop a plan for redevelopment of the Property, but it was Hoag who unilaterally disapproved it as a developer and the project. According to Bill Brinckloe, attorney for Hoag, Hoag disapproved TMH as it was felt that the City and TMH were working together to create "Section 8 Housing".

Despite the setback with TMH, Cathay Bank has been working with Brooks Street and the "Lab" as the new developer. Brooks Streets and the Lab's qualifications and progress to date is set forth on Exhibit "A" and as set forth in a letter from Brooks Street of even date hereof.

The International Property Maintenance Code as adopted by the City is focused on “deteriorated or dilapidated or has become so out of repair as to be dangerous, unsafe, insanitary or otherwise unfit for human habitation or occupancy” or cessation of normal construction for two years. Here, there are no dangerous conditions and efforts are being made by Cathay Bank to recommence construction, but such efforts have now been stopped by Hoag, and Cathay Bank must consider and pursue other legal options. It is within the spirit if not the letter of the code that an extension should be granted due to circumstances beyond the control of Cathay Bank.

C. Harm of Demolition Justifies Extension.

Cathay Bank has a security interest in the improvements. It is estimated that in excess of \$20 Million were spent in hard and soft costs in constructing the improvements. If these unique property improvements are demolished, the value will be lost forever as the market and other conditions would not justify their reconstruction (See Brooks Street letter of even date hereof).

As a result, demolition of the improvements will cause *irreparable harm* to Cathay Bank as it will lose its secured property and suffer other intangible and long term harm.

Irreparable harm will also result to the City in (i) a long and expensive process in attempting to demolish the improvements, (ii) loss of tax revenues, (iii) loss of new housing units demanded for city and region, and (iv) loss of a project that is redeveloping the area.

D. Hoag Foundation Position Makes No Sense.

Hoag goes to great lengths to attempt to hide behind being a non-profit corporation. It says that continued expenditures would “not further the mission or programs services ...”, “proceeding further would be speculation as there is no guaranty [of] ... a replacement developer.”, and “[c]ontinuing to incur unreimbursed expenses would be a waste of the assets of Hoag Foundation, and ultimately result in exhausting the financial resources of Hoag Foundation.” See Annual Registration Renewal Fee Report of Hoag Foundation.

As the City has been told, Cathay Bank has (i) paid all rent, (ii) paid all security costs, (iii) paid all property taxes, including the December 10, 2015 payment, and (iii) paid in excess of \$1,000,000 in attorneys’ fees. Cathay Bank, as you know, has also offered to pay all current attorneys’ fees in the amount of \$556,973.37 representing the Foundation’s legal expenses for the period of June 1, 2014 to May 31, 2015. In addition, Cathay Bank offered to keep the Foundation’s legal fees current and pay its counsels on a rolling basis.

Common sense tells one that Hoag Foundation is heading down a path of speculation and uncertainty by supporting the demolition and not completing the transaction with Brooks Street and Cathay Bank after it has (i) has as we understand always leased the Property for revenue, (ii) is not out of pocket of any costs to date that could not have been reimbursed, and (iii) terminates negotiations after its attorneys had prepared documentation and structured the current transaction.

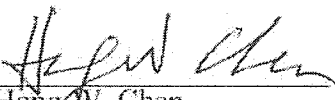
Hoag should not be rewarded by having the current improvements demolished by its conduct. Cathay Bank must be given the opportunity to correct this injustice for the benefit of Cathay Bank and the entire community of Garden Grove by a delay in the Demolition Order.

IV. Conclusion and Request

Enforcement of any Demolition Order will only result in great harm and a great delay in any type of redevelopment of the Property. Thus, Cathay Bank, in its capacity as a secured lender, respectfully request that the Demolition Order be either terminated or stayed for a period of one (1) year from the date hereof for the grounds set forth above.

Please note that Cathay Bank is reserving all of its rights and remedies at law and in equity and nothing herein is intended to limit or waive such rights and remedies.

