

## SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by, between and among the following Parties (collectively, "the Parties"): James L. Harrison; and EDMUND G. BROWN JR., Attorney General of the State of California ("Attorney General"). The term "Party" or "Parties" as used in this Agreement includes each of the foregoing persons and entities and its or his or their respective affiliated or related organizations, agencies or other entities, directors, trustees, officers, employees, principals, agents, managers, representatives, members, shareholders, owners, parents, subsidiaries, predecessors, successors, assigns and transferees (collectively, "Related Persons"). The "effective date" of this Agreement shall be the last date when all signatories have signed the Agreement.

### Recitals

A. The Attorney General filed a Petition for Removal of Trustee, Accounting, and Appointment of Receiver in the Superior Court of California, County of Mendocino, Case No. SCUK CVPB 07-24979 (hereinafter the "Petition") concerning James L. Harrison ("Harrison") and his position as Trustee for the Revocable Living Trust of Viola Allen and Oscar Allen ("Trust") for the period October 1993 to the present. The Petition alleged that the Trust instructed Harrison to establish a scholarship fund for young women graduating from Ukiah High School and that Harrison failed to establish and fund such scholarships. The Petition also alleged violations of the California Probate Code arising from or relating to the alleged diversion of monies from the Trust by Harrison for purposes beyond the purpose of the Trust. The Attorney General further alleged that Harrison breached his Trustee duties by failing to fund any scholarships for Ukiah High School, and by diverting Trust assets for the benefit of himself, his family, his friends, and other individuals. In addition, it was alleged that Harrison violated

multiple provisions of California law, including (1) his duty to administer the trust solely in the interest of the beneficiaries; (2) his duty not to use trust property for the trustee's own profit or for any other purpose unconnected with the trust; (3) his duty to take reasonable steps to preserve the trust property; and (4) his duty to make the trust property productive in furtherance of the purposes of the trust.

B. Harrison was also involved in investigations conducted by the Federal Deposit Insurance Corporation, the California Department of Financial Institutions, and the Office of the Attorney General's Criminal Division.

C. Harrison has represented under oath that his assets are as listed in the attached Exhibit A.

D. Harrison has represented under oath that he has not transferred any assets to avoid potential liability stemming from his misuse of the Trust assets. (See Exhibit B, attached hereto.)

E. The Parties now desire to resolve all civil litigation claims arising from the issues or other subject matter that are in any way related to the Petition.

F. The Parties further desire to compromise and settle any and all claims or potential claims between and among them as set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing and the promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

## Terms

1. Incorporation of Recitals. The Recitals set forth above and the Exhibits attached or referred to herein are incorporated in full in this Agreement by this reference.
  
2. Non-Admission of Liability. The Parties understand, acknowledge and agree that the settlement reached herein, the negotiation, execution and performance of this Agreement and the terms of this Agreement constitute a compromise of disputed claims involving legal and factual questions and issues, and shall not constitute or be construed as an admission of liability by any Party that any Party individually and/or collectively acted wrongfully in any way.
  
3. Affirmative Acts. Provided this Agreement is executed and delivered by all the Parties, the Parties agree to the following (collectively "Affirmative Acts"):
  - A. Harrison provides an itemized listing of his assets and liabilities signed under penalty of perjury under California law, attached as Exhibit A.
  
  - B. Harrison provides a written statement signed under penalty of perjury under California law representing that he has not transferred any assets to avoid potential liability stemming from his misuse of the Trust assets, attached as Exhibit B.
  
  - C. Harrison provides the last two Federal tax returns filed with IRS.
  
  - D. Harrison agrees to a lifetime ban on serving as a trustee for any charitable trust.

E. Harrison agrees to a lifetime ban on serving as an Officer, Director, or in any fiduciary position that affects the management of assets controlled by any charitable trust or any nonprofit entity.

F. Harrison agrees to fulfill all the terms and conditions of his settlement of the criminal case, The People of the State of California v. James Lester Harrison, filed in the Superior Court of California for the County of Mendocino, case number SC-UK-CR-CR-08-0084240-002.

G. Within 30 days of execution of this Settlement by all Parties, the Attorney General will file a Request for Dismissal Without Prejudice as to the Petition, except that the parties agree that further legal action by the Attorney General's Office in connection with Harrison and the Trust shall be limited to recovery of attorney's fees and costs incurred in the Petition or enjoining violations, as set forth herein.

