

# The Agua Dulce Residential Project

Agua Dulce Town Council meeting

Wednesday July 13<sup>th</sup>, 2022

# Agenda

- Los Angeles County District 5 Supervisor Kathryn Barger
- District 25 Congressman Mike Garcia
- California District 36 Assemblyman Tom Lackey
- Los Angeles Department of Public Works public records responses
  - 2002 Multi Agreement and related agreements and bonds
- Issues raised by LA County DPW's responses in May, June and July
- Next steps to consider

# Agency responses to recent correspondence

- Response received on July 13<sup>th</sup> from the Supervisor's office to the May 19<sup>th</sup> letter from the Town Council
- Congressman Garcia's office has sent correspondence re The Agua Dulce Residential Project to appropriate government agencies
- No further update from Assemblyman Lackey's office to the May 21<sup>st</sup> correspondence requesting assistance with the grievances filed in March

# LA County Department of Public Works

- May 2<sup>nd</sup> Letter to Supervisor Barger and Agua Dulce Town Council
  - Phase I is a fully entitled project with approved infrastructure improvement plans (street, storm drain, and water) **that are bonded** to ensure construction
  - The **developer has received permits and begun construction to install** an extension of a **main water distribution line for the project**
  - **the bonds are held with non-Russian reputable banks**
  - The County follows all Federal and State requirements regarding the payment of application and processing fees as well as **ensuring bonds are held with acceptable financial institutions.**
- February 10<sup>th</sup> LA Regional Water Quality Control Board meeting
  - Gary Braiden Chadwick, legal counsel for the applicant “The County of Los Angeles already **requires massive bonding to ensure that the work actually happens** to the tune of \$2.7m **that the applicant has to put up anyway.**”

# LA County Department of Public Works

- April 11<sup>th</sup> PRR requested copies of the grading permit, agreements and financial assurances between RTG Investment LLC and Los Angeles County Department of Public Works
  - On May 24<sup>th</sup>, DPW indicated that no records of any agreements or financial assurances with RTG can be located
- May 24<sup>th</sup> PRR requesting copies of the 'bonds' and related agreements referenced in Mark Pestrella's May 2<sup>nd</sup> letter
  - On June 16<sup>th</sup>, DPW provided a copy of the Standby Letter of Credit indicating that it was a 'draft' and that pending negotiation of a final document securing the performance of the obligations set forth in the multiple agreement by the new owner of Tract 50385 DPW will not disclose any further copies of the draft beyond the October 2021 version under Government Code Section 6254(a)

# Government Code Section 6254(a)

- Code governing disclosure of information to the public
- Except as provided in Sections 6254.7 and 6254.13, this chapter does not require the disclosure of any of the following records:
  - (a) **Preliminary drafts**, notes, or interagency or intra-agency memoranda that are not retained by the public agency in the ordinary course of business, **if the public interest in withholding those records clearly outweighs the public interest in disclosure.**

# LA County Department of Public Works

- PRR sent to LA County DPW on May 25<sup>th</sup> 2022 requesting copies of extensions to the 2002 multiple agreement
  - On June 16<sup>th</sup>, DPW provided a copy of the three renewals by the original developers ending in mid-May 2016
  - “To the extent that any agreement regarding a **successor** [RTG Investment LLC] replacing the original developers exists, it is in draft form and is not subject to disclosure”
  - DPW will not disclose any copies of the draft under Government Code Section 6254(a)

# LA County Department of Public Works

- PRR sent to LA County DPW on June 17<sup>th</sup> 2022 requesting copies of all bonds referenced in Mark Pestrella's May 2<sup>nd</sup> 2022 letter to K. Barger
  - On July 11<sup>th</sup>, DPW provided a copy of the three renewals and 2002 multi part agreement (already provided previously)
- Remarks in the PRR state that “**currently existing Multiple Agreement between the County and the previous owner of Tract 50385-01, amendments to the currently existing Multiple Agreement and currently existing bonds relating to the currently existing Multiple Agreement all of which are still in effect.”**
- the County **does not have a copy of the June 2021 Multiple Agreement Extension letter** extending the currently existing Multiple Agreement



