

**SETTLEMENT AGREEMENT AND RELEASE**

This Settlement Agreement and Release ("Agreement") is made as of this 18<sup>th</sup> day of January, 2012, by, between, and among the Federal Deposit Insurance Corporation as Receiver for AmTrust Bank, Cleveland, Ohio ("FDIC-R"), and Paramount Equity Mortgage, Inc. ("PEM") (individually, the FDIC-R and PEM may be referred to herein as a "Party" and collectively as the "Parties").

**WHEREAS:**

Prior to December 4, 2009, AmTrust Bank, Cleveland, Ohio, previously known as Ohio Savings Bank ("Bank"), was a depository institution organized and existing under the laws of the United States.

On December 4, 2009, the Office of Thrift Supervision closed the Bank and appointed the Federal Deposit Insurance Corporation as its receiver. In accordance with 12 U.S.C. § 1821(d), the FDIC-R succeeded to all rights, titles, powers, and privileges of the Bank, including those with respect to its assets.

PEM and the Bank entered into a Master Correspondent Loan Purchase Agreement dated January 11, 2006 ("Contract"). Pursuant to the terms of the Contract, PEM sold to the Bank various residential mortgage loans. The Bank's assets now belonging to the FDIC-R include any and all of the Bank's claims, demands, and causes of action, including all of the Bank's claims related to any and all loans PEM sold under the Contract to the Bank ("Loans").

A dispute has arisen between the Parties with respect to claims by the FDIC-R to PEM for repurchase and/or indemnity on certain of the Loans based on alleged breaches of representations and warranties set forth in the Contract (hereinafter any and all present and future claims by the FDIC-R against PEM under the Contract of an obligation to repurchase or

indemnify for losses associated with the Loans is referred to as the "Claims"). The Parties engaged in settlement negotiations as a result of the Claims. The Parties now deem it in their best interests to enter into this Agreement to avoid the uncertainty, trouble, and expense of litigation.

NOW, THEREFORE, in consideration of the promises, undertakings, payments, and releases stated herein, the sufficiency of which consideration is hereby acknowledged, the undersigned Parties agree, each with the other, as follows:

**SECTION I: Payment to FDIC-R.**

A. As an essential covenant and condition to this Agreement, on or before February 10, 2012, PEM shall pay the FDIC-R the total sum of Two Hundred Thousand Dollars (\$200,000) (the "Settlement Payment"). The Settlement Payment shall be due on or before either: (1) February 10, 2012; or, (2) five (5) business days following PEM's actual receipt of a copy of this Agreement which has been signed by an authorized representative of the FDIC-R, whichever date shall last occur. The Settlement Payment shall be made by wire transfer made payable to "Mortgage Recovery Law Group Client Trust Account," Account Number:

(b)(4) [redacted] Routing Number [redacted] Reference: AmTrust/Paramount Equity Mortgage Settlement.

B. If the FDIC-R does not receive the Settlement Payment in full on or before the date determined by subparagraph A above ("Settlement Payment Due Date"), then the FDIC-R, in its sole discretion, shall have the right to:

1. extend the period of time for payment, including interest accruing from the Settlement Payment Due Date through the date of payment at a rate calculated in accordance with 26 U.S.C. § 6621(b)(3); or

2. enforce this Agreement and, in such event, PEM agrees to jurisdiction in Federal District Court in California and to pay all of the FDIC-R's reasonable attorney's fees and costs expended in enforcing the terms of this Agreement; or

3. declare this Agreement null and void, move to vacate any dismissal order, to which PEM agrees to consent, and institute an action on the FDIC-R's claims, as to which PEM waives any and all objections and defenses and covenant and agree not to assert any objections and defenses; and/or

4. seek any other relief available to it in law or equity.

Any extension of time for delivery of the Settlement Payment shall not prejudice the FDIC-R's right to take other action or seek any relief during or after such period of extension, including the right to bring an action to enforce the Agreement, or declare the Agreement null and void.

#### **SECTION II: Releases.**

Each Party acknowledges that this Agreement applies to all claims for injuries, damages, or losses of any type or nature (whether those injuries, damages, or losses are known or unknown, foreseen or unforeseen, patent or latent) which that Party may have against another Party arising from the Claims. Each Party hereby expressly waives application of *California Civil Code §1542* and any other similar statute or rule.

