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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

FIRST SOUND BANK, a Washington Corporation, )

Plaintiff, )

v. )

LARASCO, INC., a Washington corporation; )  
LOUIS A SECORD, JR., an individual; and )  
RICHARD A. SECORD, an individual, )

Defendants. )

\_\_\_\_\_  
WASHINGTON FEDERAL SAVINGS, a )  
federally chartered savings association, )

Plaintiff-Intervener, )

v. )

FIRST SOUND BANK, a Washington )  
corporation; LARASCO, INC., a Washington )  
corporation )

Defendants-in-Intervention. )

No. C09-0056-TSZ

**FIRST AMENDED COMPLAINT OF  
WASHINGTON FEDERAL SAVINGS**

**JURY TRIAL DEMANDED**

1 For its first amended complaint against defendant First Sound Bank and Larasco, Inc.,  
2 plaintiff-intervener Washington Federal Savings alleges as follows:

3 **I. THE PARTIES**

4 1. Washington Federal Savings, ("WaFed") is a federally chartered savings  
5 association. WaFed has paid all fees and licenses and is authorized to maintain this suit. In  
6 about February 2008, WaFed acquired First Mutual Bank ("First Mutual") and is, therefore, the  
7 successor-in-interest to First Mutual.

8 2. First Sound Bank ("FSB") is a Washington corporation and a Washington state  
9 chartered bank.

10 3. Larasco, Inc. is a Washington corporation.

11 **II. THE NONPARTIES**

12 4. On or about March 1, 2008, FSB acquired the assets of Puget Sound Leasing Co.,  
13 Inc. ("PSL"), including the name "Puget Sound Leasing." FSB now operates a division known  
14 as Puget Sound Leasing. PSL was, at all times relevant to this action, a Washington corporation  
15 with its principal place of business located in Washington, and the stock of which is owned by  
16 Richard A. Secord and Louis A. Secord, Jr. On information and belief, PSL changed its name to  
17 Larasco, Inc. ("Larasco") contemporaneous with the asset sale to FSB. Upon information and  
18 belief, defendant Larasco is located in Washington, and its stock is owned by Richard A. Secord  
19 and Louis A. Secord, Jr. It is unknown whether Larasco is still engaged in the business of  
20 originating and servicing commercial equipment leases.

21 5. Louis A. Secord, Jr. is a natural person who, at all times relevant to this action,  
22 was and is a citizen and resident of Washington. Louis Secord was a shareholder, officer, and  
23 director of PSL and served as its president. Upon information and belief, Louis Secord was a  
24 member of the FSB Board of Directors from March 1, 2008 until January 12, 2009. Upon  
25 information and belief, Louis Secord is a shareholder, officer, and director of Larasco.  
26



1 institutions (sometimes hereinafter referred to as “Investor Banks”), such as First Mutual. PSL  
2 entered into agreements called “Program Agreements” with the Investor Banks. The Program  
3 Agreements set forth the terms under which the Investor Banks could purchase portfolios of  
4 lease payment streams from PSL. Under the Program Agreements, PSL retained responsibility  
5 for servicing the leases on behalf of WaFed and other Investor Banks: PSL would continue to  
6 collect the lease payments from customers and would forward the money due to the Investor  
7 Banks. PSL also retained certain rights under the leases, including the right to any residual  
8 payments and to collect certain fees from the customers.

9 13. A leasing company, such as PSL, can sell the lease payment streams at favorable  
10 prices to interested financial institutions, such as WaFed and the Investor Banks, if the leasing  
11 company demonstrates that the leases it originates are of high quality. Two important measures  
12 of lease quality are: (1) the firm’s delinquency rate (the percentage of leases that are delinquent  
13 at any given time), and (2) the value of its charge-offs (nonperforming leases written-off as bad  
14 debt). If there is a low delinquency rate and low charge-offs, financial institutions, such as First  
15 Mutual and WaFed, as well as the other Investor Banks, will pay a premium to buy the lease  
16 payment streams.

17 14. To induce First Mutual and WaFed (and other Investor Banks) to purchase lease  
18 payment streams from its lease portfolio, PSL represented that the delinquency rates on PSL’s  
19 leases were very low and for some periods less than 1%. For example, in discussions during  
20 2007 about purchasing lease portfolios, Louis Secord allegedly provided FSB management with  
21 an illustration showing that PSL’s delinquency rate had been below 1% every month since late  
22 2003—an extraordinary record. Similarly, FSB alleges that Louis Secord told FSB on numerous  
23 occasions that PSL’s charge-offs were “insignificant.”

24 15. Upon information and belief, Louis Secord also boasted about PSL’s accounting  
25 and management practices. Louis Secord told FSB that he and his brother were both former  
26 bankers at Seattle-First National Bank and that he served on the board of Issaquah Bank. Louis

1 Secord told FSB management that PSL was “run like a bank” and “reported like a bank.” Based  
2 upon these representations, PSL was so successful in selling lease payments streams to First  
3 Mutual, and other Investor Banks, that by mid-2007 PSL serviced over 9,000 individual leases,  
4 the payment streams to which were largely sold to Investor Banks. For First Mutual and WaFed  
5 alone, between 2004 and 2008, PSL and/or FSB sold and serviced a significant number of lease  
6 payment streams in nine separate lease pools worth in excess of \$30 million.

7 **B. The Lease Purchase Agreement Between WaFed And PSL.**

8 16. First Mutual and PSL entered into a Program Agreement dated June 8, 2004  
9 (“Program Agreement”), a copy of which is attached hereto as Exhibit A. Under the Program  
10 Agreement, PSL and/or FSB sold portfolios of secured commercial leases to First Mutual and/or  
11 WaFed, as well as other secured instruments. Specifically, PSL sold First Mutual a total of  
12 seven pools and also FSB sold WaFed two pools. Since March 2008, FSB has been servicing all  
13 nine of WaFed’s pools, which are more fully described in Exhibit B.

14 17. The Program Agreement contained explicit servicing standards, security  
15 requirements, default procedures relating to the leases, remarketing of equipment securing  
16 defaulted leases, as well as other relevant provisions set forth in the Program Agreement. In  
17 addition, the Program Agreement contained representations and covenants relevant to this action  
18 that PSL (and its successor FSB) would:

- 19 • Service the leases in a manner consistent with industry practices;
- 20 • Not modify, amend, or waive a lessee’s performance under any lease;
- 21 • Not sell or transfer leases subject to the Program Agreement;
- 22 • Maintain accurate books and records;
- 23 • Provide First Mutual (and its successor WaFed) with accurate financial  
24 statements;
- 25 • Provide First Mutual (and its successor WaFed) with accurate receivable  
26 aging/receivables statements; and

- Not assign any of its obligations under the Program Agreement without the prior written consent of First Mutual (and its successor WaFed).

18. As hereinafter alleged in greater detail, PSL and FSB breached the Program Agreement in a number of material respects.

**C. PSL's "Perfect-Pay" Policy.**

19. First Mutual purchased its first pool of leases from PSL in June 2004. Commencing with that pool and thereafter, PSL employed a "perfect-pay" policy under which First Mutual was paid all lease payments due under the Contracts whether or not the parties to the underlying leases were meeting their payment obligations.

20. PSL understood and expected that its policy and assurances of perfect pay would induce First Mutual to rate the pools more favorably – and First Mutual would pay a higher price for the pools – than if First Mutual were required to assume the liability and risks associated with defaults. PSL's demonstrated commitment to its perfect-pay policy further induced First Mutual to continue its participation in the program and to purchase additional pools. The result was that PSL enjoyed continued business, avoided the risk of a buyback demand, and took advantage of favorable terms made for supposed "low risk" investments, in addition to the tax benefits associated with the losses arising from adherence to its perfect-pay policy, which was a part of its business policies, practices, operations and the parties' course of conduct for more than a four-year period.

**D. FSB Purchases The Assets Of PSL.**

21. Upon information and belief, beginning in September 2004, PSL became a FSB customer, maintaining deposits at FSB and obtaining financing from the bank. Other close relationships existed between FSB and PSL. Richard Secord was one of FSB's largest shareholders and had been an FSB director since the bank's founding.

22. Upon information and belief, on September 24, 2007, FSB, PSL, and the Secords entered into an Asset Purchase Agreement (the "Asset Purchase Agreement"), under which FSB

1 purchased substantially all of the assets of PSL. Among the purchased assets were PSL's rights  
2 under most of the leases originated by PSL. The purchased assets also included PSL's inventory  
3 of repossessed equipment and the trade name "Puget Sound Leasing." The assets not sold to  
4 FSB were retained in PSL, which was renamed "Larasco," and the stock of which continued to  
5 be held by the Secords.

6 23. The Asset Purchase Agreement between FSB and PSL indicates that as payment  
7 for the assets purchased pursuant to the Asset Purchase Agreement, FSB conveyed to PSL: (1)  
8 437,500 shares of First Sound Bank stock (valued at \$6,278,125), (2) \$4,500,000 in cash, (3) an  
9 agreement to make certain future payments (contingent upon the earnings of the purchased  
10 assets), (4) a Consulting Agreement with Richard Secord and an Employment Agreement with  
11 Louis Secord, and (5) other valuable consideration.

12 24. The Asset Purchase Agreement clearly shows that among the assets purchased  
13 from PSL by FSB were all or virtually all of leases to which First Mutual had purchased lease  
14 payment streams at the time of the closing of the purchase on March 1, 2008, to which leases  
15 WaFed was the successor-in-interest. The sale by PSL was made without the prior written  
16 consent of WaFed and was in violation of the Program Agreement.

17 25. According to the allegations of the Secords filed in federal and state court  
18 proceedings, between the signing of the Asset Purchase Agreement in September 2007 and the  
19 closing of the purchase on March 1, 2008, FSB was provided unfettered access to the books and  
20 records of PSL. During that time, FSB conducted extensive due diligence with respect to PSL  
21 and its leasing business, and it appeared to be satisfied with the nature and manner in which PSL  
22 conducted its business. Among the practices that FSB and WaFed later became aware of was  
23 PSL's practice of selling repossessed equipment without providing WaFed of notice of the  
24 default of the particular lease. Even when there was a default and sale of the repossessed  
25 equipment, PSL and later FSB would not establish a loss on its financial statements or place the  
26 defaulted lease on the delinquency report. Nor did PSL or later FSB indicate that there was a

1 change in equipment inventory or provide First Mutual and later WaFed with notice that the  
2 equipment had been sold. Instead, PSL and later FSB would apply proceeds from the sale of  
3 repossessed equipment to future lease payments due under the terms of the lease. In doing so,  
4 the leases appeared to be paying the lease according to its terms, when in fact the lessee had long  
5 since defaulted and the lease had been terminated. This false and misleading information gave  
6 WaFed the incorrect perception that the leases were performing according to their terms, when in  
7 fact they were not.

8 **E. Undisclosed Lease Delinquencies.**

9 26. Upon information and belief, after the closing of the asset sale, FSB named Louis  
10 Secord as President of FSB's new Puget Sound Leasing Division (the "Leasing Division") and  
11 appointed him to FSB's board. As an officer of the Leasing Division and as a director of FSB,  
12 Secord continued to manage the Leasing Division on behalf of FSB in much the same manner  
13 that the Secords had managed PSL prior to the asset sale to FSB. According to allegations of  
14 FSB filed in federal court, developments over the following months raised questions concerning  
15 PSL's leasing operations.

16 27. According to allegations by FSB, after the closing of the asset sale FSB's CFO,  
17 Jan Gould, discovered that payments made in March 2008 to Investor Banks for payoffs and  
18 charge-offs accrued in February exceeded the corresponding cash flows collected from lessees  
19 that month by approximately \$1 million. Larasco had reimbursed FSB only \$447,000, leaving a  
20 shortfall of \$400,000. Gould was concerned because the Secords had failed to disclose this and  
21 because the \$1 million shortfall was inconsistent with PSL's past reported charge-offs of only  
22 \$229,000 for the entire year of 2006. According to FSB, when Gould confronted Louis Secord  
23 about this, he initially refused to make up the shortfall. When other members of FSB  
24 management later raised the issue, however, Louis Secord agreed to reimburse FSB.

25 28. Then, in June or July 2008, (the same period when FSB was selling Pool No. 9 to  
26 WaFed) after a review of the Leasing Division's performance for its first quarter as part of FSB,



1 Gould made an additional discovery—about \$2 million of leases on the Leasing Division’s  
2 books were more than 180 days overdue and had to be charged off as nonperforming. The great  
3 majority of these leases had been delinquent either at closing or in the four months following  
4 closing. Gould told Louis Secord that the leasing Division was required to immediately charge  
5 off all accounts over 180 days overdue, as required by generally accepted accounting principles.  
6 When this was completed, the Leasing Division’s second-quarter charge-offs were \$2,085,000—  
7 almost ten times PSL’s reported charge-offs for the entire previous year.

8 29. According to FSB, the Secords did not dispute that the delinquent leases had to be  
9 charged off, and they initially told FSB management that they would take responsibility for the  
10 losses. At an FSB board meeting, Louis Secord allegedly told the Board that he would “make  
11 the bank whole” for these losses. To reflect this commitment, the Secords and Larasco entered  
12 into an agreement (the “Clarification Agreement”) on July 26, 2008, which stated that the  
13 Secords would cover the losses associated with the delinquent leases. As part of the Clarification  
14 Agreement, FSB agreed to provide the Secords and Larasco with a \$2 million line of credit to  
15 help them finance the reimbursement. Apparently, the Secord’s have since disclaimed this  
16 commitment, contending the Clarification Agreement is unenforceable.

17 **F. The Secords’ Fraudulent Conduct.**

18 30. According to allegations by FSB, in late October 2008, FSB management learned  
19 that Louis Secord had modified the September reports issued to Investor Banks, including  
20 WaFed, to remove information about delinquencies of more than 90 days in their portfolios. On  
21 November 19, 2008, FSB relieved the Secords of authority for the Leasing Division and  
22 appointed Steve Shaughnessy to act as the Leasing Division’s president.

23 31. Shortly after FSB removed the Secords, long-term PSL employees began  
24 voluntarily coming forward to members of FSB management with disclosures of fraud in the  
25 course of running PSL’s business. These practices are summarized in affidavits of PSL  
26 employees previously filed by FSB in this action. FSB also submitted the declaration of John

1 Deane, allegedly an expert in leasing, and Paul Sutphen, a forensic accountant and fraud  
2 examiner. As explained by Mr. Deane in a declaration filed there, the practices described by the  
3 PSL employees are “not consistent with accepted equipment leasing/lending industry standards,”  
4 are “so egregious that [they] represent fraudulent business practices,” and causes the  
5 overvaluation of PSL’s assets and profitability. These business practices are alleged by FSB to  
6 include the following:

7 **a. False And Misleading Lease Delinquency Rates.**

8 31. Jennifer Wright, PSL’s Assistant Vice-President and Administration Officer, was  
9 the PSL employee principally responsible for accounting for PSL’s delinquency rate. As set  
10 forth in a declaration filed in this action, Ms. Wright summarizes PSL’s practices as:

11 Louis Secord, Steve Twidwell, and other regularly impressed upon me the  
12 importance to PSL’s business of ensuring that the delinquency rate (the  
13 percentage of leases that were delinquent at any given time) shown on PSL’s  
14 accounting reports was less than 1%....

15 During the period before FSB purchased PSL’s assets, PSL manipulated its  
16 accounting records to artificially maintain a reported delinquency rate of 1%  
17 or lower. Louis Secord, Richard Secord, and Steve Twidwell regularly told me  
18 to take steps, which are specifically described below, that made delinquent leases  
19 on PSL’s accounting system appear as if they were not delinquent, artificially  
20 decreasing the reported delinquency rate.

21 32. Ms. Wright’s statement and the practices she describes are allegedly corroborated  
22 by her co-workers, Theas St. Pierre and Tammy Kady, who also performed accounting functions  
23 for PSL.

24 **b. Fictitious Lease Payments.**

25 33. According to declarations filed by FSB, beginning in about 1998, PSL  
26 management regularly instructed its accounting employees (Ms. St. Pierre and Ms. Wright) to  
post fictitious payments to lessees’ accounts, falsely making it appear as if the leases were  
performing when, in fact, they were in default. Ms. St. Pierre explains:

Soon after Steve Twidwell joined PSL in about 1998, Mr. Twidwell told me to  
to make an entry showing that a lease payment had been received, when in fact

1 it had not. This made me uncomfortable because I believed it was wrong to make  
2 a false entry in the accounting system. Mr. Twidwell and I "butted" heads" over  
3 this issue, but he insisted that I make the entry. I then raised this issue with  
4 Richard Secord, who directed me to Louis Secord. I told Louis Secord that I was  
5 not comfortable posting false payments on the system. Louis Secord told me that  
6 I should make the entry, and that if I refused to do so, PSL "would find someone  
7 who would." I could not afford to lose my job, so I followed Mr. Twidwell and  
8 Louis Secord's instructions.

9  
10 After this incident, Mr. Twidwell would give me a list of accounts each month  
11 for which he wanted me to post payments, when in fact no payment had been  
12 received on the account. He referred to these accounts as "runoffs." I posted  
13 false "runoff" payments each month until 1999, when Jennifer Wright took  
14 over a number of my responsibilities, including this one.

15  
16 34. This practice continued after Jennifer Wright replaced Ms. St. Pierre, and up until  
17 the time of the asset sale. According to Ms. Wright, "[o]n a monthly basis, Louis Secord or  
18 Steve Twidwell would tell me to post false payments to make delinquent accounts appear as if  
19 they were currents." These fictitious payments were often posted to accounts where the client  
20 had gone bankrupt or dissolved, when it was clear that no further lease payments prevented the  
21 account from appearing as part of PSL's monthly delinquency rate.

22  
23 **c. "Pay Ahead" Leases.**

24  
25 35. PSL further suppressed its delinquency rate by allegedly using the proceeds of  
26 reposed equipment to "fund" delinquent leases. Equipment leases are generally secured by the  
leased equipment. When the lessee defaults on a lease, leasing companies typically repossess  
and then sell the collateral. At this point, because of the default, lease accounting principles  
dictate that the defaulted lease be "charged off," that is, taken off the books, and the loss  
associated with the default recognized. The proceeds of the repossessed property are used to  
offset the loss associated with the charge off. This accounting treatment accurately reflects that  
the lease is no longer performing, unsecured, and unlikely to produce future lease payments.

36. Unlike other leasing companies, PSL used the proceeds from repossessions to  
make delinquent leases appear current on its books. According to PSL employee Tammy Kady:

1 When a PSL customer defaulted on a lease, PSL acted quickly to repossess  
2 the leased equipment. PSL often applied the proceeds of the sale of the  
3 equipment toward future payments on the lease. This would prevent the  
4 account from appearing delinquent on PSL's monthly reports. The proceeds  
5 from the repossession were sometimes sufficient to "fund" the lease payments  
6 for as long as two years, allowing PSL to prevent the account from appearing  
7 to be delinquent for that period of time....PSL's practice of "paying ahead"  
8 leases misrepresented the status of defaulted, unsecured leases by falsely  
9 making them appear current.

10 37. Sometimes the collateral sale would generate enough money to make the account  
11 appear "current" for as long as two years after the lessee defaulted. In this action, FSB alleges  
12 that it has now identified approximately \$1.9 million worth of "paid ahead" delinquent leases  
13 that falsely appeared current on PSL's books at the time FSB purchased PSL's assets.