CATHAY BANK, a
California banking corporation

By: 
Heng W. Chen,
Executive Vice President
and Chief Financial Officer

cc: Mr. Scott Stiles
Omar Sandoval, Esq.
Lisa L. Kim, Esq.
Jonathan Curtis, Esq.
Patrick McCalla, Esq.
Brooks Street

Exhibit "A"

Brooks Street's Qualifications and Work and Progress to Date

1. Binding Purchase Agreement. Brooks Street, as "Buyer", has entered into a binding Purchase and Sale Agreement and Joint Escrow Instructions dated September 16, 2015 (as amended, "Purchase Agreement") with Cathay Bank to purchase the "Assets" for the development of the Property.
2. Brooks Street Highly Qualified Developer. Brooks Street is a successful and highly respected developer who has turned around troubled projects and developed new and exciting projects that benefit (economically and otherwise) many cities and their citizens. Brooks Street is presently executing on over \$1.5 billion worth of real estate projects, including brownfield remediation, urban infill, adaptive reuse, mixed-use, and master planned communities.
3. Brooks Street Institutional Partners. Brooks Street is not a start up but is a well seasoned company with debt and equity relationships that include some of the most prominent and active institutions in the United States and Canada, including Cherokee Investment Partners, Farallon Capital Management, Walton Street Capital, Westbrook Partners and Hillwood (a Ross Perot company).
4. Unique and Desirable Project Never Objected to by Hoag. Brooks Street's "Project" for the Property is a mixed use residential and retail project with a sense of place where local business and citizens can thrive, all as presented in concept to the City (see Staff report) and Hoag. At NO time has Hoag expressed to Cathay Bank any negative comments as to Brooks Street as a company or its Project for the Property.
5. Equity Capital Committed to Project by Respected Capital Partner. We understand that Brooks Street has all equity capital to develop the Project.
6. Due Diligence Completed to Date and Limited Due Diligence Remains. Brooks Street has completed its basic due diligence for the Project, including market studies, but it was prevented from completing its remaining due diligence of the steel structure and parking structure by Hoag denying access to the Property months ago.
7. Agreements Entered into with Hoag. Brooks Street has entered into the following agreements with Hoag, as required or necessitated by the requirements of its counsel, Bill Brinckloe.
 - a. Access and Indemnity Agreement (now expired), and
 - b. Confidentiality and Non-Reliance Agreement (as amended).
8. Agreements Remaining to be Finalized Using Forms Generated by Hoag's Attorney. Cathay Bank and Brooks Street have reviewed and made comments or suggestions to

ALL of the following remaining draft agreements as originally drafted by Hoag's counsel, Bill Brinckloe, but neither has heard from Bill Brinckloe as to whether there are any outstanding questions or objections.

- a. Ground Lease, which includes as attachments:
 - Performance and Completion Guaranty,
 - Subordination, Non-Disturbance and Attornment Agreement,
 - Estoppel Certificate, and
 - Memorandum of Ground Lease.
 - b. Tri-Party Agreement, which includes as attachments:
 - Mutual Settlement and Release Agreement (prior owner, Garden Grove Galleria, LLC, who we understand has already signed the agreement),
 - Bill of Sale and Assignment of Tangible and Intangible Property,
 - Release of Memorandum of Ground Lease,
 - Acceptance of Responsibility (Demolition Order), and
 - Bill of Sale.
9. Financial Terms Confirmed. Cathay Bank and Brooks Street did not change the basic financial terms required by Hoag as expressed in the original ground lease or the "TMH" version or otherwise expressed by Bill Brinckloe.
10. Critical Information to Consider Regarding Any Demolition. Both Cathay Bank and Brooks Street are informed and believe based upon their analysis and market conditions of the following:
- a. it would be economically infeasible to rebuild the current steel structure and parking improvements if they were to be demolished,
 - b. demolishing such improvements would create irreparable injury as the use of the existing improvements is the highest and best use for the Property, and
 - c. demolishing such improvements will result in a termination of the current Purchase Agreement.
11. Time Frames for Project Development. Brooks Street estimates that the following time frames for development of the Project can be achieved, with construction commencing as early as 10 months from today:
- a. Complete remaining due diligence (primarily physical): 40 days or less.
 - b. Complete negotiation of remaining agreements, assuming a typical sophisticated party with desire to complete: 20 to 30 days.
 - c. Complete City entitlement application and related plans for City consideration: 60 days after due diligence and agreement of documentation.
 - d. Complete City entitlements: 4 – 6 months from date of submission of entitlements application to City.
 - e. Commence construction: 3 – 4 months from date of City approval of entitlements application.

