



HAWAII COMMUNITY FOUNDATION

March 18, 2013

Mr. Jeffrey L. Olson
1426 Greentree Circle
Lake Oswego, Oregon 97034

Re: Jack L. Stahley Trust

Dear Mr. Olson:

This letter is in response to your letter dated March 6, 2013 regarding the Jack L. Stahley Trust. You indicate in your Letter that the Trustee of the Jack L. Stahley Trust intends to seek a Declaratory Judgment in an Oregon State Court challenging a charitable gift to the Hawaii Community Foundation. Your Letter asserts that under Oregon law the gift to the Hawaii Community Foundation is somehow invalid. You can understand our surprise at receiving the Letter when we have been receiving notifications from you for almost a year as a beneficiary of the Trust, including most recently, an accounting of expenses.

We understand the Trustee of the Trust is the late Mr. Stahley's son, Jeffrey L. Stahley. As you know, trustees are under a duty to administer a trust in accordance with the stated intent of the settlor as set forth in the trust instrument and consistent with applicable law. In addition, a trustee has a duty of loyalty to all beneficiaries that includes a duty to deal impartially with all beneficiaries.

The Trust clearly and unequivocally provides for the gift to the Hawaii Community Foundation of a 50% interest in the remainder of Trust assets after certain specific bequests. We note that Jeffrey L. Stahley is also co-beneficiary of the Trust and in fact, one of five beneficiaries of the other 50% remainder interest in the Trust. It is clear the interests of Jeffrey L. Stahley as beneficiary conflicts with his duties as a Trustee to deal impartially with all beneficiaries. Please clarify whether the statements and assertions in your Letter regarding the possible invalidity of the gift to the Hawaii Community Foundation are on behalf of Jeffrey L. Stahley in his capacity as a beneficiary or as Trustee. We assume that you represent Jeffrey L. Stahley only in his fiduciary capacity and are aware of both his and your obligations to all beneficiaries of the Trust. How does Mr. Stahley intend to deal with his irreconcilable conflict in this purported legal action?


We would also like to correct a few factual inaccuracies in the Letter. Ms. Budd is not a "member" of the Hawaii Community Foundation as we are a non-member nonprofit corporation under the laws of the State of Hawaii. Nor is Ms. Budd a current or former officer or director of the Hawaii Community Foundation. Ms. Budd has no legal duties to the Foundation that might have somehow interfered with her representation of the late Mr. Stahley. Ms. Budd is currently, and has served in the past, as a member of HCF's Kauai Island Leadership Council, which, as noted in HCF's most recent annual report, is composed of "community-minded volunteers." Ms. Budd serves as a member of Hawaii's State Board of Education and has served on other private nonprofit organization boards like other active community volunteers. We simply do not understand your assertions in the Letter that the generous gift by the late Mr. Stahley is a result of "unethical self-dealing."

Mr. Jeffrey L. Olsen
March 15, 2013
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In summary, we do not understand the basis for any form of legal action since the Trust language is clear and provides for a valid charitable gift to the Hawaii Community Foundation to support underprivileged youth. Further, we object to any legal action being taken in Oregon as the Trust Agreement also makes clear that the laws of the State of Hawai`i apply to this Trust notwithstanding the fact that the principal place of administration was changed to Oregon. Finally, we bring to your attention to the fact that the Attorney General of the State of Hawaii, in his capacity as *parens patriae* would likely be an interested party in any proceeding challenging the validity of a charitable bequest to a Hawaii charitable organization.

We await your reply and look forward to the Trustee's timely distribution of assets as contemplated by the Trust to establish the Jack L. Stahley Fund at the Hawaii Community Foundation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Katharine Lloyd', written in a cursive style.

Katharine Lloyd, Esq.
General Counsel and VP of Operations

KHT/erc

Enclosure

Cc: Jeffrey S. Piper, Esq.