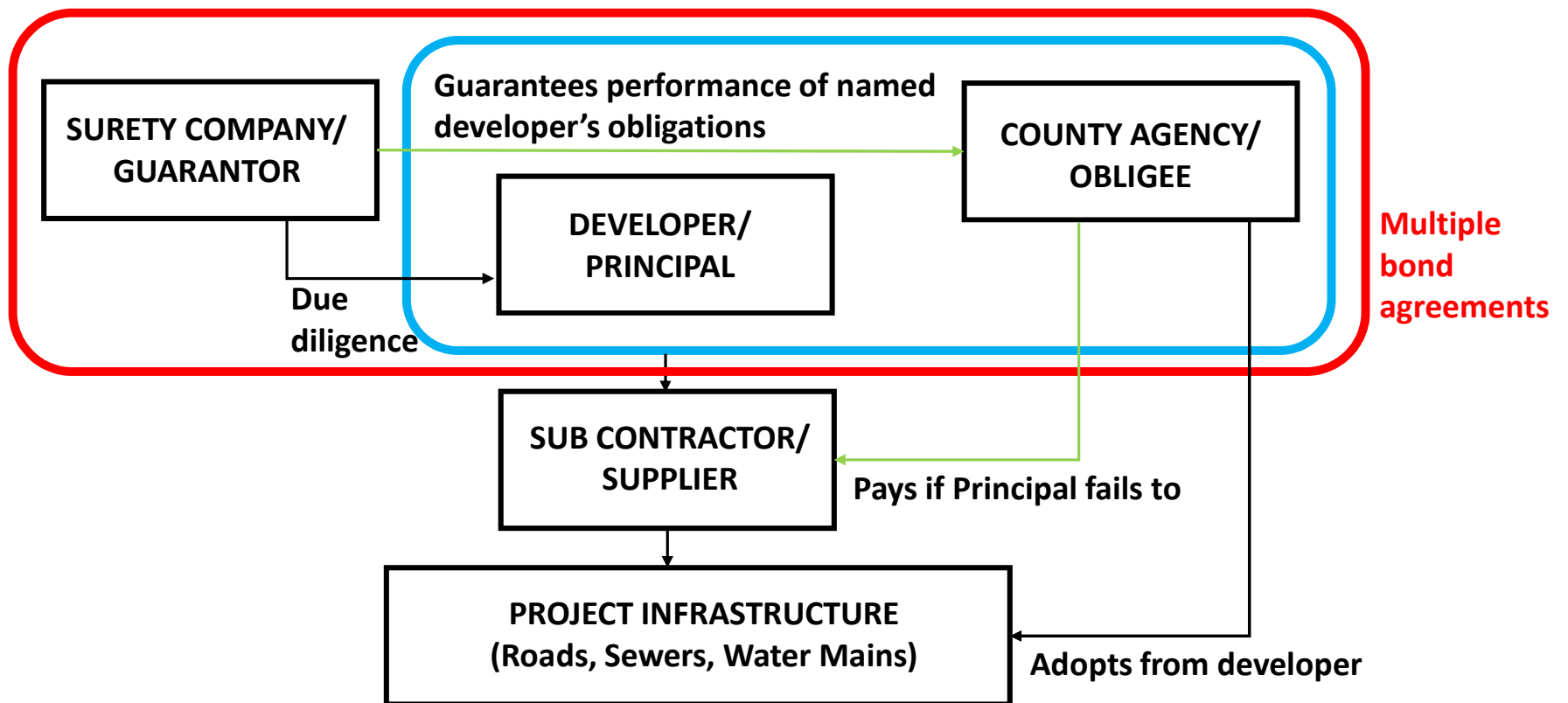
# LA County Department of Public Works

- PRR response received on July 12<sup>th</sup> 2022 with a copy of the executed letter of credit and grading permit UNC-GRAD200218000115
- Grading Permit
  - Applicants are Sikand Engineering, Van Nuys, CA
  - Contractor is Agua Construction, LLC, Van Nuys, CA
  - Payer is RTG Investment, LLC, Glendale, CA
  - Permits grading of 1.9 million cubic yards of dirt on Phase 1
- Letter of Credit
  - \$2,270,000 related to grading permit
  - Credit Suisse Bank, Zurich
  - Vinette Trading Company, Nicosia, Cyprus the holding company of RTG Investment, LLC