4. Violations of Affirmative Acts.

A. Harrison agrees that if he violates Affirmative Acts 3 (D) through (F) above, involving lifetime bans on serving as a charitable trustee or serving as Officer, Director, or in any fiduciary position that affects the management of assets controlled by any charitable trust or any nonprofit entity, or failing to fulfill the terms and conditions of his settlement of the criminal case identified in Affirmative Act 3(F) above, the Attorney General's Office may (1) re-open this matter for the sole purpose of seeking recovery of its attorney's fees and costs incurred by the Charitable Trusts Section the filing and prosecution of the Petition and (2) file an action seeking to enjoin such violation, and that Harrison will be liable for any attorneys fees and costs incurred by the Attorney General in enforcing said violation(s).

5. No Preclusion of Criminal Prosecution: This Settlement shall not preclude any criminal prosecution by the State of California, federal, or local government entity. The Attorney General's Office warrants and represents that it is not aware of any other pending investigation, prosecution or action being contemplated or pursued by any other person or entity, including any governmental entity.

6. Binding Effect.

The terms of this Agreement shall be binding upon and inure to the benefit of each Party hereto and its or his or their respective Related Persons and the Released Persons. Each Party hereto represents and warrants and covenants to each other Party that such Party has not sold, assigned, transferred or otherwise conveyed (collectively "Transfer") or purported to Transfer any claims, demands, rights, losses, damages, liabilities, causes of action, or other costs or expenses or advances which are a subject of this Agreement (including but not limited to any of the Claims or Losses), or the proceeds of any of the foregoing, and that no such Transfer has been or will be made by or from any such Party; and the Parties further agree that any such Transfers shall be null and void.

7. Effect of Settlement Agreement.

This Agreement is non-revocable and shall be binding upon all the Parties and their respective Related Persons and the Released Persons. Notwithstanding the foregoing, the Attorney General shall be allowed to revoke this Agreement in the event that Harrison violates the Affirmative Acts set forth above and the Attorney General re-opens the matter as set forth in 4(A) of the Violations of Affirmative Acts. The effective date of this Agreement shall be the last date on which all of the signatories sign this Agreement.

8. Counterparts.

This Agreement may be executed in one or more counterparts, and by facsimile signature, each of which shall be deemed to be an original and all of which shall be deemed one and the same document at the time that they are executed. This Agreement is not and shall not be effective, however, unless and until each Party executes and delivers the original or counterpart. All facsimile and original signatures to this Agreement also shall be promptly delivered to Scott Chan, Deputy Attorney General, who shall retain all originals and shall promptly distribute complete signed copies of this Agreement to all signatories:

Scott Chan, DAG  
Office of the Attorney General  
455 Golden Gate Avenue, Suite 11000  
San Francisco, CA 94102  
FAX No. 415-703-5480

9. Entire Agreement.

This Agreement is intended as and shall be a complete and final resolution of all claims and disputes raised in the Petition. This Agreement is the sole, final, complete and exclusive agreement of the Parties concerning the rights granted and duties undertaken and the other matters covered by this Agreement. No other agreement, statement or promise made to or by any Party, or made to or by any attorney, agent or representative of any party, and not contained herein shall be valid or binding as to any of the Parties. Any oral representations or

modifications concerning this Agreement shall be of no force and effect, except for a subsequent modification in writing signed by the Parties hereto. The captions and headings used in this Agreement are inserted for convenience only and shall not be used to construe or interpret this Agreement. Whenever the context requires, references to the singular shall include the plural and the plural the singular and any gender shall include any other gender.

10. No Precedential Value.

The Parties understand, acknowledge and agree that this Agreement is not to be relied upon by third parties and that it carries with it no precedential value and should not be relied upon by any person or entity as evidence of any obligation by any Party, other than the obligations contained in this Agreement.

11. Advice of Counsel; No Construction Against Drafter.

All Parties, and each of them, understand, represent and warrant that they have entered into this Agreement upon the legal advice of their attorney, that said attorney has explained the terms of the Agreement, and that each fully understands and voluntarily accepts the terms of this Agreement. The Parties stipulate that this Agreement, or any term thereof, shall not be construed against any one Party or several Parties but shall be construed as the Parties having jointly prepared this Agreement.

12. Governing Law.

This Agreement shall be construed and enforced pursuant to the laws of the State of California without reference to conflicts of law principles.

13. Severability.

In the event that any provision in this Agreement is determined to be invalid and/or unenforceable, any such provision(s) shall be severable from the remainder of said Agreement and shall not cause the invalidity and/or unenforceability of the remaining provisions of this Agreement, which remaining provisions shall continue in full force and effect, provided further that any such invalid or unenforceable provision(s) shall be enforced to the maximum extent possible so as to effect the intent of the parties and shall be further reformed by the Parties to the extent necessary to make such provision valid and enforceable.

