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*Counsel for the Debtor
and Debtor in Possession***UNITED STATES BANKRUPTCY COURT****NORTHERN DISTRICT OF CALIFORNIA****OAKLAND DIVISION**

In re:

THE ROMAN CATHOLIC BISHOP OF
OAKLAND, a California corporation sole,

Debtor.

Case No. 23-40523 WJL

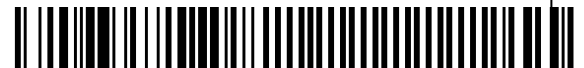
Chapter 11

**DEBTOR'S MOTION FOR ENTRY OF
ORDER APPROVING SETTLEMENT WITH
RUBEN GALINDO, AS TRUSTEE OF THE
EDWARD J. BENNETT TRUST, PURSUANT
TO FED. R. BANKR. P. 9019**

Judge: Hon. William J. Lafferty

Date: April 23, 2025

Time: 10:30 a.m.

Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

1 The Roman Catholic Bishop of Oakland, a California corporation sole and the debtor and debtor
2 in possession (the “Debtor” or “RCBO”) in the above-captioned chapter 11 bankruptcy case (the “Chapter
3 11 Case”), hereby moves (the “Motion”) for entry of an order substantially in the form attached hereto as
4 Exhibit A, pursuant to Federal Rule of Bankruptcy Procedure 9019 and section 105(a) of title 11 of the
5 United States Code (the “Bankruptcy Code”), approving the Debtor’s settlement agreement with Rubin
6 Galindo, as trustee of the Edward J. Bennett Trust dated December 17, 2014, of the Debtor’s claims against
7 him.

8 This Motion is based on the Memorandum of Points and Authorities set forth herein, the notice of
9 hearing on the Motion, the *Declaration of Attila Bardos in Support of Debtor’s Motion for Entry of Order*
10 *Approving Settlement with Ruben Galindo, as Trustee of the Edward J. Bennett Trust, Pursuant to Fed.*
11 *R. Bankr. P. 9019* (the “Bardos Declaration”), filed concurrently herewith and incorporated herein by
12 reference, and upon such oral and documentary evidence as may be presented at the hearing on the Motion.

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DEBTOR’S MOTION FOR ENTRY OF ORDER APPROVING SETTLEMENT WITH BENNETT TRUST

Table of Contents

I. INTRODUCTION	1
II. JURISDICTION AND VENUE.....	1
III. BACKGROUND FACTS	1
A. GENERAL BACKGROUND.....	1
B. THE BENNETT TRUST AND ACCOUNTINGS.....	2
C. THE STATE COURT PROBATE ACTION	3
D. THE BENNETT TRUST SETTLEMENT	3
IV. RELIEF REQUESTED	5
V. BASIS FOR RELIEF	5
VI. RESERVATION OF RIGHTS	8
VII. NOTICE	8
VIII. CONCLUSION	8

DEBTOR'S MOTION FOR ENTRY OF ORDER APPROVING SETTLEMENT WITH BENNETT TRUST

I.

INTRODUCTION

The Debtor seeks approval for a settlement agreement (the “Settlement Agreement”) with Rubin Galindo (“Mr. Galindo”), who serves as trustee of the Edward J. Bennett Trust dated December 17, 2014 (the “Bennett Trust”), concerning claims RCBO filed against Mr. Galindo in the Contra Costa County probate court regarding Mr. Galindo’s administration of the Bennett Trust.

The Settlement Agreement fully, finally and expeditiously resolves the Debtor’s claims against Mr. Galindo and provides a recovery to the Debtor’s estate in the amount of \$400,000. The recovery is sizable, approximately 89% of the maximum value of the Debtor’s putative claims against Mr. Galindo. The Settlement Agreement is fair, reasonable, and adequate under the relevant legal standards, and it should be approved.

II.

JURISDICTION AND VENUE

This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b), the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order No. 24 (N.D. Cal.), and Local Rule of Bankruptcy Procedure for the Northern District of California 5011-1(a). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The legal basis for the relief requested herein is section 105(a) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019.

III.