# What is a bond?

- It is an insurance that protects against disruptions or financial loss due to a contractor's failure to complete a project or failure to meet contract specifications
- Typically there are three parties to a bond:
  - Obligee – the investor, project owner, Government agency
  - Principal - the party building the project
  - Guarantor - the Surety company that puts up the bond on behalf of the Principal in favor of the Obligee
- Bonds typically have two components:
  - Protection against overall job incompleteness/quality of job work (**performance**)
  - Protection against nonpayment for **materials** from suppliers and **labor** from subcontractors
- The 2002 multi agreement between LA County and Wood Ridge LLC (Coussoulis) and Brandenburg-Agua Dulce, LLC (Lee Brandenburg) ensured that the Phase 1 infrastructure would be constructed properly so that LA County could subsequently adopt it

# The structure of a surety bond



# The 2002 Multi Agreement for TR 50385-01

- Principals: Wood Ridge LLC (Coussoulis) and Brandenburg-Agua Dulce, LLC
  - Significantly experienced residential and commercial property developers in the US
- Obligees: LA County Public Works and Flood Control District
- Encompasses 10 separate bonds related to the first 3 phases (Phase 1) of the Agua Dulce Residential Project amounting to \$11,905,500
  - Water System Improvements – 7 bonds totaling \$7.902 million
  - Road Improvements – 1 bond totaling \$1.664 million
  - Storm Drain Improvements – 1 bond totaling \$2.325 million
  - Monumentation – 1 bond totaling \$14,500
- Combination of performance and labor/material bonds
- Adjusted for inflation, this would now be \$18-19.5 million with the Water System Improvements representing \$11.9-12.8 million of this

# Issues with July 11<sup>th</sup> PRR Remarks

- On December 31 2021, Brandenburg-Agua Dulce LLC filed form LLC 4/7 canceling the company and formally dissolving the LLC (200001310100) with the California Secretary of State
- On July 12<sup>th</sup> 2022, Dennis Bushore, Vice President of Wood Ridge LLC confirmed that the 2002 bonds related to the project no longer exist after the project was sold in 2019
- The PRR remarks made by LA County DPW that the prior bonds are still in effect is simply untrue since one principal no longer exists as a legal entity and the other principal is adamant that they have expired

# Chronology of responses by LA County DPW

- May 2<sup>nd</sup> – fully bonded and permitted and the bonds are held with reputable non-Russian banks. The developer has commenced installation of the main water line [Elite Excavation began work on Sierra Hwy began in March/April 2022]
- May 24<sup>th</sup> – in response to the April 11<sup>th</sup> PRR, we do not possess records responsive to the agreements related to GRAD200218000115 or the financial assurances [bonds] between LA County DPW and RTG Investment, LLC
- June 16<sup>th</sup> – the \$2.27m Standby Letter of Credit and the bonds noted on May 2<sup>nd</sup> are in draft form at present and it is not in the public interest for DPW to release further copies of drafts
- June 16<sup>th</sup> – Multi Agreement GRAD200218000115 was renewed through May 2016 by the prior developer but to the extent that any agreement regarding a successor [RTG Investment LLC] replacing the original developers exists, it is in draft form and is not subject to disclosure. It is not in the public interest to do so.

## Recap of position taken by LA County DPW

- July 11<sup>th</sup> – Multi Agreement GRAD200218000115 was allegedly extended in June 2021 but LA County does not have a copy of a document from 12 months ago to which they are a party
- July 11<sup>th</sup> – The Multi Agreement and the related bonds with Wood Ridge LLC and Brandenburg-Agua Dulce LLC are still in effect even though Brandenburg-Agua Dulce LLC ceased to exist on 12/31/2021 and Wood Ridge LLC reps indicate that the bonds have expired
- July 12<sup>th</sup> – The grading permit is being paid for using the Irrevocable Standby Letter of Credit in final form that was shared by the RWQCB in April

# Questions raised by LA County DPW's responses?

- How can a bond continue to be valid for a principal that has ceased to exist?
- Why would a developer hold a bond on a project they never did any work on and no longer own or control?
- Which principal(s) extended the Multi Agreement in June 2021?
- How can the Agua Dulce Residential Project be 'fully bonded' when the bonds and related agreements only exist in draft format in June 2022?
- How is construction allowed to commence on a 20" water main when the applicable agreements and bonds only exist in non-final draft format?
- Why did RTG submit the draft LC to the RWQCB and not a copy of the bonds?
- Does LA County DPW's reluctance to disclose the 'successor' documents to GRAD200218000115 indicate that RTG Investment LLC may not be funding this part of the project exclusively or that there are no/minimal bonds in place?



