

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 Department of Housing and Urban Development ("HUD") (collectively the "United States") and United Shore Financial Services, LLC ("USFS") (hereafter collectively referred to as "the Parties"), through their authorized representatives.

RECITALS

- A. USFS is a Direct Endorsement Lender approved by the Federal Housing Administration (FHA). USFS has its principal place of business in Troy, Michigan.
- B. USFS agrees that it engaged in the conduct set forth in Attachment A in connection with its origination, underwriting, quality control, and endorsement of single-family residential mortgage loans, excluding origination or underwriting of Home Equity Conversion Mortgages under 12 U.S.C. § 1715z-20 or Streamlined Refinances under 12 U.S.C. § 1715n(a)(7), insured by the FHA between January 1, 2006 and December 31, 2011, which resulted in claims submitted to HUD on or before June 30, 2013. Further, on January 10, 2014, after the United States initiated an investigation into USFS, USFS made certain discretionary distributions to its Members. The conduct described in this paragraph and in Attachment A is hereinafter defined as the "Covered Conduct".
- C. The United States contends that it has certain civil claims against USFS based upon the Covered Conduct.

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. USFS shall pay to the United States \$48,000,000, plus interest at a rate of 1 percent, pursuant to the payment schedule set forth in Attachment B (the "Settlement Amount"). The initial payment shall be made no later than 10 business days after the Effective Date of this Agreement. All payments shall be made by electronic funds transfer pursuant to written instructions to be provided by the United States Department of Justice.

2. Time is of the essence as to all payments required under Paragraph 1. In the event that USFS fails to pay the amount due according to Attachment B within fourteen (14) days after the date specified in Attachment B, USFS shall be in Default of its payment obligations (Default). In the event of Default, the United States will provide written notice of the Default (Notice of Default) to USFS, and USFS shall have an opportunity to cure the Default within thirty (30) days from the date the Notice of Default is sent by email (Cure Period). Notice of Default will be delivered to David Zacks at [DZacks@unitedshore.com](mailto:DZacks@unitedshore.com), Esq. at [dzacks@unitedshore.com](mailto:dzacks@unitedshore.com), with copies to Mathew Ishbia at [mishbia@unitedshore.com](mailto:mishbia@unitedshore.com) and Christopher Manning, Esq. at [cmanning@wc.com](mailto:cmanning@wc.com). If USFS fails to cure the Default within the Cure Period as described in this Paragraph, the remaining unpaid balance of the Settlement Amount, including interest, shall become immediately due and payable, and USFS consents to a Consent Judgment in the amount of the unpaid balance plus accrued interest. After Default and expiration of the Cure Period, the United States, at its sole option, may begin collection efforts in accordance with law and regulations. Forbearance by the United

States in declaring Default, seeking a consent judgment, or executing on the judgment shall not constitute a waiver by the United States.

3. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, and conditioned upon USFS's full payment of the Settlement Amount, the United States releases USFS, together with its current and former parent corporations, direct and indirect subsidiaries, divisions, and affiliates 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 Federal Debt Collection Procedures Act, 28 U.S.C. §§ 3301-3308; the Financial Institutions Recovery, Reform, and Enforcement Act of 1989, 12 U.S.C. § 1833a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812 & 24 C.F.R. §§ 28.1-28.45; or the common law theories of breach of fiduciary duty, breach of contract, payment by mistake, unjust enrichment, negligence, fraud, and any other civil or administrative monetary claim that the Civil Division of the United States Department of Justice ("Civil Division") has actual and present authority to compromise pursuant to 28 C.F.R. §0.45(d).

4. Notwithstanding the release given in paragraph 3 of this Agreement, or any other term of this Agreement, the following claims 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 this Agreement, any administrative liability, 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;
- g. Any liability arising from USFS's origination or underwriting of Home Equity Conversion Mortgages under 12 U.S.C. § 1715z-20 or Streamlined Refinances under 12 U.S.C. § 1715n(a)(7); or
- h. Any liability arising from any claims submitted to HUD on or after July 1, 2013, or from any mortgages endorsed for FHA insurance on or after January 1, 2012.