14 **d. Applying Security Deposits To Delinquent Payments.**

15 38. PSL's lease agreements required customers to provide PSL with security deposits,  
16 typically in the amount of two monthly payments. Under PSL's lease agreements, PSL was  
17 entitled to the forfeiture of the security deposits if the lessee defaulted on the lease. As  
18 Mr. Deane explained in his declaration filed in this action, "the appropriate and industry standard  
19 manner for dealing with such leases would be to report them as delinquent" and stop accruing  
20 income on the lease. The captured security deposit is used to offset the loss when the lease is  
21 charged off.

22 39. PSL allegedly used these security deposits to make delinquent accounts appear  
23 current. As explained by PSL employee Jennifer Wright, when an account became delinquent,  
24 "Steve Twidwell would direct me to cause the security deposit to be forfeited and applied to past  
25 due (delinquent) payments on the lease. This would prevent these leases from appearing as  
26 delinquent on the month's report." According to FSB's forensic expert, the effect was to  
"artificially and incorrectly inflate revenue" and "cause the misstatement of the actual delinquent  
and charge-off performance."

1           **a.       Backdating Lease Payments.**

2           40.       According to allegations of FSB in this action, PSL further reduced its reported  
3 delinquency rate by backdating lease payments received after their due date. PSL would leave  
4 its books open at the end of each month and then, as Ms. Wright was instructed, “backdate” the  
5 payment to make it appear as if it had been received on time. This backdating prevented the  
6 account from contributing to that month’s delinquency rate.

7           **a.       Extending Lease Payments.**

8           41.       According to Jennifer Wright’s declaration filed in this action, PSL also disguised  
9 delinquent accounts by giving “extensions” to customers, sometimes without the lessee’s request  
10 or knowledge. Louis Secord would instruct Ms. Wright to extend the terms of the lease by  
11 adding the delinquent payments to the end of the lease. Ms. Wright explained: “For example, if  
12 a lease set to terminate in January, 2010 was three months overdue, Louis Secord would instruct  
13 me to re-set the term to expire in April, 2010, effectively changing the status of the payment  
14 from an overdue payment to a payment due in the future.” This caused a further artificial  
15 reduction in the delinquency rate.

16       **G.       WaFed Purchased Two Pools Directly From FSB Under The Program Agreement.**

17           42.       Shortly after FSB purchased PSL’s assets, FSB proceeded to sell Lease Pool  
18 No. 8 to WaFed. As part of the agreement for the purchase and sale of this pool, FSB agreed to  
19 abide by all of the terms and conditions of the Program Agreement.

20           43.       FSB then asked WaFed if it would purchase Lease Pool No. 9. On May 29, 2008,  
21 representatives of WaFed met with personnel from FSB to discuss whether and to what extent  
22 FSB would continue to honor the business practices and perfect-pay policy that PSL had  
23 employed over the past four-year period. FSB’s Chairman and CEO, Don Hirtzel, along with  
24 Lou Secord, Doug Blair and Steve Shaunessy of First Sound, all attended that meeting. FSB  
25 repeatedly assured WaFed that PSL’s perfect-pay policy would not change and would continue  
26 under FSB’s ownership of PSL.

1           44.     WaFed requested a letter confirming First Sound's stated commitment to PSL's  
2 perfect-pay policy. In a letter dated June 6, 2008, First Sound reiterated that the long  
3 relationship that existed with PSL "will remain with the Bank" and that the administration and  
4 service of the loans "is anticipated to operate as it has in the past under the former Puget Sound  
5 Leasing Company, Inc." FSB also said that "it has been the Company's policy, but not its  
6 obligation, to continue the payment of the lease stream to the purchaser, even if the lease is  
7 nonperforming."

8           45.     On or about June 27, 2008, and in reliance on the repeated oral and written  
9 assurances that FSB was committed to honoring PSL's perfect-pay policy, WaFed and FSB  
10 executed the Security Agreement for the purchase and sale of Lease Pool No. 9. The June 27,  
11 2008 Security Agreement, like all of the prior eight Security Agreements, included express  
12 covenants requiring PSL to abide by all of the representations, warranties and covenants  
13 contained in the Program Agreement, including those in Sections 4 and 6. See Security  
14 Agreement § 3, attached hereto as Exhibit C. At no time during the discussions relating to the  
15 purchase of Pool No. 9 did any one at FSB indicate that either PSL and/or FSB had engaged in  
16 accounting irregularities. On the contrary, FSB warranted and represented that the financial  
17 information provided conformed with Generally Accepted Accounting Principles.

18           46.     On September 29, 2008, only three months after the closing of Pool No. 9, Lou  
19 Secord of First Sound called Ron Werth of WaFed to inform WaFed that First Sound would no  
20 longer honor its perfect-pay policy, notwithstanding the oral and written assurances previously  
21 made to WaFed. This call was extremely disappointing to WaFed, which had trusted that First  
22 Sound would honor PSL's perfect-pay policy, as represented.

23           47.     The next day, on September 30, Mr. Secord wrote a letter to Ron Werth of WaFed  
24 informing Mr. Werth that PSL had advanced payments of \$104,278.62 during the past quarter  
25 and stating that "this amount will be deducted from the October payment stream."  
26

1           48.     Mr. Secord further noted that there were leases over 90-days delinquent, stating:  
2     “As a condition of the servicing agreement, further collection action will require your input as  
3     the additional expenses thereon will be borne by First Mutual Bank once authorized.”

4           49.     Also on September 30, Ron Werth and Rick Collette of WaFed met with  
5     Mr. Hirtzel, Mr. Secord and Mr. Shaunessy to discuss FSB’s change in policy. At that meeting,  
6     WaFed asked FSB to repurchase the portfolios. On October 3, 2008, Mr. Collette of WaFed  
7     wrote Mr. Hirtzel of First Sound to request again that FSB repurchase the portfolios and rethink  
8     a change to PSL’s long-standing policy and practices.

9           50.     On October 14, 2008, FSB responded to Mr. Collette that FSB would not  
10    repurchase any of the Contracts. FSB also reaffirmed FSB’s position that WaFed is liable for a  
11    portion of the collection costs.

12          51.     On information and belief, FSB then laid off a significant portion of its collection  
13    staff, further altering the manner in which PSL services accounted and operated its business. In  
14    addition, FSB stated that it would only pay for efforts to collect delinquent accounts for a period  
15    of ninety days. Far from honoring PSL’s established perfect-pay policy, FSB is no longer  
16    honoring lease payments and is attempting to shift the collection costs to WaFed.

17    **H.     The State Court Litigation.**

18          52.     PSL and/or FSB’s conduct constitute “Events of Default” within the meaning of  
19    Section 12(a) of the Program Agreement. As such, FSB is obligated under Section 12(b) of the  
20    Program Agreement to buy back the pools once WaFed elects this remedy.

21          53.     On or about November 7, 2008, WaFed provided written notice to FSB  
22    demanding, under Section 12(b)(i) of the Program Agreement, that FSB repurchase all of the  
23    Contracts for cash for the cumulative Repurchase Price of all such Payment Streams within ten  
24    (10) days from the date of deemed service of WaFed’s written notice. A copy of this demand is  
25    attached to this Complaint as Exhibit D.

1           54.     Notwithstanding the November 7, 2008 demand attached as Exhibit D, FSB failed  
2 to comply with the Notice and did not buyback the loans as required by the Program Agreement.

3           55.     On November 7, 2008, WaFed sued FSB in King County Superior Court by  
4 serving FSB with a summons and complaint. WaFed amended its complaint and formally filed  
5 the action on December 23, 2008, under Cause No. 08-2-43530-0SEA. Shortly after the filing of  
6 WaFed's lawsuit against FSB, FSB filed an action against WaFed, Larasco, and the other  
7 Investor Banks in King County Superior Court, under Cause No. 08-2-43555-5SEA. Both state  
8 court lawsuits are currently pending.

9 **I.     Discovery of PSL and FSB's Fraud.**

10          56.     Although WaFed was aware of various Events of Default at the time WaFed  
11 commenced its state court action against FSB, the extent of the breaches and the fraud was  
12 unknown to WaFed.

13          57.     After FSB purchased virtually all of PSL's assets, the Secords became officers of  
14 FSB and were appointed managers of the "Puget Sound Leasing Division," and as officers of  
15 FSB, the Secords continued the false, misleading, and fraudulent leasing practices alleged above.  
16 Although FSB now says it did not know of the fraudulent practices that the Secords were  
17 engaged in, FSB is fully responsible for the conduct of the Secords when they were directors and  
18 officers of FSB and the Leasing Division. Further, FSB is similarly liable for all of the  
19 representations and warranties, and other the other obligations assumed by FSB, at the time FSB  
20 sold Pool Nos. 8 and 9 to WaFed. And having assumed the benefits of the Program Agreement,  
21 FSB cannot deny the liabilities of that agreement.

22          58.     Even after the Secords were terminated in Fall 2008 as FSB directors, officers,  
23 and/or employees, FSB did not notify WaFed of the false, misleading, and fraudulent leasing  
24 activities in which the Secords were engaged. Only through reviewing pleadings filed by FSB in  
25 this litigation has the extent of the fraud been revealed.



1  
2 **V. FIRST CAUSE OF ACTION: DECLARATORY JUDGMENT**

3 59. WaFed realleges and incorporates each and every allegation contained in the  
4 preceding paragraphs.

5 60. WaFed is entitled to a declaratory judgment pursuant to the Washington  
6 Declaratory Judgment Act. WaFed entered into the Program Agreement with PSL. PSL has  
7 now transferred to FSB and/or Larasco virtually all of its obligations under the Program  
8 Agreement.

9 61. WaFed seeks a declaration that FSB is not entitled to a rescission of its Asset  
10 Purchase Agreement with PSL and Larasco. WaFed further seeks a declaration that First Sound  
11 and/or Larasco have breached the Program Agreement and are obligated to buy back the Lease  
12 portfolios.

13 **VI. SECOND CAUSE OF ACTION: BREACH OF CONTRACT**

14 62. WaFed realleges and incorporates each and every allegation contained in the  
15 preceding paragraphs.

16 63. The facts alleged above, including the failure to buyback the leases, constitute  
17 breaches of the Program Agreement by First Sound and/or Larasco.

18 64. WaFed has been actually and proximately damaged by the breaches of the  
19 Program Agreement in an amount to be proven at trial.

20 **VII. THIRD CAUSE OF ACTION: SPECIFIC PERFORMANCE**

21 65. WaFed realleges and incorporates each and every allegation contained in the  
22 preceding paragraphs.

23 66. The Program Agreement required buyback of the leases upon default following  
24 10-days written demand.

25 67. The Court should award specific performance in favor of WaFed and should order  
26 First Sound and/or Larasco to buyback the leases as required by the parties' contract.

1                   **VIII. FOURTH CAUSE OF ACTION: PROMISSORY ESTOPPEL**

2           68.     WaFed realleges and incorporates each and every allegation contained in the  
3 preceding paragraphs.

4           69.     WaFed reasonably relied upon the representations, promises and assurances of  
5 PSL and First Sound regarding the financial condition of PSL, the performance of the lease  
6 pools, and continuing to pay WaFed for the leases in the portfolios according to the perfect-pay  
7 policy.

8           70.     Despite these assurances by PSL and/or First Sound, including the promises made  
9 by First Sound prior to the purchase of Pool No. 9, First Sound has repudiated these promises  
10 and assurances and has failed to perform according to the perfect-pay policy.

11          71.     If First Sound were permitted to repudiate the assurances and promises WaFed  
12 would suffer injury.

13          72.     Under the doctrine of promissory estoppel, this Court should exercise its equitable  
14 powers binding First Sound and/or PSL to the promises and assurances made to WaFed,  
15 including the promises and assurances that WaFed would receive all of the income arising from  
16 the portfolios purchased under the Program Agreement.

17                                   **IX. REQUEST FOR RELIEF**

18           Washington Federal Savings respectfully requests that the Court grant the following  
19 relief:

20           A.     For declaratory judgment that that FSB is not entitled to a rescission of its Asset  
21 Purchase Agreement with PSL and Larasco and that First Sound and/or Larasco have breached  
22 the Program Agreement and are obligated to buy back the Lease portfolios of WaFed.

23           C.     Judgment against First Sound Bank and/or Larasco for specific performance  
24 and/or damages, together with an award of reasonable attorneys' fees and costs incurred by  
25 WaFed in connection with this action;

26           D.     For leave to amend freely this Complaint; and

1 E. For such further and other relief as this court deems just and equitable.

2 **DEMAND FOR JURY TRIAL**

3 Washington Federal Savings has previously demanded the right to a trial by jury for all  
4 causes and issues so triable.

5 DATED this 28th day of July, 2009.

6 FOSTER PEPPER PLLC

7  
8 /s/Neil A. Dial

9 Tim J. Filer, WSBA #16285

10 Neil A. Dial, WSBA #29599

11 Attorneys for Washington Federal Savings

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13 Seattle, WA 98101

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17 Email: [Dialn@foster.com](mailto:Dialn@foster.com)

1 **DECLARATION OF SERVICE**

2 The undersigned hereby certifies that on July 28, 2009 I electronically filed the attached  
3 document with the Clerk of the Court using the CM/ECF System which will send notification of  
4 such filing to the following parties who have appeared in this action as of today's date:

5 *Counsel for Plaintiff First Sound Bank*

6 C. Seth Wilkinson  
[swilkinson@yarmuth.com](mailto:swilkinson@yarmuth.com)  
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10 *Counsel for Defendants Larasco, Inc., Louis A Secord, Jr, and Richard A Secord*

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1 *Counsel for Intervenor Plaintiff Plaza Bank and Regal Financial Bank*

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3 *Counsel for Intervenor Plaintiff Cowlitz Bank*

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6 *Counsel for Third Party Defendant James H. Jackson*

7 Larry Setchell

8 lsetchell@helsell.com

9  
10 I also sent a copy of the attached document via U.S. Mail to the following:

11 *None required*

12 I DECLARE under penalty of perjury under the laws of the State of Washington that the  
13 foregoing is true and correct.

14 DATED July 28, 2009.

15 FOSTER PEPPER PLLC

16 /s/ Neil A. Dial

17 Tim J. Filer, WSBA #16285

18 Neil A. Dial, WSBA #29599

1111 Third Avenue, Suite 3400

19 Seattle, WA 98101

Attorneys for Plaintiff-Intervenor Washington

20 Federal Savings

21 Telephone: 206-447-4400

22 Facsimile: 206-447-9700

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EXHIBIT A

ORIGINAL

PROGRAM AGREEMENT

THIS PROGRAM AGREEMENT (the "Agreement") is entered into as of this 8th day of June 2004, by and between PUGET SOUND LEASING CO., INC., a Washington corporation ("PSL"), with its chief executive office or principal place of business located at 185 N. E. Gilman Blvd., Issaquah, WA 98027 and FIRST MUTUAL BANK, a Washington State Chartered Bank, with its chief executive office or principal place of business located at 400 108<sup>th</sup> Avenue NE, Suite 100, Bellevue, WA 98004.

RECITALS

- A. PSL is in the business of selling or leasing to various end-users certain items or types of equipment.
- B. Under the terms and conditions set forth herein, PSL wishes from time to time to sell to FIRST MUTUAL BANK, and FIRST MUTUAL BANK wishes from time to time to purchase from PSL, portfolios of payment streams under certain leases, installment sale contracts and other chattel paper arising out of such business.
- C. The purpose of this Agreement is to set forth the understandings and agreements of the parties with respect to the terms and conditions under which FIRST MUTUAL BANK will purchase certain portfolios of payments streams from PSL, PSL will sell to FIRST MUTUAL BANK such portfolios, and PSL will grant to FIRST MUTUAL BANK a first priority security interest in certain assets to secure payment of such payment streams.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions

The following terms, wherever used in this Agreement, shall have the meanings ascribed to them in this paragraph:

"Agreement" means this Program Agreement.

"Balance of Payments" of a Contract at any time means the total Payments due and to become due under the Contract from the date of sale of the Contract to FIRST MUTUAL BANK through the maturity date or last Payment date under the Contract.

"Business Day(s)" means any day other than a Saturday, Sunday or holiday on which banks are authorized to close in the State of Washington.

"Contract" means an eligible contract that is either a Lease or a Finance Agreement and shall include, in either case, a Schedule.

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"Contract Documents" means, with respect to any Contract, all documents connected therewith, and shall include, but not necessarily be limited to, all landlord waivers (if any) for all Equipment located on real property leased by the Obligor, mortgagee waivers (if any) for any Equipment that may be a fixture and is located on real property that is subject to a mortgage, all existing Obligor Guaranties, notes, certificates of inspection and acceptance, security agreements, titles to equipment, financing statements and any existing opinions of counsel.

"FIRST MUTUAL BANK" shall have the meaning assigned to that term in the preamble.

"Debt" means all consolidated obligations, on a GAAP basis, included in the liability section of a balance sheet of PSL including, without limitation and without duplication of such amounts, and regardless of whether such items would otherwise not be shown on the liability side of a balance sheet:

(i) Guaranties. All obligations guaranteed or assumed by PSL, directly or indirectly in any manner, or endorsed (other than for collection and deposit in the ordinary course of business) or discounted by PSL with recourse, including all debt guaranteed by PSL through any agreement, contingent or otherwise;

(ii) Contingent Reserves. The aggregate amount of reserves established on the books of PSL with respect to contingent liabilities (except reserves which are properly treated as deductions from assets);

(iii) Leases. All obligations for the payment of money or other property pursuant to capital leases under which PSL is leasing real or personal property; and

(iv) Partnership Debts. All obligations of any partnership or joint venture of which PSL is a member, if PSL is legally liable for such obligations.

"Discount Rate" means the rate of interest at which FIRST MUTUAL BANK will discount to present value the Payment Stream scheduled to be paid by an Obligor under a Contract, which rate shall be provided by FIRST MUTUAL BANK to PSL in accordance with the terms of this Agreement.

"Eligible Contract" means a Contract assigned to FIRST MUTUAL BANK which meets all of the requirements set forth in Section 5.

"Equipment" means the personal property financed or leased by PSL under a Contract, together with all accessories, attachments, accessions, parts, repairs and upgrades now or hereafter affixed thereto or used in connection therewith and included under the terms of the Contract and all proceeds thereof, and includes Equipment substituted for the original Equipment financed or leased under the Contract.

"Finance Agreement" means an installment sale contract or other chattel paper under which PSL sells or finances the sale of Equipment to an Obligor(s).



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"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States and as consistently applied by PSL.

"Intangibles" means all intangible assets under GAAP, including, without limitation, trademarks, trademark rights, trade names, copyrights, patents, patent rights, goodwill, royalties, licenses, permits, claims, causes of action, unamortized debt, discounts, marketing expenses, and deferred research and development costs, and excluding goods, accounts, chattel paper, documents, instruments, and money.

"Lease" means any lease or chattel paper under which PSL leases Equipment to an Obligor(s).

~~PSL, First Mutual Bank, Seattle, Washington~~

"Obligor" means any party obligated to remit the Payments and perform obligations under a Contract, including without limitation, any guarantor, co-lessee or surety. The term "Obligor" does not include the lessor or the vendor of the Equipment described in a Contract.