RECEIVED
CITY OF GARDEN GROVE
CITY CLERK'S OFFICE

THE EMLLEN W. HOAG FOUNDATION

**9860 Larson Avenue
Garden Grove, California 92844**

2015 DEC -3 A 8:16

December 3, 2015

HAND DELIVERED

Mr. Scott C. Stiles
City Manager
City Clerk's Office
City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

Re: Property Owned by The Emlen W. Hoag Foundation ("Hoag Foundation") and Located at 10080 & 10180 Garden Grove Boulevard, Garden Grove, California (the "Property")

Dear Mr. Stiles:

Enclosed is a City Clerk file-stamped copy of Hoag Foundation's correspondence to you dated November 20, 2015. Also, enclosed is an executed copy of the "Annual Registration Renewal Fee Report to Attorney General of California" of Hoag Foundation for 2014 and the Addendum thereto (the "Annual Report"). The Annual Report was enclosed with Hoag Foundation's November 20 correspondence, and was filed with the California Attorney General on November 23, 2015.

In the November 20 letter, Hoag Foundation informed the City of Hoag Foundation's decision that it is not in Hoag Foundation's best interest to continue to cooperate in connection with Cathay Bank's attempts to locate a replacement developer for the Property. At the November 24, 2015 City Council meeting, at the request of the City, Hoag Foundation agreed to reconsider the decision.

On December 1, 2015, Hoag Foundation held a Special Meeting of the Board of Trustees to reconsider the decision. The Board of Trustees considered the conditional offer made by Cathay Bank at the November 24 City Council meeting to reimburse a portion of the attorneys' fees and costs incurred by Hoag Foundation. However, as mentioned in the Annual Report, there are several other issues of concern to Hoag Foundation, in addition to the conditions Cathay Bank seeks to impose on the reimbursement of Hoag Foundation's attorneys' fees.

The primary issue of concern is the speculative nature of the "investment." In summary, Hoag Foundation is an Internal Revenue Code 501(c)(3) charitable foundation and a non-profit California corporation. Pursuant to California law, Hoag Foundation is prohibited from engaging in speculative investing.

It has been over five (5) years since construction ceased and any progress towards the resumption of construction has been negligible, at best. As of today, there has been no meeting of the minds as to even the key conceptual terms of any transaction.

In addition to Cathay Bank, to conclude any transaction Hoag Foundation would be required to negotiate with a developer and the developer's capital partner and/or lender. The members of the Board of Trustees of Hoag Foundation are unpaid volunteers and do not have any development experience. Additionally, Hoag Foundation does not have any staff or employees to supervise and manage a clearly complex transaction.

Mr. Scott C. Stiles
City Manager
December 3, 2015
Page 2

As fiduciaries, the Board of Trustees are obligated to make informed and prudent business decisions. To participate in such a complex transaction, Hoag Foundation is completely reliant upon attorneys and other experts, which is extremely costly. Also, the management and supervision duties that would be required for the Board of Trustees to oversee and protect Hoag Foundation's interests would unduly burden them as volunteers.

Thus, after considering all of the above, and based upon the advice of experts and other professional advisers, the Board of Trustees voted unanimously at the Special Meeting on December 1, 2015, not to reverse their prior unanimous decision. The Board of Trustees determined the potential benefit, if any, to be derived by Hoag Foundation is far outweighed by the potential detriment to Hoag Foundation by participating in any transaction with Cathay Bank.