## Supervisor Barger's response of July 13<sup>th</sup>

- “After consulting with State and Federal agencies, the agency staff are not aware of any evidence that any party involved with or related to RTG Inc. [sic], or their partners or subsidiaries, or their banks providing letters of credit for the development is prohibited by local, State, or federal law from entering into transactions with Los Angeles County.”
- “Appropriate County departments, in consultation with County Counsel, have reviewed with agreement [Between Mr. Estes and RTG Investment, LLC] and the agreement in question is between two private parties and does not involve the County. Enforcement of the provisions is a civil, private matter.”
- The parties can apply to District 37 for further improvements to the water main as contemplated in the agreement.
- The grading permit has been issued for Phase 1 according to the final map.

## Agency comments #1 – RTG link to Rutsog

- “With respect to the potential connection of RTG to Rutsog Invest, we examined records from the California Secretary of State and found no connection between the two entities.”
- The community disputes this follows:

# Screenshot of Rutsog.ru website

## Rutsog Invest

The leading building and investment holding company in the field. The brand is synonymous to prestige, quality and sustainability.

“

Our priority and moto is preserving history, saving the memory, continual bonds between past, present and future. By doing so, in my opinion, we will be able to give future generations a chance to live through the same traditions and beliefs that we grew up with. That is what enriches souls and, most importantly, what forms the society.

— Ruben Grigoryan, the president of the holding company



Ruben Grigoryan, the president of Rutsog Invest, PhD in Economics. Major focus area – residential and commercial real estate construction. In 2006, he received the title of Honoured Builder of Russia.

[read more >>](#)

- Rutsog.ru recently password protected their website
- This April 2022 screenshot is from the Internet Archive
- <https://web.archive.org/web/20220402004227/https://www.rutsog.ru/>

# Screenshot of RTGInvest.com website



**RUBEN GRIGORYAN**  
CEO

HOME TEAM PROJECTS CONTACT

CEO, Ruben Grigoryan founded his first real estate development company in 1990, and was led to pioneer RTG Investment decades later in 2018. His influential entrepreneurial and leadership expertise has resulted in many significant international development achievements. Of notable mention are the opening of the Marriott Luxury brand, St. Regis Moscow Nikolskaya, the construction of the Temple Complex of the Armenian Apostolic Church, and the opening of the Armenian Museum.

Ruben maintains that the success of a company is largely determined by the relationships between a business and the community within which it operates. He believes that respectful and positive partnerships lead to the advancement and modernization of our communities.

Committed to global unity, Ruben views the diverse array of people and cultures of the world as one humanity. His passion for preserving beauty and promoting a better life for all inhabitants of earth is driven by his life philosophy which seeks to honor and embrace all people, and respect the land and cultures that define each place RTG Investment has the privilege of building.

A man of many interests, Ruben is a published author of several books. He is also a lifelong philanthropist, who enjoys spending time supporting the Armenian Museum and the Charity Center for Cancer Patients.

- This July 2022 screenshot is from the RTG Investment LLC website
- <https://www.rtginvestment.com/team/ruben-grigoryan/>

# Screenshot of RTGInvest.com website

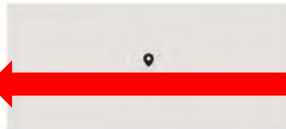


Quote from Ruben Grigoryan, President of RTG Investment, LLC

## United States

17th Floor, Glendale Plaza  
655 North Central Avenue  
Glendale, CA, 91203

phone: 818 645 7817  
818 649 7726  
e-mail: info@rtginvest.com



RTG Investment, LLC  
address in Glendale, CA

## Russia

5/6th Floor, Olympic Plaza #1  
32/1 14th Avenue  
Moscow, Russia, 129110

phone: +7 495 797 3800  
e-mail: info@rtblog.ru



RTG Investment, LLC  
address in Moscow, Russia



- RTGInvest.com recently redesigned their website
- This June 2019 screenshot is from the Internet Archive of the prior version
- [https://web.archive.org/web/20190601000000\\*/https://www.rtginvest.com/](https://web.archive.org/web/20190601000000*/https://www.rtginvest.com/)

# RTG Investment, LLC CA Form LLC 12

18-E13299  
**FILED**  
in the office of the Secretary of State  
of the State of California  
DEC 18, 2018

**Secretary of State**  
Statement of Information  
(Limited Liability Company)

**LLC-12**

**IMPORTANT** — Read instructions before completing this form.  
Filing Fee — \$20.00  
Copy Fees — First page \$1.00; each attachment page \$0.50;  
Certification Fee — \$5.00 (plus copy fees)