"Obligor Default" shall mean each of the following events:

(i) failure of an Obligor under any Contract to make a Payment within ninety (90) days of the due date of that Payment;

(ii) failure of any Obligor to perform any of its obligations considered material by FIRST MUTUAL BANK in its sole discretion under any Contract;

(iii) insolvency of any Obligor, inability of any Obligor to pay its debts as they mature, the making by any Obligor of an assignment for the benefit of creditors, or institution of any proceeding by or against any Obligor alleging that the Obligor is insolvent or unable to pay its debts as they mature if such proceeding is not withdrawn or dismissed within sixty (60) days after its institution;

(iv) entry of any final judgment against any Obligor remaining unsatisfied for a period of thirty (30) days if such judgment is deemed by FIRST MUTUAL BANK to be a material factor in the creditworthiness of the Obligor;

(v) death of any Obligor who is a natural person or of any general partner of any Obligor which is a partnership, or any member of any obligor which is a limited liability corporation;

(vi) dissolution, merger, consolidation or transfer of a substantial part of the property of any Obligor which is a corporation, limited liability company, partnership or other entity, if such dissolution, merger, consolidation or transfer is deemed by FIRST MUTUAL BANK to be a material adverse factor in determining the creditworthiness of such Obligor; or

(vii) falsity in any material respect as of the date made in any statement, representation or warranty of any Obligor in connection with any Contract.

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"Obligor Guaranty" means any guaranty given to PSL (or under which PSL has rights) by any person or entity guaranteeing the payment and/or performance of a Contract purchased by FIRST MUTUAL BANK.

"Payment" means, with respect to each Contract, all monies due or to become due under that Contract, whether or not earned by performance, receivable by PSL pursuant to the Contract, including any insurance settlement; provided however, if such Contract is a Lease, Payment shall not mean (i) any amounts payable by the lessee under an option to purchase the Equipment, if any, (ii) all taxes payable by the lessee under the terms of the Lease, (iii) insurance premiums required by the Lease to be paid by the lessee, and (iv) other expenses under the Lease for which PSL is entitled to reimbursement, such as UCC filing fees.

"Payment Settlement Date" shall have the meaning assigned to that term in Section 8(a).

"Payment Stream" means, with respect to any Contract, the aggregate amount of Payments payable under such Contract.

"Purchase and Security Agreement" shall have the meaning assigned to that term in Section 3(d).

"Purchase Price" means, as provided in Section 3(e), the amount to be paid by FIRST MUTUAL BANK to PSL to purchase the Payment Stream under a Contract, which amount shall be equal to the Balance of Payments discounted to present value at the Discount Rate.

"Portfolio" means the Payment Streams under a group of Contracts to be sold by PSL and purchased by FIRST MUTUAL BANK pursuant to a Purchase and Security Agreement. It is anticipated that the terms of such Payment Streams will be 36 to 60 months with the average term of each Portfolio approximately equal to 46 months.

"Repurchase Price" of a Payment Stream means, at any time, the present value of the Balance of Payments (based on FIRST MUTUAL BANK's records and taking into account all Payments received from PSL without regard to whether PSL has received the corresponding Payment from the Obligor) of such Payment Stream at that time, calculated using the Discount Rate used to determine the Purchase Price for such Payment Stream.

"Schedule" means, with respect to any Contract, any addendum or schedule attached to or executed in connection with such Contract and describing, among other things, the Equipment leased or financed under the Contract.

"Substitute Payment Stream" shall have the meaning assigned to that term in Section 11.

"Tangible Net Worth" means, all assets appearing on the consolidated balance sheet of PSL, on a GAAP basis, less, without limitation and without duplication of deductions, the sum of:

- (i) Debt;
- (ii) All reserves established by PSL for anticipated losses and expenses; and

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(ii) Net book value of all assets of PSL which are treated as Intangibles in accordance with GAAP.

"Transaction Package" means, with respect to each Contract, the documents and information required to be delivered to FIRST MUTUAL BANK by PSL as enumerated in Section 3(b) below.

2. Purchase

PSL may from time to time, in its sole discretion and in accordance with the terms of this Agreement, offer FIRST MUTUAL BANK the right to purchase certain Portfolios and FIRST MUTUAL BANK may, in its sole discretion and in accordance with the terms of this Agreement, elect to purchase or decline to purchase such Portfolios or the Payment Stream under any Contract included in such Portfolio.

3. Procedure

(a) Current Discount Rate. Upon inquiry, FIRST MUTUAL BANK shall provide PSL with the Discount Rate currently in effect, which Discount Rate will remain in effect for thirty (30) days.

(b) Initial Request. If PSL, in its sole discretion, wishes to sell a certain Portfolio to FIRST MUTUAL BANK, PSL shall submit to FIRST MUTUAL BANK a written request including the following documents and information with respect to each Contract included in such Portfolio:

(i) A copy, certified by a responsible officer of PSL to be full, true and complete, as applicable, of each Contract including the related Schedule, the Balance of Payments due thereunder, and all related Contract Documents, proposed to be assigned as security for payment by the Obligor of the Payments and all other amounts payable by the Obligor under the Contract, which Contract and Schedule shall be in substantially the form attached hereto as Exhibit A if such Contract is a Lease, or Exhibit B if such Contract is a Finance Agreement; provided, however, that if the Contract and Schedule have been modified or amended from the form attached hereto, the request shall be accompanied by a copy of the Contract marked to reflect the modifications thereto and a copy of any amendments thereto;

(ii) If PSL has pledged or granted a security interest in the Portfolio, any Contracts which comprise the Portfolio or the related Equipment, PSL shall notify FIRST MUTUAL BANK and identify the lender or lenders with such security interests; and

(ii) Such other documents as FIRST MUTUAL BANK may reasonably request.

(c) Purchase Approval. Upon receipt of PSL's request to sell a Portfolio, FIRST MUTUAL BANK shall make such inquiries with respect to the related Contracts and Equipment as FIRST MUTUAL BANK makes in its usual and customary approval process with respect to transactions of similar size and nature; provided, however, that FIRST MUTUAL BANK shall

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not contact any Obligor without the prior consent of PSL, except for such lease and equipment verifications as FIRST MUTUAL BANK may wish to conduct as part of its due diligence with prior notice to PSL. FIRST MUTUAL BANK shall make reasonable efforts to complete its review of the request and notify PSL whether FIRST MUTUAL BANK wishes to make the proposed purchase, all within five (5) Business Days following the last date on which FIRST MUTUAL BANK shall have received the request together with all other information reasonably required by FIRST MUTUAL BANK. If FIRST MUTUAL BANK is unwilling, in its sole and absolute discretion, to purchase such Portfolio or the Payment Stream under any Contract included in such Portfolio, FIRST MUTUAL BANK shall so notify PSL, and FIRST MUTUAL BANK shall be under no further obligation of any kind with respect to such Portfolio or Contract or with respect to PSL's request for the proposed sale. Failure on the part of FIRST MUTUAL BANK to notify PSL in writing of FIRST MUTUAL BANK's decision to approve or reject a purchase request shall be deemed a decision to reject such request. If FIRST MUTUAL BANK has notified PSL that FIRST MUTUAL BANK is willing to make the proposed purchase, FIRST MUTUAL BANK shall nevertheless not be obligated to make such a purchase unless and until all of the conditions set forth in this Agreement have been satisfied within the time periods, if any, set forth herein, including without limitation the condition that PSL shall have delivered a complete Transaction Package to FIRST MUTUAL BANK, and that FIRST MUTUAL BANK shall have approved the Transaction Package, in its sole discretion.

(d) Acceptance. Upon receipt of notice that FIRST MUTUAL BANK has approved a proposed purchase, PSL shall arrange to deliver to FIRST MUTUAL BANK, contemporaneously with payment of the Purchase Price (i) a fully executed original Payment Stream Purchase and Security Agreement in substantially the form attached hereto as Exhibit C (a "Purchase and Security Agreement"), transferring to FIRST MUTUAL BANK all of PSL's right, title and interest in and to the Payment Streams under all Contracts included in such Portfolio and a first priority security interest in, among other property described therein, the specific Equipment, Contract Documents, Contracts, and Schedules thereto and (ii) the sole original counterpart of each Schedule and fully executed original Contracts and Contract Documents included in such Portfolio; provided however, that if any original Schedules and Contracts or Contract Documents are in the possession of any of PSL's lender, then payment of the Purchase Price for such Schedules and Contracts shall be contingent upon compliance with the terms set forth in Section 3(e) of this Agreement, and (iii) Original Titles to vehicles and/or equipment (if applicable) with original lien holder released.

(e) Purchase Price. The Purchase Price for the Payment Stream under each Contract shall be equal to the Balance of Payments scheduled to be paid by the Obligor over the term of the Contract, discounted to present value at the Discount Rate, without regard to whether the Discount Rate is the same as or higher or lower than the effective rate offered by PSL to the Obligor.

FIRST MUTUAL BANK shall wire transfer to PSL or to PSL's designee the Purchase Price with respect to the Portfolio on a mutually acceptable closing date (each, a "Closing Date"). Notwithstanding the foregoing, if PSL has pledged or granted a security interest in the Portfolio, any Contracts or contract documents or the related Equipment to an interim warehouse lender or other creditor of PSL, PSL shall notify FIRST MUTUAL BANK thereof and shall deliver to FIRST MUTUAL BANK, at least one Business Day prior to the proposed Closing Date, and as a

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condition to payment of the Purchase Price thereof, (y) a written undertaking in form and substance acceptable to FIRST MUTUAL BANK from PSL's interim warehouse lender or other creditor certifying that upon receipt of the specified payoff amount, it will immediately release its security interest in and to the Portfolio, Contracts, contract documents, and/or related Equipment and deliver to FIRST MUTUAL BANK any original Contracts, contract documents and Schedules which are being purchased by FIRST MUTUAL BANK; and (z) instructions from PSL to pay such Purchase Price, or the specified payoff amount if less than the Purchase Price, directly to such interim warehouse lender or other creditor.

#### 4. Representations and Warranties

PSL represents and warrants that, as of the date of this Agreement, as of the date of execution of each Contract, contract documents, and Schedule, and as of the date of each Purchase and Security Agreement and Closing Date (each representation and warranty shall be considered as having been made concurrently with the sale of a Portfolio and any Contracts to FIRST MUTUAL BANK as an inducement to FIRST MUTUAL BANK to purchase the Portfolio and Contracts):

(a) PSL is a corporation duly organized, validly existing and in good standing under the laws of Washington, and is duly qualified and in good standing as a foreign corporation authorized to do business in each state or jurisdiction where such qualification is necessary, except where the failure to be so qualified will not have a material adverse effect on PSL's business or its ability to enforce any provisions of this Agreement, any contract, or contract document. No petition for relief under any chapter of the United States Bankruptcy Code, any analogous law of any state or foreign jurisdiction, or any liquidation, dissolution or winding up law has ever been filed by or against PSL.

(b) PSL has full power and authority: (i) to execute this Agreement, each Contract, each Schedule and each Purchase and Security Agreement; (ii) to perform PSL's duties and obligations thereunder; and (iii) to transfer to FIRST MUTUAL BANK all of PSL's right, title and interest in and to the Payment Streams under all Contracts, and to grant to FIRST MUTUAL BANK a first priority security interest in each Contract, each Schedule, the Contract Documents and the Equipment under each Purchase and Security Agreement. The execution, delivery and performance of this Agreement, each Purchase and Security Agreement, and each Contract and Contract Document does not and will not violate any provision of PSL's organizational documents or any indenture, contract, agreement or instrument to which it is a party or by which it is bound. PSL has taken all necessary corporate action to authorize the execution, delivery and performance of each Contract, contract document, each Schedule, each Purchase and Security Agreement, and this Agreement, and each Contract, contract document, each Schedule, each Purchase and Security Agreement, and this Agreement constitute the legal, valid and binding obligations of PSL, enforceable in accordance with their terms. PSL is not required to obtain the consent of any other party or any consent, license, approval or authorization from, or registration or declaration with, any governmental authority, bureau or agency in connection with the execution, delivery, performance, validity, enforceability, enforcement, sale or assignment of each Contract, contract document, each Schedule, each Purchase and Security Agreement, or this Agreement.

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(c) PSL has delivered to FIRST MUTUAL BANK copies of (i) PSL's most recent annual audited financial statements, prepared and certified by an independent firm of certified public accountants satisfactory to FIRST MUTUAL BANK, in conformity with generally accepted accounting principles applied on a consistent basis and presenting fairly PSL's financial condition as at such date, and the results of PSL's operations for the twelve (12) month period then ended and (ii) PSL's most recent quarterly financial statements, prepared in conformity with generally accepted accounting principles applied on a consistent basis and presenting fairly PSL's financial condition as of such date and the results of PSL's operations for the quarter then ended, certified as true and correct by PSL's chief financial officer. Since the date of the above-described financial statements there has been no material adverse change in PSL's financial condition.

(d) PSL has delivered to FIRST MUTUAL BANK a schedule of material litigation or governmental proceedings pending or threatened against PSL (including estimates of the dollar amounts involved). Other than any liability incident to the litigation or proceedings disclosed in such schedule, PSL has no contingent liabilities not provided for or disclosed in the annual audited financial statements referred to in Section 4(c).

(e) PSL has not within the past five years operated, nor is it now operating, under any trade name other than its true name, which is as specified in the preamble to this Agreement. The chief executive office and principal place of business of PSL is located at the address set forth in the preamble to this Agreement and has been at no other location during the past five years.

(f) On each Closing Date, PSL will have good and valid title to the Contracts described in the Purchase and Security Agreement, including the Balance of Payments due thereunder, and the Contract Documents and related Equipment, free and clear of all liens, claims, charges or other encumbrances, subject only to the interest of the lender or lenders disclosed to FIRST MUTUAL BANK pursuant to Section 3(b) of this Agreement. On each Closing Date, subject to paying to any prior secured lender the payoff amount pursuant to Section 3(b) hereof, FIRST MUTUAL BANK will receive good and valid title to the Payment Stream due under the Contracts described in the Purchase and Security Agreement, free and clear of all liens, claims, charges or other encumbrances of any nature whatsoever, and a first priority security interest in each contract, each schedule, the contract documents, and equipment under each Purchase and Security Agreement.

(g) PSL has complied with and will continue to comply with all material laws, rules, regulations and orders applicable to the operation of its business and the servicing of the Contracts and Contract Documents. PSL and its employees have all material governmental licenses and permits (federal, state and local) necessary for the conduct of PSL's business, and such licenses and permits are in full force and effect. PSL is not aware of any violations in respect of any such licenses or permits and no proceedings are pending or to PSL's knowledge threatened concerning the revocation or limitation of any such license or permit of PSL.

(h) PSL represents and warrants to FIRST MUTUAL BANK that, as of the date hereof and as of each Closing Date with respect to the Contracts and the related Payments Streams sold to FIRST MUTUAL BANK:

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(i) The Contracts and related Contract Documents delivered to FIRST MUTUAL BANK on or before the Closing Date constitute all of the documents relating to Contract, Contract Documents and related Equipment in the possession or control of PSL;

(ii) The Contracts and Contract Documents evidence the entire agreement between the parties thereto concerning the leasing or financing of the Equipment subject thereto;

(iii) The Contracts and Contract Documents are genuine and represent a valid and enforceable obligation of each Obligor under such Contracts and Contract Documents;

(iv) No event of default exists, and no event exists which, with the passage of time or otherwise, would constitute an event of default or other default under any Contracts or Contract Documents, except that a Payment due under any Contract may be past-due by less than thirty (30) days as of the Closing Date;

(v) All outstanding taxes levied or assessed against or with respect to each Contract, Contract Documents, or the Equipment described therein have been fully paid, other than taxes that are not yet due and payable or are being contested by the Obligor in good faith and by appropriate legal proceedings; and

(vi) The Contracts, Contract Documents, Payment Streams and Equipment shall conform to all of the eligibility requirements set forth in Section 5 from and after the Closing Date for each Contract, Contract Document or Portfolio.

(i) PSL recognizes and agrees that, notwithstanding any investigation, FIRST MUTUAL BANK is relying on the representations and warranties of PSL made herein.

## 5. Eligibility Requirements

In order for a Contract to be an Eligible Contract, all of the following must be true and correct with respect to the Contract, the Contract Documents, the Payments due under the Contract and the Equipment leased or financed under the Contract:

(a) The Contract and Contract Documents provide that the Obligor under the Contract and Contract Documents waives all defenses, setoffs, and counterclaims against the assignee of the lessor or vendor.

(b) The Contract and Contract Documents arise from a bona fide lease or sale of the Equipment described in the Contract and Contract Documents, and the Equipment is in all respects in accord with the requirements of the Contract and Contract Documents and has been delivered to and unqualifiedly accepted by the lessee or vendee thereunder.

(c) The Contract, Contract Documents and the related Equipment comply with all applicable laws and regulations (including, without limitation, interest/usury laws); the Contract and Contract Documents are genuine, valid, enforceable in accordance with their terms, accurately describe the related Equipment and the Payments due under the Contract, and are in all respects what they purports to be; the Contract, Contract Documents, the Payments due under the Contract, the related Equipment and all proceeds thereof are not subject to any lien, claim or

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security interest except the interest of the lessee or vendee of the Equipment and a lien on the Equipment, Contract, Contract Documents, Payments and all proceeds in FIRST MUTUAL BANK's favor; and the Contracts and Contract Documents are ones which FIRST MUTUAL BANK is and will continue to be authorized by law to purchase and hold.

(d) On each Closing Date for FIRST MUTUAL BANK's purchase of the Payment Stream under each and every Contract, PSL has, and thereafter shall have, except only for the interest of FIRST MUTUAL BANK therein pursuant to a Purchase and Security Agreement, (i) good title to the Contract, Contract Documents, the Payments due under the Contract, and each Obligor Guaranty related to the Contract, free of all liens, claims or security interests; (ii) good title to the related Equipment, subject only to the interest of the lessee or vendee thereof pursuant to the related Contract; and (iii) all legal power, right and authority to sell the Payment Stream under the Contract to FIRST MUTUAL BANK and to grant a security interest in the Contract, Contract Documents, and Equipment.

(e) On each Closing Date for the purchase of the Payment Stream under each and every Contract and upon execution and delivery of the Purchase and Security Agreement therefore, FIRST MUTUAL BANK shall have good title to the Payment Stream due under the Contract and a first priority perfected security interest in the Contract, the Contract Documents, the Equipment and each Obligor Guaranty related to the Contract, free of all liens, claims or security interests.

(f) All counterparts of the Contract, Contract Documents, and Schedule have been clearly marked to indicate that only one counterpart is the "Original" and assignable, and that original counterpart will be delivered to FIRST MUTUAL BANK at the time of FIRST MUTUAL BANK's purchase of the Payment Stream, and, in addition, all other counterparts shall be marked to indicate that the Contract, Contract Documents and Schedule have been assigned to FIRST MUTUAL BANK.

(g) At the time of PSL's initial written request and prior to FIRST MUTUAL BANK's purchase of the Payment Stream under the Contract, PSL has informed FIRST MUTUAL BANK in writing of all agreements (written or verbal) entered into in connection with the Contract and Contract Documents or otherwise related to or affecting the Equipment and fully executed copies (all original copies if requested by FIRST MUTUAL BANK) of all those agreements will be delivered to FIRST MUTUAL BANK prior to the Closing Date.

(h) Each party to the Contract, Contract Documents and any Obligor Guaranty has all the legal capacity, power and right required for it to enter into the Contract, Contract Documents or Obligor Guaranty and any supplemental agreements, and to perform their obligations thereunder; and each party has taken all necessary corporate/limited liability/partnership action and obtained all necessary governmental authorizations to authorize the execution, delivery and performance of the Contract, Contract Documents or Obligor Guaranty.