As the City stated at the November 24 City Council meeting, issues involving any replacement developer for the Property is a private party matter. Hoag Foundation sincerely hopes the City respects and appreciates this difficult decision of the Board of Trustees.

Hoag Foundation requests this letter and the enclosures be filed and incorporated into the official record for the City Council meeting on Tuesday, December 8, 2015. For the information of the City, Hoag Foundation is concurrently providing this correspondence to Cathay Bank.

Very truly yours,



William A. Grant, II
President

Enclosures

cc: California Attorney General (w/encls.)
Hoag Foundation Board of Trustees (w/encls.)(via email)
Ms. Pat Halberstadt, Boys & Girls Club of Garden Grove (w/encls.)(via email)
William B. Brinckloe, Jr., Esq. (w/encls.)(via email)
Thomas E. Gibbs, Esq. (w/encls.)(via email)

THE EMLLEN W. HOAG FOUNDATION
9860 Larson Avenue
Garden Grove, California 92844

RECEIVED
CITY OF GARDEN GROVE
CLERK'S OFFICE
2015 NOV 20 P 2: 28

November 20, 2015

HAND DELIVERED

Mr. Scott C. Stiles
City Manager
City Clerk's Office
City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

Re: Property Owned by The Emlen W. Hoag Foundation ("Hoag Foundation") and Located at 10080 & 10180 Garden Grove Boulevard, Garden Grove, California (the "Property")

Dear Mr. Stiles:


The City of Garden Grove requested Hoag Foundation provide the City with an update on the status of the efforts of Hoag Foundation to cooperate with Cathay Bank, in connection with Cathay Bank's attempt to locate a replacement developer for the Property. Enclosed for the information of the City is an executed copy of the "Annual Registration Renewal Fee Report to Attorney General of California" of Hoag Foundation for 2014 and the Addendum thereto (the "Annual Report").

The Annual Report is being filed by Hoag Foundation with the Attorney General and will be available for public viewing on the website of the Attorney General. Hoag Foundation also provided Cathay Bank with the Annual Report.

As discussed in the Addendum, the Board of Trustees of Hoag Foundation held a Special Meeting on November 12, 2015. For, among others, the reasons stated in the Addendum, the Board of Trustees determined it is not in Hoag Foundation's best interest to continue to cooperate in connection with Cathay Bank's attempts to locate a replacement developer for the Property. In view of the decision of the Board of Trustees, the City is advised Hoag Foundation will not be signing a Letter of Authorization granting Cathay Bank, or any other party, the right to submit to the City of Garden Grove Community Development Department for entitlements or development approval for the Property.

As the City is aware, Hoag Foundation is a tax-exempt charity and nonprofit corporation that benefits the Boys & Girls Club of Garden Grove. Hoag Foundation hopes the City respects the fact that the Board of Trustees of Hoag Foundation is obligated, pursuant to federal and California law, to make decisions that are in the best interest of Hoag Foundation and its charitable mission.

Very truly yours,


William A. Grant, II
President

Enclosure

cc: Hoag Foundation Board of Trustees (w/encl.)(via email)
Ms. Pat Halberstandt, Boys & Girls Club of Garden Grove (w/encl.)(via email)
William B. Brinckloe, Jr., Esq. (w/encl.)(via email)
Thomas E. Gibbs, Esq. (w/encl.)(via email)

MAIL TO:
 Registry of Charitable Trusts
 P.O. Box 903447
 Sacramento, CA 94203-4470
 Telephone: (916) 445-2021

WEB SITE ADDRESS:
<http://ag.ca.gov/charities/>

ANNUAL REGISTRATION RENEWAL FEE REPORT TO ATTORNEY GENERAL OF CALIFORNIA

Sections 12586 and 12587, California Government Code
 11 Cal. Code Regs. sections 301-307, 311 and 312

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code section 12586.1. IRS extensions will be honored.



