

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (the "Agreement") made as of the ___ day of January, 2016 by and through the City of Central Falls, Rhode Island (the "City"), John O. Mancini, Michael A. Kelly and Kelly & Mancini, PC, individually and in their capacities as attorneys for former Mayor Charles D. Moreau and certain former City Council members of the City, William Benson, Richard Aubin, Eunice DeLaHoz and Patrick Szlastha (collectively "Kelly & Mancini"); and Lawrence L. Goldberg and Lawrence L. Goldberg Law Associates, in their capacities as attorneys for certain former City Council members of the City, William Benson, Richard Aubin, Eunice DeLaHoz and Patrick Szlastha. (collectively "Goldberg") [The former Mayor and former City Council members shall be collectively referred to herein as the "Elected Officials," although it is acknowledged that Attorney Goldberg and his firm does not and never has represented the former Mayor.] John O. Mancini, Kelly & Mancini, PC, Lawrence L. Goldberg and Lawrence L. Goldberg Law Associates shall be collectively referred to herein as "Elected Officials' Counsel."

Whereas, on September 23, 2010, the state-appointed Receiver for the City filed a Verified Complaint in the Rhode Island Superior Court seeking a declaratory judgment on the constitutionality of the "Fiscal Stability Act," R.I. Gen. Laws § 45-9-1 *et seq.* ("FSA") and a preliminary injunction and temporary restraining order against the former Mayor and former Councilman Benson, from making appointments to the authorities and boards. *Flanders v. Moreau, et al*, C.A. No. PB 10-5615.

Whereas, on September 27, 2010, the former Elected Officials filed a Complaint challenging the constitutionality of the FSA and sought a preliminary injunction and temporary

restraining order against the Receiver and alleged compulsory counterclaims. *Moreau, et al v. Flanders, et al*, C.A.No. P.B. 10-5672.

Whereas, the two pending complaints were consolidated in the Rhode Island Superior Court;

Whereas, on October 18, 2010, the Rhode Island Superior Court rendered a partial decision holding that the FSA was constitutionally valid;

Whereas, on December 17, 2010, a separate complaint was filed by former Mayor Moreau requesting indemnification for challenging the FSA in his official capacity as Mayor of the City, *Moreau v. Flanders, et al*, C.A. No. P. B 7394, which matter was consolidated with the other two pending cases (collectively referred to as the “Superior Court Actions”);

Whereas, on March 29, 2011, the Rhode Island Supreme Court upheld the Superior Court’s finding that the FSA is constitutional and the remaining claims were remanded to the Superior Court for adjudication, including the State’s Motion for Reimbursement, the former Mayors’ claim for indemnification and the Motion for Advance Attorneys’ Fees filed by Goldberg;

Whereas, on July 22, 2011, the Superior Court issued a decision granting the Receiver’s motion for reimbursement, denying the former Mayor’s indemnification claims and denying Goldberg’s motion for advance attorneys’ fees.

Whereas, on August 1, 2011, the City, through its Receiver, filed a bankruptcy petition pursuant to Chapter 9 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Rhode Island;

Whereas, after the Bankruptcy Court granted the City's Motion for Relief from Stay to pursue its reimbursement claims in Superior Court, proof of claim hearings proceeded before the Superior Court;

Whereas, neither the Elected Officials nor the Elected Officials' Counsel filed a proof of claim in the Bankruptcy Court or sought a separate stay from the Bankruptcy Court to pursue their claims for attorneys' fees;

Whereas, on September 11, 2012, the Bankruptcy Court confirmed the Fourth Amended Plan for the Adjustment of Debts of the City of Central Falls;

Whereas, neither the Elected Officials nor the Elected Officials' Counsel filed an objection to the Fourth Amended Plan for the Adjustment of Debts of the City of Central Falls or filed an appeal of the Confirmation Order;

Whereas, on January 18, 2013 and February 18, 2013, Orders and Amended Final Judgment were entered by the Superior Court approving the Receiver's claim for reimbursement against the former Elected Officials in the amount of \$245,395.38, with reference to all pending actions in the Superior Court;

Whereas, on March 2013, the Elected Officials filed their Notice of Appeal with the Superior Court, which pending appeals were consolidated as 2013-0247, 2013-0248 and 2013-0249;