(i) On each Closing Date for the purchase of the Payment Stream under each and every Contract, no Obligor Default or event which, with the passage of time or giving of notice or both, would become an Obligor Default under the terms of the Contract or Contract Documents existed and PSL had no knowledge of any fact that may impair the Contract's or



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Contract Documents' validity and enforceability. On each Closing Date for the purchase of the Payment Stream under each and every Contract, no Payment due under the Contract or Contract Documents is thirty (30) or more days past-due. Since the origination of the Contract, PSL has not waived any default of the Obligor under the Contract or Contract Documents, nor has PSL advanced or forgiven any Payments or other amounts due and owing by the Obligor. The Obligor under each Contract or Contract Documents is not in default of any obligations owed by such Obligor to PSL under any other leases, guaranty agreements or financing contracts.

(j) There exist no setoffs, counterclaims or defenses on the part of any Obligor under the Contract, Contract Documents or any Obligor Guaranty to any claims against or obligations of any Obligor thereunder and PSL knows of no basis for any claim of setoff, counterclaim or defense by any Obligor.

(k) PSL has not done anything that might impair the value of the Contract, Contract Documents, any related Obligor Guaranty, the Equipment covered by the Contract or Payments due under the Contract.

(l) For all Contracts in which the Payment Stream is more than \$25,000 as of the Closing Date, (i) the Equipment covered by or the subject of the Contract shall be insured against loss or damage in the amount of the full insurable value of the Equipment, and the lessee or vendee shall provide a certificate naming PSL and its assigns as loss payee of all such insurance; (ii) the Contract shall require the lessee or vendee to maintain such other general liability insurance as is commonly maintained by companies similarly situated or as FIRST MUTUAL BANK may reasonably request. (iii) All leases for which the payment streams are sold to FIRST MUTUAL BANK are characterized as a true leases, leases intended as security, loan or other financing agreements, and PSL shall continue to file UCC's in order to continue the priority of its security interest.

(m) All taxes, assessments, fines, fees and other liabilities relating to the Contract, Contract Documents, the Payments due under the Contract, the related Equipment, or any related Obligor Guaranty have been paid when due, and all filings in respect of any such taxes, assessments, fines, fees and other liabilities have been timely made.

(n) None of PSL, the vendor or lessor of the Equipment is in default of any of PSL's or such vendor's or lessor's obligations under the Contract or Contract Documents arising by contract or imposed by applicable law, rule or regulation with respect to the Contract, Contract Documents and the related Equipment.

(o) The Contract, Contract Documents and any related Obligor Guaranty have not been, nor will be, altered, modified, changed or amended without FIRST MUTUAL BANK's prior written consent.

(p) On each Closing Date for the purchase of the Payment Stream under each and every Contract, no Payments or other amounts have been prepaid or repaid (or if partially repaid or prepaid, such payment is reflected in the statement of the Balance of Payments provided to FIRST MUTUAL BANK pursuant to Section 3(b)(i)) on the Contract except advance payments which are required by and disclosed in the Contract.

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(q) No Contract under which the Payment Stream is being offered for sale to FIRST MUTUAL BANK has been sold, transferred or assigned by PSL to any person or entity other than FIRST MUTUAL BANK.

(r) Each Contract, and the related Contract Documents were originated in the United States and are denominated in US dollars. The Equipment which is the subject of each Contract is located in the United States.

(s) Each Contract and the related Contract Documents contain provisions: (i) requiring the Obligor to assume all risk of loss or malfunction of the related Equipment; (ii) requiring the Obligor to pay all expenses in connection with the maintenance, repair, insurance and taxes related to the Equipment; (iii) makes the Obligor absolutely and unconditionally liable for all payments required to be made thereunder, without any right of setoff, counterclaim or other defense and without any right to prepay the Payments; and (iv) granting to the lessor a security interest in the Equipment in the event the transaction is deemed to be a secured lending transaction or sale of Equipment, rather than a true lease.

(t) PSL shall have taken or caused to be taken all steps necessary under the applicable law to perfect a valid, perfected, first priority security interest in and to the Equipment described in each Contract, in the event that the transaction under any such Contract is deemed to be a secured lending transaction (or any transaction other than a true lease).

(u) No Obligor has the right to prepay its obligations under any Contract or to terminate any Contract before the scheduled termination date as set forth in such Contract.

## 6. Covenants

Until the later of termination of this Agreement or until no further Payments are due and owing to FIRST MUTUAL BANK pursuant to any Contract under which the Payment Stream has been purchased by FIRST MUTUAL BANK under this Agreement, PSL agrees that it will:

(a) Furnish to FIRST MUTUAL BANK, within thirty (30) days after the end of each quarter, quarterly financial statements prepared in accordance with generally accepted accounting principles consistently applied and, annually within sixty (60) days after the end of each fiscal year, a copy of PSL's annual audited financial statements, with all notes thereto, and upon request, financial and operating statements and reports on the current operations and condition of PSL;

(b) Keep accurate books, records and accounts with respect to the Contracts, Contract Documents, Payment Streams and Equipment and permit FIRST MUTUAL BANK to examine PSL's books and records with respect thereto and make extracts therefrom and copies thereof at any reasonable time and from time to time, and PSL will furnish such information and reports to FIRST MUTUAL BANK regarding the Contracts, Contract Documents, Payment Streams and the Equipment as FIRST MUTUAL BANK may from time to time request or shall make such information and reports available to FIRST MUTUAL BANK at its request for examination and inspection at PSL's place of business during regular business hours upon delivery to PSL of notice at least two (2) business days prior to such inspection;

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(c) For all Contracts in which the Payment Stream is more than \$25,000 as of the Closing Date, maintain or cause the lessees or vendees under such Contracts to maintain the insurance requirements set forth in Section 5(l), and PSL will upon request by FIRST MUTUAL BANK deliver from time to time to FIRST MUTUAL BANK certificates of insurance for the coverages and in the amounts required pursuant to this Agreement and the Contracts;

(d) Make or cause to be made all filings in respect of, and pay or cause to be paid when due, all taxes, assessments, fines, fees and other liabilities (including all taxes and other claims with respect to the Contracts, Contract Documents, Payments and the related Equipment), except and so long as (i) such taxes, assessments, fines, fees and other liabilities are contested in good faith, with due diligence and by appropriate proceedings; (ii) in FIRST MUTUAL BANK's opinion an adequate reserve therefore has been established and is being maintained; and (iii) failure to pay the same does not adversely affect FIRST MUTUAL BANK's rights under this Agreement, any Contract under which the Payment Stream has been assigned to FIRST MUTUAL BANK or FIRST MUTUAL BANK's interest in the related Contract Documents and Equipment, and, in any event, PSL shall indemnify and hold harmless FIRST MUTUAL BANK from all liabilities and/or claims of any nature whatsoever arising from the failure to report and/or non-payment or insufficient payment of all taxes levied or assessed upon or against the Contracts, Contract Documents, Payment Streams or the Equipment;

(e) Not (i) cease to engage in substantially the same line of business in which PSL is engaged on the date of this Agreement; (ii) cease to engage in the sale or lease of Equipment; or (iii) sell, transfer, or convey a substantial part of PSL's assets other than in the normal course of business (such normal course of business to include the securitization of assets) or effect or be a party to any merger or consolidation which would result in a change in control of PSL (i.e., a sale, transfer or conveyance of 25% or more of PSL's outstanding voting stock), or a material adverse impact on PSL's financial condition, business operations or ability to perform its obligations under this Agreement;

(f) Perform all PSL's obligations arising by contract or imposed by applicable law, rule or regulation with respect to the Contracts, Contract Documents Payments and the related Equipment;

(g) Notify FIRST MUTUAL BANK at least ten (10) days prior to PSL's (i) changing the location of PSL's principal place of business, chief executive office or state of incorporation or (ii) opening or closing any places of business in any jurisdictions where such openings or closings might affect FIRST MUTUAL BANK's interest in any Contract, Contract Documents Equipment or Payment;

(h) PSL shall prepare and file financing statements sufficient to perfect a purchase money security interest in the Equipment described in such Contracts and continue such financing statements in accordance with the requirements of the Uniform Commercial Code ("UCC"), and do such further acts and things as FIRST MUTUAL BANK may reasonably request in order to fully effect the purposes of this Agreement and to continue the perfection of FIRST MUTUAL BANK's valid first priority security interest in the Contracts, Contract Documents, the Equipment, the Payments, and the proceeds of all the foregoing, and will pay all

costs of any filing and recording that FIRST MUTUAL BANK may reasonably deem necessary to perfect said first priority security interest;

(i) In connection with PSL's collection of Payments under Section 8, PSL will provide FIRST MUTUAL BANK, on or before the fifteenth day of each month, effective as of the end of the preceding month, a report in a format satisfactory to FIRST MUTUAL BANK, detailed by Obligor, setting forth the following: (i) receivables aging, delinquencies, and open items together with an aging summary on PSL's entire portfolio and (ii) the occurrence of any of the following events with respect to Contracts under which the Payment Streams have been assigned to FIRST MUTUAL BANK: (A) the occurrence of an event of default or material violation of any provision of a Contract or Contract Documents by the lessee or vendee thereunder or any other Obligor thereof; (B) any adverse credit information, which PSL may acquire or have knowledge of, with respect to any lessee, vendee or other Obligor under any Contract or Contract Documents; or (C) any and all litigation or other matters or events concerning PSL or any Obligor which might reasonably be construed to affect adversely FIRST MUTUAL BANK's interest in a Contract, Contract Documents, Payment Stream or related Equipment or any of FIRST MUTUAL BANK's rights under this Agreement;

(j) PSL will provide FIRST MUTUAL BANK, on or before the eighth (8<sup>th</sup>) day of each month, effective as of the end of the preceding month, a report detailed by Obligor setting forth the delinquencies for all Contracts under which the Payments Streams have been purchased by FIRST MUTUAL BANK;

(k) Enforce the performance of every term and condition of the Contracts and Contract Documents to be performed by the Obligors thereunder without terminating any of the Contracts and Contract Documents, which enforcement shall be at PSL's expense until such time, if any, that litigation action is, at FIRST MUTUAL BANK's direction, commenced with respect to the Contract or Contract Documents, after which time (unless and until such Contract and the related Payment Stream is repurchased or substituted for hereunder) such reasonable litigation enforcement expenses as FIRST MUTUAL BANK shall have approved in advance shall be borne by FIRST MUTUAL BANK;

(l) After the date of any Purchase and Security Agreement, PSL shall not create, purport to create, or allow creation of any lien, levy, execution, attachment, garnishment, mortgage, encumbrance or security interest upon (i) any Contract covered by that Purchase and Security Agreement; (ii) in the case of assignment of one of two or more Schedules to a Contract, upon such Schedule subject to that Purchase and Security Agreement; (iii) the Contract Documents; (iv) the Equipment; or (v) the Payment Stream;

(m) Neither use the Equipment nor knowingly permit the Equipment to be used for any unlawful purpose or in violation of any federal, state or municipal law, statute or ordinance;

(n) Maintain its current bank line which is utilized as a warehouse line, or, in the event such bank line is canceled, replace such bank line with a similar facility within ninety (90) days of such cancellation;

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(o) Permit FIRST MUTUAL BANK to audit PSL's servicing and administration of the Contracts, Contract Documents and Payments and provide such other information and reports to FIRST MUTUAL BANK as it shall request in connection with such audit, and if PSL is in default under this Agreement, each audit after such the occurrence of the event of default shall be at PSL's cost and expense;

(p) Furnish such data and field information in the format reasonably requested by FIRST MUTUAL BANK when requested by FIRST MUTUAL BANK, as frequently as monthly;

(q) Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to FIRST MUTUAL BANK of any change in executive and management personnel; and during the term of this Agreement, PSL shall notify FIRST MUTUAL BANK of any change in the following executive personnel during the term of this Agreement, within ten(10) days after PSL learns of such change: President, Executive Vice President, Chief Financial Officer and Vice President, Chief Information Systems Officer; and

(r) Maintain a ratio of Debt to Tangible Net Worth of not more than 6.0 to 1.0, measured as of the end of each fiscal quarter of PSL.

#### 7. Agreement to Indemnify

It is expressly agreed that PSL shall remain liable upon the Contracts, and Contract Documents to perform all of its obligations thereunder. FIRST MUTUAL BANK assumes no obligation or liability to the lessee or vendee under any Contract for which the Payment Stream has been assigned to FIRST MUTUAL BANK or under any Contract Documents, and nothing contained in this Agreement or any Purchase and Security Agreement executed pursuant to this Agreement shall impose any such obligation or liability on FIRST MUTUAL BANK. PSL shall indemnify, defend and hold harmless FIRST MUTUAL BANK and its officers, directors, employees and agents (collectively, the "FIRST MUTUAL BANK Parties") of, from and against any losses, damages, penalties, forfeitures, claims, causes of action, costs, expenses (including without limitation court costs and reasonable attorneys' fees and costs) or liabilities which may at any time be asserted, brought, incurred, assessed or adjudged in any manner by, for the account of or against the FIRST MUTUAL BANK Parties, or any of them, or PSL: (a) related to or arising from the Contracts, Contract Documents, Payments or the related Equipment, or any part thereof, including, without limitation the manufacture, construction, purchase, delivery, acceptance or rejection, installation, ownership, sale, leasing, removal or return of the Equipment, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable), including an Obligor's assertion of non-performance of the Equipment; (b) by reason or as a result of product liability claims or claims for strict liability; (c) any alleged failure of any Contract, Contract Documents or the related Equipment to comply with any applicable law, rule, regulation or contractual specification; (d) by reason or as a result of any act or omission or any alleged failure on PSL's part to keep or perform any of PSL's obligations, express or implied, with respect to or under any Contract, Contract Documents, Payments or the related Equipment; (e) any injury or alleged injury to persons or property or by reason or as a result of claims for patent, trademark or copyright

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infringement; (f) any governmental fees, charges, taxes or penalties levied or imposed in respect to any Contract, Contract Documents, Payments or any related Equipment; (g) by reason or as a result of any loss of any of the Equipment not covered by insurance; (h) any breach by PSL of any of PSL's representations, warranties, covenants or other obligations or agreements contained in this Agreement, in any Contract, Contract Document or in any agreement related hereto or thereto; or (i) any inaccuracy in any information provided to FIRST MUTUAL BANK by PSL; provided, however, that such indemnity shall not apply to any claim, cause of action, damage, liability, cost or expense if such claim, cause of action, damage, liability, cost or expense arises solely as a result of FIRST MUTUAL BANK's grossly negligent or willful acts or omissions.

Each party will use its best efforts to give the other notice of any event or condition that requires indemnification by PSL hereunder, or any allegation that such event or condition exists, promptly upon obtaining knowledge thereof; but failure by FIRST MUTUAL BANK to give such notice shall not relieve PSL of its indemnification obligations hereunder. PSL agrees to pay all amounts due hereunder promptly on notice thereof from FIRST MUTUAL BANK. To the extent that PSL may make or provide to FIRST MUTUAL BANK's satisfaction for payment under this indemnity provision, and if PSL is otherwise in compliance with the terms of this Agreement, PSL shall be subrogated to FIRST MUTUAL BANK's rights with respect to such event or condition and shall have the right to participate in (subject to FIRST MUTUAL BANK's ultimate control) litigation related thereto and to determine the settlement of claims thereon. All of the indemnities and agreements contained in this paragraph shall survive and continue in full force and effect notwithstanding termination of this Agreement or of any Contract or Contract Document assigned to FIRST MUTUAL BANK, shall be binding upon PSL and its successors and assigns and are expressly made for the benefit of and shall be enforceable by FIRST MUTUAL BANK and its successors and assigns.

8. Agreements Regarding Servicing and Collections by PSL

Unless and until FIRST MUTUAL BANK shall have the right, pursuant to Subsection 12(b) below, to assume responsibility for servicing the Contracts and Contract Documents, PSL shall continue to service and administer the Contracts and Contract Documents in accordance with its customary practices and procedures, which shall be sound commercial practices and procedures. PSL shall handle all transactions relating to the Contracts and Contract Documents and shall bear the cost of servicing and enforcing the Contracts and Contract Documents.

(a) Under the terms of each Purchase and Security Agreement, each Obligor shall deliver all payments due under each Contract and Contract Documents as directed by PSL. Until FIRST MUTUAL BANK shall have assumed responsibility for servicing the Contracts and Contract Documents pursuant to Subsection 12(b) below, FIRST MUTUAL BANK authorizes PSL to continue to collect Payments from the Obligors, and such Payments collected by PSL shall be held by PSL in trust for the benefit of FIRST MUTUAL BANK and PSL shall have no right, title or interest in such Payments. PSL agrees to bill the Obligors in accordance with PSL's standard billing practices. Each month, PSL shall pay to FIRST MUTUAL BANK by wire transfer: (i) the amounts collected from the Obligors and required to be paid on the Payment Streams according to the amortization schedule attached to the Purchase and Security Agreement on or prior to the twentieth (20th) day of the month in which the Payments are due under the Contracts and Contract Documents ("Payment Settlement Date"), regardless of whether PSL has

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received such Payments from the Obligors, and (ii) all amounts PSL received from Obligors attributable to Obligor prepayments accompanied by the applicable prepayment fee, unless such Payment Stream has been repurchased by PSL pursuant to Section 9 of this Agreement or been replaced with a Substitute Payment Stream pursuant to Section 11 hereof. If an Obligor under any Contract or Contract Document fails to make a Payment within ninety (90) days of the due date for that Payment and PSL requests in writing that FIRST MUTUAL BANK reimburse PSL for the past-due Payment, FIRST MUTUAL BANK will pay such Payment to PSL without interest. If PSL subsequently receives such past-due Payment, PSL agrees to hold such Payment in trust for FIRST MUTUAL BANK and will immediately remit such Payment to FIRST MUTUAL BANK. PSL's obligations to pay the required amounts each month shall remain in effect notwithstanding that FIRST MUTUAL BANK may at some point exercise FIRST MUTUAL BANK's right under Section 12(b) below to have the Obligors make their Payments directly to FIRST MUTUAL BANK. PSL's obligations to pay such amounts each month shall also remain in effect, notwithstanding FIRST MUTUAL BANK's request to repurchase a Payment Stream. In the event that FIRST MUTUAL BANK receives Payments from Obligors for which corresponding payments have been made by PSL, unless PSL is then in default of any of its obligations to FIRST MUTUAL BANK hereunder, FIRST MUTUAL BANK will promptly remit all such Payments to PSL in the form received without interest.

(b) Without the prior written consent of FIRST MUTUAL BANK, PSL agrees that it will not do any of the following with respect to any Contract or Contract Documents under which the Payment Stream has been sold and transferred to FIRST MUTUAL BANK: (i) amend, modify or waive any term, agreement or covenant in any Contract or Contract Documents (ii) release or agree not to sue any Obligor; or (iii) release or partially release any Equipment which is leased to an Obligor or which secures repayment of any Contract or Contract Document.

(c) Upon an Obligor Default, PSL agrees promptly to take all reasonable steps to repossess the Equipment related thereto and to use PSL's commercially reasonable best efforts to remarket the Equipment (including, if commercially reasonable, the refurbishment, repair, transportation and advertising thereof) promptly thereafter in compliance with the applicable provisions of the UCC before attempting to remarket any similar Equipment covered under Contracts related to Payment Streams repurchased from FIRST MUTUAL BANK under Section 9 and on a non-discriminatory basis with respect to other equipment owned and managed by PSL. PSL agrees to notify FIRST MUTUAL BANK, within thirty (30) days after the end of each fiscal quarter, of any remarketing of Equipment occurring during such quarter, and the terms of the remarketing. If PSL materially fails to perform its remarketing duties hereunder with respect to any Equipment subject to an Obligor Default and such failure continues for thirty (30) days after written notice thereof from FIRST MUTUAL BANK, or if PSL fails to remarket any Equipment for a period of ninety (90) days after the occurrence of an Obligor's Default, FIRST MUTUAL BANK may, but shall not be obligated to, assume the right to remarket such Equipment. If with respect to any Portfolio, or, based on actual experience FIRST MUTUAL BANK reasonably believes, that there are or will exist Obligor Defaults on Payment Streams which equal or exceed ten percent (10%) of the then current total Repurchase Price of all Payment Streams under any Portfolio then held by FIRST MUTUAL BANK hereunder, FIRST MUTUAL BANK may, but shall not be obligated to, assume the right to remarket some or all of the Equipment subject to such Portfolio.