BACKGROUND FACTS

A. General Background

On May 8, 2023 (the “Petition Date”), the Debtor filed a voluntary petition for chapter 11 bankruptcy relief under the Bankruptcy Code. The Debtor continues to operate its ministry and manage its properties as a debtor in possession under sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this Chapter 11 Case.

On May 23, 2023, the U.S. Trustee appointed the Committee.

1 The Debtor is a corporation sole organized under the laws of the State of California. The Debtor
2 conducts its civil affairs under the laws of the State of California and the United States of America and in
3 accordance with the Code of Canon Law, the ecclesiastical law of the Roman Catholic Church. Additional
4 information regarding the Debtor, its mission, ministries, and operations, and the events and circumstances
5 preceding the Petition Date, is set forth in the *Declaration of Charles Moore, Managing Director of*
6 *Alvarez & Marsal North America, LLC, Proposed Restructuring Advisor to the Roman Catholic Bishop*
7 *of Oakland, in Support of Chapter 11 Petition and First Day Pleadings* (the “First Day Declaration”)
8 [Docket No. 19], which is incorporated herein by reference.

9 **B. The Bennett Trust and Accountings**

10 Edward J. Bennett, the settlor and original trustee of the Bennett Trust, died on August 20, 2020.
11 Upon his death, the Bennett Trust became irrevocable, and Mr. Galindo assumed the role of successor
12 trustee. (Bardos Decl., ¶ 4.) On November 5, 2020, Mr. Galindo filed a petition with the state court in
13 Contra Costa County (the “Probate Court”), thereby initiating Contra Costa County Case No. MSP20-
14 01332, *In the Matter of: Edward J. Bennett Trust dated December 17, 2014* (the “Probate Case”).

15 The Bennett Trust identifies “St. Perpetua Catholic Church” – the name used by a Catholic church
16 located in Lafayette, California within the geographic area of the Diocese of Oakland – as the residuary
17 beneficiary of the Bennett Trust, to whom, after certain other specified distributions, all remaining
18 property of the Bennett Trust is to be distributed “outright and free of trust.” (Bardos Decl., ¶ 6.)

19 Mr. Galindo’s first accounting of the Bennett Trust indicated the balance of trust assets available
20 for distribution to St. Perpetua would be approximately \$600,000. (*Id.*, ¶ 7.)

21 Notwithstanding Mr. Galindo’s first accounting, his legal counsel subsequently told the parish
22 there were not enough assets for any residuary to St. Perpetua. (*Id.*, ¶ 8.)

23 After Mr. Galindo provided a second and final accounting of the Bennett Trust, the Debtor
24 identified several errors and issues with both accountings constituting breaches of trust by Mr. Galindo.
25 They communicated these issues to Mr. Galindo initially by letter dated September 9, 2022. (*Id.*, ¶ 9.)

26 No response to the letter was received until July 14, 2023 – ten months later – and even then Mr.
27 Galindo failed to provide required information about assets of the Bennett Trust. (*Id.*, ¶ 10.)
28

1 **C. The State Court Probate Action**

2 After more than a year without any progress resolving RCBO's concerns about Mr. Galindo's
3 accountings and his breaches of trust, the Debtor filed a petition in the Probate Case (the "Probate
4 Litigation Petition"). (*Id.*, ¶ 11.)

5 The Probate Litigation Petition sets forth numerous causes of action against Mr. Galindo for
6 breaches of trust and breaches of his fiduciary duties. It seeks declaratory and injunctive relief, including,
7 without limitation, an order for the immediate distribution of assets then held by the Bennett Trust to
8 RCBO on behalf of St. Perpetua (over \$400,000); an updated accounting; denial of Mr. Galindo's
9 attorney's fees and trustee compensation from the Bennett Trust; a surcharge against Mr. Galindo for
10 losses incurred by and assets diverted from the Bennett Trust; an equitable lien on real estate held by the
11 Bennett Trust; and payment of attorney's fees. (*Id.*, ¶ 12.)

12 Rather than answer the Probate Litigation Petition, after some dialogue and an exchange of letters
13 between counsel for the parties, Mr. Galindo filed a demurrer. (*Id.*, ¶ 13.)