State Charity Registration Number <u>001249</u> The Emlen W. Hoag Foundation Name of Organization <u>9860 Larson Avenue</u> Address (Number and Street) <u>Garden Grove, California 92844</u> City or Town, State and ZIP Code	Check if: <input type="checkbox"/> Change of address <input type="checkbox"/> Amended report Corporate or Organization No. <u>D 0254444</u> Federal Employer I.D. No. <u>95-1890734</u>
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ANNUAL REGISTRATION RENEWAL FEE SCHEDULE (11 Cal. Code Regs. sections 301-307, 311 and 312)
 Make Check Payable to Attorney General's Registry of Charitable Trusts

Gross Annual Revenue	Fee	Gross Annual Revenue	Fee	Gross Annual Revenue	Fee
Less than \$25,000	0	Between 100,001 and \$250,000	\$50	Between \$1,000,001 and \$10 million	\$150
Between \$25,000 and \$100,000	\$25	Between \$250,001 and \$1 million	\$75	Between \$10,000,001 and \$50 million	\$225
				Greater than \$50 million	\$300

PART A - ACTIVITIES

For your most recent full accounting period (beginning 01 / 01 / 2014 ending 12 / 31 / 2014) list:
 Gross annual revenue \$ 1,256,842.00 Total assets \$ 1,258,180.00

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT

Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 instructions for information required.

	Yes	No
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. During this reporting period, did non-program expenditures exceed 50% of gross revenues? See the Addendum attached	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. During this reporting period, were the services of a commercial fundraiser or fundraising counsel for charitable purposes used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fundraiser for charitable purposes.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. Did your organization have prepared an audited financial statement in accordance with generally accepted accounting principles for this reporting period?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Organization's area code and telephone number (714) 838 1704
 Organization's e-mail address vets4pets@aol.com

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of authorized officer

David P. Stewart
 Printed Name

Treasurer
 Title

11/20/15
 Date

ADDENDUM TO THE EMLLEN W. HOAG FOUNDATION, A CALIFORNIA NONPROFIT CORPORATION, 2014 ANNUAL REGISTRATION RENEWAL FEE REPORT TO ATTORNEY GENERAL OF CALIFORNIA

I. BACKGROUND. Part B, Question #3 of the Annual Fee Report inquires, "During this reporting period, did non-program expenditures exceed 50% of gross revenues?" The instructions to Part B, Question #3 state, if the answer to Question #3 is "Yes":

"provide a signed statement listing the non-program expenditures and the reasons why they exceeded 50% of gross revenues. If you believe that non-program expenditures were reasonable, furnish a signed statement explaining the reasons why. If not, describe the steps the organization will take to lower non-program expenditures. Non-program expenditures are any expenditures that do not meet the definition of 'program services' set forth in the Internal Revenue Service Instructions for Form 990 and Form 990-EZ."

The Internal Revenue Service instructions to Form 990 define a program service as "an activity of an organization that accomplishes its exempt purposes." The 2014 Form 990 for THE EMLLEN W. HOAG FOUNDATION ("**Hoag Foundation**") provides Hoag Foundation's mission and program service is to provide "financial support for the Boys & Girls Club of Garden Grove."

II. 2014 NON-PROGRAM EXPENDITURES. As shown in Hoag Foundation's IRS Form 990 for 2014, Hoag Foundation's total revenues for 2014 were \$1,256,842.00. In 2014, Hoag Foundation was paid \$264,000.00 in rent pursuant to the Ground Lease of an approximate three-acre parcel of land owned by Hoag Foundation and located at 10080 & 10180 Garden Grove Boulevard, Garden Grove, California (the "**Property**"). The remaining revenues received by Hoag Foundation in 2014 were for the reimbursement of attorneys' fees and other costs and expenses incurred by Hoag Foundation and involving the Property.

In 2014, Hoag Foundation paid a total of \$321,239.92 in attorneys' fees to two (2) law firms that represented Hoag Foundation in connection with matters involving the Property. The attorneys' fees paid by Hoag Foundation exceeded fifty percent (50%) of the gross revenues of Hoag Foundation for 2014, excluding the amounts reimbursed to Hoag Foundation in 2014.