(d) Thirty days after the end of each month, FIRST MUTUAL BANK will substitute a new payment schedule to each Purchase and Security Agreement with respect to which the Payment Stream under any Contract or Contract Document has either been repurchased or prepaid, unless each such Payment Stream has been replaced with a Substitute Payment Stream.

(e) Any payment received by PSL and not delivered to FIRST MUTUAL BANK within the time set forth herein shall bear interest from the date such payment is due until paid in full at the prime rate of Chase Manhattan Bank then in effect plus five percentage points or the highest rate of interest then allowed by law, whichever is lower, and shall be secured by the security interest granted pursuant to the terms of the related Purchase and Security Agreement. PSL shall use the same efforts in collecting the Payments and all other amounts due under the Contracts and Contract Documents as it uses with respect to its own contracts. If any instrument or document given to FIRST MUTUAL BANK in payment of a Payment requires the endorsement of PSL and PSL fails to endorse said instrument or document, FIRST MUTUAL BANK is hereby irrevocably authorized to endorse such instruments or documents on PSL's behalf as its attorney-in-fact. The power granted in this section is coupled with an interest and as such is irrevocable.

(f) PSL shall provide and keep in full force and effect during the term of this Agreement the following insurance coverage: (i) comprehensive general liability insurance, including broad form coverage, with a minimum combined single limit of not less than \$2,000,000, with an endorsement naming FIRST MUTUAL BANK as additional insured; and (ii) employee fidelity/employee honesty coverage for losses arising out of or in connection with any fraudulent or dishonest acts committed by employees and agents of PSL acting alone or in collusion with others in a minimum amount of \$50,000, with an endorsement naming FIRST MUTUAL BANK as additional insured.

9. Contract Prepayments

If an Obligor prepays its obligations under a Contract or terminates the Contract before the scheduled termination date as set forth in the Contract, PSL shall, unless such Payment Stream is replaced with a Substitute Payment Stream pursuant to Section 11 below, repurchase the Payment Stream from FIRST MUTUAL BANK by delivering to FIRST MUTUAL BANK on or before the date of the prepayment an amount equal to (i) the Repurchase Price of the Payment Stream plus (ii) a "Prepayment Fee" in an amount equal to the applicable percentage of the Repurchase Price determined as follows:

<u>Months remaining in term at prepayment</u>		<u>Original term (in months) of Contract</u>		
		<u>1-47</u>	<u>48-59</u>	<u>60+</u>
60+	--	--	4%	4%
48-59	--	--	4%	3%
36-47	4%	--	3%	2%
24-35	3%	--	2%	2%
under 24	2%	--	1%	1%

Notwithstanding the foregoing, if (x) FIRST MUTUAL BANK determines in its sole discretion not to accept any of three (3) Substitute Payment Streams offered by PSL pursuant to



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Section 11 of this Agreement and which comply with the requirements set forth in Section 11 to replace a Payment Stream being prepaid by an Obligor, and (y) the credit quality, based on FIRST MUTUAL BANK's then current credit standards and criteria, of the Obligor(s) of each of the proposed Substitute Payment Streams is equal to or greater than the then credit quality of the Obligor(s) of the Payment Stream being prepaid, as determined by FIRST MUTUAL BANK in its sole discretion, FIRST MUTUAL BANK shall waive the payment of the related Prepayment Fee.

**10. Lack of Eligibility; Repurchase of Payment Streams**

In the event any Contract shall not be an Eligible Contract at the time of FIRST MUTUAL BANK's purchase of the Payment Stream thereunder or shall thereafter cease to be an Eligible Contract, then PSL will, within ten (10) days of a written request from FIRST MUTUAL BANK, repurchase the Payment Stream for such Contract for cash for its then current Repurchase Price. After FIRST MUTUAL BANK receives the Repurchase Price for any repurchased Payment Stream, FIRST MUTUAL BANK will reassign to PSL all of FIRST MUTUAL BANK's right, title and interest in the repurchased Payment Stream, and release its security interest in and to the related Contract, Contract Documents Schedule and the related Equipment, without recourse to, and without representations or warranties by, FIRST MUTUAL BANK of any kind whatsoever.

**11. Substitution of Payment Streams**

PSL may, in the event of a prepayment or termination pursuant to Section 9 hereof, in lieu of paying the Repurchase Price for the Payment Stream under the applicable Contract, within five (5) days before the Repurchase Price is due to FIRST MUTUAL BANK, offer to FIRST MUTUAL BANK a substitute Payment Stream ("Substitute Payment Stream") for the Contract which is being terminated or prepaid. The offer must be accompanied by the documents and information required to be submitted with an initial request described in Section 3(b) hereof, the Substitute Payment Stream must have a remaining term and monthly payment amount equal to or greater than the remaining Payment Stream being replaced, the Contract must be an Eligible Contract and the sale and transfer of the Payment Stream thereunder must be in compliance with all representations and warranties of PSL in Section 4 hereof. FIRST MUTUAL BANK will, in its sole discretion, determine whether or not to accept such Substitute Payment Stream. If such Substitute Payment Stream is accepted, PSL shall promptly provide the closing documents therefor described above in Section 3(d). If such Substitute Payment Stream is rejected, or if FIRST MUTUAL BANK fails to respond to the substitution offer within five (5) days (in which event it shall be deemed rejected), PSL shall proceed as provided in this Agreement.

**12. Default and Rights and Remedies**

(a) Each of the following shall be an event of default ("Event of Default") under this Agreement:

(i) The failure of PSL to pay to FIRST MUTUAL BANK any Payments or any amounts collected by PSL from any Obligor which are due to FIRST MUTUAL BANK;

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(ii) Any representation or warranty of PSL is or becomes false, misleading or inaccurate; and

(iii) PSL fails to perform any covenant, promise or other agreement set forth in this Agreement, any Purchase and Security Agreement or any other document or agreement between PSL and FIRST MUTUAL BANK.

(b) Upon occurrence of an Event of Default, FIRST MUTUAL BANK may exercise any one or more the following remedies, in addition to any remedies available at law or equity:

(i) PSL will, within ten (10) days of a written request from FIRST MUTUAL BANK, repurchase all Payment Streams under all Contracts purchased by FIRST MUTUAL BANK for cash for the cumulative Repurchase Price of all such Payment Streams. After FIRST MUTUAL BANK receives the cumulative Repurchase Price for all repurchased Payment Streams, FIRST MUTUAL BANK will reassign to PSL all of FIRST MUTUAL BANK's right, title and interest in the repurchased Payment Streams, the related Contracts, Contract Documents and Schedules, and the related Equipment, without recourse to, and without representations or warranties by, FIRST MUTUAL BANK of any kind whatsoever.

(ii) If PSL fails to pay the cumulative Repurchase Price for all Payment Streams purchased by FIRST MUTUAL BANK under this Agreement, FIRST MUTUAL BANK may notify the Obligors to pay all further Payments to FIRST MUTUAL BANK or its agent.

(iii) If PSL fails to pay the cumulative Repurchase Price for all Payment Streams purchased by FIRST MUTUAL BANK under this Agreement, FIRST MUTUAL BANK may take over the servicing and administration of the Contracts, Contract Documents, Payments and Equipment. PSL shall not interfere with the transition of servicing of the Contracts to FIRST MUTUAL BANK or its agent, shall cooperate with and assist with such transition and shall immediately provide all billing, accounting and servicing records related to the Contracts to FIRST MUTUAL BANK or its agent in machine readable form, which to the extent feasible, shall be compatible with the requirements of FIRST MUTUAL BANK's backup servicer.

(iv) FIRST MUTUAL BANK may exercise all rights and remedies available to a secured creditor with respect to its security interest in the Contracts, Contract Documents and Equipment.

If, despite FIRST MUTUAL BANK's direction to any Obligor, PSL subsequently receives a Payment on account of a Contract under which the Payment Stream has been assigned to FIRST MUTUAL BANK or after the servicing of such Contract has been assumed by FIRST MUTUAL BANK or its agent, PSL agrees to hold the amount in trust for FIRST MUTUAL BANK and immediately forward the Payment to FIRST MUTUAL BANK in kind. PSL hereby authorizes FIRST MUTUAL BANK to endorse, in writing or by stamp, in PSL's name or otherwise any and all checks, drafts, notes, bills of exchange and orders, howsoever received by FIRST MUTUAL BANK, representing any Payment under any Contract purchased by FIRST MUTUAL BANK. FIRST MUTUAL BANK may take or fail to take whatever action with

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respect to collections under Contracts as FIRST MUTUAL BANK, in its sole discretion, shall deem proper.

From and after the time as FIRST MUTUAL BANK or its agent assumes the servicing or administration of the Contracts hereunder, PSL hereby consents to any extension, renewal, indulgence, amendment or release agreed to by FIRST MUTUAL BANK with respect to any Contract or Contract Document without notice to PSL. FIRST MUTUAL BANK may thereafter take any action which FIRST MUTUAL BANK may deem necessary or desirable in order to realize on the Contracts, Contract Documents and Equipment, and FIRST MUTUAL BANK has all powers necessary thereto, including, without limitation, power to perform any Contract or Contract Document, and to endorse in the name of PSL any checks, drafts, notes, or other instruments or documents received with respect to the Contracts or Contract Documents or with respect to any insurance policy covering any property covered by the Contracts or Contract Documents. This power is coupled with an interest and as such is irrevocable.

The remedies in this Agreement provided in favor of FIRST MUTUAL BANK shall not be deemed exclusive but shall be cumulative and shall be in addition to all other remedies in its favor existing at law, in equity or by statute.

### 13. Termination

This Agreement shall continue in effect until terminated and may be terminated by either party at any time upon thirty (30) days' written notice to the other party. Termination of this Agreement shall not affect the rights and obligations of the parties hereto with respect to Payments due to FIRST MUTUAL BANK, Purchase and Security Agreements executed and delivered, and Equipment, Contracts and Contract Documents pledged, to FIRST MUTUAL BANK prior to the effective date of termination. In addition, notwithstanding FIRST MUTUAL BANK's receipt of notice of termination from PSL, such termination shall not affect the parties' treatment of purchase requests previously submitted to FIRST MUTUAL BANK by PSL, which shall continue to be governed by the terms of this Agreement.

### 14. Miscellaneous

(a) If any action or proceeding is commenced to enforce or interpret this Agreement, the prevailing party shall be entitled to recover from the nonprevailing party the costs and expenses of maintaining such action or proceeding, including reasonable attorneys' fees and disbursements incurred before such action or proceeding is commenced, before trial, at trial, after trial and on appeal, and in any arbitration proceeding, whether the action or proceeding is at law, in equity or in a bankruptcy case or proceeding. One-half of all costs and expenses incurred by FIRST MUTUAL BANK in connection with the negotiation, preparation, execution and delivery of this Agreement and any amendment, modification or other changes to this Agreement or any related agreements shall be paid by PSL, excluding the costs associated with any opinion letter of FIRST MUTUAL BANK's attorney requested by FIRST MUTUAL BANK in conjunction with the closing of this Agreement. PSL will reimburse FIRST MUTUAL BANK for all costs incurred by FIRST MUTUAL BANK in perfecting and continuing its liens and security interests.

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(b) Any notices to PSL or FIRST MUTUAL BANK hereunder shall be addressed to that party at its respective address set forth in the preamble to this Agreement or such other address as that party shall have specified in written notice delivered to the other party in the manner set forth herein. Any notice required or given hereunder shall be in writing and shall be deemed properly given five (5) business days after mailing by certified mail, postage prepaid, or two (2) days after delivering such notice to a nationally recognized carrier for overnight delivery, addressed to the designated recipient at its address set forth herein or such other address as such party may advise the other party by notice given in accordance with this provision.

(c) This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of Washington. Each of FIRST MUTUAL BANK and PSL (in its own behalf and, to the extent permitted by applicable law, on behalf of its shareholders) hereby waives all right to a trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) related to arising out to this Agreement.

(d) This Agreement shall be binding on, and inure to the benefit of, FIRST MUTUAL BANK and PSL and their respective successors and assigns. This Agreement will take effect when each of PSL and FIRST MUTUAL BANK have received a counterpart of this Agreement executed by the other party to this Agreement. This Agreement, together with each Purchase and Security Agreement constitutes the entire understanding and agreement between PSL and FIRST MUTUAL BANK and supersedes any and all prior discussions and agreements between PSL and FIRST MUTUAL BANK with respect to the subject matter hereof. PSL and FIRST MUTUAL BANK expressly acknowledge and agree that it is their intent that this Agreement and each Purchase and Security Agreement be construed consistently with one another. However, if any provision of any Purchase and Security Agreement is or appears to be inconsistent with any provision of this Agreement, the terms of this Agreement shall control. PSL MAY NOT ASSIGN THIS AGREEMENT IN WHOLE OR IN PART OR DELEGATE ANY OF ITS DUTIES OR OBLIGATIONS HEREUNDER WITHOUT FIRST MUTUAL BANK'S PRIOR WRITTEN CONSENT, WHICH MAY BE GIVEN OR WITHHELD IN ITS SOLE DISCRETION. It is understood and agreed that from time to time FIRST MUTUAL BANK may, without notice to PSL, (i) decide that any or all of the purchases pursuant hereto shall be made by one or more of FIRST MUTUAL BANK's affiliates, subsidiaries, or subsidiaries of FIRST MUTUAL BANK's affiliates; (ii) assign to one or more of FIRST MUTUAL BANK's affiliates, subsidiaries or subsidiaries of FIRST MUTUAL BANK's affiliates, all of FIRST MUTUAL BANK's right, title and interest in any Payment Stream purchased by FIRST MUTUAL BANK hereunder and FIRST MUTUAL BANK's security interest in the Equipment and Contract and Contract Documents related thereto; and (iii) assign this Agreement in whole or in part and/or all or part of its rights and benefits under this Agreement to any person. If one or more of FIRST MUTUAL BANK's affiliates, subsidiaries or subsidiaries of FIRST MUTUAL BANK's affiliates purchase any Payment Stream, such purchase or purchases shall be made under the terms and conditions of this Agreement.

(e) The representations, warranties, covenants and indemnities set forth in this Agreement shall survive any termination or expiration of this Agreement, and shall be binding upon and inure to the benefit of the parties and their successors and assigns.

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(f) All of the covenants, agreements, representations and warranties made by PSL in this Agreement shall, notwithstanding any investigation by FIRST MUTUAL BANK, be deemed to be material to and to have been relied upon by FIRST MUTUAL BANK with respect to each Contract purchased by FIRST MUTUAL BANK pursuant to this Agreement. FIRST MUTUAL BANK's knowledge at any time of any breach of or non-compliance with any of such covenants, agreements, representations or warranties shall not constitute a waiver of any thereof by FIRST MUTUAL BANK. FIRST MUTUAL BANK shall not be deemed to have waived any of its rights hereunder unless a writing signed by FIRST MUTUAL BANK evidences such waiver. No delay or omission by FIRST MUTUAL BANK in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by FIRST MUTUAL BANK of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. A waiver of any right granted by FIRST MUTUAL BANK on any one occasion shall not be construed as a bar to or waiver by FIRST MUTUAL BANK of any right or remedy on any future occasion. All rights and remedies of FIRST MUTUAL BANK shall be cumulative and may be exercised singularly or concurrently, at FIRST MUTUAL BANK's option, and the exercise or enforcement of any one such right or remedy by FIRST MUTUAL BANK shall not be a bar or condition to the exercise or enforcement of any other rights and remedies of FIRST MUTUAL BANK.

(g) FIRST MUTUAL BANK's obligation to perform under this Agreement is limited by and subject to any and all applicable laws, rules and regulations. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be unenforceable, prohibited or invalid under such law, such provision shall be ineffective to the extent of such unenforceability, prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of the Agreement.

(h) PSL agrees to report and pay, and save FIRST MUTUAL BANK harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution and/or delivery of this Agreement or the issuance of any Purchase and Security Agreement, which obligation of PSL shall survive the termination of this Agreement.

(i) FIRST MUTUAL BANK HAS NOT MADE ANY COMMITMENT TO PURCHASE ANY PAYMENT STREAMS OR TO ACCEPT THE PLEDGE OF ANY CONTRACTS, CONTRACT DOCUMENTS OR EQUIPMENT. FIRST MUTUAL BANK MAY REFUSE TO PURCHASE ANY PAYMENT STREAM OFFERED FOR SALE BY PSL FOR ANY OR NO REASON, AND FIRST MUTUAL BANK'S DECISION TO PURCHASE OR NOT TO PURCHASE SHALL BE MADE IN FIRST MUTUAL BANK'S SOLE AND UNLIMITED DISCRETION, AND IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. PSL HAS NOT MADE ANY COMMITMENT TO PLEDGE ANY CONTRACTS OR EQUIPMENT TO FIRST MUTUAL BANK OR TO SELL ANY PAYMENT STREAMS TO FIRST MUTUAL BANK. PSL'S DECISION TO OFFER ANY PAYMENT STREAM FOR SALE TO FIRST MUTUAL BANK HEREUNDER SHALL BE MADE IN PSL'S SOLE AND UNLIMITED DISCRETION.

(j) The parties expressly do not intend to form a partnership or joint venture, and nothing contained in this Agreement shall be construed as forming a partnership or joint venture.

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(k) PSL (BY ITS ACCEPTANCE HEREOF) AGREES THAT NEITHER IT, NOR ANY PERMITTED ASSIGNEE OR SUCCESSOR SHALL (a) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER ACTION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT, ANY PURCHASE AND SECURITY AGREEMENT, ANY RELATED AGREEMENTS, OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG PSL AND FIRST MUTUAL BANK AND FIRST MUTUAL BANK'S SUCCESSORS AND ASSIGNS, OR (b) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. PSL HAS READ AND FULLY UNDERSTANDS THE PROVISIONS OF THIS PARAGRAPH, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. FIRST MUTUAL BANK HAS NOT AGREED WITH OR REPRESENTED TO PSL THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the day and year hereinabove written.

FIRST MUTUAL BANK

PUGET SOUND LEASING CO., INC.

