

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 SecurityNational Mortgage Company (“SNMC”) (hereafter collectively referred to as "the Parties"), through their authorized representatives.

RECITALS

A. SNMC was, and remains, a Direct Endorsement Lender approved by the Federal Housing Administration (“FHA”). SNMC has its principal place of business in Salt Lake City, Utah.

B. SNMC agrees that it engaged in the conduct set forth in Attachment A. The United States contends that it has certain civil claims against SNMC arising from SNMC’s origination, underwriting, and endorsement of the 100 loans insured by the FHA that are listed in Attachment B (the “Covered Conduct”).

C. This Settlement Agreement is neither an admission of liability by SNMC nor a concession by the United States that its claims are not well founded.

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. SNMC shall pay to the United States \$4,250,000.00 (“Settlement Amount”) by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice no later than ten (10) days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 3 (concerning excluded claims) below, and conditioned upon SNMC’s full payment of the Settlement Amount, the United States releases SNMC, together with its current and former parent corporations, predecessor and successor corporations, divisions, affiliates, and direct and indirect subsidiaries 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 of breach of contract, payment by mistake, unjust enrichment, breach of fiduciary duty, negligence, and fraud.

3. Notwithstanding the release given in paragraph 2 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;

4. SNMC waives and shall not assert any defenses SNMC 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.

5. SNMC 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 SNMC 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.

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

7. SNMC agrees to cooperate fully and truthfully with any investigation by the United States of SNMC's underwriting and origination of FHA loans with regard to individuals and entities not released in this Agreement by encouraging, and by agreeing not to impair, the cooperation of its directors, officers, and employees, in making themselves available, on reasonable notice, for interviews and testimony, consistent with the rights and obligations of SNMC under existing laws or regulations. SNMC further agrees to furnish to the United States, upon request, complete and unredacted copies of all 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, other than documents covered by the attorney work-product doctrine or attorney client privilege.

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

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

10. 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.

11. 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 District of New Jersey. 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.

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

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

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

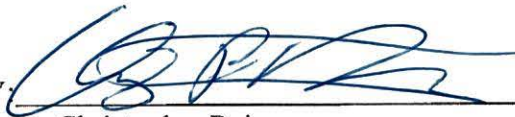
16. This Agreement is binding on SNMC's successors, transferees, heirs, and assigns.

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

18. 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: 9/30/16

BY: 
Christopher Reimer
Trial Attorney
Commercial Litigation Branch
Civil Division
United States Department of Justice

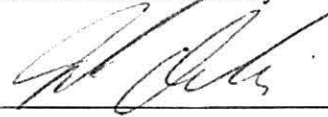
Paul J. Fishman
United States Attorney

DATED: 9/29/2016

BY: 
Anthony Labruna
Assistant United States Attorney
District of New Jersey

Paul J. Fishman
United States Attorney

DATED: 9/29/16

BY: 
Mark Orłowski
Assistant United States Attorney
District of New Jersey

SECURITYNATIONAL MORTGAGE COMPANY

DATED: 9/22/2016

BY: 

Steve Johnson
President
SecurityNational Mortgage Company

DATED: 9-28-16

BY: 

Phillip Schulman
Mayer Brown LLP
Counsel for SecurityNational Mortgage Company