SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES-CENTRAL DISTRICT

THE PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, **v.** **L.B. RESEARCH AND EDUCATION FOUNDATION, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION; GERALD D. BUCKBERG, AN INDIVIDUAL; CONSTANTINE ATHANASULEAS, AN INDIVIDUAL; DONALD PAGLIA, AN INDIVIDUAL; SALEH SALEHMOGHADDAM AKA SALEH SALEH, AN INDIVIDUAL; LAWRENCE F. MEYER, AKA LARRY MEYER, AN INDIVIDUAL; LOWELL OFFER, AN INDIVIDUAL; AND DOES 1 THROUGH 50, INCLUSIVE ,** Defendants.	**Case No. BC 421250** **SETTLEMENT AGREEMENT** DEPT.: 16 JUDGE: The Honorable Rita Miller TRIAL DATE: ACTION FILED: September 8, 2009

SETTLEMENT AGREEMENT

1. This Settlement Agreement is entered into by, between, and among the parties, Plaintiff, People of the State of California, by and through Edmund G. Brown Jr., Attorney General of the State of California ("Attorney General"), and Defendants, L.B. Research and Education Foundation ("LB"), Gerald Buckberg ("Buckberg"), Constantine Athanasuleas ("Athanasuleas"), Donald Paglia ("Paglia"), Lawrence F. Meyer ("Meyer"), Saleh Salehmoghaddam, also known as Saleh Saleh ("Saleh"), and Lowell Offer ("Offer"), each of whom, desiring to avoid the expense, uncertainty, and inconvenience of further litigation in the above-captioned matter, states all claims alleged against Defendants arising out of the above-captioned action have been fully and finally settled, on the following facts, terms, and conditions:

2. The Court has personal jurisdiction of all the parties and subject matter jurisdiction of the above-referenced action. The Court retains jurisdiction of the above-referenced action and over the parties personally until final performance of the Settlement Agreement stated herein. This includes tolling of any applicable statute, rule or court order affecting timely prosecution of this action, including the 5-year dismissal statute and the 10-year statute of limitations under Government Code section 12596. The Court shall retain jurisdiction as the ends of justice may require for the purpose of enabling any party to this Settlement Agreement to apply to the Court at any time for such further orders and directions as may be necessary or appropriate including, but not limited to, the following: (a) the construction or carrying out of this Settlement Agreement, (b) to apply at any time for enforcement of any provisions of the Settlement Agreement, and (c) the punishment of any violations of the Settlement Agreement. This Settlement Agreement shall be enforceable under Code of Civil Procedure section 664.6.

3. Buckberg shall pay to LB the amount of $140,000. Payment of this amount shall be at the time the Settlement Agreement is fully executed. These funds shall be restricted for use by

LB for program expenditures and shall not be used for litigation expenses of any type, including, but not limited to, attorneys' fees.

4. LB shall make no grants nor provide any funding that, directly or indirectly, support any research by Buckberg and/or any former, current, or future director or officer of LB including, but not limited to, any entity in which Buckberg, or any former, current, or future director or officer has a financial interest.

5. LB agrees to retain a consultant to create and implement a grant-making review process that complies with 26 C.F.R. section 53.4945-4. The grant-making procedures developed by the consultant shall be submitted to the Internal Revenue Service for review and approval. A copy of the grant-making review process, procedures and policies, together with proof of approval of said process, procedures and policies by the Internal Revenue Service, shall be provided to the Attorney General's office on or before March 1, 2010.

6. LB agrees to contract for board training, for each current and future board member, to be conducted by an expert in nonprofit governance. LB shall provide the Attorney General's Office with the name of the proposed expert prior to entering into a contract for training. On or before March 1, 2010, LB shall provide the Attorney General's Office with certification that such training has occurred and shall provide certification of training for each new board member elected to the board, up to and including March 2012.

7. On or before March 1, 2010, LB agrees to contract with a consultant, for the purpose of developing ethical policies and procedures and best practices including, but not limited to, a conflict of interest policy and to conduct strategic planning to develop LB's mission. LB shall provide the name of the proposed consultant to the Attorney General's Office prior to contracting for said services. On or before April 1, 2010, LB agrees to provide a copy of the consultant's report to the Attorney General's Office.

8. No later than December 1, 2009, LB's checkbook shall be transferred to and maintained by LB's Chief Financial Officer who shall, on or before December 1, 2009, execute new signature cards for each and every LB financial account. Each and every check written for an amount over $10,000 shall be signed by the Chief Financial Officer and one director, not including Buckberg. LB further agrees that, on or before December 1, 2009, its Chief Financial Officer shall remove Buckberg's name from any and all LB financial accounts and provide proof that such acts have occurred to the Attorney General's Office on or before December 1, 2009.

9. No later than December 1, 2009, LB shall remove Buckberg's name from the post office box currently used by LB and, by the same date, Buckberg shall turn over any and all keys or combination(s) thereto. If a combination is used, LB shall change the combination. On or before December 1, 2009, LB's Chief Financial Officer shall provide to the Attorney General's Office proof that such acts have occurred.

10. Buckberg may remain on the LB board of directors. Buckberg and LB agree, however, that he shall not serve as (a) the chairman of the board; (b) Chief Financial Officer; or (c) any other officer position of LB. Nor shall he provide similar duties and services as a de facto officer or chairman of the board.