5. USFS has provided sworn financial disclosure statements and other financial information (Financial Statements) to the United States and the United States has relied on the accuracy and completeness of those Financial Statements in reaching this Agreement. USFS warrants that the Financial Statements are complete, accurate, and current as of the time that they were provided. If the United States learns of asset(s) in which USFS had an interest that were not disclosed in the Financial Statements, or if the United States learns of any misrepresentation by USFS on, or in connection with, the Financial Statements, and if such nondisclosure or misrepresentation changes the estimated net worth set forth in the Financial Statements by \$3,500,000 or more, the United States may, at its option: (1) rescind this Agreement and file suit based on the

Covered Conduct; or (b) let the Agreement stand and collect the full Settlement Amount plus one hundred percent (100%) of the value of the net worth of USFS previously undisclosed. USFS agrees not to contest any collection action undertaken by the United States pursuant to this provision, and immediately to pay the United States all reasonable costs incurred in such an action, including attorney's fees and expenses.

6. In the event that the United States, pursuant to Paragraph 5 (concerning disclosure of assets), above, opts to rescind this Agreement, USFS agrees not to plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any civil or administrative claims that (a) are filed by the United States within 90 calendar days of written notification to USFS that this Agreement has been rescinded, and (b) relate to the Covered Conduct, except to the extent that these defenses were available on the effective date of this Agreement.

7. USFS waives and shall not assert any defenses USFS 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. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

8. USFS fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and

expenses of every kind and however denominated) that USFS has 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 and the United States' investigation and prosecution thereof.

9. 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 USFS, 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' audits and civil investigations of the matters covered by this Agreement;
- (3) USFS's investigation, defense, and corrective actions undertaken in response to the United States' audits and civil and any criminal investigations in connection with the matters covered by this Agreement (including attorney's fees);
- (4) The negotiation and performance of this Agreement; and
- (5) The payments USFS makes 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 USFS, and USFS 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, USFS shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by USFS or any of its subsidiaries or affiliates from the United States. USFS agrees that the United States, at a minimum, shall be entitled to recoup from USFS 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 USFS's books and records and to disagree with any calculations submitted by USFS or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by USFS, or the effect of any such Unallowable Costs on the amount of such payments.

10. USFS agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, USFS shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. USFS further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession,

custody, or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

11. USFS warrants that it has reviewed its financial situation and that it is currently solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and shall remain solvent following payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to USFS, within the meaning of 11 U.S.C. § 547(c)(1), and (b) conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value that is not intended to hinder, delay, or defraud any entity to which USFS was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1). Nothing set forth in this Paragraph 11, or otherwise in this Agreement, is intended to subordinate in either payment or priority the rights of USFS's existing secured creditors to those of the United States under this Agreement.

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

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

14. 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.



15. 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 Michigan. 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.

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

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

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

19. This Agreement is binding on USFS's successors, transferees, and assigns.

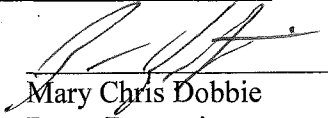
20. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

21. 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

DATED: 12/28/16

BY:



Mary Chris Dobbie  
Bruce Bernstein  
Trial Attorneys  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: \_\_\_\_\_

BY:

\_\_\_\_\_  
Daniel Hugo Fruchter  
Assistant United States Attorney  
Western District of Wisconsin

DATED: \_\_\_\_\_

BY:

\_\_\_\_\_  
Leslie Matuja Wizner  
Assistant United States Attorney  
Eastern District of Michigan

USFS

DATED: \_\_\_\_\_

BY:

\_\_\_\_\_  
David Zacks  
General Counsel  
USFS

DATED: \_\_\_\_\_

BY:

\_\_\_\_\_  
Christopher N. Manning  
Williams & Connolly LLP  
Counsel for USFS

THE UNITED STATES OF AMERICA

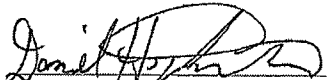
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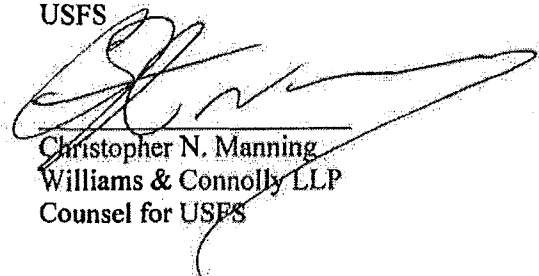
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