Each Party certifies that they have read and understood the following provisions of *California Civil Code §1542*, which states in pertinent part as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Each Party understands and acknowledges that the significance and consequence of its waiver of *California Civil Code §1542* is that even if any Party should eventually suffer

additional damages arising out of the Claims, the claims and causes of action that were or could have been asserted relating to the Claims, or any facts or circumstances related to the Claims, that Party will not be able to make any claim against the other Party for those damages.

Furthermore, each Party acknowledges that it consciously intends these consequences even as to claims for damages that may exist as of the date of this release but which that Party does not know exists, and which, if known, would materially affect that Party's decision to execute this release, regardless of whether that Party's lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

A. The FDIC-R's Release.

Upon receipt of the Settlement Payment, plus any accrued interest, and except as provided in PARAGRAPH I.I.C., the FDIC-R, for itself and its successors and assigns, hereby releases and discharges PEM and its respective employees, officers, directors, representatives, heirs, executors, administrators, successors and assigns, from any and all claims, demands, contracts, obligations, damages, actions, and causes of action, direct or indirect, in law or in equity belonging to the FDIC-R, arising out of or relating to the facts and circumstances giving rise to the Claims.

B. PEM's Release.

Effective simultaneously with the release in PARAGRAPH I.I.A. above, PEM, on behalf of itself, and its respective employees, officers, directors, representatives, heirs, executors, administrators, successors and assigns, hereby releases and discharges the FDIC-R, and its employees, officers, directors, representatives, successors and assigns, from any and all claims belonging to PEM, arising out of or relating to the facts and circumstances alleged by the Claims.

C. Exceptions to Release by FDIC-R.

1. Notwithstanding any other provision of this Agreement, the FDIC-R does not release, and expressly preserves fully and to the same extent as if this Agreement had not been executed, any claims or causes of action:

a. against PEM or any other person or entity for liability, if any, incurred as the maker, endorser or guarantor of any promissory note or indebtedness payable or owed by them to FDIC-R, the Bank, other financial institutions, or any other person or entity, including without limitation any claims acquired by FDIC-R as successor in interest to the Bank or any person or entity other than Bank (for the avoidance of doubt, the provisions of this paragraph II(C)1(a) do not apply to or concern any or all of the following: (i) any Loan endorsed by PEM as part of the sale of that Loan pursuant to the Contract; and/or (ii) any guarantee given by PEM or any of its employees, officers, directors, representatives, successors or assigns in connection with the Contract);

b. against any person or entity not expressly released by the FDIC-R in this Agreement; or

c. which are not expressly released in PARAGRAPH II.A. above; or

d. arising out of any existing or failed financial institutions other than the Bank.

2. Notwithstanding any other provision of this Agreement, nothing herein limits, waives, releases, diminishes or compromises the jurisdiction and authority of the Federal Deposit Insurance Corporation in the exercise of its supervisory or regulatory authority to institute administrative enforcement or other proceedings seeking removal, prohibition, civil penalties, restitution or other relief it is authorized to seek pursuant to its supervisory or

regulatory authority against any person, or which may arise by operation of law, rule, or regulation.

3. Notwithstanding any other provision of this Agreement, this Agreement does not waive any claims which could be brought by the United States through the Department of Justice, the United States Attorney's Office for any federal judicial district. In addition, the FDIC-R specifically reserves the right to seek court ordered restitution pursuant to the relevant provisions of the Victim and Witness Protection Act, 18 U.S.C. § 3663, et. seq., if appropriate.

### **SECTION III: Insolvency.**

#### **A. Insolvency.**

PEM warrants as to payments made by or on its or its behalf that at the time of such payment, it is not insolvent nor will the payment made by or on its behalf render it insolvent within the meaning and/or for the purposes of the United States Bankruptcy Code. This warranty is made by PEM and not by its counsel.

#### **B. Preferences.**

In the event that the FDIC-R is required to return any portion of the Settlement Payment due to a final order by a court that the transfer of the Settlement Payment or any portion thereof constituted a preference, voidable preference, fraudulent transfer or similar transaction, then, in its sole discretion, the FDIC-R may, without waiver of any other rights it may have in law or equity, pursue any of the rights and remedies set forth in paragraph I(C) above, and/or otherwise permitted by law.

### **SECTION IV: Termination.**

In the event the FDIC-R exercises its right to declare this Agreement null and void as provided herein, then, for the purposes of any statute of limitations or other time-based defense

to any of the claims of the FDIC-R, the parties to this Agreement shall be deemed to have  
reverted to their respective status as of 5:00 p.m. Eastern Time, December 1, 2011.

