

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

1. **PARTIES:** The parties to this Settlement Agreement ("Agreement") are Plaintiff FEDERAL DEPOSIT INSURANCE CORPORATION as Receiver for Downey Savings & Loan Association, F.A. ("FDIC") on the one hand, and Defendant JEFFREY WATKINS ("Loan Officer"), on the other hand. The FDIC and the Loan Officer are sometimes herein collectively referred to as the "Parties."

2. **RECITALS:** This Agreement is made with reference to the following facts:

2.1 Certain claims arose between the Parties concerning a residential loan that was made by Downey to [REDACTED] in the amount of \$416,000 on or about December 14, 2005 (the "[REDACTED] Loan"). The [REDACTED] Loan was secured by a deed of trust on real property commonly known as [REDACTED] Carmichael, California [REDACTED] Property"). The mortgage broker that submitted the [REDACTED] Loan application to Downey was AMERICAN BENEFIT MORTGAGE, INC., with which broker the Loan Officer was then working or affiliated. The [REDACTED] Loan was approved and funded by Downey and subsequently defaulted. Following a trustee's foreclosure sale on the deed of trust that secured the [REDACTED] Loan, Downey sustained a loss that the FDIC is charged with seeking to recover upon (the "Claims").

2.2 The Claims subsequently became the subject of a Complaint ("Complaint") entitled *FDIC v. American Benefit Mortgage, Inc., etc., et al.*, Case No. CV10-3032 JFW (RCx), filed by the FDIC in the United States District Court for the Central District of California, Western Division (the "Action").

2.3 The Loan Officer was served with the Summons and Complaint in the Action. The FDIC thereafter filed its First Amended Complaint and, after the denial of the Loan Officer's Motion to Dismiss under FRCP 12(b)(6) the Loan Officer filed his Answer to the First Amended Complaint.

2.4 The Parties have agreed to resolve the Claims alleged by the FDIC against the Loan Officer in the Action pursuant to the terms stated in this Agreement.

2.5 By this Agreement the Parties intend to settle and dispose of, fully and completely, any and all claims, demands, causes of action, obligations, damages, and liabilities that arise out of or relate to the Action and the Claims alleged therein by the FDIC against the Loan Officer.

3. **NO ADMISSION RE MERITS OF CLAIMS:** The Parties agree that nothing in this Agreement, and no performance under this Agreement, shall be construed as an admission by either Party of the validity or invalidity of the Claims alleged in the Action against the Loan Officer; and, the Parties agree that this Agreement is entered into for the purpose of convenience and to compromise the disputed Claims alleged in the Action.

4. **SETTLEMENT TERMS:** The Parties agree to the following settlement terms:

4.1 Concurrent with the execution of this Agreement, the Loan Officer shall execute and provide to the FDIC a Stipulation for Entry of Judgment ("Stipulation for Judgment") in the amount of \$100,000.00, payable at the rate of \$15,000.00 per month commencing January 31, 2011, that shall be deemed paid in full upon timely payment of \$45,000.00. The Stipulation for Judgment shall be held and not filed with the court unless or until a default in payment under its terms occurs. If a default in payment occurs that is not timely cured, then the FDIC may file the Stipulation for Judgment with the Court and request entry of judgment against the Loan Officer in the amount of \$100,000.00, less all payments previously made thereon.

4.2 Upon full and timely payment of \$45,000.00 the FDIC shall execute with the Loan Officer's counsel of record a Stipulation for Dismissal of the Loan Officer from the Action, with prejudice, and the original Stipulation for Judgment shall be marked "satisfied" and delivered to the Loan Officer's counsel of record.

4.3 In the event Judgment is entered against the Loan Officer under the Stipulation for Judgment, then such Judgment shall be non-dischargeable in any proceeding (voluntary or involuntarily) commenced under the U.S. Bankruptcy Code, pursuant to 11 U.S.C. § 523(a)(2)(A) and § 523(a)(4).