By: [Signature]  
Title: President

[Signature]  
EXP

By: [Signature]  
Louis A. Secord  
President

Exhibits:

- Exhibit A Form of Lease
- Exhibit B Form of Contract
- Exhibit C Form of Purchase and Security Agreement

EXHIBIT B

**PSL Contracts  
(Pool Nos. 1-9)**

Pool	Loan	Origination		Maturity Date	Outstanding Balance	Monthly Payment
		Date	Amount			
1	77-100252-04	6/28/04	\$4,583,369	6/30/09	\$337,709	\$50,491
2	77-100293-08	12/16/04	\$4,999,021	12/31/09	\$714,207	\$58,493
3	77-100326-06	5/26/05	\$5,809,341	5/31/10	\$124,407	\$82,976
4	77-100382-09	1/26/06	\$6,929,517	4/26/11	\$1,918,963	\$118,622
5	77-100440-05	9/28/06	\$9,240,243	4/28/13	\$3,582,999	\$172,877
6	77-100506-03	3/26/07	\$5,715,692	1/26/14	\$3,379,149	\$115,302
7	77-100539-04	8/30/07	\$7,586,792	8/30/14	\$5,517,139	\$145,382
8	77-100574-01	3/28/08	\$9,142,580	3/2/15	\$8,075,333	\$177,869
9	77-100597-02	6/27/08	\$7,295,672	6/20/13	\$6,750,880	\$174,299
			\$61,302,227		\$30,400,786	\$1,096,311



EXHIBIT C

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**PAYMENT STREAM PURCHASE AND SECURITY AGREEMENT**

THIS PAYMENT STREAM PURCHASE AND SECURITY AGREEMENT (this "Agreement"), dated as of June 27, 2008, is entered into by and between PUGET SOUND LEASING ("PSL"), a Division of First Sound Bank, a Washington State Chartered Bank, with its chief executive offices located at 925 Fourth Avenue, Suite 2350, Seattle, Washington 98104, and Washington Federal Savings, Inc. with offices located at 425 Pike Street, Seattle, Washington 98101. This Agreement is one of the Purchase and Security Agreements referred to and described in, and intended to be governed by the terms and conditions of, that certain Program Agreement (the "Program Agreement") dated June 8, 2004, by and between PSL and FIRST MUTUAL BANK (Succeeded by Washington Federal Savings, Inc.), including all amendments or modifications thereto, which terms and conditions are hereby incorporated in and made a part of this Agreement to the same extent as if fully set forth herein. All capitalized terms used in this Agreement without definition shall have the meanings set forth in the Program Agreement.

In consideration of the mutual agreements contained herein and in the Program Agreement, the parties hereto agree as follows:

(1) Purchase and Sale of Payment Stream. PSL hereby sells, transfers, assigns and conveys to WASHINGTON FEDERAL SAVINGS, INC., absolutely and not as security, all of PSL's right, title and interest in and to all Payment Streams under the Contracts described in Exhibit A attached hereto and by this reference incorporated herein, and all contracts substituted therefore pursuant to the Program Agreement. WASHINGTON FEDERAL SAVINGS, INC. and PSL intend that the transaction evidenced by this Agreement be an absolute sale of the Payment Streams to WASHINGTON FEDERAL SAVINGS, INC., and do not intend the transaction to be an assignment for security purposes. If, notwithstanding the foregoing, the conveyance of the Payment Streams to WASHINGTON FEDERAL SAVINGS, INC. hereunder is determined to be a pledge or transfer for security purposes, the parties intend that PSL shall be deemed hereunder to have granted to WASHINGTON FEDERAL SAVINGS, INC. a first priority perfected security interest in all of PSL's right, title and interest in, to and under the Payment Streams as security for the prompt and satisfactory performance of all obligations of PSL to WASHINGTON FEDERAL SAVINGS, INC. hereunder and under the Program Agreement, and that this Agreement shall constitute a security agreement under applicable law. With respect to the filing of any UCC financing statements which may be made in connection with the sale, assignment and transfer herein contemplated, such filing shall in no way be construed as being contrary to the intent of the parties that this transaction be treated as a sale to WASHINGTON FEDERAL SAVINGS, INC. of all right, title and interest in and to the Payment Streams.

(2) Security for Performance. As security for the prompt and satisfactory performance of all obligations of PSL to WASHINGTON FEDERAL SAVINGS, INC. hereunder and under the Program Agreement, and the obligations of each Obligor under its Contract Documents (together, the "indebtedness"), PSL hereby grants to WASHINGTON FEDERAL SAVINGS, INC. a security interest in all of PSL's right, title and interest in and to the following property (the "Collateral") consisting of (i) the Contracts listed in Exhibit A and all Contract Documents; (ii) the Equipment described in each Contract listed in Exhibit A and all replacements thereof, substitutions therefor, and modifications, upgrades and accessions thereto;

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and (iii) all Payments and all other amounts payable hereafter in connection with each Contract by the respective Obligor to PSL (if the Contract is a lease, Payments also includes amounts payable pursuant to any purchase option not part of the payment stream that WASHINGTON FEDERAL SAVINGS, INC. purchases, but which PSL has a security interest) including amounts payable pursuant to any Obligor Guaranty of the Contract; (iv) all proceeds of any of the foregoing including proceeds of insurance.

(3) PSL Representations and Warranties. PSL hereby represents, warrants and agrees as follows:

(i) Each Contract listed in Exhibit A is and will continue to be an Eligible Contract in accordance with Section 5 of the Program Agreement.

(ii) As of the date of execution of each Contract listed in Exhibit A, and as of the date of this Agreement, each representation and warranty made by PSL in Section 4 of the Program Agreement was and is true and correct.

(iii) PSL has delivered, or will contemporaneously herewith deliver, to WASHINGTON FEDERAL SAVINGS, INC. the sole original counterpart of each Contract and related contract documents as identified in Exhibit A.

(iv) PSL will comply with the covenants made by PSL in Section 6 of the Program Agreement with respect to each Contract listed in Exhibit A.

(4) Performance of Contracts. Nothing contained in this Agreement shall relieve PSL from or cause WASHINGTON FEDERAL SAVINGS, INC. to be liable for, the obligations of PSL under any Contract or contract document. All Payments due after the date hereof are to be made by the Obligor and collected by PSL as servicing agent for WASHINGTON FEDERAL SAVINGS, INC. and remitted to WASHINGTON FEDERAL SAVINGS, INC. in accordance with the provisions of the Program Agreement.

(5) Rights of Obligor. Notwithstanding any other provision of this Agreement, WASHINGTON FEDERAL SAVINGS, INC. agrees that its security interest and rights hereunder are subject to the rights of each Obligor under its related Contract and, so long as any Obligor shall not be in default under its Contract, WASHINGTON FEDERAL SAVINGS, INC. shall not disturb such Obligor's peaceful possession of the related Equipment and such Obligor's right to use such Equipment for its intended purposes.

(6) Payment Schedule. In accordance with Section 8(a) of the Program Agreement a payment schedule is attached hereto as Exhibit B. PSL authorizes WASHINGTON FEDERAL SAVINGS, INC. to substitute and attach new payment schedules hereto, from time to time, in accordance with Section 8(c) of the Program Agreement.

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(7) Governing Law; Severability; Notice. This Agreement shall be a contract made under, governed by and construed in all respects in accordance with the laws of the State of Washington. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be consistent with the terms of the Program Agreement, and effective and valid under applicable law. If any provision of this Agreement shall be prohibited by or invalid under any law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. If any provision of this Agreement is inconsistent with the terms of the Program Agreement, the terms of the Program Agreement shall control. Any notice required or given hereunder shall be in writing and shall be given in accordance with Section 15(b) of the Program Agreement.

(8) Waivers. PSL hereby waives presentment, demand for performance, notice of nonperformance, protest, notice of protest, notice of dishonor and notice of acceptance of this Agreement.

(9) Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the successors and assigns of PSL and WASHINGTON FEDERAL SAVINGS, INC., provided, however, that PSL may not assign its obligations under any Contract or under this Agreement, and any assignment in violation of this Section 9 shall be void and unenforceable.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

IN WITNESS WHEREOF, PSL and WASHINGTON FEDERAL SAVINGS, INC. have duly executed and delivered this Agreement as of the date first above written.

PUGET SOUND LEASING

WASHINGTON FEDERAL SAVINGS

By: [Signature]  
Title: SUPV CONTROLER

By: [Signature]  
Title: \_\_\_\_\_

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Exhibit A  
To  
Purchase and Security Agreement  
[Lease and Equipment Description  
and  
Location of Equipment]

Lease dated \_\_\_\_\_ by and between \_\_\_\_\_, as Lessor, and  
\_\_\_\_\_ as Lessee, covering the following described Equipment:

SEE ATTACHED LISTING OF EXHIBIT A

Equipment Location:

Puget Sound Leasing  
A Division of First Sound Bank  
Sale to First Mutual Bank  
Jun-08

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CONTRACT NO	CUST ID	CUST NAME	CUST DBA	INITIAL TERM	#Yrs Sold	CONTRACT PNT	Lease Reschedule	NPV @	PAID TO DATE	RESIDUAL	EQUIP COST	EQUIPMENT DESC
001-0028398-005		2.MANAGEMENT GROUP, INC.	SANDY SPRINGS LA	60	59	480.40	27,183.00	6,529.	07/01/08	1.00	22,488.82	EQUIPMENT DESC
001-0019177-001		3F INVESTMENTS CO	MANOTEMAN PRESS	38	34	1,198.20	40,738.80	\$23,324.74	07/01/08	1.00	37,798.20	LANDSCAPING EQUIPMENT
001-0028468-000	47700-28468	ACE CONCRETE CORRNG & SAWING, INC.		38	10	2,098.16	22,091.50	\$21,471.83	07/01/08	1.00	68,874.40	PRINTER
001-0022755-001		ACORN GROUP, INC.		60	59	702.48	41,446.14	\$35,003.22	07/01/08	1.00	38,016.50	PERFORMANCE TECH SEGWAY 8800 S
001-0018513-002		ACR WATER INC.	ACR WATER-HAULIN	60	32	912.00	27,486.00	\$24,046.07	07/01/08	1.00	23,744.00	WORK CUBICLETS & CHAIRS
001-0020304-000		ACTION BICYCLES & JET SKI RENTALS, LLC		36	33	1,142.43	36,527.78	\$43,293.23	07/01/08	1.00	35,152.90	2001 KENNORTH W800L TRUCK
001-0017905-001		ADVANCED PROCESS SERVICES, INC.	LEONIDAS CHOCOL	38	32	1,482.49	46,820.25	\$44,500.24	07/01/08	1.00	46,813.10	(3) 2007 YAMAHA VXT1100F JET SKIS
001-0016442-001		ACORNA CONCEPTS, INC.	GARDNER CHIROPR	60	54	2,115.82	67,459.84	\$62,210.22	07/01/08	1.00	66,850.00	PROFTADVISOR SOFTWARE
001-0032780-001		ALBURY, P. GRANITZER, D.D.C.	FREEDOM POWER &	60	58	869.07	32,898.78	\$29,854.56	07/01/08	1.00	26,250.13	ALPHA POINT OF SALE SYSTEM
001-0028273-001		ALLIANCE	ALINE AUTO REPAIR	48	46	888.51	24,411.72	\$23,450.71	07/01/08	1.00	42,488.00	MEDICAL EQUIPMENT
001-0020681-001		ALL ROUND EXCAVATING, L.L.C.		60	59	574.82	81,738.46	\$64,497.18	07/01/08	1.00	22,498.00	COMPUTER
001-0029426-000	1289N-29426	ALLIED HEALTH CARE SERVICES, INC		38	38	632.35	30,043.35	\$31,116.52	07/01/08	1.00	40,720.64	AUTOMATIVE EQUIPMENT
001-0039131-000	1723U-39131	ALLURE TRANSPORTATION SERVICES, INC.		38	9	5,659.08	99,822.50	\$58,380.67	07/01/08	1.00	30,476.85	2001 TRAILSTAR QUAD AXEL TRAILER
001-0003283-000	1222L-32283	ALWAYS SOMETHING, INC.	ACI CONCRETE	60	48	1,470.11	70,858.28	\$62,283.27	07/01/08	1.00	210,310.00	(40) LIFE SAVER PRODUCTS PLY 102
001-0002431-007	1837U-12038	ALYON PUMPING & BOLLER, INC.		60	35	966.81	20,851.00	\$18,000.38	07/01/08	1.00	76,172.44	MULTIPLE TYPES OF EQUIPMENT
001-0018273-001		ASSOCIATED ESPRESSO LLC		60	53	670.83	64,436.33	\$77,702.59	07/01/08	1.00	17,905.39	FOAM GENERATOR
001-0018929-008		AUSTRIAN INDUSTRIES, INC.		60	59	924.88	46,954.94	\$20,918.78	07/01/08	1.00	128,564.18	PHONE SYSTEM, FORKLIFT, FURNIT
001-0016092-001		AUTO TECH OF JACKSON LLC	SHAWNS FROZEN CI	60	59	516.78	20,850.02	\$41,793.78	07/01/08	1.00	31,108.36	2007 SPARTAN 798 JETTER
001-0014493-001		AVANTE ART, HONOLULU, HI.		60	57	1,018.08	59,629.32	\$28,182.28	07/01/08	1.00	38,128.41	SIGK. COFFEE EQUIPMENT & PULVERING
001-0018927-001		BAD COMPANY CONSULTING, LLC	B.A.D. COMPANY PR	60	56	435.79	20,844.26	\$47,813.18	07/01/08	1.00	24,994.69	2007 CATERPILLAR 8500I COMPULFT
001-0028738-002	3887R-30738	B&H TIRE AND SERVICE CENTER, LLC		60	55	1,019.70	50,083.80	\$20,035.60	07/01/08	1.00	50,329.30	NEW RESTAURANT EQUIPMENT
001-0017884-001		BELLS POWDER COATING INC.		60	40	922.08	20,083.80	\$48,059.47	07/01/08	1.00	18,748.00	CARB. E SYSTEM
001-0020282-001		BENNETT AND COHEY AUTO SALVAGE INC.		60	58	892.51	54,098.31	\$18,097.25	07/01/08	1.00	48,320.00	USED BUNDRY EQUIPMENT
001-0018173-002		BROADWAY LUBE N WASH		60	54	407.57	72,301.15	\$43,098.21	07/01/08	1.00	33,333.69	KITCHEN EQUIPMENT
001-0014608-001		BRYANT'S ENGINEERING, LLC		60	57	882.07	28,839.04	\$20,442.17	07/01/08	1.00	41,488.74	CHAYMELSON COLOR MIGHT SYSTEM
001-0028228-002		C & C PACKAGING SERVICES, INC.		60	52	882.07	30,267.64	\$28,455.23	07/01/08	1.00	61,452.00	2008 DULP TRAILER
001-0021888-001		C & H TIRE AND SERVICE CENTER, LLC		60	59	268.02	43,500.00	\$28,785.95	07/01/08	1.00	18,374.15	LIBRESCOTT POINT OF SALE SYSTEM
001-0017830-001	8528K-2778	CAPITAL INDUSTRIES SUPPLY LTD		60	48	878.10	21,021.10	\$27,468.76	07/01/08	1.00	23,945.50	2001 INTERTRUCK VLN
001-0018083-002		CARNEL, INC.	DOOGERS SEAFOO	60	51	622.11	35,877.05	\$19,348.00	07/01/08	1.00	35,107.40	NONCOMOTIVE EQUIPMENT
001-0014931-002		CASCADE GOLF COURSE STEAK AND CASCADE STEAK AN		60	53	878.24	58,571.55	\$31,124.92	07/01/08	1.00	32,107.40	NONCOMOTIVE EQUIPMENT
001-0017898-001		CENTRAL PARK VILLA LLC	LAKE VIEW GARDEN	60	59	517.20	21,821.92	\$18,789.29	07/01/08	1.00	17,560.80	POS SYSTEM
001-0022800-001		CHECKERS AUTO GROUP, INC.		72	69	778.25	29,132.69	\$24,484.23	07/01/08	1.00	24,640.00	RESTAURANT EQUIPMENT
				48	48	731.80	53,887.40	\$43,280.49	07/01/08	1.00	41,600.00	COMPACTOR
								\$29,889.23		1.00	28,507.99	1989 GMC 6600 TOW TRUCK

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001-0022343-000	22787-22803	CHEBA DRY OF COLORADO	GUTHRIES OF HUNT	60	17	1,769.24	\$0,077.08	\$33,712.54	09/16/08	1,00	68,484.80	2005 CHEVROLET W/ CADDY VAC 80
001-0022344-001		CHEVY 1, INC.	ADVANCED DIAGNO	60	57	424.49	24,139.03	\$20,023.89	07/10/08	1,00	23,409.05	RESTAURANT FURNITURE
001-0017927-001		CHOPRA IMAGING CENTERS, INC.		60	57	655.90	37,567.30	\$32,425.89	07/10/08	1,00	30,968.28	21 NEW RICHOT 2510 & 3650 DIGITAL COPIES
001-0022349-001		CHRISTOPHER R. MOYALE, INC.		48	46	1,166.25	54,673.74	\$46,505.89	08/15/08	1,00	47,927.00	1989 FREIGHTLINER FLD120 DUMP TRUCK
001-0022192-001		CLEVELAND LAMBER PARTNERS THE LAMERHOUSE AT		36	34	842.90	28,653.20	\$23,198.07	08/15/08	1,00	25,978.04	POS SYSTEM
001-0002581-003		CITICOLUNSELING & HEALTH RESOURCES, INC	TOM'S PIZZA & SPO	24	17	2,940.04	49,980.98	\$47,718.15	07/01/08	1,00	64,347.48	2008 CADILLAC ESCALADE
001-0022105-000		COODOCO, INC.		48	57	378.45	21,428.92	\$18,524.43	07/01/08	1,00	17,460.50	2008 TOY
001-0014980-002		COLLECTION INVESTMENTS CORONA PAMINI CARE		48	47	668.00	40,264.42	\$35,806.97	07/01/08	1,00	34,318.90	MICROS POINT OF SALE SYSTEM
001-0014980-002		COLMERQAL CASEWORK, INC.		48	54	466.70	29,224.42	\$21,871.59	08/15/08	1,00	21,710.95	DOUGJET PAVEL TURNER MODEL PT-90
001-0024078-001	2788K-34780	DAIRY QUEEN OF WAREBENTON		60	57	834.07	47,341.89	\$41,962.70	08/15/08	1,00	38,088.00	ALPHA POINT OF SALE SYSTEM
001-0024078-001		DANNY THOMAS PARTY RENTALS, LLC		60	47	599.82	24,751.14	\$21,894.18	08/15/08	1,00	24,426.00	3.12 TOUCH SCREEN DIGITAL DINK
001-0024078-001		DECORATING WORLD, LLC		48	24	923.21	22,597.10	\$20,353.07	07/01/08	1,00	23,061.94	1989 INTERNATIONAL VAN
001-0024078-001		DESCANSO GARDENS GUILD, INC		48	42	466.82	19,873.94	\$17,628.48	07/01/08	1,00	28,531.99	(52) ZENITH 27-IN TELEVISIONS
001-0022338-001	4861D-32240	DENT WIZARD OF SAN FRANCISCO, INC		60	10	1,980.55	25,086.80	\$24,078.62	07/01/08	1,00	19,550.00	2004 ISUZU
001-0022338-001		DINTRI LUMBER CO, INC.	DIMTRIS GARDEN C	60	57	500.44	28,393.04	\$19,223.83	08/15/08	1,00	18,503.75	MOBILE ONSITE INVOICE & BILLIN
001-0022338-001		DYNAMIC SOUND AND VIDEO, LLC		36	36	571.52	46,623.03	\$39,837.05	08/15/08	1,00	37,403.75	NEW RESTAURANT EQUIPMENT
001-0022338-001		EAGLE TRACE, INC.	BARGAIN WAREHOL	36	30	780.02	23,424.00	\$20,123.21	07/01/08	1,00	29,011.00	PLOTTER
001-0022338-001		EAST WIND DRIVE, INC.		36	29	475.00	27,075.00	\$23,973.69	08/15/08	1,00	23,985.88	2004 CHEVY SILVERADO
001-0018383-001		EDENFIELD STAGES, INC.	EAST WIND DRIVE	36	35	808.45	30,249.75	\$27,605.56	07/01/08	1,00	22,031.54	BUSINESS AMVROD SECURITY SYSTEM
001-0018383-001		EDENFIELD STAGES, INC.		36	31	1,002.03	31,949.04	\$18,101.42	08/15/08	1,00	28,042.00	SMOOTHIE & SIFT SERVE MACHINES
001-0014538-002		EDGEWATER CORPORATION	EDGEWATER HOTEL	36	29	674.10	19,548.90	\$18,100.53	07/01/08	1,00	30,884.45	2000 INTERNATIONAL BLUE BIRD 489 AUTO
001-0022338-001		EJ DEVELOPMENTS INCORPORATED	MEDANTANTIC SPA	36	30	809.42	47,755.75	\$41,024.34	08/15/08	1,00	39,008.00	(2) YOGURT MACHINES
001-0016183-001		EMBERG STUDIO, INC		60	50	868.87	48,544.72	\$42,012.02	08/15/08	1,00	40,413.87	2008 FRACO
001-0016183-001		ELITE BUILDING PRODUCTS, LLC	ELITE GARAGE COO	60	47	497.81	23,387.67	\$20,897.54	08/15/08	1,00	20,085.11	2005 FRACO TRAILER
001-0022316-001		ELK HEIGHTS EXCAVATION, INC.		48	47	1,526.77	71,738.18	\$63,694.02	08/15/08	1,00	49,183.89	MOBILE ONSITE INVOICE & BILLIN
001-0003521-002		ELM CITY SMANTATION, LLC		48	68	733.77	42,538.88	\$35,650.05	07/01/08	1,00	35,655.00	2007 NEW SEIDLER 4 AXLE SIDELOMP TRU
001-0022844-000	1783F-32404	EMPOCASTRIC SOLUTIONS, INC.		60	30	698.02	20,880.80	\$19,284.89	07/01/08	1,00	21,883.00	MANAGEMENT SOFTWARE
001-0022844-000		ENVIRONMENTAL TESTING AND CONSULTING, INC.		60	33	1,438.28	44,856.24	\$43,609.82	07/01/08	1,00	71,000.00	CONCRETE PUMP WITH TOWER SYSTEMS
001-0022844-002		EXCELSIOR BERTHS, LLC		36	35	1,289.75	45,491.25	\$41,467.18	07/01/08	1,00	41,282.00	(2) THERMO HILTON XL-300A ANALYZERS
001-0022844-001		F & B ASSOCIATES, INC.	BEST BEVERAGE CO	60	59	521.38	30,700.24	\$28,434.41	08/15/08	1,00	53,650.00	2008 FORD
001-0017928-001		FALLING STAR LANDSCAPE, INC.	FALLING STAR LAND	36	34	1,035.71	63,454.14	\$57,897.00	08/15/08	1,00	28,128.78	2002 GMC CABOO 24FT PLAT BED TRUCK
001-0016773-002		FGI SALES CORPORATION	ORANGEON INDUSTRI	48	43	588.74	25,355.92	\$22,667.17	07/01/08	1,00	23,081.75	LANDSCAPING EQUIPMENT
001-0016773-002				38	35	1,422.75	49,756.25	\$45,413.46	07/01/08	1,00	45,307.97	587 FABRICATION GMC PLASMA CUTTING SYSTEM