Whereas, on June 18, 2015, the Rhode Island Supreme Court issued its Decision in the consolidated appeals reversing the Superior Court's judgment in all respects and remanding the consolidated cases to the Superior Court for determination of the fees owed to the Elected Officials' Counsel;

Whereas, on June 30, 2015, the City filed a Motion to Enforce the Confirmation Order with the Bankruptcy Court;

Whereas, after hearing and supplemental briefing, on November 13, 2015, the Bankruptcy Court issued its Decision, granting the City's Motion and permanently enjoining the Elected Officials and the Elected Officials' Counsel from continuing proceedings against the City to collect attorneys' fees incurred prior to April 22, 2013;

Whereas on November 23, 2015, the Elected Officials and Elected Officials' Counsel filed Notices of Appeal of the Decision to the United States District Court for the District of Rhode Island (the "Bankruptcy Appeal") and thereafter filed their statement of issues and designation of the record;

Whereas, Superior Court proceedings for collection of attorneys' fees by the Elected Officials and the Elected Officials' Counsel in the consolidated actions remain pending against both the City and the State;

Whereas, pursuant to the FSA, section 45-9-10 [requiring all budget decisions impacting the City of Central Falls ability to remain in compliance with the court approved Bankruptcy Plan be approved by the Administration & Finance Officer ("AFO")], the AFO has opined that City Council approval of this Settlement and Release Agreement would not cause a compliance issue with the Bankruptcy Plan and the Six-Year Financial Projection: and

Whereas, the Elected Officials' Counsel has full authority to execute this Settlement and Release Agreement.

NOW THEREFORE, for good and valuable consideration, including the representations and the mutual agreements, promises and undertakings set forth in this Agreement, the receipt

and sufficiency of which are hereby acknowledged, the City and the Elected Officials' Counsel hereby agree as follows:

1. The Elected Officials' Counsel agrees that they will accept payment from City in the amount of \$140,000 in full and complete satisfaction of their claims against only the City with regard to indemnification, attorneys' fees and costs, with \$80,000 to be paid to Kelly & Mancini and \$60,000 to be paid to Goldberg, which payment is subject to the approval of the City Council.

2. The following documents must be executed and be ready to be filed before the Settlement and Release Agreement shall be submitted to the City Council for approval:

- a. Settlement and Release Agreement;
- b. Dismissal of the Bankruptcy Appeal; and
- c. Dismissal of the City from the consolidated Superior Court Action insofar as the City is a party.

3. Provided the above documents have been executed or approved for execution, the City shall submit this Settlement and Release Agreement for approval before the Executive Session of the City Council at its regularly scheduled meeting on January 11, 2016. In the event this meeting is rescheduled, the Settlement and Release Agreement shall be placed on the agenda for the next scheduled City Council meeting. Upon approval by the City Council, and the execution of all settlement documents and dismissals, the City will issue checks in the appropriate amounts set forth to Kelly & Mancini and Goldberg within seven (7) days.

4. The terms of this Settlement and Release Agreement shall remain confidential; upon approval by the City Council, the Elected Officials' Counsel may only state publicly that the matter was resolved by settlement.

5. It is understood and agreed by all parties that the City will have no obligation to attend any of the pending Superior Court proceedings involving the State of Rhode Island and will not take a position in those proceedings, but may attend any hearings at its discretion. The City shall have no obligation to respond to any pending or future discovery that may arise in the ongoing proceedings against the State of Rhode Island, except as may be ordered by the Suprtiot Court or the Rhode Island Supreme Court. In such a circumstance, the City may petition the Court to require the party requesting discovery to pay the City's attorneys' fees and costs for compliance.

6. Elected Officials' Counsel agree that they will save and hold harmless, indemnify and defend in all respects, the City and its agents, successors and assigns, from any claim that may be brought by the Elected Officials arising from the Superior Court Actions or the Bankruptcy Appeal.

