

Below is the Order of the Court.



*Karen A. Overstreet*

Karen A. Overstreet  
U.S. Bankruptcy Judge  
(Dated as of Entered on Docket date above)

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UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON

In re

RICHARD A. SECORD, et al.<sup>1</sup>,

Debtors.

No. 10-16244 [Lead Case]  
(Jointly Administered)

ORDER APPROVING COMPROMISE  
BETWEEN DEBTORS AND FIRST  
SOUND BANK

THIS MATTER having come before this Court on Motion for Approval of Compromise brought by Richard A. Secord, Louis A. Secord and Larasco, Inc. (collectively "Debtors") on shortened time; and the Court having reviewed the pleadings on file; and it appearing that timely notice to all appropriate parties has heretofore been given; and it appearing that no objections have been filed with the Court or served on Debtors; and the Court is satisfied that the relief sought is both reasonable and necessary, now, therefore, it is hereby

ORDERED:

<sup>1</sup> The Debtors are Richard A. Secord (Case No. 10-16244), Louis A. Secord (Case No. 10-16245) and Larasco, Inc. (Case No. 10-17895), jointly administered under Case No. 10-16244.



## SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is entered into as of the 19<sup>th</sup> day of December 2011 by First Sound Bank ("FSB"), and Larasco, Inc., Louis A. Secord, Jr., Joanne Secord, Richard A. Secord, Kathleen Secord, Lascor, LLC, and Rascor, LLC (the "Secord Parties").

### RECITALS

A. FSB and certain of the Secord Parties have asserted claims against one another in an action titled *First Sound Bank v. Larasco, Inc., et al.*, United States District Court for the Western District of Washington, Cause No. C09-0056-TSZ (the "Lawsuit").

B. FSB also has asserted claims against certain of the Secord Parties in adversary proceedings in the United States Bankruptcy Court for the Western District of Washington. All the claims in the adversary proceedings were consolidated in the Lawsuit.

C. All claims and counterclaims in the Lawsuit were tried to a jury before the Honorable Thomas S. Zilly beginning September 12, 2011. On October 3, 2011, the jury returned a verdict in the Lawsuit.

D. The Court has entered judgment based on the jury's verdict in the Lawsuit ("Judgment"). Claims by the parties for award of attorneys' fees and claims by the Secord Parties for wrongful attachment are pending.

E. The parties desire to settle all disputes between them on the following terms and conditions.

## TERMS AND CONDITIONS

1. Bankruptcy Court Approval. This Agreement is subject to Bankruptcy Court approval in the bankruptcy proceedings for Larasco, Inc., Louis A. Secord, Jr. and Richard A. Secord. FSB and the Secord Parties intend to seek expedited Bankruptcy Court approval of this Agreement. If, for any reason, Bankruptcy Court approval is not obtained within 14 days of the date of this Agreement, this Agreement will be null and void as provided in paragraph 3, below. FSB and the Secord Parties shall join in all motions and other efforts to secure Bankruptcy Court approval and all parties shall use their best efforts in that regard.

2. Compromise of Claims. The Secord Parties agree that FSB shall have the right to satisfy the Judgment by complying with all of the following requirements within 14 days of approval of this Agreement by the Bankruptcy Court as provided in paragraph 1, above. If all of the following requirements are timely satisfied, there will be no further proceedings on claims for attorneys' fees or wrongful attachment, and no party shall pursue such claims during the time periods for compliance set forth in paragraph 1 above and this paragraph 2:

- a. FSB shall cause the Court to pay \$1.5 million <sup>as directed by</sup> ~~the Secord Parties~~ <sup>or the Bankruptcy Court</sup> from the funds deposited by FSB with the Court in the Lawsuit. The \$1.5 million shall constitute payment for all amounts due to the Secord Parties on the Judgment and settlement of the claims by the Secord Parties for wrongful attachment and attorneys' fees.

b. FSB shall cause the Writ of Attachment (as defined in the Judgment), and any related writs, orders and liens against the Second Parties or their property to be dissolved or otherwise eliminated.

c. FSB shall obtain and deliver to counsel for the Second Parties a written letter of "non-objection" to this Agreement from the Washington Department of Financial Institutions. The letter shall confirm that the FDIC has been made aware of this Agreement.

d. FSB shall cause all its remaining claims against the Second Parties in the Lawsuit, or any other legal proceeding, to be dismissed with prejudice and without award of costs.

3. Agreement Null and Void. Time is of the essence with respect to satisfaction of the requirements set forth in paragraphs 1 and 2, above. If, for any reason, the requirements of either paragraph 1 or 2, above, are not satisfied in a timely fashion: (a) this Agreement will be null and void and the Second Parties will be entitled to enforce the Judgment immediately in accordance with its terms and applicable law, including the effect of any appeal bond; (b) FSB and the Second Parties will be entitled to pursue the unresolved claims as set forth in the Judgment; and (c) this Agreement will be without prejudice to the parties' positions regarding the unresolved claims.

