

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the United States Small Business Administration (herein "the United States"), and William Philip Werschler (herein "Defendant Werschler"), Spokane Dermatology Clinic P.S., (herein "Defendant Spokane Dermatology"), Premier Clinical Research L.L.C., (herein "Defendant PCR"), and 3rd & Sherman Plaza L.L.C. (herein "Defendant 3rd & Sherman"), (collectively referred to herein, where appropriate, as "Defendants") through their authorized representatives. The United States and the Defendants are collectively referred to herein, where appropriate, as "the Parties."

RECITALS

A. During the relevant time period, Defendant Werschler was an owner of Defendants Spokane Dermatology, PCR, and 3rd & Sherman. Defendant Spokane Dermatology was incorporated in the State of Washington, listing Defendant Werschler as the only member of the board of directors, and has its principal place of business in the Eastern District of Washington. Defendant PCR is a limited liability company organized in the State of Nevada, registered with the Washington Secretary of State as a foreign company, and has its principal office in the Eastern District of Washington. During the relevant time period, Defendant PCR had only two governors, Defendant Werschler and his wife. Defendant 3rd and Sherman is a limited liability company formed in the State of Washington with its principal place of business in the Eastern District of Washington. Defendant Werschler and his wife are the sole governors of Defendant 3rd & Sherman, and its principal place of business is in the Eastern District of Washington. Between March

2020 and March 2023, Carol Casilla was an accountant employed by Defendants and responsible for accounting and bookkeeping services for the Defendant companies.

B. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was a federal law enacted on March 27, 2020, designed to provide emergency financial assistance to the millions of Americans who were suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of COVID-19 related funding for the Economic Injury Disaster Loan (EIDL) program. EIDL is a Small Business Administration (SBA) program that provides low-interest funding to small businesses, renters, and homeowners affected by declared disasters.

C. Any funds issued under an EIDL were issued directly by the SBA. EIDL funds were to be used solely by the company that borrowed the funds as working capital necessary to carry on that business until resumption of normal operations and for expenditures necessary to alleviate economic injury caused to that company by the COVID-19 pandemic. COVID EIDL loan proceeds could also be used to make debt payments including monthly payments, payment of deferred interest, and pre-payments on any business debts. EIDL funds were not to be used to pay dividends or other disbursements to owners, partners, officers or stockholders, except for reasonable remuneration directly related to their performance of services for the business. EIDL funds were further not to be used to refinance long-term debt, expand facilities or acquire fixed assets. In applying for EIDL funds, borrowers agreed to be bound by the terms of the EIDL program.

D. As initially funded, the SBA's COVID-19 EIDL program had a maximum loan cap of \$150,000. On or about April 6, 2021, the maximum loan cap was raised to \$500,000. Borrowers were allowed to request additional funds at this point in what was called a "modification" of the original EIDL application up to a total loan amount of the \$500,000 maximum. On or about September 8, 2021, the maximum loan cap was raised to \$2,000,000. Again, borrowers could request additional funds as part of another modification of the original loan amount, up to the \$2,000,000 maximum. In applying for an EIDL modification, borrowers again agreed to be bound by the terms of the EIDL program.

E. On or about June 11, 2020, the SBA approved an EIDL request submitted on behalf of Defendant 3rd & Sherman in the amount of \$150,000. On or about, April 26, 2021, a modification request was submitted by Ms. Casilla on behalf of Defendant 3rd & Sherman seeking additional EIDL funds up to a total of \$500,000. On or about November 22, 2021, the SBA partially approved the modification request, and \$260,200 was disbursed by the SBA to Defendant 3rd & Sherman's Mountain West Bank account on or about November 24, 2021.

F. On or about August 4, 2020, the SBA approved an EIDL request submitted on behalf of Defendant Spokane Dermatology in the amount of \$150,000. On or about June 15, 2021, a modification request was submitted by Ms. Casilla on behalf of Defendant Spokane Dermatology seeking additional EIDL funds up to a total of \$500,000. On or about October 1, 2021, the SBA approved the modification request and \$350,000 was disbursed by the SBA to Defendant Spokane Dermatology's Riverbank account on or about October 5, 2021.

G. On or about November 27, 2020, the SBA approved an EIDL request submitted on behalf of Defendant PCR in the amount of \$150,000. On or about April 26, 2021, a modification request was submitted by Ms. Casilla on behalf of Defendant PCR seeking additional EIDL funds up to a total of \$500,000. On or about July 24, 2021, the SBA approved the modification request and \$350,000 was disbursed by the SBA to Defendant PCR's Mountain West Bank account on or about July 27, 2021.