5. **MUTUAL RELEASE:**

5.1 In consideration of the Settlement terms as set forth in Paragraph 4 above, and all other promises, covenants and consideration provided for herein, the Parties agree that, except as to such rights or claims as may be created by this Agreement, they hereby covenant not to sue each other again on the Claims and the Parties acknowledge full and complete satisfaction of, and hereby release, remise, and forever discharge each other, including their respective officers, directors, affiliated companies, agents, servants, representatives, spouse, heirs, successors or predecessors in interest, assignees, attorneys, employees and contractors of and from any and all Claims, demands, counts, obligations, agreements, damages, liabilities, losses, costs and expenses of any kind, in law or in equity, whether known or unknown, that either Party now holds, or has ever held against the other, or may hold in the future, that arise out of or are in any way connected with, the Claims alleged in the Action.

5.2 This Agreement shall be binding on the Parties and on their respective

officers, directors, affiliated companies, agents, servants, representatives, spouse, heirs, successors or predecessors in interest, assignees, attorneys, employees and contractors and shall inure to the benefit of said Parties, and each of them.

6. **ATTORNEYS' FEES:** In the event that any action is brought to enforce or interpret this Agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees in addition to any other relief to which the prevailing party may be entitled.

7. **REPRESENTATIONS AND WARRANTIES:** The Parties represent, warrant, and agree as follows:

7.1 The FDIC is the lawfully appointed Receiver for Downey and has succeeded to and now holds each of the Claims that are the subject of this Agreement. The FDIC has the authority to enter into this compromise and settlement of the Claims as the Receiver of Downey.

7.2 Each of the Parties has received or had the opportunity to seek their own independent legal advice with respect to the advisability of executing this Agreement. The Parties acknowledge that they have executed this Agreement without fraud, duress, or undue influence. The Parties affirm that they have read this Agreement and understand the contents hereof.

7.3 No Party, nor any agent or attorney of any Party, has made any statement, representation, or promise to any other Party regarding any facts which the Party has then relied upon in entering into this Agreement, and the Parties here each affirm that they have not relied upon any statement, representation or promise by any other Party, or of any agent or attorney for another Party, in executing this Agreement, or in making the settlement provided for herein, except as is expressly represented or promised in this Agreement.

7.4 None of the Parties have heretofore assigned, transferred, or granted, or purported to assign, transfer, or grant, any of the Claims that are alleged in the Action.

7.5 Each Party agrees to execute any additional documents as reasonably convenient, necessary or desirable to carry out the provisions of this Agreement.

8. **MISCELLANEOUS:**

8.1 This Agreement shall be deemed to have been executed and delivered within the State of California, and the rights and obligations of the Parties hereto shall be construed and enforced in accordance with, and governed by, the laws of the State of California.

8.2 This Agreement constitutes a single, integrated written contract expressing the entire agreement of the Parties. This Agreement may only be modified in a writing signed by all the Parties. This Agreement shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the Parties to this Agreement.

8.3 The provisions of this Agreement are contractual and not mere recitals.

The Agreement shall be considered severable, such that if any provision or part of the Agreement is ever held invalid under any law or ruling, that provision or part of the Agreement shall remain in force and effect to the extent allowed by law, and all other provisions or parts shall remain in full force and effect.

8.4 This Agreement may be executed in counterparts and shall be effective on the date first executed by any one of the Parties hereto if so executed in counterparts (the "effective date"). Any signature obtained by facsimile or e-mail shall be as valid as an original signature. An authenticated copy of this Agreement can be used for any purpose for which the original may be used.

(b)(6)

DATED: 1/16/2011

[Redacted signature block]
ATKINS, Loan Officer

DATED: 1/26/2011

(b)(6)

FEDERAL DEPOSIT INSURANCE
CORPORATION as Receiver for
Downey Savings & Loan Association, F.A.
By: Kevin Wheelwright
Its: PL&FCS Section Chief

(b)(6)

APPROVED AS TO FORM:

HERSHORIN & HENRY LLP

(b)(6)

[Redacted signature block]

(b)(6)

C. WILCOX
Attorneys for Federal Dep

Corporation as Receiver for Downey
Savings & Loan Association, F.A.

LONG WILLIAMSON & DELIS

(b)(6)

[Redacted signature block]

(b)(6)

[Redacted signature block]

(b)(6)

Attorneys for [Redacted] Atkins