14 RCBO drafted an extensive analysis for Mr. Galindo about the errors in his reasoning and the state
15 of the law concerning his obligations to distribute and turn over the residuary of the Bennett Trust to
16 RCBO. (*Id.*, ¶ 14.) When he refused both to distribute those assets to RCBO and to withdraw his demurer,
17 RCBO filed an objection to the demurer.

18 The Probate Court overruled Mr. Galindo's demurer in its entirety, adopting the reasoning and
19 analysis first supplied by RCBO's counsel to Mr. Galindo and then incorporated into RCBO's objection
20 to the demurer. (*Id.*, ¶ 15.)

21 The Probate Court ordered Mr. Galindo to answer the Probate Litigation Petition by August 2,
22 2024, which he did in the form of an objection. (*Id.*, ¶ 16.)

23 Mr. Galindo provided requested accountings to RCBO, and the parties convened and conducted a
24 productive mediation. (*Id.*, ¶ 17.)

25 **D. The Bennett Trust Settlement**

26 To avoid the time, expense and uncertainty of further litigation, the Debtor and Mr. Galindo have
27 engaged in good faith settlement discussions to resolve the claims set forth in the Probate Litigation
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Petition. This included conducting a mediation on December 4, 2024. As a result, and subject to the approval of this Court entering a final order, the parties have entered into the Settlement Agreement in order to formally resolve all pending issues and disputes by and between them. (*Id.*, ¶ 18.) A true and correct copy of the Settlement Agreement is appended to the Bardos Declaration as **Exhibit 1**, and incorporated herein by reference. The primary terms of the Settlement Agreement are as follows:

- Mr. Galindo shall pay RCBO \$200,000 as a distribution from the Bennett Trust (the “First Payment”) within ten calendar days after entry of the final order approving the Settlement Agreement (Bardos Decl., Exh. 1, § 2(a));
- Mr. Galindo shall pay RCBO \$200,000 from his personal funds (the “Second Payment”) within 120 days after entry of the final order approving the Settlement Agreement (*id.*, § 2(b));
- If Mr. Galindo fails to make the First Payment, RCBO shall be entitled to a stipulated money judgment against Mr. Galindo entered in the Probate Court in the amount of \$400,000 plus attorney’s fees and costs of collection (*id.*, § 2(c));
- If Mr. Galindo fails to make the Second Payment, RCBO shall be entitled to a stipulated money judgment against Mr. Galindo entered in the Probate Court in the amount of \$200,000 plus attorney’s fees and costs of collection (*id.*);
- If Mr. Galindo makes both payments as required by the Settlement Agreement, RCBO shall withdraw the Probate Litigation Petition with prejudice and shall be entitled to no further accountings of the Bennett Trust (Bardos Decl., Exh. 1, §§ 3, 7);
- The parties shall mutually release one another from all claims, demands, and causes of action relating to the Probate Litigation Petition (*id.*, § 5).

Upon the advice and recommendations of its advisors, the Debtor believes the settlement memorialized in the Settlement Agreement is in the best interests of the estate. The settlement agreement will, among other things, result in a swift resolution of the Debtor’s claims against Mr. Galindo in the Probate Case and a substantial recovery for the estate, and will enable the Debtor to more effectively administer the estate. (Bardos Decl., ¶ 19). While the Bennett Trust names “St. Perpetua Catholic Church” as the residuary beneficiary, the Debtor believes, upon review of the applicable trust documents, that the distribution to St. Perpetua is unrestricted, and thus that recoveries from the Settlement Agreement will be available to pay the Debtor’s creditors. (*Id.*)

1 IV.

2 RELIEF REQUESTED

3 The Debtor requests the Court enter an order approving the Settlement Agreement pursuant to
4 Federal Rule of Bankruptcy Procedure 9019.

5 V.

6 BASIS FOR RELIEF

7 A. Legal Standard for Approving a Settlement Under Rule 9019

8 On a debtor-in-possession's motion, the bankruptcy court may approve a compromise
9 or settlement. Fed. R. Bankr. P. 9019(a). Courts favor compromises to minimize the effects and costs of
10 litigation and expedite administration of the debtor's estate. *Martin v. Kane (In re A & C Props.)*, 784
11 F.2d 1377, 1381 (9th Cir. 1986) ("The law favors compromise and not litigation for its own sake.").
12 Moreover, section 105(a) of the Bankruptcy Code allows the Court to issue any order, process or judgment
13 necessary or appropriate to carry out the provisions of the Bankruptcy Code. *In re A & C Props.*, 784
14 F.2d at 1380, n.4.