III. HISTORY OF HOAG FOUNDATION AND THE PROPERTY. Hoag Foundation is a California nonprofit corporation that was formed on May 29, 1951, "for general charitable and eleemosynary purposes ..." for the benefit of the Boys & Girls Club of Garden Grove ("**BGCGG**"). The Board of Trustees of Hoag Foundation manages and administers the operations of Hoag Foundation. The Board of Trustees are volunteers who receive no compensation and are members of the community.

Hoag Foundation also owns an eight-acre parcel of land that adjoins the Property to the south. The eight-acre parcel contains the BGCGG's main facility, KiwanisLand, which is an approximate five-acre park, and the Lions Club building (the "**Boys & Girls Club Parcel**"). Hoag Foundation leases the Boys & Girls Club Parcel to the BGCGG for \$1.00 per year.

Historically, Hoag Foundation ground leased the Property. The rent received by Hoag Foundation is used to support the BGCGG. Initially, the Property was ground leased by Hoag Foundation to a Chrysler dealership in the 1950's, which ground lease terminated in 2002.

In 2003, Hoag Foundation entered into the Ground Lease of the Property with Garden Grove Galleria ("GGG"). In the Ground Lease, GGG agreed to construct on the Property a mixed-use high-end retail and luxury residential project known as "Garden Grove Galleria." The retail component consisted of a two-story shopping center containing a total of 125,983 square feet. The residential component consisted of 66 condominiums

In October 2007, GGG entered into a Construction Loan with Cathay Bank pursuant to which Cathay Bank agreed to lend GGG \$42.5 million to construct the project. In January 2010, after funding approximately \$19 million on the Construction Loan, Cathay Bank ceased funding the Construction Loan.

When Cathay Bank ceased funding the Construction Loan, construction halted and numerous mechanic's lien claims and lawsuits were filed and litigation ensued. GGG defaulted pursuant to the Ground Lease. GGG sued Cathay Bank, alleging Cathay Bank breached the Construction Loan. Cathay Bank filed counterclaims against GGG for breach of the Construction Loan, and to foreclose Cathay Bank's Deed of Trust that secured the Construction Loan and encumbered the Ground Lease.

In connection with the Construction Loan, Hoag Foundation, Cathay Bank and GGG entered into a Ground Lease Consent, Estoppel Certificate and Agreement on November 7, 2007 (the "Consent"). In the Consent, Hoag Foundation consented to the encumbrance of the Ground Lease by Cathay Bank's Deed of Trust. As more particularly provided in the Consent, Hoag Foundation is prevented from terminating the Ground Lease, while Cathay Bank is pursuing its foreclosure remedies for GGG's alleged breach of the Construction Loan.

In August 2012, a jury returned a verdict finding that GGG did not breach the Construction Loan and that Cathay Bank did breach the Construction Loan, and awarding GGG approximately \$11,275,000 in damages. The Court subsequently entered judgment on that verdict, and also for GGG and against Cathay Bank on Cathay Bank's foreclosure cause of action, which judgment Cathay Bank appealed. On November 6, 2015, the Court of Appeal for the State of California, Fourth Appellate District, Division Three, denied Cathay Bank's appeal and affirmed GGG's judgment against Cathay Bank, including on Cathay Bank's foreclosure cause of action.

Cathay Bank has until December 17, 2015, to file a Writ for Certiorari to the California Supreme Court appealing the decision of the Court of Appeal. It is not known whether Cathay Bank will seek review by the California Supreme Court.

In October 2012, Hoag Foundation and Cathay Bank entered into a Cure and Reinstatement Agreement (the "Cure Agreement"). Pursuant to the Cure Agreement, Cathay Bank agreed to resolve the mechanic's lien claims that encumbered the Property. Additionally, Cathay Bank agreed to pay delinquent property taxes owed on the Property to the Orange County Tax Collector/Assessor, the delinquent rent owed to Hoag Foundation and the attorneys' fees incurred by Hoag Foundation to October 2012.

