

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Settlement” or “Agreement”) is made and entered into by plaintiff California Regional Water Quality Control Board, Los Angeles Region (“Regional Water Board”), and defendant Mei-Hon Lai, in her capacity as trustee of the Lai Revocable Family Trust, dated July 2, 2003 (“Lai Revocable Family Trust”),¹ and successor-in-interest to San-Cheng Lai (referred to in both capacities as “Mrs. Lai”) (collectively with the Regional Water Board, “Parties”).

After arms’ length negotiations between the Parties and their respective counsel, the Parties have reached and entered into a settlement agreement by way of this Settlement in a good faith effort to avoid the uncertainty and expense of protracted litigation and to fully and finally resolve the Parties’ claims relating to the property located at 8710, 8712, 8714, 8716, 8720 and 8722 Darby Avenue, in Northridge, California (“Site”). The “Site” also includes, without limitation, any manufacturing facilities, waste disposal areas, storage areas, buildings, equipment, structures, roads, ditches, culverts, pipes, and other facilities located upon, connected to, or associated with activities upon or related to the above described property. The Parties believe that the resolution embodied in this Settlement is fair, reasonable, and fulfills the Regional Water Board’s enforcement objectives; that its terms are appropriate in light of the funds that Mrs. Lai has agreed to pay to partially fund the costs to clean up the property, which is currently owned by Coast United Advertising, Inc. (“Coast United”); and that this Settlement is in the best interest of the public and the People of the State of California. Neither the Regional

¹ The Lai Revocable Family Trust, dated July 2, 2003, was erroneously named as the “Lai Family Trust” in the litigation.

Water Board nor Mrs. Lai admits any liability arising from occurrences or transactions pertaining to the Site or otherwise.

RECITALS

1. The California Regional Water Quality Control Board, Los Angeles Region, the Plaintiff in this action is an agency of the State of California. California Water Code sections 13304 and 13350 authorize the Regional Water Board to bring actions against any person who fails to comply with a Regional Water Board Cleanup and Abatement Order (CAO) and to seek penalties for such failure to comply with any CAO.

2. On July 30, 2015, the Regional Water Board issued CAO No. R4-2015-0129 naming Coast United, Lai Circuits, Inc. and San-Cheng Lai regarding contamination at the Site.

3. San-Cheng Lai passed away on May 31, 2017. Mrs. Lai is San-Cheng Lai's surviving spouse.

4. On May 30, 2018, the Regional Water Board filed Case No. BC707671 in the Superior Court of California, County of Los Angeles, entitled *California Regional Quality Control Board-LA v. Coast United Advertising, Inc., et al.* alleging that defendants failed to comply with CAO No. R4-2015-0129 and therefore violated Water Code section 13304, for which the Regional Water Board or a superior court can issue an injunction requiring compliance with CAO No. R4-2015-0129 and can assess civil liability, penalties, and response costs pursuant to Water Code sections 13350 and/or 13351 ("Action").

5. Mrs. Lai denies all of the allegations of the Complaint.

TERMS

6. The Recitals in Paragraphs 1-5 are fully incorporated here.

7. Payments and Dismissal.

A. **Settlement Amount.** Mrs. Lai shall pay the Regional Water Board a total of \$700,000, within thirty days of the Effective Date of this Agreement.

B. **Method of Payment.** The Settlement Amount required by this Agreement shall be submitted as a cashier's check for \$700,000 made payable to the California Department of Justice (Settlement Check) or the \$700,000 shall be wired or directly deposited into an account bearing the name and routing number as follows: Financial Institution: Bank of America, Concord, California; ABA Routing Number: 026009593; Beneficiary: California Department of Justice; Payment Details: LARWQCB v. Coast United, et al.; Beneficiary Account Number: 01482-80005. All payments shall either be wired, directly deposited, or the Settlement Check will be sent by overnight mail to:

Noah Golden-Krasner, Deputy Attorney General
Office of the California Attorney General
300 Spring Street, Suite 1702
Los Angeles, CA 90013

Scanned copies of the Settlement Check shall be sent, via email, to Noah Golden-Krasner, Deputy Attorney General, at noah.goldenkrasner@doj.ca.gov and sophie.froelich@waterboards.ca.gov.

C. **Dismissal with Prejudice of Claims.** The Settlement Check shall be expeditiously processed for deposit into the above-referenced account upon receipt. Within fourteen (14) days after receipt of the Settlement Check or notice of the electronic transfer, the Regional Water

Board shall file and serve on counsel for Mrs. Lai an executed dismissal of this Action as to Mrs. Lai only with prejudice.

D. Except as provided for herein, each party shall bear its own attorney's fees and costs associated with the Action and with the drafting of this Agreement through and including the Effective Date.