15 The bankruptcy court's role in approving a settlement pursuant to Rule 9019 is "limited": it "need
16 only find that the settlement was negotiated in good faith and is reasonable, fair and equitable." *In re Pac.*
17 *Gas & Elec. Co.*, 304 B.R. 395, 416-17 (Bankr. N.D. Cal. 2004). "The question is 'whether the settlement
18 falls below the lowest point in the range of reasonableness.'" *In re TBH19, LLC*, No. 2:19-BK-23823-
19 VZ, 2022 WL 16782946, at *6 (B.A.P. 9th Cir. Nov. 8, 2022) (quoting *In re Pac. Gas & Elec. Co.*, 304
20 B.R. at 417).

21 In determining the fairness, reasonableness, and adequacy of a proposed settlement agreement, the
22 Court must consider:

- 23 (a) The probability of success in the litigation; (b) the difficulties, if any, to
24 be encountered in the matter of collection; (c) the complexity of the
25 litigation involved, and the expense, inconvenience and delay necessarily
attending it; (d) the paramount interest of the creditors ...

26 *In re A & C Props.*, 784 F.2d at 1381. These factors are to be considered as a whole, and no single factor
27 is dispositive. *In re Pac. Gas & Elec. Co.*, 304 B.R. at 417 ("It is not necessary to satisfy each of these
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1 factors provided that the factors as a whole favor approving the settlement.”).

2 The Debtor respectfully submits that an analysis of the foregoing factors demonstrates the
3 Settlement Agreement should be approved.

4 **B. Probability of Success in Litigation**

5 While the Debtor’s claims against Mr. Galindo are meritorious and have strong legal and
6 evidentiary bases, the probability of success in litigation is inherently uncertain. This supports approval
7 of the Settlement Agreement. The Settlement Agreement successfully resolves the Debtor’s claims
8 against Mr. Galindo in the Probate Court, and it provides for payment in part from trust assets that might
9 otherwise be dissipated by Mr. Galindo through the course of protracted litigation. Although Mr. Galindo
10 has litigated and lost a demurrer to the Debtor’s Probate Litigation Petition, further developments in the
11 litigation could prompt a revision of the parties’ assessment of the merits of the Debtor’s claims.

12 Moreover, even if the Court were to regard this factor as neutral, it is sufficient that the other
13 factors discussed below strongly favor approving the Settlement Agreement. *See, e.g., In re Pac. Gas &*
14 *Elec. Co.*, 304 B.R. at 417; *In re WCI Cable, Inc.*, 282 B.R. 457, 473–74 (Bankr. D. Or. 2002) (although
15 debtor “likely would prevail on one or more causes of action” and court-appointed examiner suggested
16 that “probability of success on the merits, considered in isolation, militated against the proposed
17 settlement,” nevertheless court agreed with examiner that settlement should be approved because of other
18 factors).

19 **C. Difficulty of Collection**

20 This factor weighs in favor of approving the Settlement Agreement. Were it not for the Settlement
21 Agreement, the Debtor would continue to litigate its claims in the Probate Court. However, the assets of
22 the Bennett Trust are expected to be a source of payment of the Debtor’s claims, and they would be eroded
23 quickly from continued litigation. Based on the information available to RCBO, Mr. Galindo would
24 continue to pay himself trustee fees from the Bennett Trust, charge attorneys’ fees to the Bennett Trust,
25 and generally continue (in the Debtor’s view) to mismanage the investment of trust assets. All of this
26 conduct would dissipate the trust such that, even if the Debtor ultimately prevails on its claims in the
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1 Probate Court, it will likely have difficulty collecting the full amount of its judgment and realizing the
2 value of Mr. Bennett's gift.