7. **Release.** Immediately upon execution of this Agreement, then for and in consideration of the agreements, promises, representations and undertakings set forth herein, and as a material inducement for the City and the Elected Officials' Counsel to enter into this Agreement, Kelly & Mancini, and its successors and assigns and Goldberg, and its successors and assigns (the "Releasing Parties") shall be deemed to have irrevocably and unconditionally released, remised, acquitted, and forever discharged the City of Central Falls only, and each of their respective current and former, officers, agents, employees, attorneys, affiliates, departments, divisions, bureaus, boards, agencies, and bodies, and all persons or entities acting by, through, under, or in concert with any of the foregoing, jointly and severally, (collectively, the "Released Parties"), of and from any and all claims (including, without limitation, claims for misconduct, intentional misconduct, negligence, and gross negligence), actions, causes of action,

charges, complaints, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, controversies, agreements, attorneys' liens, rights to attorneys' fees, promises, liabilities, damages, expenses, demands, rights, costs, losses of service, and/or compensation whatsoever, whether now known or unknown, now existing or which may result hereafter from the existing state of things, which said Releasing Parties now have or ever had against the Released Parties, excepting therefrom specifically the State of Rhode Island, the Rhode Island Director of Revenue, so-called or any agents, departments or agencies of the State of Rhode Island or the Rhode Island Department of Revenue as may be before the Rhode Island courts in the above referenced actions.

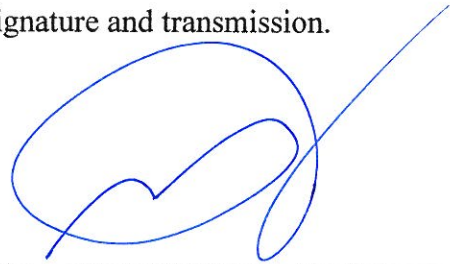
8. This Agreement shall be binding on, inure to the benefit of, and be enforceable by the parties and their respective heirs, executors, administrators, successors, assigns, and beneficiaries.

9. This Agreement was negotiated and reviewed by all parties hereto and their respective legal counsel. No portion of this Agreement shall be construed against any drafting party. The terms of this Agreement are contractual in nature and not a mere recital. THE UNDERSIGNED REPRESENT THAT HE, SHE OR IT HAS HAD THE OPPORTUNITY TO THOROUGHLY DISCUSS ALL ASPECTS OF THIS AGREEMENT WITH LEGAL COUNSEL OF HIS, HER OR ITS OWN CHOOSING, AND HAVE READ AND UNDERSTAND THE PROVISIONS HEREIN, AND HAVE VOLUNTARILY ENTERED INTO THIS AGREEMENT.

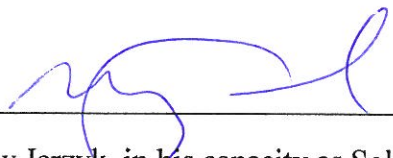
10. Governing Law; Consent to Jurisdiction; Counterparts; Section Headings; Pronouns; Recitals; Facsimile or Electronic Transmission. This Agreement is being delivered and is intended to be performed in the State of Rhode Island, and shall be construed and enforced

in accordance with the laws of that State without reference to the rules of conflicts of laws thereof. In any litigation connected with or arising from this Agreement, the parties hereto hereby consent to jurisdiction being with the courts of the State of Rhode Island, the United States Bankruptcy Court for the District of Rhode Island (the “Bankruptcy Court”), and the United States District Court for the District of Rhode Island, and hereby expressly waive any objections to personal jurisdiction, venue, and *forum non conveniens* in any such courts.

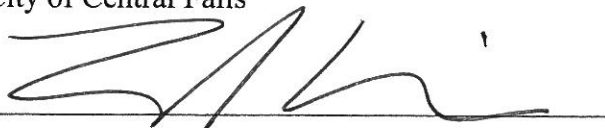
11. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart signed by each of the parties. This Agreement may be executed and delivered by facsimile and/or electronic signature and transmission.



James Diossa, in his capacity as Mayor of the City of Central Falls



Matthew Jerzyk, in his capacity as Solicitor of the City of Central Falls



Leonard Morganis, in his capacity as Administrative and Finance Officer of the City of Central Falls



Robert A. Ferri
City Council President
Approved by the City Council
January 12, 2016

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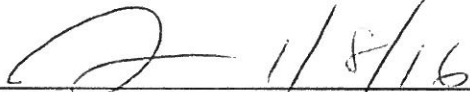
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