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001-0014472-001		FLANKING EYE PRODUCTIONS		48	41	957.87	Sold	\$55,248.55	07/01/08	1.00	\$7,480.00	AUDIO PRODUCTION EQUIPMENT
001-0018841-001		FLX INVESTMENT, INC.	LARROCCO'S PIZZERIA	60	56	567.13	31,759.26	\$27,453.51	07/01/08	1.00	\$7,480.00	NEW & USED RESTAURANT EQUIPMENT
001-0025868-001	28871-88888	FOODSOURCE LINE CORPORATION		48	36	712.21	25,689.88	\$23,264.12	08/18/08	1.00	2,792.00	FISHING PRODUCTION MOUNTS
001-0025867-001		FOUR CORNER GROCERY & DELI		60	58	1,287.00	75,503.00	\$53,228.82	08/18/08	1.00	60,000.00	RESTAURANT EQUIPMENT
001-0021238-001		GAANDER TELECOMMUNICATIONS, INC.		36	33	1,460.82	48,310.89	\$44,188.71	08/18/08	1.00	46,173.87	2000 FORD F660 UTILITY TRUCK
001-0022528-002		GRAPHIC DISPLAY SYSTEMS, INC.	GDSI	60	58	613.18	34,178.44	\$31,077.17	08/01/08	1.00	24,528.29	DIE CUTTER, SPECTROPHOTOMETER, RADIOME DIE CUTTER
001-0018428-001		GRAPHIC DISPLAY SYSTEMS, INC.		60	60	548.88	32,264.74	\$27,178.85	07/15/08	1.00	25,438.42	MICROSTAR PULSE POWER SUPPLY
001-0023402-000	3320V-25402	GREAT LAKES ENGINEERING, INC.		48	46	981.24	30,628.78	\$24,854.56	08/15/08	1.00	29,478.33	ARS POINT-OF-SALE SYSTEM AND AL
001-0017187-002		H C & L, INC.	HISPANIC CHRISTMA	60	24	803.14	42,072.18	\$39,652.71	07/01/08	1.00	39,706.55	NEW TELEVISION TRANSMITTERS
001-0035271-000	1115E-343271	HAPPY TIMES FAMILY FUN CENTER, INC.		24	57	1,428.08	20,108.88	\$19,484.19	08/15/08	1.00	39,748.84	FUN CENTER EQUIPMENT AND SIGNS
001-0032325-000	4884D-32325	HAWKETE MOVING & STORAGE		60	41	1,538.00	56,599.00	\$53,001.36	08/15/08	1.00	87,098.00	TRANSPORTATION SOFTWARE
001-0017802-003		HELSELL PETERMAN LP		60	58	858.85	56,871.30	\$47,842.21	08/15/08	1.00	49,223.33	PHONE SYSTEM
001-0022585-001	3484T-22585	HORIZON COMMUNICATIONS TECHNOLOGIES, INC.		60	51	1,278.31	65,189.51	\$57,123.81	07/01/08	1.00	21,719.21	COMPUTER COMMUNICATION EQUIPMENT
001-0014583-001		IBSEN TOWING		60	52	785.14	30,797.26	\$34,775.81	07/01/08	1.00	38,798.22	ELECTRONIC MESSAGE CENTER/MEMO/EQUIP
001-0021831-001		INDIAN TREE ANIMAL HOSPITAL, INC.		60	58	418.18	24,137.28	\$20,776.19	08/15/08	1.00	20,058.12	NEW BIRNINGHAM D.C.-8691 LATHIE
001-0032024-000	2428R-32024	INDUSTRIAL PROCESS AUTOMATION, INC.		60	58	478.20	19,875.20	\$17,944.58	08/15/08	1.00	22,710.00	ROUTE 66 CONC HALL, REPOST SOFT
001-0032127-001		INTERSTATE WASTE & DEMO, INCORPORATED		60	58	782.27	23,258.45	\$23,309.88	08/15/08	1.00	23,108.89	2000 FORD F2000 ENGINE
001-0036585-001		ISOPAC CORPORATION	SILVERTON DAIRY C	60	56	632.24	34,884.64	\$21,891.50	07/01/08	1.00	21,008.36	KITCHEN EQUIPMENT/RESTAURANT EQUIPMENT
001-0034958-001		JACK F. CORSE, INC.	OLD TOWN PIZZA M	60	58	897.85	34,884.64	\$28,784.57	07/01/08	1.00	23,927.88	RESTAURANT EQUIPMENT
001-0023922-001		JAMES W. CAMPBELL, D.C. LTD.	VEGAS VALLEY PAH	60	56	507.45	75,291.40	\$65,056.71	07/01/08	1.00	63,113.78	PROPANE TANKS AND COMPRESS
001-0019789-001		JIM OLSON COLLISION, INCORPORATED		48	47	1,144.90	63,510.30	\$24,659.07	07/15/08	1.00	23,587.20	HYPERBARIC OXYGEN CHAMBER
001-0023922-001		JIMMY PAINT AND JANITOR	JODAVIS AMORE	60	59	808.07	40,596.13	\$34,873.48	08/01/08	1.00	46,183.44	AMBER-CUBE MASTRO SPRAY BOOTH
001-0022585-001	1882L-14108	JOCANN ENTERPRISES, INC.		60	57	808.07	34,711.29	\$29,068.04	07/15/08	1.00	33,152.82	CARPET CLEANING EQUIPMENT
001-0014108-000		JRS TEXAS BAR & QUE		60	41	808.07	43,607.08	\$29,068.04	08/15/08	1.00	29,382.96	POS SYSTEM ESPRESSO MACHINE
001-0017898-001		K & L DISTRIBUTORS, INC.		36	33	1,204.88	43,607.08	\$39,488.05	08/15/08	1.00	40,349.08	POINT-OF-SALE SYSTEM & RESTAURANT EQUIP
001-0034913-000	248Z-34913	KAMPAR CORPORATION		29	29	1,231.24	38,228.98	\$35,348.89	07/01/08	1.00	41,186.00	ENERGY EFFICIENT LIGHTING FIXTURES
001-0031811-001		KINGBACK, LLC	PUB INDIANAPOLIS	60	47	850.40	27,978.80	\$24,141.10	08/15/08	1.00	27,121.40	ENERGY EFFICIENT LIGHTING FIXTURES
001-0014535-001		KINGDOM REALTY, LLC		48	40	524.23	32,978.31	\$34,884.50	07/15/08	1.00	27,188.97	TV'S
001-0021866-001		L.A. WHEEL REPAIRING, INC.		60	59	852.88	20,920.00	\$18,686.54	08/01/08	1.00	20,920.00	SEBROOK-TRANTRITE SERVS
001-0014066-001		LA COLMBIA PALMARBIA		24	21	1,133.00	50,328.82	\$43,232.12	07/01/08	1.00	41,107.84	SPRAY ZONE FRONTLINE TOP SPRAY BOOTH
001-0015945-000		LA SIERRA, LLC	LOS MARGARITAS	48	43	902.31	28,828.33	\$34,776.38	07/15/08	1.00	28,123.18	CROSSBANT MOWER
001-0022772-000	2289K-27723	LETTUCE EQUIPMENT CORPORATION, LLC		24	19	1,075.90	20,442.10	\$18,415.14	08/15/08	1.00	24,313.66	POS
001-0035021-000	1988F-35021	LICENT DENTNL LAB		60	31	816.00	19,088.00	\$17,587.44	08/15/08	1.00	24,322.31	POINT OF SALE SYSTEM
001-0035021-000				60	48	825.53	24,265.44	\$21,420.83	07/01/08	1.00	24,033.46	OFFICE FURNITURE, CHAIRS, TABLE



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001-0038423-001		MAGNOLIA BLENDER STREET, LLC	MAGNOLIA BAKERY	48	41	502.96	29,822.18	170,228.30	08/15/08	1.00	17,050.00	ESPRESSO MACHINE/POS SYSTEM
001-0015175-001		MARY O. GOLDBERG, M.D., P.C.	VEDA ROSE MEDIC	38	30	874.80	28,228.90	174,222.02	08/15/08	1.00	17,050.00	SCANNING EQUIPMENT
001-0020231-001		NARINIMAYRA LLC	LA TELVANA MEAT/TF	60	57	595.88	33,582.16	182,619.86	08/15/08	1.00	17,050.00	XRAY POS PRO RECORDER
001-0031454-001	249K-31454	MATADOR TACOMA		60	56	1,047.25	60,732.10	182,517.62	07/01/08	1.00	50,465.00	(9) REMANUFACTURED GASOLINE DISPENSERS
001-0012121-001		MCCORMACK TIRE, INC.	MCCORMACK TIRE F	60	49	598.21	23,028.40	122,690.97	07/01/08	1.00	27,600.00	NEW POS SYSTEM
001-0018685-001		MID-SOUTH VASCULAR CLINIC, P.C.		48	49	546.05	25,119.88	122,282.82	08/15/08	1.00	22,015.18	AUTOMOTIVE ALIGNMENT MACHINE
001-0015460-001		MODOC COUNTY TTM, CO, INC.	MHL HOME	48	45	803.61	31,982.45	122,151.44	08/15/08	1.00	32,668.82	COMPUTER EQUIPMENT AND SOFTWARE - 10 U
001-0023869-001		MONTGOMERY-WAGS LIND LTD.		60	52	803.75	30,744.00	122,224.24	08/15/08	1.00	24,500.00	SAP BUSINESS ONE SOFTWARE
001-0015460-001		MOUNTAIN WAGES PIZZA & PASTA		60	52	828.91	27,467.44	122,007.74	07/01/08	1.00	43,884.74	RESTAURANT EQUIPMENT/RP/CI
001-0020231-001		MURRAY CARE CENTER, INC.		60	45	828.22	33,388.40	122,151.44	07/16/08	1.00	24,500.00	CABLE/SATELLITE TV SYSTEM
001-0014103-001		LYRBA AQUILAR DENTAL CORPORATION	HEALTHY HAIR D8	48	45	741.52	27,467.44	122,007.74	07/16/08	1.00	24,500.00	DENTAL EQUIPMENT
001-0020231-001		MAVIC TRANSPORT, INC.		48	45	808.39	22,224.18	122,007.74	08/15/08	1.00	21,000.00	2000 WASH REEFER SEMI TRAILER
001-0038416-000	82350-35013	NEOPOLITAN NETWORKS, INC.		36	32	483.87	22,224.18	122,007.74	07/01/08	1.00	22,410.00	VARIOUS NETWORKING EQUIPMENT
001-0019589-001		NEW YORK DIGITAL COLOR TECHNOLOGIES & PRINTERS		60	57	1,204.03	70,909.71	181,215.81	07/16/08	1.00	80,044.80	DC 500 HD THINNER, PAPER TOWER, HIGH CAP
001-0016569-001		NORTH MECH ENGRNG AQUATICS IN HONOLU ADULTS &		48	40	501.85	20,078.00	118,082.20	08/15/08	1.00	18,642.00	FITNESS AND TANNING EQUIPMENT
001-0035991-000	1271L-35997	NORTHSHORE ALPINE OH, INC.	ROCKSTAR	48	38	668.12	24,028.32	121,912.57	08/15/08	1.00	24,181.25	LAWN MAINTENANCE EQUIPMENT
001-0015186-001		NYC PHOTOGRAPHY, INC.		36	38	442.00	24,732.00	121,481.10	07/01/08	1.00	20,650.00	VERSA SPA TANNING BOOTH
001-0034735-002		OAK PARK SURGERY CENTER		24	20	1,235.02	24,700.00	120,358.30	07/01/08	1.00	25,000.00	PHOTO BOOTHS
001-0034483-000	1489Y-34483	OKSIS SURGERY CENTER		48	47	456.22	24,322.34	120,459.72	08/15/08	1.00	32,000.00	RFQ-18 RADIOFREQUENCY GENERATO
001-0024182-001		OMALLETTS ON PEBBL, INC.		60	59	813.00	47,570.34	121,228.83	08/15/08	1.00	37,256.46	VISION SOFTWARE
001-0029028-001		P & M BLASTING & COATING INC		36	35	824.79	28,897.45	121,228.83	08/15/08	1.00	21,984.50	RESTAURANT EQUIPMENT
001-0039157-004		PACIFIC UTILITY CONTRACTORS, INC		48	43	847.69	38,480.87	121,228.83	07/01/08	1.00	45,640.00	HYSTER FORK/LFT, H165NL
001-0023787-001		PAGADE DESIGNS, INC.		48	47	1,185.30	46,481.28	121,228.83	07/01/08	1.00	33,177.50	1982 INTERNAL
001-0019344-001		PEROTEC, INC.		60	56	828.13	48,481.28	121,228.83	07/01/08	1.00	47,786.08	LASER/STAR VIB DIB
001-0023710-001		PREAWSON LLC		60	59	774.17	48,481.28	121,228.83	07/16/08	1.00	38,450.50	2001 FORD F550 BUCKET TRUCK
001-0032313-000	3849R-32313	PIZZA FACTORY		60	59	816.48	48,481.28	121,228.83	07/16/08	1.00	37,309.80	NEW AIR COMPRESSOR
001-0024184-005		PLAYET BOON STUDIOS		48	47	483.00	21,701.00	119,257.86	08/15/08	1.00	21,471.00	RESTAURANT PIZZA EQUIPMENT
001-0020231-000		POP LABS INC		36	30	679.82	20,397.80	118,082.20	08/15/08	1.00	20,854.46	CHEFCE TURNING/ROUTER
001-0041203-002		PREPARED-HARBORBAR-BEHPRENTS-INGBRP/REPARTION-		24	21	835.15	18,208.45	118,082.20	08/15/08	1.00	18,471.80	NEW SOFTWARE
001-0021187-001		QCL, INC.	QCL MOBILE & COMM	60	58	708.70	44,356.23	118,082.20	08/15/08	1.00	40,285.00	CONTRACTOR/SPRINT/BOOTH
001-0031884-000	2839B-31884	QUALITY SERVICE CENTER, INC		60	56	594.86	22,594.40	118,082.20	07/01/08	1.00	14,154.50	2001 F150RWOOD JAMBONE Z*
001-0010590-001		QUICKSERV, INC.	QUARTERDECK BAR	60	58	818.53	47,474.74	118,082.20	08/15/08	1.00	28,199.46	AUTOMATIC EQUIPMENT
001-0017781-001		R. GREENSPAN INTERNATIONAL, INC. REAL INC.		48	45	1,191.44	53,614.80	118,082.20	08/15/08	1.00	48,631.20	2008 FORD F450 DUMP TRUCK
001-0024717-001		ROSLAND HILLS GOLF CLUB INC		36	32	1,855.89	53,261.76	118,082.20	08/15/08	1.00	50,774.83	2008 SATURN SCOUTWARE PACKAGE
				60	59	380.00	22,420.00	118,082.20	07/01/08	1.00	18,313.91	NEW 2008 EST. PHONE SYSTEM