**SECTION V: Notices.**

Any notices required hereunder shall be sent by registered mail, first class, return receipt  
requested or may be sent by email, to the following:

If to the FDIC-R:

Michael Deibick  
Mortgage Recovery Law Group  
700 North Brand Boulevard, Suite 830  
Glendale, California 91203  
(818) 630-7905

(b)(6) [Redacted]

If to PEM:

Matt Dawson, EVP  
Paramount Equity Mortgage, Inc.  
4202 Douglas Blvd, Suite 100  
Granite Bay, CA 95746

(b)(6) [Redacted]

**SECTION VI: Other Matters.**

A. No Admission of Liability.

The undersigned Parties each acknowledge and agree that the matters set forth in this  
Agreement constitute the settlement and compromise of disputed claims and defenses, that this  
Agreement is not an admission or evidence of liability or infirmity by any of them regarding any  
claim or defense, and that the Agreement shall not be offered or received in evidence by or  
against any Party hereto, except to enforce its terms.

B. Execution in Counterparts.

This Agreement may be executed in counterparts by one or more of the Parties named herein and all such counterparts when so executed shall together constitute the final Agreement, as if one document had been signed by all Parties hereto; and each such counterpart, upon execution and delivery, shall be deemed a complete original, binding the Party or Parties subscribed thereto upon the execution by all Parties to this Agreement.

C. Binding Effect.

All of the undersigned persons represent and warrant that they are a Party hereto or are authorized to sign this Agreement on behalf of the respective Party, and that they have the full power and authority to bind such Party to each and every provision of this Agreement. This Agreement shall be binding upon and inure to the benefit of the undersigned Parties and their respective heirs, executors, administrators, representatives, attorneys, successors and assigns.

D. Entire Agreement.

This Agreement constitutes the entire agreement and understanding between and among the undersigned Parties concerning the matters set forth herein and supersedes any prior agreements or understandings. No representations, warranties or inducements have been made to or relied on by any Party concerning this Agreement and its exhibits other than those contained therein.

E. Amendments.

This Agreement may not be amended or modified, nor may any of its provisions be waived, except in writing by the Party or Parties bound thereby, or by their respective authorized attorney(s) or other representative(s).

F. Reasonable Cooperation.



1. The undersigned Parties agree to cooperate in good faith to effectuate all the terms and conditions of this Agreement, including doing, or causing their agents and attorneys to do, whatever is reasonably necessary to effectuate the signing, delivery, execution, filing, recording, and entry, of any documents necessary to perform the terms of this Agreement.

2. Further, PEM agrees to cooperate fully with the FDIC-R in connection with any action required under this Agreement. Any such cooperation that involves any out of pocket costs is subject to reasonable reimbursement by the FDIC-R pursuant to its internal guidelines and policy for such reimbursement.

G. Choice of Law.

This Agreement shall be interpreted, construed and enforced according to applicable federal law, or in its absence, the internal laws of the State of California, without regard to its conflicts of laws.

H. Advice of Counsel.

Each Party hereby acknowledges that he or it has consulted with and obtained the advice of counsel prior to executing this Agreement, and that this Agreement has been explained to that Party by his or its counsel.

I. Title and Captions.

All section titles and captions contained in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

J. Authorship/Construction.

This Agreement sets forth terms and agreements jointly negotiated by the Parties. It is expressly agreed that this Agreement shall not be construed for or against any party by reason of which party drafted it.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by each of them or their duly authorized representatives on the dates hereinafter subscribed.

**FDIC as Receiver for AmTrust  
Bank, Cleveland, Ohio**

**Paramount Equity Mortgage, Inc.**

By: \_\_\_\_\_

By:  (b)(6)

Name: \_\_\_\_\_

Name:  (b)(6)

Title: \_\_\_\_\_

Title: EVP

Date: \_\_\_\_\_

Date: 2/8/2012

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by each of them or their duly authorized representatives on the dates hereinafter subscribed.

**FDIC as Receiver for AmTrust  
Bank Cleveland Ohio**

**Paramount Equity Mortgage, Inc.**

(b)(6)

By:

[Redacted Signature Box]

By:

\_\_\_\_\_

Name:

Patrick M. McGuirk

Name:

\_\_\_\_\_

Title:

Counsel

Title:

\_\_\_\_\_

Date:

February 9, 2012

Date:

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