3 **D. Expense, Inconvenience and Delay of Litigation**

4 This factor also supports approval of the Settlement Agreement. The expense, inconvenience and
5 delay resulting from RCBO's continued prosecution of its claims are significant, owing primarily to Mr.
6 Galindo's aggressive litigation posture, which he has showcased in the more than sixteen months of
7 litigation since the Petition was filed. Notwithstanding the Debtor's provision of extensive legal authority
8 and analysis to Mr. Galindo concerning jurisdictional questions surrounding the Debtor's prosecution of
9 its claims, Mr. Galindo refused to cooperate with the Debtor's requests, filed a demurrer to the Petition,
10 and refused to withdraw the same. As expected, the demurrer was overruled in its entirety. Yet this
11 incident caused at least seven months of delay to the Debtor's prosecution of its claims, as well as
12 considerable expense and inconvenience to litigate. The risk of further meritless disputes drawing out the
13 Probate Court Litigation and amplifying its costs cannot be disregarded. Given the reasonably high value
14 of the \$400,000 payment to the Debtor contemplated by the Settlement Agreement relative to the value of
15 the claims the Debtor has asserted in the State Court Probate Action, the time-consuming and costly
16 process of litigating these issues to judgment is not justified – RCBO will realize a considerable return on
17 its claims (approximately 89%) through the Settlement Agreement.

18 **E. The Paramount Interests of Creditors**

19 This factor also favors approval of the Settlement Agreement. The Settlement Agreement is
20 clearly in the best interests of the Debtor's estate and creditors. It provides certainty and finality to the
21 dispute with Mr. Galindo, avoiding the time and expenses associated with protracted litigation, and
22 bringing substantial funds into the estate at a much lower cost than litigation.

23 Litigating the State Court Probate Action against Mr. Galindo to final judgment could delay
24 concluding the administration of the Chapter 11 Case. The Settlement Agreement provides a quick and
25 comparatively inexpensive resolution of this dispute. This directly inures to the benefits of all creditors
26 by avoiding the administrative expense associated with litigation, bringing in a healthy recovery for the
27 Debtor's estate relative to the value of the Debtor's claims, and removing an obstacle to the Debtor
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1 concluding administration of the Chapter 11 Case within the next few months if its Plan is confirmed.

2 VI.

3 RESERVATION OF RIGHTS

4 Nothing contained in this Motion is intended to be or shall be construed as (i) an admission as to
5 the validity of any claim against the Debtor, (ii) a waiver of the Debtor's or any appropriate party in
6 interest's rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract,
7 program, policy, or lease under section 365 of the Bankruptcy Code.

8 Nothing contained in this Motion is intended to be or shall be construed as a waiver of any of the
9 Debtor's rights under any applicable law, including, without limitation, the Code of Canon law, the First
10 Amendment of the United States Constitution, the Constitution of the State of California, California
11 Corporations Code §§ 10000-10015, the Religious Freedom Restoration Act of 1993 (42 U.S.C.
12 §§ 2000bb-2000bb-4), the church autonomy doctrine, charitable trust law, California trust law, or the
13 Debtor's rights under any insurance policies and to proceeds thereof, or the Debtor's rights to object to
14 disclosure of information and contend certain assets discussed in this Motion are not property of the estate.

15 VII.

16 NOTICE

17 Notice of this Motion, as required pursuant to Rule 2002(a)(3) and B.L.R. 2002-1, is being
18 provided to the Core Service List pursuant to the Court's *Final Order Authorizing and Approving Special*
19 *Noticing and Confidentiality Procedures* [Docket No. 292] (the "Noticing Order"). No further notice is
20 required.

21 VIII.

22 CONCLUSION

23 Based on the foregoing, the Debtor submits that the resolution of the State Court Probate Action
24 provided for in the Settlement Agreement is well above the "the lowest point in the range of
25 reasonableness" and, thus, should be approved. *In re Pacific Gas and Elec. Co.*, 304 B.R. at 417.
26 Accordingly, the Debtor respectfully requests that the Court enter an order, substantially in the form
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1 attached hereto as **Exhibit A**, approving the parties' Settlement Agreement pursuant to Federal Rule of
2 Bankruptcy Procedure 9019, and granting related relief.