In 2014, Hoag Foundation, without any obligation on the part of or liability to Hoag Foundation, cooperated with Cathay Bank's attempts to locate a developer to replace GGG. As part of the process, in October 2014, Cathay Bank reimbursed the attorneys' fees incurred by Hoag Foundation for the period of November 2012 through May 2014.

In December 2014, Cathay Bank proposed to Hoag Foundation a replacement developer for the Property. However, based upon the opinions of experts and the advice of consultants to Hoag Foundation, the Board of Trustees voted to unanimously disapprove the proposed development of the replacement developer.

In 2015, Hoag Foundation, once again, without any obligation on the part of or liability to Hoag Foundation, cooperated with Cathay Bank's renewed attempt to identify and obtain a replacement developer. In approximately February 2015, Cathay Bank proposed a second replacement developer to Hoag Foundation.

For the period of February through September 2015, Hoag Foundation cooperated with Cathay Bank and the proposed second replacement developer. Hoag Foundation's cooperation included attending several meetings with Cathay Bank, the proposed developer, and the City of Garden Grove. In addition, Hoag Foundation assisted in facilitating access to the Property by the proposed developer to perform due diligence.

On June 18, 2015, Hoag Foundation requested Cathay Bank to reimburse Hoag Foundation the attorneys' fees it incurred for the one-year period commencing as of June 1 2014, the date to which Cathay Bank last reimbursed Hoag Foundation's attorneys' fees, through May 31, 2015. In addition, Hoag Foundation requested Cathay Bank to reimburse the cost Hoag Foundation incurred to have a Retail Market Feasibility Analysis prepared on the Property. Cathay Bank was advised the Board of Trustees would not authorize Hoag Foundation's counsel to perform any further work in connection with the proposed replacement developer transaction, if Hoag Foundation was not reimbursed the attorneys' fees and costs by July 1, 2015.

Initially, Cathay Bank responded it would consider the reimbursement request and provide a response. Thereafter, Cathay Bank requested copies of the attorneys' fees invoices for which Hoag Foundation was requesting reimbursement. In August 2015, Hoag Foundation redacted any attorney-client privileged information and provided Cathay Bank with copies of all of the attorneys' fees invoices.

During the period of July through September 2015, Hoag Foundation continued to cooperate with Cathay Bank and the proposed replacement developer. This is because Cathay Bank continued to advise Hoag Foundation that Cathay Bank was evaluating the attorneys' fees and costs reimbursement request and would provide a response to Hoag Foundation. When it became reasonably apparent to the Board of Trustees that Cathay Bank would not reimburse the attorneys' fees and costs incurred by Hoag Foundation, the Board of Trustees held a Special Meeting on October 1, 2015.

At the October 1, 2015 Special Meeting, the Board of Trustees reviewed the mission statement of Hoag Foundation and the fiduciary duties and obligations of the Board of Trustees. The Board of Trustees directed transactional counsel to further advise the Board of Trustees on the propriety of Hoag Foundation continuing to incur unreimbursed fees and costs in attempting to cooperate with Cathay Bank. Also, the Board of Trustees instructed legal counsel not to perform any further work in connection with any transaction with Cathay Bank, unless required to protect the interests of Hoag Foundation.

On November 12, 2015, the Board of Trustees held a second Special Meeting. At the Special Meeting, transactional counsel summarized California and federal law that applies to nonprofit corporations. Additionally, the Board of Trustees was advised as to the provisions of the California

Corporation Code governing assets, such as the Property, held for investment by nonprofit corporations.

The Board of Trustees was provided with a summary of their fiduciary obligations pursuant to California law. The Board of Trustees was also provided with the California Attorney General's Guide for Charities and the Internal Revenue Service publication Governance and Related Topics - 501(c)(3) Organizations (the "**Publication**").

