

ASSIGNMENT AND COOPERATION AGREEMENT

This Assignment and Cooperation Agreement (“Agreement”) is entered into this ____ day of May, 2016 by and between Lynn E. Feldman, Trustee for the Bankruptcy Estates of Ira J. Pressman and PJI Distribution Corporation (the “Trustee”), on the one hand, and Raggi Lisowski LLP CPAs & Consultants (“RL”), formerly Raggi & Weinstein LLP CPAs & Consultants, Robert Raggi (“Raggi”) and Thomas Lisowski (“Lisowski”), on the other hand (collectively, the “RL Defendants”) (the Trustee and RL Defendants, collectively, the “Parties” and each a “Party”). This Agreement is subject to approval by the United States District Court for the Eastern District of Pennsylvania, as set forth below in Section 1.

BACKGROUND

A. The Trustee is the trustee for the bankruptcy estates of Ira J. Pressman (“Pressman”) and PJI Distribution Corporation (“PJI”) in the consolidated and jointly administered Chapter 7 bankruptcy matters pending in the Bankruptcy Court, captioned In re Ira J. Pressman and PJI Distribution Corp., USBC, EDPA, Case Nos. 11-13080 and 11-13082 (the “Bankruptcy Proceeding”).

B. RL is an accounting firm located in Huntingdon Valley, Pennsylvania. Raggi and Lisowski are the partners in the firm. The firm had a third partner, Herbert Weinstein (“Weinstein”), until Weinstein resigned effective August 31, 2014.

C. Prior to Weinstein’s resignation, the accounting firm was known as Raggi & Weinstein LLP CPAs & Consultants (“R&W”). R&W changed its name to RL after Weinstein’s resignation, but continued to do business as the same legal entity. RL, Weinstein, Raggi and Lisowski are hereinafter referred to collectively as the “Defendants.”

D. The Bankruptcy Proceeding arose out of a Ponzi scheme orchestrated by Debtor Ira J. Pressman through his ownership and operation of Debtor PJI. R&W provided accounting services to PJI during portions of the period of the Ponzi scheme.

E. On or about April 24, 2011, R&W received a letter from an attorney for Real Estate Investment Company (“REIC”), one of the Ponzi scheme victims. The letter advised that REIC intended to pursue a claim against REIC arising from the services the firm had provided to PJI.

F. At the time, R&W had professional liability insurance issued by CPA Mutual Insurance Company Risk Retention Group (“CPA Mutual”). The applicable “claims made” policy was Accountants Policy Liability Policy No. PL11463-04 (the “Policy”), which provided

for policy limits of \$1,000,000 for each claim and \$1,000,000 in the aggregate. After receiving the letter from counsel for REIC, R&W notified CPA Mutual of REIC's claim in accordance with the terms of the Policy.

G. On or about September 14, 2012, counsel for the Trustee sent a letter to the Defendants (the "Trustee's Letter") placing them on notice of a claim by the Trustee arising from the services performed by the Defendants for PJI (the "Trustee's Claim"). After receiving this letter, the Defendants notified CPA Mutual in accordance with the terms of the Policy.

H. In a letter dated November 29, 2012 addressed to and referencing only R&W and the claims against it, CPA Mutual stated that the insurance policy applicable to the Trustee's Claim was the Policy, as opposed to the later CPA Mutual policy that was in effect at the time of the Trustee's Letter, because the claims of the Trustee and REIC were allegedly interrelated, having both arisen out of the services provided to PJI. This November 29, 2012 letter from CPA Mutual was signed by its assigned adjuster, W. Wesley Marston ("Marston"). Weinstein, Raggi and Lisowski in their individual capacities never received such a letter.

I. CPA Mutual undertook to provide the Defendants with a defense to the Trustee's Claim, assigning Wilhelm Dingler ("Dingler") of the law firm of Marshall Dennehey Warner Coleman Goggin to represent the Defendants.

J. On May 14, 2013, the Trustee filed an adversary action against the Defendants in the Bankruptcy Proceeding. By stipulation of the parties, the adversary action was transferred to the United States District Court for the Eastern District of Pennsylvania (the "District Court"), where it was captioned Lynn Feldman, as Trustee for the Bankruptcy Estates of Ira J. Pressman and PJI Distribution Corp. v. Raggi & Weinstein, LLP, CPAs & Consultants, et al., USDC, EDPA, Civil Action No. 13-4627 (Slomsky, J.) (the "Litigation").