**This Space For Office Use Only**

1. Limited Liability Company Name (Enter the exact name of the LLC. If you registered in California using an alternate name, see instructions.)  
RTG INVESTMENT, LLC

2. 12-Digit Secretary of State File Number  
201833110100

3. State, Foreign Country or Place of Organization (only if formed outside of California)  
WYOMING

4. Business Addresses

a. Street Address of Principal Office - Do not list a P.O. Box 5753 White Oak Ave, #23	City (no abbreviations) Encino	State CA	Zip Code 91316
b. Mailing Address of LLC, if different than item 4a 5753 White Oak Ave, #23	City (no abbreviations) Encino	State CA	Zip Code 91316
c. Street Address of California Office, if item 4a is not in California - Do not list a P.O. Box 5753 White Oak Ave, #23	City (no abbreviations) Encino	State CA	Zip Code 91316

5. Manager(s) or Member(s)

If no managers have been appointed or elected, provide the name and address of each member. At least one name and address must be listed. If the manager/member is an individual, complete items 5a and 5c (leave item 5b blank). If the manager/member is an entity, complete items 5b and 5c (leave item 5a blank). Note: The LLC cannot serve as its own manager or member. If the LLC has additional managers/members, enter the name(s) and addresses on Form LLC-12A (see instructions).

a. First Name, if an individual - Do not complete item 5b Ruben	Middle Name	Last Name Grigoryan	Suffix
b. Entity Name - Do not complete item 5a			
c. Address 5753 White Oak Ave, #23	City (no abbreviations) Encino	State CA	Zip Code 91316

6. Service of Process (Must provide either Individual OR Corporation.)

**INDIVIDUAL** — Complete items 6a and 6b only. Must include agent's full name and California street address.

a. California Agent's First Name (if agent is not a corporation) Arturavich	Middle Name	Last Name Shepanyan	Suffix
b. Street Address (if agent is not a corporation). Do not enter a P.O. Box 5753 White Oak Ave, #23	City (no abbreviations) Encino	State CA	Zip Code 91316

**CORPORATION** — Complete item 6c only. Only include the name of the registered agent Corporation.

a. California Registered Corporate Agent's Name (if agent is a corporation) - Do not complete item 6a or 6b:

7. Type of Business

a. Describe the type of business or services of the Limited Liability Company  
Real Estate Investment

b. Chief Executive Officer, if elected or appointed:

a. First Name	Middle Name	Last Name	Suffix
b. Address	City (no abbreviations)	State	Zip Code

8. The information contained herein, including any attachments, is true and correct.

12/18/2018  
Ruizana Otero  
CPA  
Date: \_\_\_\_\_ Type or Print Name of Person Completing the Form \_\_\_\_\_ Title \_\_\_\_\_ Signature \_\_\_\_\_

Return Address (Optional) (For communication from the Secretary of State related to this document, or if purchasing a copy of the filed document enter the name of a person or company and the mailing address. This information will become public when filed. SEE INSTRUCTIONS BEFORE COMPLETING.)  
Name: \_\_\_\_\_  
Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_

LLC-12 (REV 9/2017) Page 1 of 1 2017 California Secretary of State www.sos.ca.gov/bizfileonline



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a. First Name, if an individual - Do not complete item 5b Ruben	Middle Name	Last Name Grigoryan	Suffix
b. Entity Name - Do not complete item 5a			
c. Address 5753 White Oak Ave, #23	City (no abbreviations) Encino	State CA	Zip Code 91316

6. Service of Process (Must provide either Individual OR Corporation.)

- December 2018 Statement of Information for RTG Investment, LLC
- <https://bizfileonline.sos.ca.gov/search/business>

## Agency comments #2 –Russia sanctions

- “The County does not have the ability, records or resources to investigate relations between developer and non-United States entities. Even if the County were able to confirm, (which the County was not able to) from the records available to it that RTG is related to Russian entities or persons, such a connection alone would not be a legally recognized basis for denying RTG its vested development rights.
- However if RTG or any entities to which it may be related are identified on a list of “banned persons”, the County would have to examine what effect the ban would have on RTG’s development rights. To that end, we consulted the Specially Designated Nationals (SDN) List maintained by the Department of the Treasury’s Office of Foreign Assets Control (OFAC). The SDN List identifies Russian entities and individuals with whom United States persons cannot engage in any transactions. Repeated searches – as the SDN List is periodically updated – show that none of the individuals or entities identified below are on the SDN list.”

