

## SETTLEMENT AGREEMENT AND MUTUAL RELEASE

**THIS SETTLEMENT AGREEMENT AND MUTUAL RELEASE** ("Settlement Agreement") is entered into and made effective as of the ~~12th~~ 21<sup>st</sup> day of April, 2011 ("Effective Date"), by and between the Federal Deposit Insurance Corporation as Receiver for IndyMac Bank, FSB and as Receiver for IndyMac Federal Bank, FSB (collectively, "FDIC") and K. Hovnanian American Mortgage, LLC ("KHAM"). The FDIC and KHAM may hereinafter be referred to individually as a "Party" or collectively as the "Parties."

### **1. RECITALS**

**1.1** KHAM sold and/or delivered mortgage loans to IndyMac Bank, FSB, pursuant to one or more contracts including, without limitation, the Seller Contract and e-MITS User Agreement dated as of February 11, 2005, and all amendments, modifications, addenda, supplements and/or extensions to any of the foregoing (the "Contract").

**1.2** A dispute has arisen between the Parties with respect to demands for repurchase and/or indemnity arising from the Contract. Specifically, IndyMac Bank, FSB and the FDIC made demands to KHAM for repurchase and/or indemnification based upon a claim of a breach of representations and warranties set forth in the Contract.

**1.3** On or about March 2, 2010, the FDIC filed a lawsuit entitled *Federal Deposit Insurance Corporation as Receiver for IndyMac Bank, F.S.B. v. K. Hovnanian American Mortgage, LLC*; United States District Court Case CV10-01561-GW (JCx)(C.D. Cal.) (hereinafter "Action") seeking damages arising from alleged breaches of representations and warranties set forth in the Contract.

**1.4** Without admitting liability, the Parties desire to and have agreed to settle all claims by IndyMac Bank, FSB relating to all mortgage loans that were sold at any time and in any manner, directly or indirectly, by KHAM to IndyMac Bank, FSB pursuant to the Contract, whether or not such mortgage loans were the subject of the Action or were otherwise subject of a claim or demand made by Indymac, FSB and/or the FDIC (collectively, the "LOANS") upon the terms and conditions hereinafter set forth.

### **2. AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual covenants and promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties, intending to be legally bound, agree as follows:

**2.1 Recitals.** The Recitals set forth above are incorporated into the body

of this Settlement Agreement as though fully set forth herein.

**2.2 Payment of the Settlement Funds.** By no later than April \_\_, 2011, KHAM shall pay the total sum of Five Hundred Thousand Dollars (\$500,000.00) (the "Settlement Funds"). Payment shall be made by wire transfer made payable to "Mortgage Recovery Law Group Trust Account," Account Number: [REDACTED] Routing Number: [REDACTED] Reference: KHAM Settlement.

**2.3 Dismissal of Action.** Within five (5) business days of the FDIC's counsel's receipt of the fully executed Settlement Agreement and the FDIC's receipt of the Settlement Funds, the FDIC's counsel shall file a Stipulation for Dismissal of the Action With Prejudice in a mutually-agreed upon form.

**2.4 Costs and Attorneys Fees.** The Parties shall bear their own costs and attorneys' fees incurred in the Action.

### **3. RELEASE**

**3.1** Each Party acknowledges that this Settlement 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 the other Party arising from or in connection with any obligation to repurchase and/or indemnify for losses associated with the LOANS. Each Party hereby expressly waives application of *California Civil Code §1542* and any other similar statute or rule.

**3.2** Each Party certifies that it has 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."

**3.3** Each Party understands and acknowledges that the significance and consequence of its waiver of *California Civil Code §1542* is that even if any Party (i) should eventually suffer any or additional damages arising out of the obligation to repurchase and/or indemnify for losses associated with the LOANS, or (ii) become aware of additional claims and causes of action that could have been asserted relating to obligation to repurchase and/or indemnification for losses associated with the LOANS, or of any facts or circumstances related to the obligation to repurchase and/or indemnify for losses associated with the LOANS, that Party will not be able to make any claim against the other Party for those damages and/or claims. 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.

**3.4** Each Party hereby fully, finally, and forever releases and discharges the other Party, and any and all of its respective past, present, and future affiliates, employees, members, partners, joint venturers, independent contractors, attorneys, insurers, investors, successors, assigns, representatives, officers, directors, shareholders, predecessors, successors and assigns, and any corporation, partnership or limited liability company which was or is at any time the parent or wholly owned subsidiary of such entity, and any such corporation's, partnership's or limited liability company's officers, directors, and/or employees, or any corporation, partnership or limited liability company which was or is an affiliate of such entity by virtue of common ownership or control, and any such corporation's, partnership's or limited liability company's, officers, directors, and/or employees of and from any and all actions, causes of action, claims, demands, damages, debts, losses, costs, expenses, attorney fees or other liabilities of every kind and nature whatsoever, whether legal or equitable and whether known or unknown, arising out of, resulting from, or relating to, in any manner, the obligation to repurchase and/or indemnify for losses associated with the LOANS, the claims and causes of action that have been or could have been asserted relating to the obligation to repurchase and/or indemnify for losses associated with the LOANS, and any and all facts or circumstances related to the obligation to repurchase and/or indemnify for losses associated with the LOANS.

**3.5** Notwithstanding any other provision in this Settlement Agreement, this Settlement Agreement does not release, and the FDIC expressly preserves fully and to the same extent as if the Agreement had not been executed any claims against KHAM arising out of existing or failed financial institutions other than IndyMac Bank, FSB and IndyMac Federal Bank, FSB.