4. Satisfaction of Judgment. Upon FSB's timely compliance with all of the requirements set forth in paragraph 2, above, the Second Parties shall take the following actions:

a. The Second Parties shall file a satisfaction of judgment in the Lawsuit indicating that FSB has satisfied the Judgment in full.

b. The Second Parties shall cause all remaining claims against FSB in the Lawsuit, or any other legal proceeding, to be dismissed with prejudice and without award of costs.

c. The Second Parties will consent to release of the balance of the cash bond that FSB deposited with the Court in the Lawsuit.

5. Mutual Releases. The following mutual releases shall be effective upon timely compliance with all the requirements in paragraphs 1 and 2, above.

a. Second Parties' Release. The Second Parties fully and forever release and discharge FSB (including FSB consultant Patrick Fahey, its directors, officers, employees, and attorneys, past and present) from any and all claims, agreements, causes of action, obligations or liabilities of whatever kind or nature, whether now known or unknown, and whether or not concealed or hidden, based on any act, transaction or occurrence arising out of dealings between the Second Parties and FSB prior to the date of this Agreement. This release applies to any and all claims under any theory or combination of theories, and to the Second Parties acting in any capacity whatsoever, including but not limited to their capacity as shareholders of FSB. This release does not apply to any claims for breach of the obligations contained in this Agreement.

b. FSB Release. FSB (including its directors, officers, employees, and attorneys, past and present, and Patrick Fahey) fully and forever releases and discharges the Second Parties and their attorneys from any and all claims, agreements, causes of action, obligations or liabilities of whatever kind or nature, whether now known or unknown, and whether or not concealed or hidden, based on any act, transaction or occurrence arising out of dealings between the Second Parties and FSB prior to the date of this Agreement. This release applies to any and all claims under any theory or combination of theories, and to FSB acting in any capacity whatsoever. This release does not apply to any claims for breach of the obligations contained in this Agreement.

6. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without regard to any conflict of laws provisions. Any legal action arising out of this Agreement shall be brought in the United States District Court for the Western District of Washington.

7. Attorneys' Fees and Costs. The parties shall be responsible for the payment of their own attorneys' fees and expenses in connection with any dispute arising out of this Agreement.

8. Advice of Counsel. The parties represent that they have relied upon the legal advice of their attorneys, and/or have had the opportunity to so rely, and that they comprehend and voluntarily accept the terms set forth in this Agreement.

9. Construction. The parties have reviewed and revised, or had the opportunity to revise, this Agreement, and accordingly, the rule of construction interpreting or construing ambiguities against the drafting party shall not be employed in the interpretation of this Agreement.

10. Binding Effect. This Agreement shall inure to the benefit of and be binding upon each party's heirs, successors, and assigns. This Agreement shall be executed by all the Second Parties and by Patrick Fahey and all the officers and directors of FSB. Patrick Fahey and the officers and directors of FSB warrant individually that they have authority to execute this Agreement on behalf of FSB and to release the claims within the scope of the FSB release. The parties signing on behalf of the Second Parties warrant individually that they have authority to execute this Agreement on behalf of the Second Parties and to release the claims within the scope of the Second Parties' release.

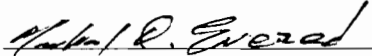

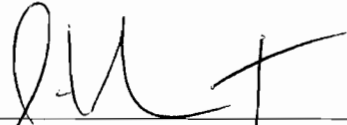
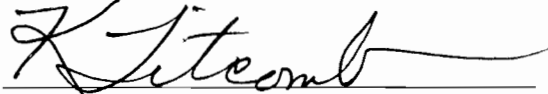

11. Amendment. No amendment of or supplement to this Agreement shall be valid or effective unless made in writing and executed by the parties hereto subsequent to the date of this Agreement.

12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to constitute an original Agreement, and all of which shall constitute a single Agreement. The execution of one counterpart by any party shall have the same force and effect as if that party signed all other counterparts.



13. Entire Agreement. This Agreement contains the entire agreement between the parties and supersedes and replaces any and all prior contemporaneous agreements or understandings, written or oral, with regard to the matters set forth in it. This Agreement may be amended or modified in whole or in part at any time only by an agreement in writing executed by all parties in the same manner as this Agreement.

<p>FIRST SOUND BANK</p> <p>By:           Its: <u>CEO</u></p>	<p>LARASCO, INC.</p> <p>By:           Its: <u>PRESIDENT</u></p>
<p>          Louis A. Secord, Jr.</p>	<p>_____          Joanne Secord</p>
<p>          Richard A. Secord</p>	<p>_____          Kathleen Secord</p>
<p>LASCOR, LLC</p> <p>By:           Its: <u>MEMBER</u></p>	<p>RASCOR, LLC</p> <p>By:           Its: <u>MEMBER</u></p>
<p>          Donald L. Hirtzel, Chairman and CEO</p>	<p>          Jan Gould, Exec. V-P and CFO</p>

 Michael O. Evered, Director	 Pamela R. Myers, Director
 Steven J. Schwartz, Director	 Kathleen Y. Titcomb, Director
 Patrick Fahey	