11. LB agrees to add two (2) new and independent members to the board of directors by April 1, 2010, and to hold at least two (2) board meetings per calendar year. At all times, LB shall have no fewer than five (5) board members. Board meetings may be held telephonically, provided all persons participating in the meeting can interactively communicate and any such meeting complies with the statutory requirements of Corporations Code section 5211.

12. LB agrees that each and every new board member shall be elected by a majority of the members of the board of directors in accordance with applicable law.

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13. Defendants Buckberg, Athanasuleas, Paglia, Meyer, Saleh, and Offer shall issue a check(s) payable to the California Department of Justice for a total amount of $73,000 for attorneys' fees and costs incurred by the Charitable Trusts Section, pursuant to Government Code sections 12586.2 and 12598. The $73,000 payment shall be made at the time the Settlement Agreement is fully executed. These funds shall be used by the Charitable Trusts Section exclusively for the administration of the Attorney General's charitable trust enforcement responsibilities.

14. LB agrees to adopt bylaws that comply with the terms of this Settlement Agreement and to provide a copy of the bylaws to the Attorney General's Office on or before March 1, 2010. LB shall provide any and all amendments to the bylaws made through December 31, 2011, to the Attorney General's Office within thirty (30) days of board approval.

15. LB agrees to provide the Attorney General's Office with a copy of all board minutes and board resolutions for the fiscal years 2009, 2010, and 2011, on or before December 31 of each of those years.

16. LB agrees to keep financial books and records in accordance with GAAP including, but not limited to, a detailed general ledger that clearly sets forth LB's expenditures, together with bank statements and other financial records.

17. LB agrees to provide the following information concerning each and every grant made by LB for fiscal years 2009, 2010, and 2011 to the Attorney General's Office, on or before December 31 of each of those years: (a) the Grantee's name, address, and telephone number; (b) a copy of the Grant Agreement; (c) any and all correspondence between LB and the Grantee; and (d) a copy of all final reports received from the Grantee.

18. Upon proof of payment by Buckberg of the $140,000 to LB as specified in paragraph 3, and after the $73,000 payment to the California Department of Justice as specified in paragraph

13 is received by the Attorney General's Office and has cleared, the Attorney General will file within thirty (30) days a Request for Dismissal without prejudice as to all causes of action.

19. Neither the Settlement Agreement, nor any action taken pursuant to the Settlement Agreement, shall constitute admission of any wrongdoing, fault, violation of law, or liability by the Defendants.

20. The Settlement Agreement contains the entire agreement and understanding between the parties concerning the subject matter of this action and supersedes all other agreements of any kind concerning the subject matter of the Settlement Agreement. Each of the undersigned warrants that no promise or inducement has been offered to them except as set forth herein; that the Settlement Agreement are executed without reliance upon any statement or representation by any persons or parties, or their representatives, concerning the nature and extent of injuries and/or damages and/or legal liability thereof.

21. Each of the parties acknowledge that he, she or it has read the entire Settlement Agreement and understands it and, in addition, has had an opportunity to discuss the content with an attorney and make whatever investigation or inquiry that party may deem necessary or desirable in connection with the subject matter of the Settlement.

22. Each of the parties warrants that he, she or it is legally competent to execute the Settlement Agreement. The undersigned representative for LB certifies that he or she is fully authorized by LB to enter into the terms and conditions of the Settlement Agreement and to legally bind LB to the Settlement Agreement.

23. The Settlement Agreement shall be governed by the laws of the State of California.

24. The Settlement Agreement shall be binding upon the heirs, devisees, executors, affiliates, administrators, successors, assigns, officers, directors, trustees, executors, agents and employees of the parties hereto with respect to LB, while acting personally or through agents or

employees or through any corporation or other organization or entity whose acts, practices or policies are directed, formulated, controlled or permitted by the Defendants.

25. Each party shall bear its own attorney fees and costs unless otherwise stated herein.

26. The Settlement Agreement may be executed in separate counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one Settlement Agreement, binding all parties hereto notwithstanding that all of the parties are not signatory to the original or same counterpart, and shall be delivered to Tania Ibanez, Office of the Attorney General, 300 S. Spring Street, Los Angeles, CA 90013.

IT IS SO AGREED.

DATE: 12/4/09

EDMUND G. BROWN JR, Attorney General

_____

TANIA M. IBANEZ, Deputy Attorney General
Attorneys for the People of the State of California

DATE:

L.B. RESEARCH AND EDUCATION FOUNDATION, a California nonprofit public benefit corporation

By_____
Its Chief Executive Officer

DATE:

_____
GERALD D. BUCKBERG

DATE:

_____
CONSTANTINE ATHANASULEAS

DATE:

_____
DONALD PAGLIA

DATE:

_____
SALEH SALEHMOGHADDAM (ALSO KNOWN AS SALEH SALEH)

DATE:

_____
LAWRENCE F. MEYER, AKA LARRY MEYER

DATE:

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LOWELL OFFER

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Its Chief Executive Officer

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GERALD D. BUCKBERG

DATE: _____
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By_____
Its Chief Executive Officer

DATE: _____
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DATE: NOV. 11, 2009 Constantine Athanasuleas
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DATE: _____
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Its Chief Executive Officer

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DATE: 10-28-09 _____
LAWRENCE F. MEYER, AKA LARRY MEYER

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