



**DANIEL G. MURPHY**  
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Via Federal Express

February 18, 2016

Elaine Doerfling  
City of Hermosa Beach City Clerk  
1315 Valley Drive  
Hermosa Beach, CA 90254

Re: Presentation of Breach of Contract Claim, Pursuant to Cal. Gov. Code §§ 905, 910, 910.2  
and City of Hermosa Beach Municipal Code § 3.08  
*E & B Natural Resources Management Corporation v. The City of Hermosa Beach*

Dear Ms. Doerfling:

Loeb & Loeb LLP has been retained to represent E & B Natural Resources Management Corporation ("E & B" or "Claimant") in connection with its disputes with the City of Hermosa Beach ("City") arising out of the City's breaches of its March 2, 2012 Settlement Agreement and Release (the "Agreement") with E & B, Macpherson Oil Company and Windward Associates (together, "Macpherson"). Extensive and productive discussions towards settling the dispute have been underway since the Summer of 2015, including between counsel and the Parties directly.

Of positive significance, those discussions have led to an agreement to mediate the dispute, which is to occur in either April or May of 2016.

This letter, therefore, is being sent pursuant to Gov. Code § 911.2 *et seq.*, to formally notice and preserve all of E & B's legal rights arising from the dispute. Upon receipt of this claim letter, it is our understanding that the City has expressed a willingness to enter into a Tolling Agreement with E & B while the Parties endeavor to mediate the dispute, which our client would agree to.

To briefly summarize E & B's claim arising from the dispute, in March 2012, E & B entered into an Agreement with the City to settle the City's litigation with Macpherson. That Agreement provided that E & B would loan the City \$17.5 million to settle its litigation with Macpherson, and in exchange, the City would put the question of oil drilling to the City's electorate. That ballot measure did not pass, and thus, in accordance with the terms of the Agreement, the City "shall repay to E & B the full amount of the E & B Loan on commercially reasonable terms to be mutually agreed by the City and E & B."

However, the City (consisting of Mayor Peter Tucker, Mayor Pro Tem Nanette Barragan, and Councilmembers Carolyn Petty, Hany Fangary and Michael DiVirgilio between March and November 2015, and consisting now of Mayor Carolyn Petty, Mayor Pro Tem Hany Fangary, and Councilmembers Justin Massey and Jeff Ducios) has not agreed to repay its loan on



commercially reasonable terms, including reasonable interest from the date the loan was funded. Moreover, the City has taken the position that the term of the underlying lease to E & B of the City's maintenance yard that was to be used as an oil drilling site will expire in 2027 notwithstanding the *force majeure* event of the failure of the ballot measure.

E & B demands that the City agree to repay E & B's loan at a commercially reasonable interest rate, accruing from the date of funding of the loan in 2012. E & B further demands that the City acknowledge that the term of the underlying oil and gas lease will remain suspended so long as the existing *force majeure* event persists.

The claimant's address is 695 Rotterdam Industrial Park, Schenectady, New York, 12306. Please send notices regarding this claim to my attention, as counsel for Claimant, at the address below.

Daniel G. Murphy  
Loeb & Loeb LLP  
10100 Santa Monica, Blvd., Suite 2200  
Los Angeles, CA 90067

If this claim is rejected, or if no response is received, E & B will, pursuant to Cal. Gov. Code § 945.4, file an unlimited civil case in the Superior Court for the State of California, County of Los Angeles, seeking specific performance of the Agreement, damages, costs, attorneys' fees and declaratory relief.

This letter is not intended to be a complete statement of E & B's rights and is without waiver of any other claims or remedies E & B may have.

We look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel G. Murphy".

Daniel G. Murphy  
Partner and Chair, Litigation

Attorneys for Claimant  
E & B Natural Resources Management Corporation

cc: Michael Jenkins (Via Email)

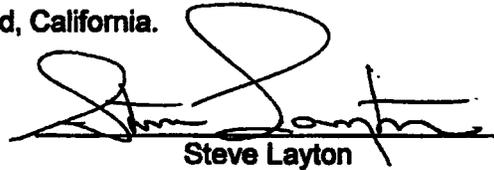
**VERIFICATION**

I, Steve Layton, declare as follows:

I have read the foregoing claim letter to the City of Hermosa Beach and know its contents.

I am authorized to make this verification for and on the behalf E & B Natural Resources Management Corporation. I am informed and believe that the matters stated in the foregoing claim letter are true and on that ground certify or declare under penalty of perjury under the laws of the State of California that the same are true and correct.

Executed on February 16, 2016, at Bakersfield, California.



Steve Layton