IV. LAWS GOVERNING CALIFORNIA TAX-EXEMPT NONPROFIT CORPORATIONS.

Hoag Foundation is an Internal Revenue Code 501(c)(3) tax-exempt nonprofit corporation. To maintain its qualification as a tax-exempt organization pursuant to the Internal Revenue Code, Hoag Foundation is prohibited from expending funds that do not further its program services. In the Publication, the IRS concludes "[b]y making full and accurate information about its mission, activities, finance, and governance publicly available, a charity encourages transparency and accountability to its constituents."

Since the Property is owned by a nonprofit corporation and is held for investment, Hoag Foundation must comply with the requirements of Corporations Code Section 5240. Section 5240(b) provides that a nonprofit corporation, when investing assets held for investment must:

“ (1) Avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income, as well as the probable safety of the corporation's capital.

(2) Comply with additional standards, if any, imposed by the articles, bylaws or express terms of an instrument or agreement pursuant to which the assets were contributed to the corporation.”

Section 5240(d) provides directors of a corporation, in carrying out their duties pursuant to Section 5240, may rely upon the advice of consultants and third parties, as provided in Section 5231(b) of the California Corporations Code.

Section 5231(a) addresses the duties of a director of a nonprofit corporation and provides a director shall perform its duties “in good faith, in a manner that director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.” Section 5231(c) provides, in part, a director who performs its duties in accordance with the requirements of Section 5231 “shall have no liability based upon any alleged failure to discharge the person’s obligations as a director”

V. DECISIONS OF THE BOARD OF TRUSTEES. At the Special Meeting on November 12, 2015, the Board of Trustees discussed and considered the legal obligations of Hoag Foundation and the Board of Trustees under federal and California law. The Board of Trustees voted unanimously, for several reasons, that it would not be reasonable and/or in the best interest of Hoag Foundation, for Hoag Foundation to continue to attempt to cooperate with Cathay Bank in locating a replacement developer.

The reasons include:

- Continued expenditures by Hoag Foundation would not further the mission or program services of Hoag Foundation.

- Hoag Foundation has no obligation and/or duty to cooperate with Cathay Bank in connection with any attempts by Cathay Bank to locate a replacement developer.
- Proceeding any further would constitute speculation by Hoag Foundation, as there is no guarantee Cathay Bank will consummate any transaction with a replacement developer.
- Continuing to incur unreimbursed expenses could constitute a waste of the assets of Hoag Foundation, and ultimately result in exhausting the financial resources of Hoag Foundation.

VI. CONCLUSION. As noted above, the instructions to Part B, Question #3 state, if non-program expenditures exceed fifty percent (50%) of gross revenues, explain why the organization believes the expenditures were reasonable. Hoag Foundation believes the amounts expended, in an attempt to cooperate with Cathay Bank were reasonable, as Hoag Foundation determined a completed project would benefit the community and assure the long-term payment of the rent to Hoag Foundation pursuant to the Ground Lease.

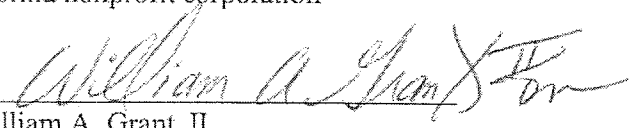
However, after two (2) years of attempting to cooperate with Cathay Bank and incurring significant unreimbursed fees and costs, the Board of Trustees determined it is no longer appropriate or in the best interest of Hoag Foundation for Hoag Foundation to continue to attempt to cooperate with Cathay Bank in locating a replacement developer. As a result, Hoag Foundation has taken the steps required to eliminate the non-program related expenditures by ceasing to incur fees and costs in attempts to cooperate with Cathay Bank.

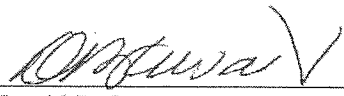
Hoag Foundation intends to evaluate its legal rights and remedies in view of the existing situation.

IN WITNESS WHEREOF, the duly authorized representatives of Hoag Foundation have executed this Addendum on November 20, 2015.

HOAG FOUNDATION

THE EMLLEN W. HOAG FOUNDATION, a
California nonprofit corporation

By: 
William A. Grant, II
President

By: 
David P. Stewart
Treasurer