## Community response #2 – Russia sanctions

- The Council has already explained that the ‘banned persons’ SDN List is separate to the scope of Executive Order 14071 that became effective as of June 7<sup>th</sup> 2022.
- The Council has already laid out a clear path between RTG Investment, LLC in California, RTG Investment LLC in Wyoming and Rutsog Invest via the Vinette Trading Company in Nicosia, Cyprus and Moscow Russia who are a party, along with RTG Investment, the July 11<sup>th</sup> Irrevocable Letter of Credit for the Grading Permit UNC-GRAD200218000115
- OFAC has already outlined a wide range of business services that US Persons cannot provide directly or indirectly to Russian ‘persons’



## Agency comments #3 – Banking Sanctions

- “Based on the records the County has before it – a single letter of credit – there is no evidence that any banned Russian banks are involved in the LOC being offered by RTG to secure its grading or other obligations. Additionally the County will be able to obtain payment on letters of credit provided to the County by RTG because:
  - LOC is maintained by Credit Suisse, which is not prohibited from using SWIFT
  - Credit Suisse cannot issue an LOC unless it has in its possession the full sum of money identified in the LOC; thus it should not need to obtain any additional funds from any other entity to pay the County any amounts under the LOC that the County may require; and
  - The LOC only comes into play if RTG does not perform the actions required of it under the RMA and/or abandons the project”

## Community response #3 – Banking Sanctions

- The issue raised is why the County is accepting payment instruments on behalf of a US entity (RTG Investment, LLC) which is controlled by a holding company in Nicosia, Cyprus (Vnette Trading Company Limited) which shares an address of a Russian parent company (Rutsog Invest) using funds from a bank account in Switzerland
- Since RTG Investment LLC appears to be under the indirect control of a parent company based in the Russian Federation and shares the same principal, Ruben T. Grigoryan, the LOC instrument appears to circumvent the international financial sanctions irrespective of whether Credit Suisse is a Russian bank or not

## Agency comments #4 – Executive Order 14071

- “...Presidential Executive Orders (14071 and 14024) ban categories of transaction such as the provision of “accounting services, trust and corporate formation services, and management consulting services” by a United States person to a Russian entity or individual. RTG has offered a letter of credit (LOC) to the County to guarantee RTG’s performance of grading work on Tract 50385-01. The letter of credit does not fall within any of the categories of banned transactions, therefore, it is not prohibited.
- Additionally, the two Executive Orders only ban United States persons from providing such services to a Russian entity or individual. No US person is providing or will provide any accounting, trust, corporate formation or management consulting services to a Russian entity or individual under the letter of credit because the letter of credit is not for the benefit of the developer, it is required to protect County taxpayers. The County inspects a development under an RMA to make sure that developer is meeting their obligations under the RMA and the improvements are constructed as required. If they are not, or if the developer abandons the project, the County may use the funds provided under the letter of credit to take over completion of the project or the improvements that the developer is required to build.”

## Community comments #4 – E.O. 14071

- The issue is not whether the LOC falls within the scope of the Executive Order but whether provision of advice and opinion by County staff to the developer directly, or to the developer's subcontractors, is a prohibited provision of 'business services' as defined by OFAC on May 8<sup>th</sup> 2022 that became effective on June 7<sup>th</sup>
- Since RTG Investment LLC appears to be under the indirect control of a parent company based in the Russian Federation, as already outlined previously, provision of any 'business services' related to the project by US Persons (including those who work for the County) would be for the indirect benefit of a company based in the Russian Federation

## Next steps

- As approved in March 2022, write to Supervisor Barger and ask for clarification on issues raised the May 2<sup>nd</sup> and July 13<sup>th</sup> responses:
  - Explain the discrepancies between the position laid out in Mark Pestrella and Amy Bodek's May 2<sup>nd</sup> letter to Supervisor Barger and the Agua Dulce Town Council and the subsequent responses provided by DPW to Public Records Requests regarding the bonds and agreements between LA County DPW and the developer that contradict what was stated in the letter
  - Explain how construction of a 20" water main has commenced without the final versions of applicable bonds and agreements being in place
  - Confirm all sources of funding for the Water System Improvements and other related improvements required for the project and request production of all draft agreements and bonds claimed in the May 2<sup>nd</sup> letter
  - Respond to the agency comments in the July 13<sup>th</sup> letter