H. On or about September 12, 2021, a second EIDL modification request was submitted by Ms. Casilla on behalf of Defendant PCR seeking additional EIDL funds up to a total of \$2,000,000. On or about January 9, 2022, the SBA approved the second modification request and \$1,500,000 was disbursed by the SBA to Defendant PCR's Mountain West Bank account on or about January 11, 2022.

I. On or about January 27, 2022, Defendant Werschler, under the name of Pure Performance Motorsports L.L.C., signed a buyer's order to purchase a 2011 Porsche 911 GT3 in the total amount of \$163,687.50 and a buyer's order to purchase a 1997 Porsche Carrera in the total amount of \$88,687.50. The total purchase price for both vehicles was \$252,375.00. Defendant Werschler used Riverbank Loan No. 729, a line of credit in his own name, to fund the purchase. On or about January 31, 2022, Defendant Werschler caused a wire transfer of \$252,375.00 to complete the purchase of the two vehicles. On or about January 31, 2022, check number 5402 was drawn from Defendant PCR's Mountain West Bank account in the amount of \$252,375.00 and used to repay Riverbank Loan No. 729 on or about February 2, 2022.

J. On or about July 11, 2022, Defendant Werschler signed a real estate purchase and sale agreement for 324 and 328 S. Grant Street, Spokane, Washington, listing

the buyer as Defendant 3rd & Sherman. On or about July 29, 2022, a wire transfer was completed from Defendant PCR's Mountain West Bank account in the amount of \$533,143.13 to fund the purchase. On August 2, 2022, a second wire transfer was completed from Defendant PCR's Mountain West Bank account in the amount of \$20,000 for additional costs associated with the purchase. On July 29, 2022, a statutory warranty deed was executed granting 324 and 328 S. Grant Street, Spokane, to Defendant 3rd & Sherman.

K. The United States contends that it has certain civil claims against the Defendants under the False Claims Act, codified at 31 U.S.C. § 3729-3733, and the common law, as specified below, for knowingly submitting and causing to be submitted false and fraudulent EIDL applications and modification requests and subsequent use of the funds between June 2020 and August 2022, including through conduct attributable to Carol Casilla based upon imputed liability. This conduct, together with the conduct set forth in Recitals A through J above, is referred to herein as the Covered Conduct.

L. The Defendants admit, acknowledge, and accept responsibility for the facts set forth in Recitals A through J above, and agree that those facts are true and accurate. The Parties agree that this Agreement is not an admission of liability by the Defendants, nor is it an admission by the United States that its claims are not well-founded. The United States Attorney's Office for the Eastern District of Washington agrees that it will not use or seek to admit this Agreement or any negotiations leading to its execution in *United States v. William Philip Werschler, at al.*, Eastern District of Washington Case No. 2:24-cr-00141-RLP. Defendants expressly reserve the right to contest the admissibility of this Agreement and negotiations in any proceeding.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. The Defendants shall pay \$1,400,000 (the Settlement Amount) to the United States, of which \$700,000 is restitution. The Defendants are jointly and severally liable for the entire Settlement Amount. The Settlement Amount shall be paid by the Defendants, or any one of them or any combination of them, by electronic funds transfer pursuant to written instructions to be provided by the United States no later than 60 days after the Effective Date of this Agreement. This period can be extended to 90 days by written agreement of the Parties.

2. Subject to the exceptions in Paragraph 3 (concerning reserved claims) below, and upon the United States' receipt of the Settlement Amount, the United States releases the Defendants, and any applicable authorized representatives, employees, owners, shareholders, and agents, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories, including but not limited to, fraud, breach of contract, payment by mistake, or unjust enrichment.

3. Notwithstanding the releases given in Paragraph 2 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in the Agreement, any administrative liability or enforcement right, or any administrative remedy, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals or entities other than the Defendants.

4. The Defendants waive and shall not assert any defenses they may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. This waiver is limited solely to the defenses expressly referenced above; Defendants do not waive any other defenses to any criminal prosecution or administrative action.

5. The Defendants fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Defendants have asserted, could have asserted, or may assert in the future against the United States, its agencies,

officers, agents, employees, and servants, related to the Covered Conduct or the United States' civil investigations or prosecution thereof.

6. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of the Defendants, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit and civil and criminal investigations of the matters covered by this Agreement;
- (3) the Defendants' investigation, defense, and corrective actions undertaken in response to the United States' audit and civil or criminal investigations in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payments the Defendants make to the United States pursuant to this Agreement

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by the Defendants, and the Defendants shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment:

Within 90 days of the Effective Date of this Agreement, the Defendants shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by the Defendants or any of their subsidiaries or affiliates from the United States. The Defendants agree that the United States, at a minimum, shall be entitled to recoup from the Defendants any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine the Defendants' books and records and to disagree with any calculations submitted by the Defendants or any of their subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by the Defendants, or the effect of any such Unallowable Costs on the amount of such payments.

7. This Agreement is intended to be for the benefit of the Parties only.

8. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

9. Each Party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion.

10. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of Washington. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this

Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

11. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

12. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

13. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

14. This Agreement is binding on the Defendants' successors, transferees, heirs, and assigns.

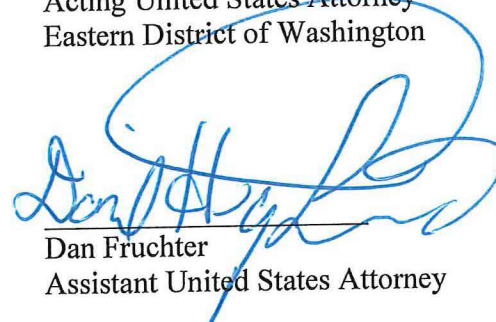
15. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

16. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA


Richard R. Barker
Acting United States Attorney
Eastern District of Washington

DATED: 4/2/2025 BY:



Dan Fruchter
Assistant United States Attorney

DATED: 4-2-25 BY:


Tyler H.L. Tornabene
Assistant United States Attorney

DATED: April 2, 2025 BY:


Jeremy Kelly
Assistant United States Attorney

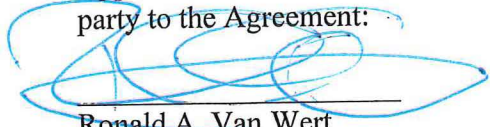
DEFENDANT WERSCHLER

DATED: April 2, 2025 BY:


William Phillip Werschler

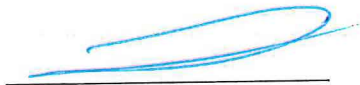
Approved as to form only, not as a
party to the Agreement:

DATED: April 2, 2025 BY:


Ronald A. Van Wert
Counsel for Defendant William P.
Werschler

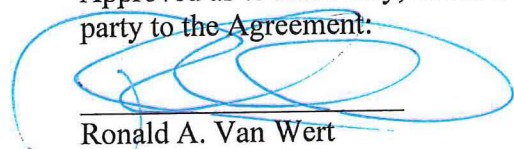
DEFENDANT SPOKANE DERMATOLOGY

DATED: April 2, 2025 BY:


William Phillip Werschler
Governor of Spokane Dermatology
Clinic P.S.


Approved as to form only, not as a
party to the Agreement:

DATED: April 2, 2025 BY:


Ronald A. Van Wert
Counsel for Defendant Spokane
Dermatology Clinic P.S.

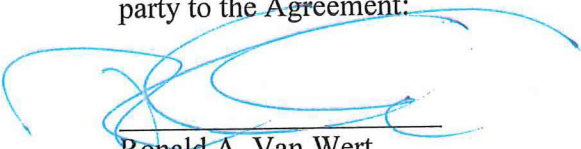
DEFENDANT PCR

DATED: Apr 2, 2015 BY:


William Phillip Werschler
Governor of Premier Clinical
Research LLC


Approved as to form only, not as a
party to the Agreement:

DATED: April 2, 2015 BY:


Ronald A. Van Wert
Counsel for Defendant Premier
Clinical Research LLC

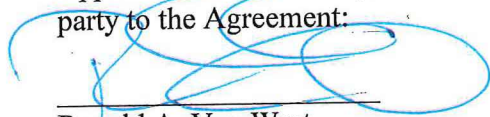
DEFENDANT 3RD & SHERMAN

DATED: Apr 2, 2015 BY:


William Phillip Werschler
Governor of 3rd & Sherman Plaza
LLC

Approved as to form only, not as a
party to the Agreement:

DATED: April 2, 2015 BY:


Ronald A. Van Wert
Counsel for Defendant 3rd &
Sherman Plaza LLC