K. After the Litigation had been actively litigated for approximately 22 months, Dingler withdrew his appearance on March 16, 2015 and CPA Mutual hired John Hanamirian ("Hanamirian") of Hanamirian, Garibian & Kranjac, P.C. (now the Hanamirian Law Firm) to represent the Defendants in the Litigation as well as CPA Mutual. As used hereinafter, the term "Assigned Counsel" refers to Dingler during the entirety of his representation of the Defendants, and to Hanamirian in the period after Dingler's withdrawal.

L. During the course of the Litigation, the Trustee and Defendants participated in three court-ordered mediation sessions presided over by Magistrate Judge Carol Sandra Moore Wells, on March 5, 2014, June 12, 2014 and November 9, 2015. CPA Mutual was an active participant in these sessions, with Marston attending in person on one occasion and being available and consulted by phone on the other occasions. During the first session, the Trustee

offered to settle the case for the Policy limits of \$1 million, and CPA Mutual, on behalf of the Defendants, counter-offered \$50,000. As of the end of the third session, the Trustee's demand was \$900,000 and CPA Mutual had offered \$200,000.

M. In approximately February, 2016, prior to the trial of the Litigation, the Defendants advised CPA Mutual that they consented to a settlement for up to the Policy limits of \$1 million, and they directed CPA Mutual to settle the case for up to that amount. At this juncture, each of Raggi and Lisowski as one unit, and Weinstein alone, obtained the advice of independent counsel with respect to the decision to consent to settle and with respect to any terms upon which a unanimous consent to settle would be given.

N. The week before the trial began, at CPA Mutual's request, the Trustee made a "bottom line" demand to settle for \$650,000. CPA Mutual responded with an offer of \$250,000, and did not increase its offer thereafter. At or about that time, each of Raggi and Lisowski as one unit, and Weinstein alone, had their respective independent counsel issue a "bad faith" letter to CPA Mutual through Hanamirian.

O. The Litigation was tried before Judge Joel Slomsky from March 7 – 14, 2016. At the conclusion of the trial, the jury rendered a unanimous verdict in favor of the Trustee and against the Defendants, awarding compensatory damages of \$1,955,923.24 against R&W (the full amount sought by the Trustee); \$1,173,554 against Weinstein; \$586,777 against Raggi; and \$195,592 against Lisowski. The jury also awarded punitive damages of \$450,000 against R&W and \$50,525 against Weinstein. On March 21, 2016, the Court entered judgment against the Defendants in the amounts awarded by the jury (the "Judgment").

P. On May 5, 2016, after granting the Trustee's Motion to Amend the Judgment to Add Discretionary Prejudgment Interest, the Court entered an order increasing the Judgment amounts to \$2,535,302.28 against R&W; \$1,521,177.82 against Weinstein; \$760,579.90 against Raggi; and \$253,526.30 against Lisowski.

Q. On April 15, 2016, the Defendants filed a Notice of Appeal to the United States Court of Appeals for the Third Circuit.

R. Since the entry of the Judgment, the Trustee has undertaken execution against the Defendants, serving writs of execution and garnishment interrogatories on bank accounts, and taking the Defendants' depositions in aid of execution.

S. By letter dated April 14, 2016, an attorney for CPA Mutual wrote to all of the Defendants (unlike the letter dated November 29, 2012, this letter was addressed to and referenced each of the Defendants individually, not just R&W) advising, among other things,

that CPA was rescinding the Policy in its entirety and refusing to provide coverage for damages pursuant to the Judgment.

T. On or about April 22, 2016, CPA Mutual filed a lawsuit against the Defendants seeking, among other things, a declaratory judgment that the Policy has been rescinded and that CPA Mutual has no obligation to provide coverage for the Judgment. This lawsuit, which was filed as a related case to the Litigation and has been assigned to Judge Slomsky, is captioned CPA Mutual Insurance Company v. Herbert Weinstein, et al., USDC, EDPA, Civil Action No. 16-01936 (the “Declaratory Judgment Action”).

U. The Defendants deny the allegations and relief sought by CPA Mutual in the Declaratory Judgment, and contend, to the contrary, that CPA Mutual is liable for breach of the Policy, contractual bad faith and statutory bad faith, among other causes of action.

V. The Parties now wish to enter into this Agreement, by which, as set forth more fully below, the Trustee has agreed to forbear from execution against the RL Defendants on the Judgment; the RL Defendants have agreed to make certain payments to the Trustee and to assign to the Trustee all of their rights and claims against CPA Mutual, its reinsurers and/or any of their respective employees arising out of or related to the Trustee’s Claim or the Litigation; the RL Defendants have agreed to cooperate fully with the Trustee and her attorneys in her prosecution of the assigned claims and in the defense of the Declaratory Judgment Action; and the Trustee has agreed to ultimately satisfy the Judgment contingent upon the RL Defendants’ full cooperation and satisfaction of their payment obligation, all as described more fully herein.

