

THE CLAREMONT COLLEGES

Frequently Asked Questions – CST (Claremont School of Theology) Litigation Facts

January 6, 2022

Current Status

1. What is the current status of the lengthy litigation between Claremont School of Theology (CST) and The Claremont Colleges (TCC)?

On Tues., Jan. 4, 2022, the Superior Court issued key rulings in favor of TCC in its litigation with the CST. Both the Court of Appeals (Jan. 2021 and Jun. 2021) and the Superior Court (Jan. 2022) have conclusively ruled in favor of TCC and its legal right to own and control CST's former campus property.

- The original 1957 agreement between TCC and CST is enforceable as originally written.
- The Right of First Offer created in the 1957 agreement has been triggered.
- CST must promptly give TCC an offer to sell the property in accordance with the Right of First Offer, including the pricing formula prescribed by that right.
- CST is prohibited from seeking to lease, sell or transfer the property to any third parties, including Yalong Investment Group, LLC.
- Yalong is prohibited from using, occupying, or possessing any part of the property.

History

2. What is the history of the land transaction between CST and TCC?

CST purchased the land from TCC, at a negotiated price, to begin operations in Claremont in 1957. As part of the parties' original agreement, TCC retained a right to repurchase the property according to an agreed purchase-price formula if CST ever desired to sell or transfer the property or left Claremont.

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3. Was CST “surprised” by TCC’s repurchase right?

No. CST agreed to the repurchase right in 1957, that right was documented in their 1957 agreement, and that right has been recorded in the property’s chain of title ever since. In addition, CST periodically acknowledged and affirmed TCC’s repurchase right over the years, including in 2001 and 2006.

Property Use

4. Did CST ever have a legal right to sell the property to whoever they chose?

No, as specified in the 1957 agreement, TCC has always had a repurchase right. And based on that right, the Court has ordered CST to sell the property to TCC in accordance with the repurchase right.

5. Does TCC have specific plans for the use of the property?

TCC envisions several potential uses consistent with the higher education mission of TCC and consistent with local zoning and land use designations (the property is zoned Institutional Educational) including: additional student housing for several institutions caused by increased enrollment due to student deferrals and limited study abroad opportunities resulting from the pandemic; additional office and classroom spaces as institutions renovate or replace aging facilities; and new TCC initiatives and academic programs.

6. What is the current status of operations on the property?

CST entered into a sale/lease agreement with Yalong, a developer/operator/tenant to operate and develop the property. Yalong has paid CST more than \$10 million in connection with that agreement.

The Court’s Jan. 4, 2020, ruling prohibits Yalong from using, occupying, or purchasing any part of the property.

7. Are any other third parties currently using the property?

Despite court rulings, CST has continued to allow third parties to operate on CST's former campus property. TCC has independently learned that several of those third parties, including Western University of Health Sciences, have filed for business licenses to operate on that property. Western University has produced a copy of its agreement with CST to TCC. That agreement purports to give Western University the exclusive right to use parts of CST's former campus property, starting on August 1, 2021. It appears Western University entered into that agreement, despite having knowledge of TCC's position in the pending litigation. Now that TCC has obtained a final judgment as to CST and has obtained an order prohibiting Yalong from operating on the property, TCC is evaluating next steps as to Western University. TCC has previously informed Western University that it intends to seek an injunction prohibiting Western University from using the property. TCC has also expressed its sincere regret that CST chose to draw Western University onto the property and into the pending litigation.

Litigation

8. Why did CST bring legal action against TCC?

In 2016, following several offers from TCC to purchase portions of the property (at values substantially higher than required under the 1957 agreement) and renovate the housing units on the CST campus for CST's benefit, CST sued TCC in an attempt to avoid TCC's right to repurchase the property. CST has lost that legal action.

9. Is TCC responsible for the financial and litigation predicament CST finds itself in today?

No. As with any higher education institution, financial responsibility rests with the administration and board of trustees. In this case, CST's board of trustees and administration made a series of decisions to spend down its endowment. The lawsuits are an attempt to improve CST's financial position in violation of CST's longstanding promises and legal commitments.

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10. Have the resources expended in these litigations by each party been unequal?

No. Each party has been represented by outside counsel with comparable legal resources.

CST Plans

11. Has CST left Claremont?

CST announced its departure from Claremont for Salem, Oregon in a “farewell” letter from Rev. Dr. Kah-Jin Jeffrey Kuan, published in the Claremont Courier on May 22, 2020. CST explained its departure by saying it was intended to reduce overhead and provide for more efficient operations. Although CST has since disclaimed that statement, portions of the property appear to have fallen into disrepair, and CST has embedded at Willamette University in Oregon. CST is currently fully online for academic instruction.