**3.6** Notwithstanding any other provision in this Settlement Agreement, this Settlement Agreement does not release, and the FDIC expressly preserves fully and to the same extent as if the Settlement Agreement had not been executed, any action taken by any other federal agency. In addition, this Settlement Agreement does not purport to waive, or intend to waive, any claims which could be brought by the United States through either the Department of Justice or the United States Attorney's Office for any federal judicial district. In addition, the FDIC 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.

#### 4. MISCELLANEOUS

**4.1 Conditions of Execution.** Each Party acknowledges and warrants that its execution of this Settlement Agreement is free and voluntary.

**4.2 No Admission.** It is agreed that no Party hereto admits liability or wrongdoing of any nature, and that this Settlement Agreement is made solely as a compromise of disputed claims.

**4.3 Fair Meaning.** The Parties hereto further agree that the language of all parts of this Settlement Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the Parties.

**4.4 Governing Law.** The Parties agree to submit to the United States District Court for the Central District of California, for any dispute arising out of this Settlement Agreement, or related thereto, and consent to the exclusive jurisdiction of said Court over any such dispute, and further agree that any and all matters of dispute shall be adjudicated, governed and controlled under federal law or California law, as applicable, without regard to any otherwise applicable principles of conflicts of law or choice of law rules that would result in the application of the substantive or procedural rules or laws of any other jurisdiction.

**4.5 Attorneys Fees.** Should any action be commenced to enforce, interpret, or seek damages, injunctive relief, or specific performance for violation of this Settlement Agreement, the prevailing party shall, in addition to any other available relief, be entitled to an award of reasonable attorneys' fees and litigation expenses incurred in the prosecution or defense of the action, including any appeal.

**4.6 Severability.** The Parties hereto agree that if any provision of this Settlement Agreement is declared by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby, and such illegal or invalid part, term or provision shall be deemed not to be part of this Settlement Agreement.

**4.7 Binding Effect.** This Settlement Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, personal representatives, successors, and assigns.

**4.8 Review and Understanding.** The Parties have entered into this Settlement Agreement voluntarily, having fully read and fully understanding the meaning and effect of all of its terms and provisions, and fully understanding its and their costs and risks. Each Party has consulted with legal counsel concerning this Settlement Agreement and has conducted such inquiry as it deems necessary and advisable prior to entering into this Settlement Agreement. The Parties enter into this Settlement

Agreement understanding that facts or other circumstances may exist which are presently unknown or undisclosed, or which are different from or other than those which they believe to be the case, and the Parties voluntarily assume all risks attendant to such unknown, undisclosed, different, or additional facts or other circumstances.

**4.9 Number.** Whenever applicable, the singular shall include the plural, and the plural shall include the singular.

**4.10 Counterparts/Execution.** This Settlement Agreement may be executed in one or more counterparts, all of which shall form a single agreement. A Party's signature on this Settlement Agreement by facsimile shall be valid and effective for all purposes as an original signature, provided, however, that the original signature shall be produced upon request.

**4.11 Waiver.** No term or condition of this Settlement Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Settlement Agreement, except by written instruments signed by the Party charged with the waiver or estoppel. No written waiver shall be deemed a continuing waiver unless specifically stated therein, and the written waiver shall operate only as to the specific term or condition waived, and not for the future or as to any other act than that specifically waived.

**4.12 Headings.** The headings of paragraphs herein are intended solely for the convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Settlement Agreement.

**4.13 Subsequent Agreements.** The Parties agree that, upon the reasonable request of the other Party, they shall execute, acknowledge, and deliver any additional instruments or documents that may reasonably be required to carry out the intentions of this Settlement Agreement, including such instruments as may be required by the laws of any jurisdiction, now in effect or hereinafter enacted, that may affect the rights of the Parties as between themselves or others with respect to their rights and obligations created by this Settlement Agreement.

**4.14 Ownership of Claims.** The FDIC represents and warrants that neither it nor IndyMac Bank, FSB assigned the Contract and/or any rights they may have or may have had thereunder, including without limitation with respect to repurchase and indemnification rights, to any other person or entity, including, without limitation, OneWest Bank or any of its affiliates. This representation and warranty is a material inducement for KHAM entering into this Agreement shall survive the execution and delivery of this Agreement.

**4.15 Entire Agreement.** The Parties hereto further agree and promise that this Settlement Agreement sets forth the entire agreement between and among the Parties and fully supersedes any and all prior negotiations, agreements or understandings made between or among the Parties. This Settlement Agreement shall not be modified except in a writing signed by the Parties or their authorized representatives.

**[SIGNATURES ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have executed this Settlement Agreement as of the date set forth in the opening paragraph of this Settlement Agreement.

**For: Federal Deposit Insurance Corporation as Receiver for IndyMac Bank, FSB**

**For: K. Hovnanian American Mortgage, LLC**

(b)(6) \_\_\_\_\_  
By:   
Name: Richard S. Gill  
Title: Counsel  
Date: 4-18-11

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**For: Federal Deposit Insurance Corporation as Receiver for IndyMac Federal Bank, FSB**


(b)(6) \_\_\_\_\_  
By:   
Name: Richard S. Gill  
Title: Counsel  
Date: 4-18-11

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have executed this Settlement Agreement as of the date set forth in the opening paragraph of this Settlement Agreement.

For: **Federal Deposit Insurance Corporation as Receiver for IndyMac Bank, FSB**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

For: **K. Hovhannian American Mortgage LLC**

By:   
Name: Dan Klingler  
Title: President  
Date: 4/19/11

(b)(6)

For: **Federal Deposit Insurance Corporation as Receiver for IndyMac Federal Bank, FSB**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_