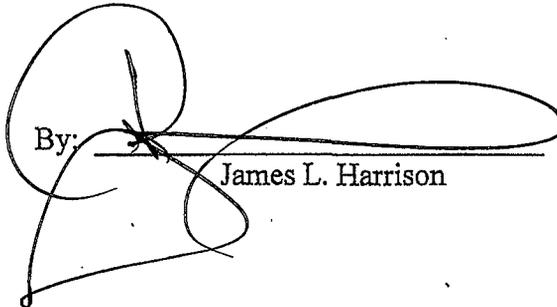
14. Authority.

The undersigned persons each represent and warrant that they are authorized to and have the right, power and legal capacity to enter into and perform this Agreement. The undersigned persons each further represent and warrant that they have carefully read and understand the contents of this Agreement and have signed the same by their own free act. Each signatory that signs on behalf of another does so with the intent to fully bind that person or entity and hereby represents and warrants that he or it has the authority to sign on behalf of the person or entity.

15. Complete Defense. The Parties understand, acknowledge and agree that this Agreement may be pleaded as a full and complete defense to, and used as a basis for an injunction or other legal or equitable relief against, any action, suit or other proceeding that may be instituted, prosecuted or attempted in breach of this Agreement.

IN WITNESS WHEREOF, the parties hereto have each entered into, executed and delivered this Agreement as of the effective date hereof.

DATE SIGNED: 01/05/10

By:  \_\_\_\_\_  
James L. Harrison

DATE SIGNED:

ATTORNEY GENERAL OF THE  
STATE OF CALIFORNIA

By:  \_\_\_\_\_  
SCOTT CHAN, Deputy  
Attorney General, for  
EDMUND G. BROWN JR.,  
ATTORNEY GENERAL

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**STATEMENT OF ASSETS AS OF JULY 9, 2009**

**EMPLOYMENT**

1. Social Security (Jim \$1,688 per month; Dianne \$837 per month) & employment (below)

2a. Jim (no title; duties include bookkeeping and making ice cream):

Cold Stone Creamery dba D&K Park Falls, LLC  
1252 Airport Park Boulevard, #B6  
Ukiah, CA 95482

Owner: Karen Mason  
Home phone: 485-8222  
Business phone: 463-2101

Dianne (self-employed, child care):

a. Heather/Christopher Trechter  
8315 Crusher Place  
Windsor, CA 95469  
Heather or Christopher: 838-7405

3. Jim:

a. Bi-monthly (ever 2 weeks)

Dianne:

a. Weekly

4. Jim:

a. Gross pay varies. Currently employed part-time at \$14 per hour. My last paycheck covered (6/18/09) covered 49 hours @ \$14/hr, or a gross of \$686.

Dianne:

a. \$80 weekly

5. Jim:

a. Last payroll check dated 6/18/09 (net \$608.50)

Dianne:

a. \$80

NO #6

**CASH, BANK DEPOSITS**

7. Jim has no significant amount of cash; any cash would be from cashing a paycheck or SSI, etc. Diane has no significant amount of cash; she has less than \$2000 in savings of part of unused SSI checks.

8.

- [REDACTED]
1. Checking, individual account, Jim, [REDACTED] present balance \$754.28 (account is used payment of Conseco Health (cancer insurance) and life insurance— Automatic Debit of approximately \$120 per month).
  2. Checking, joint account, [REDACTED] present balance \$331.92 (treated during marriage as Dianne's account).
  3. Savings, joint account, [REDACTED] present balance \$702.90.

- [REDACTED]
1. Checking, joint, [REDACTED] present balance \$4,004.39.
  2. Savings, joint, [REDACTED] present balance \$1,040.06.
  - 3.
  4. CD in Dianne's name, [REDACTED] present balance \$72,658.69.

- [REDACTED]
1. Individual Retirement Fund (joint), [REDACTED] 5/31/09; present balance \$197,674.21.
  2. Savings Bank Profit Sharing Plan for James employment, rolled over and now with [REDACTED] (IRA), individual account owned by James, [REDACTED] 5/31/09; present balance \$761,139.06.
  3. Savings Bank Profit Sharing Plan for Dianne employment, rolled over and now with [REDACTED] (IRA), individual account owned by Dianne, [REDACTED] 5/31/09; present balance \$14,984.16.

PROPERTY

9. 1999 Jeep Grand Cherokee, VIN 1J4GW68N7XC754306, license no. 4Z6N006; per Kelly Blue Book, \$3,975.