8. Mutual Release and Covenant Not to Sue.

A. Contingent upon the payment in full pursuant to paragraph 7 above, the Regional Water Board, in consideration of the Settlement of the Action with Mrs. Lai and in consideration of the covenants, promises, terms and conditions herein, for itself alone and no other State entity, shall and does forever release Mei-Hon Lai, individually, as successor-in-interest to San-Cheng Lai, and in her capacity as trustee and beneficiary of the Lai Revocable Family Trust and all trusts created thereunder (collectively, the "Trust"), the Trust, all successor trustees and beneficiaries of the Trust, the Estate of San-Cheng Lai, all successors-in-interest to San-Cheng Lai, and their respective heirs, successors, and assigns (collectively, "Released Parties") from, discharge, covenant and agree not to assert (by way of the commencement of an action, joinder in an existing action or in any other fashion) any and all of the following: 1) All claims and causes of action which were, or could have been, asserted in the Complaint in this Action, including any and all actions, causes of action, claims, demands, orders (including any administrative orders), requirements, liability, damages, penalties, debts, losses, costs, expenses and fees (including attorney, expert and consultant fees and litigation costs), of every kind and nature whatsoever, in law and in equity, known or unknown, which arise out of or are related to the claims asserted in the Action, or in relation to this Site, including but not limited to any other

claims under the Water Code and other California Codes relating to environmental conditions at the Site; and, 2) All claims, demands, orders (including any administrative orders), requirements, liability, damages, penalties, debts, losses, costs, expenses and fees (including attorney, expert and consultant fees and litigation costs), of every kind and nature whatsoever, in law and in equity, known or unknown, which arise out of or are related to the Site and CAO No. R4-2015-0129, any subsequently issued CAO, or potential claims under the Water Code and/or other California Codes relating to environmental conditions at the Site. This release and covenant not to sue shall not act to release from liability any person or entity not described.

B. In addition, except as specifically provided herein, the Regional Water Board and Mrs. Lai reserve all rights to seek and obtain contribution, or otherwise recover costs or damages, from persons not party to this Agreement, and any such rights are preserved.

The Released Parties, in consideration of the settlement of the Action and in consideration of the covenants, promises, terms, and conditions herein, release, discharge, and covenant not to sue the Regional Water Board, its agents, employees, contractors, and attorneys for any and all claims or causes of action, of every kind and nature whatsoever, in law and in equity, whether known or unknown, suspected or unsuspected, foreseen or unforeseen, that may exist arising out of the Action, Site, or CAO No. R4-2015-0129.

9. Except as provided in this Settlement, nothing in this Settlement is intended or shall be construed to preclude the Attorney General from exercising his or her authority as an independent Constitutional officer under any law, statute, or regulation. Except as provided in this Settlement, nothing in this Settlement is intended or shall be construed to preclude any state (other than the Regional Water Board), local, or federal agency, board, department, office,

commission, or entity from exercising its authority under any law, statute, regulation, or ordinance.

10. The Parties agree and acknowledge that the Regional Water Board's final approval of this Settlement is subject to the requirements of notice and comment. Pursuant to the enforcement policy of the State Water Resources Control Board, notice of the proposed Settlement will be given to the public, and the public will have at least thirty (30) days after the notice to submit comments on the proposal. The Regional Water Board will publish notice on the Regional Water Board's website after the Parties have agreed to this Settlement but prior to either party signing the Settlement. The Regional Water Board reserves the right to withdraw or withhold its consent to the Settlement if the comments received disclose information or considerations that indicate that the Settlement is inappropriate, improper, or inadequate. Following the thirty (30) day notice period, the Regional Water Board shall have seven (7) days to withdraw or withhold its consent to this agreement in writing. If no withdrawal or withholding of consent occurs, the Parties shall sign this agreement following that seven (7) day period.

11. This Agreement shall apply to and be binding upon Mrs. Lai and her trustees, successors-in-interest, heirs and assignees, and upon the Regional Water Board or any Regional Water Board successor agency.

12. Notwithstanding any other provision, notices required by this Settlement shall be sent to the following via electronic mail and U.S. Mail:

For Plaintiff California Regional Water Quality Board, Los Angeles Region:

Hugh Marley, Assistant Executive Officer

Los Angeles Regional Water Quality Control Board
320 West 4th Street, Suite 200
Los Angeles, CA 90013
Phone: (213) 576-6607
Hugh.Marley@waterboards.ca.gov

Sophie Froelich, Attorney IV
Office of Chief Counsel
State Water Resources Control Board
1001 I Street, 22nd Floor
Sacramento, CA 95814
Phone: (916) 319-8557
Sophie.Froelich@waterboards.ca.gov

Noah Golden-Krasner, Deputy Attorney General
Office of the California Attorney General
300 Spring Street, Suite 1702
Los Angeles, CA 90013
Phone: (213) 269-6343
E-Mail: Noah.GoldenKrasner@doj.ca.gov

For the Defendants:

Mark E. Elliott, Partner
Pillsbury Winthrop Shaw Pittman LLP
725 South Figueroa Street, Suite 2800
Los Angeles, CA 90017-5406
E-Mail: mark.elliott@pillsburylaw.com

Any party may change the individual or address for purpose of notice to that party by written notice specifying the new individual and/or address.