TERMS OF AGREEMENT

NOW, THEREFORE, the Parties, for an in consideration of the mutual covenants and promises set forth herein, and intending to be legally bound hereby, agree as follows:

1. Court Approval. Upon execution of this Agreement, the Parties shall seek District Court approval of the Agreement by filing a Stipulation and Consent Order in the Litigation in the form attached hereto as Exhibit A. If the District Court decides not to approve the Agreement, the Agreement will be void.

2. Payments by the RL Defendants. The RL Defendants shall pay the Trustee the sum of One Hundred Thousand Dollars (\$100,000.00) as follows:

a. Upon execution of this Agreement by all Parties, the Trustee shall enter judgment for Fifty Thousand Dollars (\$50,000.00) of the funds previously garnished by the Trustee in RL’s account at TD Bank ending in the numbers 6299. The RL Defendants agree to

the entry of judgment and authorize TD Bank to pay this amount to the Trustee upon entry of the judgment. The balance of the TD funds, amounts garnished from Wells Fargo Bank and any other amounts garnished from any other source or account prior to the date of the execution of this Agreement shall be released to the RL Defendants within three (3) business days of the execution date of this Agreement; provided, however, the Trustee shall not be required to release any funds garnished in connection with the Judgment against Weinstein. If the District Court has yet to approve the Agreement by the time the money is received by the Trustee, the Trustee's attorney will hold the check pending District Court approval. Upon such approval, the check will be released to the Trustee. If the District Court declines to approve, the money will be returned to the RL Defendants.

b. The RL Defendants shall pay the Trustee Fifty Thousand Dollars (\$50,000.00) in fifteen (15) consecutive, monthly installment payments. The first installment payment shall be in the amount of Three Thousand Three Hundred Thirty Eight Dollars (\$3,338.00) and shall be paid by July 1, 2016. Each installment payment thereafter shall be in the amount of Three Thousand Three Hundred Thirty Three Dollars (\$3,333.00) and be paid by the first day of the successive fourteen (14) months. If the District Court has yet to approve the Agreement as of the due date of any payment, the RL Defendants will still make the payment, and the Trustee's attorney will hold the check pending District Court approval. Upon such approval, the check will be released to the Trustee. If the District Court declines to approve, the check will be returned to the RL Defendants.

c. If the Trustee, in her sole discretion, decides to close the Bankruptcy Proceedings as of December 31, 2016, or at any time thereafter before all of the installment payments have been paid, then she shall give the RL Defendants at least ten (10) calendar days advance written notice thereof. Upon the expiration of this ten (10) day notice period, all of the then-remaining installment payments set forth in Section 2(b) shall be accelerated, and the RL Defendants shall pay the accelerated balance to the Trustee. Notwithstanding anything to the contrary herein, the RL Defendants shall not be required to pay an accelerated balance any earlier than December 2016.

d. All payments by the RL Defendants shall be made by check in immediately available funds made payable to "***Lynn E. Feldman, Chapter 7 Trustee for the Estate of PJI Distribution Corp.***," and delivered to the Trustee's attorney, Peter J. Weidman of Weidman Law, LLC, 600 West Germantown Pike, Suite 400, Plymouth Meeting, PA 19462. All payments shall be delivered so that they are received by the Trustee's attorney by the due date of the payment, with time being of the essence. In the event of a default, the Trustee shall provide the RL Defendants with written notice of default, and the RL Defendants shall have ten (10) calendar days within which to cure. The payment obligation of the RL Defendants shall be joint and several, with each of the RL Defendants liable for the full amount of all payments.

3. Assignment of Claims. The RL Defendants, collectively and individually, do hereby agree to and do hereby assign to the Trustee any and all rights, claims, causes of action, remedies or interests, in law and/or in equity, that they now have or may in the future have, whether now known or hereinafter ascertained, against CPA Mutual, its reinsurers, and/or their respective employees (specifically including, but not limited to, Marston, regardless of whether Marston was an employee or independent contractor of CPA) (collectively, the “CPA Mutual Parties”) arising out of or in any manner related to the Trustee’s Claim and/or the Litigation. The assignment described herein shall also include the defense of the Declaratory Judgment Action and any counterclaims that may be available in such proceeding. The rights, claims, causes of action, remedies and interests described herein shall hereinafter be referred to as the “Assigned Claims.”