1999 Chevy Tahoe, VIN 1GNEK1399XJ571949, per Kelly Blue Book, \$3,975.

1964 Valco 14' boat, CF6395ET; boat trailer license KZ1427; 20 hp Marines motor; value \$800.

10. 487 Observatory Avenue  
Ukiah, CA 95482

Per Zillow.com: \$331,000 (see attached evaluation – Jeff Kram)

Owners: James/Dianne

\_\_\_\_\_ revolving line of credit, owe \$294,000.

11. No significant tangible personal property.

12. No. Dianne Harrison owns guns of nominal value held by Daniel Mason 3850 Rd. B RV, CA 95470 and Patrick McGraw, 1215 So. Dara St., Ukiah, CA 95482.

13. Sold 160 Shares of Mendocino Savings Bank stock per agreement with FDIC to Dennis Thurston, c/o Thurston Auto Plaza, 2800 N. State Street, Ukiah, CA 95482. Sale in approximately April 2007.

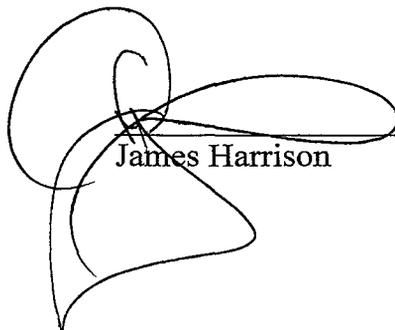
Sold 1/5<sup>th</sup> interest in 1252 Airport Park Boulevard LLC which owned 1252 Airport Park Plaza known as (Park Falls) at 1252 Airport Park Boulevard, in Ukiah. Sale to business operated by Michael Robins and Andrew Lescher. Michael Robbins personal address is 109 Ravenwood Court, Petaluma, CA 95492. Sale on approximately August 2008.

Sold 1/3<sup>rd</sup> interest in 1040 N. State Street, Ukiah, known as Euro Plaza. Sale to Mitri H. Shami, Sally J. Abdel-Nour, Pete M. Shami, Emily N. Husary Shami. Don't know present address; may be at 4300 Doolittle St Santa Rosa, Ca 95407 Sale on approximately November 2008.

Proceeds of sales used or earmarked to pay restitution to Trust in FDIC settlement or recent criminal trial, to pay attorney's fees in civil and criminal matters, payments to Franchise Tax Board, County taxes, IRS.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: 7/9/09

  
James Harrison

ANDERSON, ZEIGLER, DISHARON, GALLAGHER & GRAY  
ATTORNEYS AT LAW  
50 OLD COURTHOUSE SQUARE, FIFTH FLOOR  
P.O. BOX 1498  
SANTA ROSA, CALIFORNIA 95402-1498  
(707) 545-4910 FAX (707) 544-0260

1 Daniel E. Post, Esq. (Bar No. 172948)  
2 ANDERSON, ZEIGLER, DISHARON,  
3 GALLAGHER & GRAY  
4 50 Old Courthouse Square, 5<sup>th</sup> Fl. (95404)  
5 P.O. Box 1498  
6 Santa Rosa, CA 95402-1498  
7 Telephone: 707/545-4910  
8 Facsimile: 707/544-0260

9 Attorneys for Respondent James L. Harrison

10 **SUPERIOR COURT, MENDOCINO COUNTY, CALIFORNIA**

11 IN THE MATTER OF

12 THE REVOCABLE LIVING TRUST  
13 VIOLA L. ALLEN AND OSCAR A.  
14 ALLEN

) Case No. SCUK-CVPB-07-24979

) **DECLARATION OF JAMES L.  
HARRISON**

) [PROBATE]

) Settlement Conf. Date:  
12/14/09

) **TRIAL DATE: 1/19/10**

15 James L. Harrison declares:

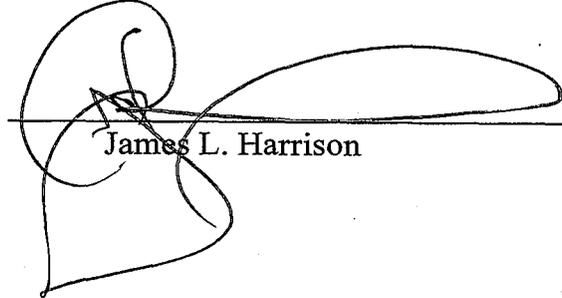
16 1. I am the respondent in the within matter. I make this declaration based on  
17 my personal firsthand knowledge, and could and would testify competently thereto if  
18 called as a witness.

19 2. I have not transferred any assets to avoid potential liability stemming from  
20 the misuse of the Revocable Living Trust of Viola L. Allen.

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I declare under penalty of perjury under the laws of the State of California  
that the foregoing is true and correct.

Executed on December 7, 2009, at Ukiah, California.



James L. Harrison