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CONTRACT NO	CUST ID	CUST NAME	CUST DBA	INITIAL TERM	#Pmts Sold	CONTRACT PRT	Less Receivable	PAID TO DATE	RESIDUAL	EQUIP COST	EQUIPMENT DESC
001-002781-000	18034-27761	RED STONK TOWING		60	50	1,869.69	41,869.69	03/15/08	1.00	64,786.00	2004 GMC C5500
001-001889-000		ROMAN CATHOLIC ARCHBISHOP OF L. ST. JOHN CHRISOS		60	58	7,007.07	49,854.08	06/15/08	1.00	53,742.88	SECURITY SYSTEM
001-002233-001		RC MED-SUPPLY LLC		60	58	824.14	30,400.12	07/15/08	1.00	26,238.75	1 ULTRA FROM CAL INTERNATIONAL
001-002233-001		S & J GRINDING, INC.		60	58	1,182.87	86,840.26	07/10/08	1.00	59,840.00	KOMATSU EXCAVATOR W/2P BUCKET
001-003689-001		S & J FASHION GROUP, LLC	MEGHAN FABRIQUE	48	47	639.18	23,894.48	07/15/08	1.00	26,732.12	SOUND SYSTEM
001-001844-002		S R PAUL, INC.	PAWS SCS MARKET	60	59	335.35	20,895.85	06/15/08	1.00	12,937.34	SECURITY SYSTEM/RESTAURANT EQUIPMENT
001-001870-001		SANDY HOOK HAIR CO		24	23	891.35	69,306.95	06/15/08	1.00	45,866.50	MYSTIC TANNING BOOTSTRAP STATION
001-002498-001		SCAGLIONE CUSTOM HOMES LLC	QUALITY CONSTRUCT	60	57	1,275.89	29,348.85	06/15/08	1.00	27,928.31	CRAMATORUM
001-003590-000	6211D-35990	SEATTLE BULK PAUL STATION, INC	JAY BERRYS CAFE	36	24	921.14	44,708.43	06/01/08	1.00	28,482.50	1988 MANNITOU FORKLIFT
001-003768-000		SETPOINT DESIGN AND PRODUCTION, LLC		60	68	435.82	22,107.58	07/15/08	1.00	20,216.77	RESTAURANT EQUIPMENT
001-001531-002		SHIRTS & MORE, INC.		60	58	851.00	37,758.00	06/15/08	1.00	30,185.00	NEW ATTRAMP CNC LATHE
001-000789-001		SNO-COUNTRY FORD, INC.	SRY VIEW PARK VW	72	59	1,260.75	73,123.50	07/15/08	1.00	61,024.38	MALTOX VALVELET 1804 GARMENT PRINTER
001-002674-000		STAGES NORTHWEST, INC.		60	68	718.53	41,132.74	07/01/08	1.00	38,476.00	WASTE OIL HEATERS/MATERIAL/LABOR DUCTS
001-002097-000		STIX & STONES, INC.	STELLA BLUES CAFE	60	59	618.22	20,454.59	07/15/08	1.00	18,589.60	NEW WAVE TRUSS MAWER
001-001493-002		STRATFORD TRUCKING SERVICE, INC		48	48	488.17	64,251.48	07/10/08	1.00	38,504.71	NEW RESTAURANT EQUIPMENT
001-002481-001	33271-18882	STROGTY SCRAPBOOKING		48	38	1,791.37	48,128.32	06/15/08	1.00	22,412.01	TOOLING FOR CNC MACHINE
001-002481-001	2778K-33481	SUNSHINE BAKERY	SURWOOD RV & C	48	35	592.10	19,879.50	06/15/08	1.00	61,880.32	ISLAND, COUNTER, STORAGE SCRAPBOOKING
001-001970-001		SUNSHINE BAKERY		60	58	1,206.14	75,779.12	06/15/08	1.00	22,000.00	6 TOUCH-SCREEN WORKSTATIONS, PO
001-002039-001		SUNSHINE BAKERY		60	55	451.44	34,239.66	06/15/08	1.00	62,200.00	BAKERY EQUIPMENT
001-002039-001		SUNSHINE BAKERY		60	58	656.08	45,842.88	07/01/08	1.00	20,098.40	JUMPING PILLOW
001-002039-001		SUNSHINE BAKERY		60	58	825.00	47,850.00	07/01/08	1.00	38,018.43	KONICA MINOLTA BIVLUB PRO C5900
001-0017291-002	33311-34400	TASTEFULLY BRITISH	TITAN INTERNATIONAL LOGISTICS, LLC	60	46	442.67	25,228.19	07/01/08	1.00	44,239.00	CONCESSION TRAILER
001-0035145-002	28181-35145	TOM GRIFFITH ENVIRONMENTAL DRILLING, INC		48	35	678.11	42,733.85	07/10/08	1.00	20,932.68	COMPUTERS & PRINTERS
001-001454-002		TOTAL NETWORK SOLUTIONS LP		60	69	789.58	48,358.22	09/15/08	1.00	26,000.41	WATER WELL DRILLING EQUIPMENT
001-0023281-001		TRE 2 LP	TRE 2	60	57	648.82	38,743.47	07/01/08	1.00	31,687.98	NETWORKING EQUIPMENT
001-0021031-001		TROON SERVICES, LLC		60	55	881.25	51,916.18	07/01/08	1.00	31,406.18	DAY/COLOUR SPECTROPHOTOMETER
001-0017199-001		VIEW RIDGE PARK VILLA LLC	VIEW RIDGE PARK	72	66	718.13	47,850.20	06/15/08	1.00	17,828.80	RICKER OFFICE
001-001803-001		VINCE PALAZZO PHOTOGRAPHY, L STUDIO ONE PHOTO		60	59	668.88	50,672.74	05/15/08	1.00	38,300.00	TRASH COMPACTOR
001-002324-001		VINS VENDING, INC.		35	35	1,510.89	58,191.58	06/10/08	1.00	44,092.29	2008 CONIQ EQUIPMENT
001-0018271-001		VSS ELECTRIC, INC.		60	58	335.80	28,981.58	07/01/08	1.00	24,819.16	2000 FORD F450 DUCKEE TRUCK
001-002804-000	68231A-2804	WATTS OIL COMPANY, INC		60	17	1,480.98	28,178.68	07/01/08	1.00	70,821.78	TRIMTY 71 6900V ABOVE G
001-0020371-001		WEFORMAX COMPANY		35	34	487.19	30,184.48	06/15/08	1.00	28,073.78	COMPUTER SYSTEMS AND HARDWARE

**Puget Sound Leasing**  
**A Division of First Sound Bank**  
**Sale to First Mutual Bank**  
**JUN-08**

**ORIGINAL**

CONTRACT NO	CUST ID	CUST NAME	CUST DBA	INITIAL TERM	#Prms Sold	CONTRACT PRNT	Less Reschedule	Sold	NPV @	PAID TO DATE	RESIDUAL	EQUIP COST	EQUIPMENT DESC
001-0028747-001		WESTERN FAB, INC.		40	47	1,098.73		80,278.51	6.25%	07/01/08	1.00	41,803.78	VERTICAL BANDSAW WITH ACCESSORIES
001-0028284-001		WHEEL TRNG, INC. (THE)		60	58	659.73		22,128.54	6.25%	07/01/08	1.00	28,895.75	DRILLING SYSTEM, BUS MOUNT SOFTWARE
001-0017700-001		WINERY OF THE WICHITAS LLC	HIDEAWAY CASINO	48	43	697.68		20,498.36	6.25%	06/15/08	1.00	24,000.00	FURNITURE
001-0018891-001		YC & DR, INC.	ZEN STRBNGTY-17	50	58	392.17		21,911.52	6.25%	06/15/08	1.00	17,722.13	POS SYSTEM
001-0022858-001		ZENFT, LLC		36	34	1,387.97		62,868.78	6.25%	06/15/08	1.00	49,004.43	EXERCISE EQUIPMENT
						\$174,296.22		\$7,295,671.72			41,244.05	7,007,868.60	

Per Item in Favor of PSL  
 7 days @ 6.25%  
 (6,450,728.23 \* 6625)/66517 Days  
**\$7,232.04**  
**Total Winn Amount \$9,459,460.27**

Exhibit B  
To  
Purchase and Security Agreement  
[Payment Schedule]

ORIGINAL

**Puget Sound Leasing, a Division of First Sound Bank  
Portfolio Sale to First Mutual Bank  
Jun-08**

<u>Pmt No</u>	<u>Pmt Date</u>	<u>Pmt Amount</u>	<u>Receivable Balance</u>
0			\$7,295,671.72
1	7/20/2008	174,299.22	\$7,121,372.50
2	8/20/2008	174,299.22	\$6,947,073.28
3	9/20/2008	174,299.22	\$6,772,774.06
4	10/20/2008	174,299.22	\$6,598,474.84
5	11/20/2008	174,299.22	\$6,424,175.62
6	12/20/2008	174,299.22	\$6,249,876.40
7	1/20/2009	174,299.22	\$6,075,577.18
8	2/20/2009	174,299.22	\$5,901,277.96
9	3/20/2009	174,299.22	\$5,726,978.74
10	4/20/2009	167,641.22	\$5,559,337.52
11	5/20/2009	165,432.07	\$5,393,905.45
12	6/20/2009	163,604.01	\$5,230,301.44
13	7/20/2009	163,604.01	\$5,066,697.43
14	8/20/2009	163,604.01	\$4,903,093.42
15	9/20/2009	163,604.01	\$4,739,489.41
16	10/20/2009	163,604.01	\$4,575,885.40
17	11/20/2009	162,035.46	\$4,413,849.94
18	12/20/2009	155,845.20	\$4,258,004.74
19	1/20/2010	155,845.20	\$4,102,159.54
20	2/20/2010	154,769.30	\$3,947,390.24
21	3/20/2010	153,534.30	\$3,793,855.94
22	4/20/2010	150,282.87	\$3,643,573.27
23	5/20/2010	150,282.87	\$3,493,290.60
24	6/20/2010	148,171.57	\$3,345,119.03
25	7/20/2010	144,439.87	\$3,200,679.16
26	8/20/2010	144,439.87	\$3,056,239.29
27	9/20/2010	144,439.87	\$2,911,799.42
28	10/20/2010	144,439.87	\$2,767,359.55
29	11/20/2010	144,439.87	\$2,622,919.68
30	12/20/2010	142,447.53	\$2,480,472.15
31	1/20/2011	138,026.32	\$2,342,445.83
32	2/20/2011	132,375.50	\$2,210,070.33
33	3/20/2011	125,774.64	\$2,084,295.69
34	4/20/2011	119,453.92	\$1,964,841.77
35	5/20/2011	112,822.35	\$1,852,019.42
36	6/20/2011	101,934.26	\$1,750,085.16
37	7/20/2011	98,771.56	\$1,651,313.60
38	8/20/2011	98,771.56	\$1,552,542.04
39	9/20/2011	98,771.56	\$1,453,770.48
40	10/20/2011	98,771.56	\$1,354,998.92

Exhibit B

ORIGINAL

Puget Sound Leasing, a Division of First Sound Bank  
 Portfolio Sale to First Mutual Bank  
 Jun-08

<u>Pmt No</u>	<u>Pmt Date</u>	<u>Pmt Amount</u>	<u>Receivable Balance</u>
41	11/20/2011	96,080.20	\$1,258,918.72
42	12/20/2011	91,601.49	\$1,167,317.23
43	1/20/2012	91,133.07	\$1,076,184.16
44	2/20/2012	88,202.67	\$987,981.49
45	3/20/2012	88,202.67	\$899,778.82
46	4/20/2012	85,566.10	\$814,212.72
47	5/20/2012	81,793.65	\$732,419.07
48	6/20/2012	72,841.86	\$659,577.21
49	7/20/2012	69,427.49	\$590,149.72
50	8/20/2012	69,427.49	\$520,722.23
51	9/20/2012	69,427.49	\$451,294.74
52	10/20/2012	68,149.18	\$383,145.56
53	11/20/2012	66,273.75	\$316,871.81
54	12/20/2012	65,602.92	\$251,268.89
55	1/20/2013	62,616.84	\$188,652.05
56	2/20/2013	60,000.69	\$128,651.36
57	3/20/2013	52,676.77	\$75,974.59
58	4/20/2013	39,381.37	\$36,593.22
59	5/20/2013	21,082.69	\$15,510.53
60	6/20/2013	2,215.79	\$13,294.74
61	7/20/2013	2,215.79	\$11,078.95
62	8/20/2013	2,215.79	\$8,863.16
63	9/20/2013	2,215.79	\$6,647.37
64	10/20/2013	2,215.79	\$4,431.58
65	11/20/2013	2,215.79	\$2,215.79
66	12/20/2013	2,215.79	\$0.00

EXHIBIT D



FOSTER PEPPER PLLC

Direct Phone (206) 447-2904  
Direct Facsimile (206) 749-1939  
E-Mail FileT@foster.com

November 7, 2008

**VIA FEDERAL EXPRESS**

Mr. Don L. Hirtzel  
Chairman and CEO  
First Sound Bank  
925 Fourth Avenue, Suite 2350  
Seattle, WA 98104

**Re: 10-DAY NOTICE OF DEMAND TO REPURCHASE CONTRACTS**

Dear Mr. Hirtzel:

We represent Washington Federal Savings ("WaFed") and are in receipt of your letter to Rick Collette dated October 14, 2008, stating that First Sound Bank ("First Sound") will not repurchase leases originated by its leasing division, Puget Sound Leasing ("PSL").

This is written notice pursuant to Section 12(b) of the Program Agreement, dated June 8, 2004, ("Program Agreement") that WaFed demands that First Sound repurchase all of the Contracts (as defined in the Program Agreement) in Pool Nos. 1-9, which collectively have an outstanding balance of \$30,400,786, and which are more fully described in Exhibit 1 attached to this letter.

Under the Program Agreement, a failure in any representation or warranty, or a failure to honor any covenant agreed to by PSL, constitutes an "Event of Default":

**12. Default and Rights and Remedies**

(a) Each of the following shall be an event of default ("Event of Default") under this Agreement:

\*\*

(ii) Any representation or warranty of PSL is or becomes false, misleading or inaccurate; and

(iii) PSL fails to perform any covenant, promise or other agreement set forth in this Agreement, any Purchase and Security Agreement or any other document or agreement between PSL and First Mutual Bank.

See Program Agreement § 12(a).



PSL and/or First Sound has violated one or more of the following provisions of the Program Agreement:

- Section 4(c)'s representation and warranty that "PSL has delivered to FIRST MUTUAL BANK copies of (i) PSL's most recent annual audited financial statements, prepared to certified by an independent firm of certified public accounts satisfactory to FIRST MUTUAL BANK, in conformity with generally accepted accounting principles applied on a consistent basis and presenting fairly PSL's financial condition as at such date, and the results of PSL's operations for the twelve (12) month period then ended and (ii) PSL's most recent quarterly financial statements, prepared in conformity with generally accepted accounting principles applied on a consistent basis and presenting fairly PSL's financial condition as of such date and the results of PSL's operations for the quarter then ended, certified as true and correct by PSL's chief financial officer. Since the date of the above-described financial statements there has been no material adverse change in PSL's financial condition."
- Section 6(a)'s covenant to "[f]urnish to FIRST MUTUAL BANK, within thirty (30) days after the end of each quarter, quarterly financial statements prepared in accordance with generally accepted accounting principles consistently applied and, annually within sixty (6) days after the end of each fiscal year, a copy of PSL's annual audited financial statements, with all notes thereto, and upon request, financial and operating statements and reports on the current operations and condition of PSL."
- Section 6(e)'s covenant not to "(iii) sell, transfer, or convey a substantial a substantial part of PSL's assets other than in the normal course of business (such normal course of business to include the securitization of assets) or effect or be a party to any merger or consolidation which would result in a change to control of PSL (i.e., a sale, transfer or conveyance of 25% of more of PSL's outstanding voting stock), or a material adverse impact on PSL's financial condition, business operations or ability to perform its obligations under this Agreement."
- Section 6(i)'s obligation to "provide FIRST MUTUAL BANK, on or before the fifteenth day of each month, effective as of the end of the preceding month, a report in a format satisfactory to FIRST MUTUAL BANK, detailed by Obligor, setting forth the following: (i) receivables aging, delinquencies and open items together with an aging summary on PSL's entire portfolio and (ii) the occurrence of any of the following events with respect to the Contracts under which the Payment Streams have been assigned to FIRST MUTUAL BANK; (A) the occurrence of an event of default or material violation of any provision of a Contract or Contract Documents by the lessee or vendee thereunder or any other Obligor thereof; (B) any adverse credit information, which PSL may acquire or have knowledge of, with respect to any lessee, vendee or other Obligor under any Contract or Contract Documents; or (C) any and all litigation or other matters or

events concerning PSL or any Obligor which might reasonably be construed to affect adversely FIRST MUTUAL BANK's interest in a Contract, Contract Documents, Payment Stream or related Equipment or any of FIRST MUTUAL BANK's rights under this Agreement.

- Section 6(k)'s obligation to "[e]nforce the performance of every term and condition of the Contracts and Contract Documents to be performed by the Obligors thereunder without terminating any of the Contracts and Contract Documents, which enforcement shall be at PSL's expense until such time, if any, that litigation action is, at FIRST MUTUAL BANK's direction, commenced with respect to the Contract or Contract Documents, after which time (unless and until such Contract and related Payment Stream is repurchased or substituted for hereunder) such reasonable litigation enforcement expenses as First Mutual Bank shall have approved in advance shall be borne by FIRST MUTUAL BANK."
- Section 6(r)'s obligation to "[m]aintain a ratio of Debt to Tangible Net Worth of not more than 6.0 to 1.0 as measured as of the end of each fiscal quarter of PSL."
- Section 8, which states "unless and until FIRST MUTUAL BANK shall have the right, pursuant to Section 12(b) below, to assume responsibility for servicing the Contracts and Contract Documents, PSL shall continue to service and administer the Contracts and Contract Documents in accordance with its customary practices and procedures, which shall be sound commercial practices and procedures. PSL shall handle all transactions relating to the Contracts and Contract Documents and shall bear the cost of servicing and enforcing the Contracts and Contract Documents."
- Section 8(a)'s obligation to submit a written request for reimbursement, without interest.

As a result, First Sound is obligated under Section 12(b) to repurchase all Payment Streams at WaFed's request:

(b) Upon occurrence of an Event of Default, FIRST MUTUAL BANK may exercise any one or more of the following remedies, in addition to any remedies available at law or equity:

(i) PSL will, within ten (10) days of a written request from FIRST MUTUAL BANK, repurchase all Payment Streams under all Contracts purchased by FIRST MUTUAL BANK, for cash for the cumulative Repurchase Price of all such Payment Streams. . .

Program Agreement § 12(b)(i).

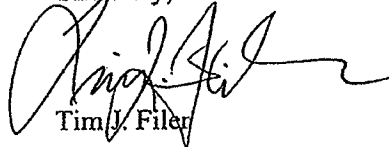
Accordingly, WaFed requests and demands under § 12(b)(i) of the Program Agreement that First Sound, within ten (10) days from the date of deemed service of this letter, repurchase all Payment Streams under all Contracts described above. You should direct payment in full of

Mr. Don L. Hirtzel  
November 7, 2008  
Page 4

the cumulative Repurchase Price in immediately available funds pursuant to the wire transfer instructions attached to this letter as Exhibit 2.

WaFed reserves all other rights and remedies provided for in equity and/or law, whether pursuant to the Program Agreement, arising from statute or at common law, including but not limited to the right to terminate the Program Agreement, recover possession of any of the security with or without terminating the Program Agreement, enforcement by specific performance and/or recovery of damages, attorneys' fees and costs of suit.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim J. Filer", written over a printed name.

Tim J. Filer

Attachments

cc: Washington Federal Savings

**Exhibit 1**

**PSL Contracts  
(Pool Nos. 1-9)**

Pool	Loan	Origination		Maturity	Outstanding	Monthly
		Date	Amount			
1	77-100252-04	6/28/04	\$4,583,369	6/30/09	\$337,709	\$50,491
2	77-100293-08	12/16/04	\$4,999,021	12/31/09	\$714,207	\$58,493
3	77-100326-06	5/26/05	\$5,809,341	5/31/10	\$124,407	\$82,976
4	77-100382-09	1/26/06	\$6,929,517	4/26/11	\$1,918,963	\$118,622
5	77-100440-05	9/28/06	\$9,240,243	4/28/13	\$3,582,999	\$172,877
6	77-100506-03	3/26/07	\$5,715,692	1/26/14	\$3,379,149	\$115,302
7	77-100539-04	8/30/07	\$7,586,792	8/30/14	\$5,517,139	\$145,382
8	77-100574-01	3/28/08	\$9,142,580	3/2/15	\$8,075,333	\$177,869
9	77-100597-02	6/27/08	\$7,295,672	6/20/13	\$6,750,880	\$174,299
			\$61,302,227		\$30,400,786	\$1,096,311