4. Covenant to Cooperate. The RL Defendants, collectively and individually, do hereby covenant, acknowledge and agree to cooperate fully with the Trustee and her attorneys in any and all of the Assigned Claims and in any legal action, litigation, arbitration, mediation or other proceeding relating to the Assigned Claims (collectively, “Assigned Claim Litigation”). More specifically, but without limitation, the RL Defendants, collectively and individually, shall assist the Trustee and her counsel in the pursuit of any Assigned Claim Litigation in any reasonable manner as the Trustee or her attorneys shall decide or direct. This cooperation shall include, but not be limited to, the matters addressed in Section 5, as well as attending mediation, meeting with and providing information to the Trustee or her attorneys, being available for depositions, preparing for depositions, providing any and all documents related to the Assigned Claims in their possession, custody or control (including documents in the possession of Assigned Counsel), providing written statements, answering interrogatories, responding to document requests, and preparing for, attending and participating in the trial. For purposes of this Agreement, trial shall mean any form of dispute resolution, including but not limited to legal actions, mediations and arbitrations. It is the express intent of the RL Defendants to cooperate fully with all reasonable requests by the Trustee and her counsel to aid in the effective and proper prosecution of the Assigned Claims.

5. Communications Relating to Trustee’s Claim and Litigation. The RL Defendants acknowledge that the Trustee, as the assignee of the Assigned Claims, shall “stand in the shoes” of the RL Defendants and, in this capacity, shall be privy to and entitled to review all communications relating to the Trustee’s Claim and the Litigation between or among (i) the RL Defendants and Assigned Counsel; (ii) the RL Defendants and CPA Mutual; and/or (iii) Assigned Counsel and CPA Mutual. To this end, the RL Defendants shall direct Assigned Counsel and CPA Mutual to produce at the Trustee’s request their complete files with respect to the Trustee’s Claim and Litigation. Upon request by the Trustee, the RL Defendants agree to waive the attorney-client and/or attorney work product privileges with respect to any of the

above-described communications if the Trustee deems such a waiver to be reasonably necessary in her pursuit of the Assigned Claim Litigation. If CPA Mutual objects to the disclosure of any communications or materials described in this Section 5, or objects to any discovery requests by the Trustee, the RL Defendants will cooperate fully with the Trustee in her efforts to compel such disclosure from CPA Mutual. As long as the RL Defendants have so cooperated, and have otherwise complied with their cooperation obligations in these Sections 4 and 5, the fact that CPA Mutual has objected shall not constitute a breach of this Agreement by the RL Defendants.

6. Stay of Execution. Subject to Section 9, the Trustee agrees to immediately cease, stay and forbear from execution on the Judgment against the RL Defendants during the pendency of any Assigned Claim Litigation. The pendency of such litigation shall include the initiation of such actions against the CPA Mutual Parties and the litigation of such actions through trial or hearing and all appeals therefrom, until such time as any judgments become final as to all defendants or the actions are marked settled, discontinued and ended as to all defendants.

7. Garnishment and Discovery Against CPA Mutual. Notwithstanding anything to the contrary in this Agreement, the Trustee shall be free to serve a writ of execution and garnishment interrogatories on CPA Mutual and to litigate such garnishment proceeding to its conclusion. The duty of cooperation, as described above in Sections 4 and 5, shall include the RL Defendants' obligation to cooperate with the Trustee in connection with any such garnishment proceeding. The term "Assigned Claim Litigation," as defined above and as used in this Agreement, shall include any garnishment proceedings pursued by the Trustee against CPA Mutual. The Trustee shall also be free to pursue or to continue pursuing discovery in aid of execution on the Judgment to the extent such discovery is directed to CPA Mutual, its reinsurers and/or their respective employees.

8. Satisfaction of Judgments. If the RL Defendants have (i) made all the payments set forth in Section 2 on a timely basis, and (ii) complied with their duty of cooperation as set forth in Sections 4 and 5, then:

a. within thirty (30) days after receipt of the final payment set forth in Section 2, the Trustee shall mark the judgment for punitive damages against RL satisfied;

b. within thirty (30) days after (i) the termination of all Assigned Claim Litigation following exhaustion of all appeals and the entry of a final judgment as to all defendants, or (ii) the date all Assigned Claim Litigation is marked settled, discontinued and ended as to all defendants, whichever occurs first, the Trustee shall mark the compensatory damage judgments against the RL Defendants satisfied.