13. Interpretation. This Agreement shall be deemed to have been drafted equally by the Parties, and shall not be interpreted for or against either party on the ground that any such party drafted it. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

14. No Admission of Liability. This Agreement constitutes a fair and equitable compromise of disputed claims and defenses. This Agreement is not and shall not constitute or be construed as an admission by Mrs. Lai of any factual or legal allegations made in the Complaint or CAO No. R4-2015-0129, an admission of liability, nor an admission of any other kind or character whatsoever. Neither this Agreement nor the Parties' performance under this Agreement is intended to have, and shall not be deemed to have, any evidentiary or precedential effect in this or in any other action, proceeding, claim, or other process whatsoever.

15. Effective Date. The Effective Date of this Agreement is the day it is signed by the last signatory.

16. Integration. This Agreement contains all of the terms and conditions agreed upon by the Regional Water Board and Mrs. Lai relating to the matters covered by this Settlement, and supersedes any and all prior and contemporaneous agreements, negotiations, correspondence, understandings, administrative orders, directives, and requests, and communications of the Parties, whether oral or written, respecting the matters covered by this Settlement.

17. Waiver or Modification. This Agreement may be amended or modified only by a writing signed by the parties to this Agreement or their authorized representatives. No waiver of any provision of this Agreement shall be binding unless executed by the party making the waiver. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

18. Severability. If a provision of this Agreement is held to be illegal or invalid by a court of competent jurisdiction, such provision shall be deemed severed and deleted and the remainder will continue to be valid and enforceable.

19. Knowing, Voluntary Agreement. Each party to this Agreement acknowledges that it has been represented by legal counsel, and that each party has reviewed and has had the benefit of legal counsel's advice, concerning all of the terms and conditions of this Agreement.

20. Jurisdiction and Enforcement. The parties agree that the Los Angeles County Superior Court is the appropriate venue and has jurisdiction over them and the subject matter of the Action and this Agreement.

21. Dispute Resolution.

A. Any dispute arising under this Agreement shall in the first instance be the subject of informal negotiations between the Regional Water Board and Mrs. Lai. During informal negotiations the Parties shall in good faith exchange all relevant evidence reasonably necessary to support each Party's position. The period for informal negotiations shall last sixty (60) days from the initiation of the dispute resolution procedures unless this period is extended by written agreement of the Regional Water Board and Mrs. Lai. If the Parties have not reached a resolution of the dispute by the end of the period for informal negotiations, the next step in the dispute resolution process shall be mediation if demanded within the sixty (60) day informal negotiation period. If either party timely invokes mediation by notifying the other party that it would like the assistance of a mediator to resolve the dispute, the Regional Water Board and Mrs. Lai shall cooperate to select a mutually acceptable single mediator and thereafter participate in mediation in good faith to resolve the dispute, if possible. Unless a different time is jointly selected, the

Regional Water Board and Mrs. Lai shall endeavor to complete the mediation process within ninety (90) days after selecting a mediator.

B. In the event informal negotiations are unsuccessful and mediation is undertaken, the Parties shall submit and/or rely on that evidence, in any form, that was exchanged during informal negotiations. The Parties shall not submit or rely upon evidence that was not disclosed to the other Party prior to the expiration of the informal negotiation period described herein, except upon agreement of the Parties or leave of the appointed/agreed mediator. However, nothing in this Paragraph shall preclude a Party from submitting or relying on: (i) expert testimony; (ii) factual evidence not in existence at the time of the informal negotiation period; (iii) factual evidence whose existence was not known to the Party at the time of the informal negotiation period; (iv) evidence that is, or was at the time of the informal negotiation period, exclusively within the control of the other Party; or (v) evidence that is cumulative, derived from, or summarizes the materials exchanged during informal negotiations.

C. If the Regional Water Board and Mrs. Lai are unable to reach a resolution of the dispute by the end of the mediation process, either party may file suit before the Superior Court of the County of Los Angeles, consistent with the terms and conditions set forth herein, to enforce the terms and conditions contained in this Agreement. The prevailing party shall be entitled to its reasonable attorneys' fees and costs associated with such enforcement.

22. Warranty of Capacity to Execute Agreement. Each party to this Agreement represents and warrants that the person who has signed this Agreement on its behalf is duly authorized to enter into this Agreement, and to bind that party to the terms and conditions of this Agreement.

23. Signature. This Agreement may be executed in duplicate originals and/or in counterparts, but it is agreed there is only one Agreement. The parties agree to accept fax and scanned signatures.

CALIFORNIA REGIONAL WATER QUALITY
CONTROL BOARD, LOS ANGELES REGION

Dated: _____

By: _____

Renee Purdy
Title: Executive Officer

MEI-HON LAI, IN HER CAPACITY AS
TRUSTEE OF THE LAI REVOCABLE FAMILY
TRUST AND SUCCESSOR-IN-INTEREST TO
SAN-CHENG LAI

Dated: _____

By: _____

MEI-HON LAI

APPROVED AS TO FORM:

Attorney General of the State of California
XAVIER BECERRA

Dated: _____

By: _____

Noah Golden-Krasner
Deputy Attorney General
*Attorneys for Regional Water Quality Control
Board, Los Angeles Region*

Dated: _____

By: _____

Mark E. Elliott

Attorneys for Mei-Hon Lai, in her capacity as trustee of the Lai Family Trust and successor-in-interest to San-Cheng Lai