3 DATED: April 2, 2025

Presented by:

4 **FOLEY & LARDNER LLP**

Thomas F. Carlucci

5 Shane J. Moses

Ann Marie Uetz

6 Matthew D. Lee

Geoffrey S. Goodman

7 Mark C. Moore

8 /s/ Shane J. Moses

Shane J. Moses

9 *Counsel for the Debtor*

10 *and Debtor in Possession*

EXHIBIT A

FOLEY & LARDNER LLP

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*Counsel for the Debtor
and Debtor in Possession*

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

In re:

THE ROMAN CATHOLIC BISHOP OF
OAKLAND, a California corporation sole,

Debtor.

Case No. 23-40523 WJL

Chapter 11

**[PROPOSED] ORDER GRANTING
DEBTOR'S MOTION FOR ENTRY OF
ORDER APPROVING SETTLEMENT WITH
RUBEN GALINDO, AS TRUSTEE OF THE
EDWARD J. BENNETT TRUST, PURSUANT
TO FED. R. BANKR. P. 9019**

Judge: Hon. William J. Lafferty

Date: April 23, 2025

Time: 10:30 a.m.

Place: United States Bankruptcy Court
1300 Clay Street
Courtroom 220
Oakland, CA 94612

1 Upon the *Debtor's Motion for Entry of Order Approving Settlement with Ruben Galindo, as*
2 *Trustee of the Edward J. Bennett Trust, Pursuant to Fed. R. Bankr. P. 9019*, [Docket No. ____] (the
3 "Motion"), filed by The Roman Catholic Bishop of Oakland, a California corporation sole, and the debtor
4 and debtor in possession (the "Debtor") in the above-captioned chapter 11 bankruptcy case, seeking
5 approval of a settlement agreement (the "Settlement Agreement") between Ruben Galindo ("Mr.
6 Galindo"), as trustee of the Edward J. Bennett Trust dated December 17, 2014 (the "Bennett Trust"), and
7 the Debtor, concerning claims the Debtor filed against Mr. Galindo in the Contra Costa County Probate
8 Court regarding Mr. Galindo's administration of the Bennett Trust; the Court having reviewed and
9 considered the Motion, the *Declaration of Attila Bardos in Support of Debtor's Motion for Entry of Order*
10 *Approving Settlement with Ruben Galindo, as Trustee of the Edward J. Bennett Trust, Pursuant to Fed.*
11 *R. Bankr. P. 9019* (the "Bardos Declaration") and all other filings in support of or opposition to the
12 Motion; the Court finding that it has jurisdiction over this matter, that venue in this Court is proper, and
13 that notice of the Motion was reasonable and is sufficient under the circumstances; and the Court finding
14 the relief requested in the Motion is in the best interests of the Debtor, its creditors, and other parties in
15 interest; and after due deliberation and good cause appearing therefor;

16 **IT IS HEREBY ORDERED THAT:**

- 17 1. The Motion is granted as set forth herein.
- 18 2. The Settlement Agreement attached as Exhibit 1 to the Bardos Declaration is approved and
19 the Debtor is authorized to enter into the Settlement Agreement pursuant to Bankruptcy Rule 9019, as
20 well as Section 105 of the Bankruptcy Code, with all terms and conditions of the Settlement Agreement
21 incorporated by reference herein, it being the intention of the Court to approve each of them in this Order.
- 22 3. Pursuant to Bankruptcy Rule 9019, as well as Section 105 of the Bankruptcy Code, the
23 Debtor is authorized to enter into, perform, execute, and deliver all documents, and to take all actions,
24 necessary to immediately and/or fully implement and perform the Settlement Agreement in accordance
25 with the terms, conditions, and agreements set forth therein, all of which are hereby approved.
- 26 4. The Settlement Agreement reflects a consensual compromise and settlement of the
27 Debtor's claims against Mr. Galindo.
- 28

1 5. This Order shall not be treated as or deemed evidence of or an admission of any fact or
2 liability by any party, or of the merit or lack of merit of any claim or defense of any party.

3 6. Any objections or reservations of rights in respect of the Settlement Agreement, Motion or
4 the relief requested therein are hereby denied and overruled.

5 7. The Debtor is authorized to take all actions necessary to effectuate the relief granted in this
6 Order in accordance with the Motion.

7 8. This Court shall retain jurisdiction with respect to all matters arising from or related to the
8 implementation and/or interpretation of this Order.

9 **END OF ORDER**

COURT SERVICE LIST

All ECF Recipients.