9. Breach of Payment Obligation and/or Covenant to Cooperate. The RL Defendants acknowledge that the Trustee shall expend considerable resources in the prosecution of the Assigned Claims in specific reliance upon the RL Defendants' agreement to make the payments set forth in Section 2 and their agreement to cooperate as set forth in Sections 4 and 5. Accordingly, the RL Defendants acknowledge and agree that should they, or any of them, either fail to make any payment set forth in Section 2 on a timely basis, or fail to cooperate reasonably with the Trustee or her attorneys in the prosecution of the Assigned Claims as required in Sections 3 and 4, then (i) the stay of execution of the Judgment as set forth in Section 6 shall cease and terminate upon five (5) days written notice by Trustee, and (ii) the Trustee shall have no obligation to mark any portion of the Judgment satisfied.

10. Representations and Warranties.

a. No Assignment of Transfer. The RL Defendants hereby warrant and represent that they have not assigned or transferred or purported to assign or transfer, whether voluntarily, involuntarily or by operation of law, the Assigned Claims or any portion thereof to any person or entity not a party to this Agreement.

b. Advice of Counsel. The Parties represent and warrant that they have each had the benefit of consultation with legal counsel and have been fully advised by counsel concerning the execution of this Agreement. Further, the Parties represent and warrant that they are executing this Agreement voluntarily and have each read and fully understand the terms of this Agreement without the undue influence of any person and without relying on any promises, conditions, terms, statements or representations not expressly contained herein.

c. Ownership of Claims; Authority to Sign. The RL Defendants represent and warrant that (i) they are the owners of the claims being assigned hereby; and (ii) the person signing on behalf of RL has authority to sign this Agreement and to bind RL to the terms of this Agreement.

11. Miscellaneous.

a. Entire Agreement; Amendment. This Agreement constitutes the entire agreement with respect to the subject matter hereof, supersedes all prior and contemporaneous agreements or understandings, and may not be amended unless in a writing signed by all Parties.

b. Governing Law; Retention of Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania, without regard to conflict of law principles. The Parties agree that the District Court shall retain jurisdiction to enforce this Agreement as part of the Litigation. If it should be determined that,

notwithstanding the foregoing, the District Court lacks jurisdiction, the Parties shall be free to enforce this Agreement in any other court of competent jurisdiction.

c. Attorney's Fees and Expenses. In the event of a breach of this Agreement, the breaching Party shall be responsible for the reasonable attorney's fees and litigation expenses of the non-breaching Party.

d. Agreement to Complete Further Documentation. Upon execution of this Agreement, the Parties agree to execute, as necessary, any and all further documents reasonably required to effectuate this Agreement.

e. Counterparts. This Agreement may be executed in counterparts, each of which shall be binding on the Party signing, and all of which together shall constitute one and the same instrument. A counterpart with a copy of a Party's signature shall have the same effect as a counterpart with an original signature.

IN WITNESS WHEREOF, the Parties, intending to be legally bound, execute this Agreement below:

THE ESTATES OF IRA J. PRESSMAN AND
PJI DISTRIBUTION CORPORATION

By: Lynn E. Feldman, Trustee for the Chapter 7
Bankruptcy Estates of Ira J. Pressman and
PJI Distribution Corporation

RAGGI LISOWSKI LLP CPAS & CONSULTANTS
(FORMERLY RAGGI & WEINSTEIN LLP CPAS & CONSULTANTS)

By:

Title:

Robert Raggi

Thomas Lisowski

EXHIBIT A

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**LYNN E. FELDMAN, AS TRUSTEE
FOR THE BANKRUPTCY ESTATES OF
IRA J. PRESSMAN AND PJI DISTRIBUTION CORP.,**

Plaintiff,

v.

**RAGGI LISOWSKI, LLP CPAs & CONSULTANTS,
(FORMERLY RAGGI & WEINSTEIN, LLP, CPAS &
CONSULTANTS)
HERBERT WEINSTEIN,
ROBERT RAGGI and
THOMAS LISOWSKI,**

Defendants.

Civil Action

No. 13-4627

STIPULATION AND CONSENT ORDER

Plaintiff, Lynn E. Feldman, Trustee for the Bankruptcy Estates of Ira J. Pressman and PJI Distribution Corporation, and Defendants Raggi Lisowski LLP CPAs & Consultants, Robert Raggi and Thomas Lisowski, by their undersigned attorneys, hereby stipulate and jointly request the Court to approve the Assignment and Cooperation Agreement (“Agreement”) attached hereto as Exhibit 1.

WEIDMAN LAW, LLC

HANAMIRIAN LAW FIRM

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Attorney for Lynn E. Feldman,
Trustee for the Estates of Ira J. Pressman
and PJI Distribution Corporation

Attorney for Raggi Lisowski LLP, CPAs &
Consultants, Robert Raggi and Thomas
Lisowski

AND NOW, this ____ day of May 2016, upon consideration of the parties' joint request, it is hereby ORDERED that the Agreement is APPROVED.

, J.