

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (“Agreement”) is entered into by and between the California Corporations Commissioner (“Commissioner”) on the one hand, and Paul Financial, LLC (Paul Financial) on the other hand, (hereinafter collectively “the Parties”).

RECITALS

This Agreement is made with reference to the following facts:

A. Paul Financial is a limited liability company in good standing, duly formed and existing pursuant to the laws of the State of Delaware, and authorized to conduct business in California. Paul Financial has its principal place of business located at 1401 Los Gamos Dr., San Rafael, CA 94903. Paul Financial is a residential mortgage lender and servicer licensed by the Commissioner pursuant to the California Residential Mortgage Lending Act (California Financial Code, sections 50000 et. seq.) (“CRMLA”).

B. On May 20, 2009, the Commissioner issued a Notice of Intention to Revoke and an Accusation to Paul Financial for failure to comply with various reporting requirements set out in the CRMLA in connection with Paul Financial’s lending transactions in California. Paul Financial has accepted service of the Notice of Intention to Revoke and Accusation. Paul Financial wishes to stipulate to an Order of Revocation of their CRMLA license subject to the terms and limitations set forth below, and enter into this Settlement Agreement.

C. It is the intention and desire of the Parties to resolve this matter without the necessity of a hearing and/or other litigation.

NOW, THEREFORE, for good and valuable consideration, and the terms and conditions set forth herein, the Parties agree as follows:

TERMS AND CONDITIONS

1. Purpose. The purpose of this Agreement is to settle and resolve the matters between the Parties hereto, for judicial economy and expediency, and to avoid the expense of a hearing, and possible further court proceedings.

2. Waiver of Hearing Rights. Paul Financial acknowledges the right of Paul Financial to a hearing under the CRMLA in connection with the Accusation and hereby waives that right to a hearing, and to any reconsideration, appeal, or other right to review which may be afforded pursuant to the CRMLA, the California Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law, and by waiving such rights, consents to the issuance of a revocation Order.

3. Admissions. Any admissions of Paul Financial are solely for the limited purposes of this proceeding. Any admissions of Paul Financial herein shall not be binding or admissible against Paul Financial in any action(s) brought against Paul Financial by third parties.

4. Contentions. Paul Financial contends that Paul Financial and its officers, directors, shareholders and employees did not willfully or knowingly fail to comply with reporting requirements of the CRMLA. Paul Financial neither admits nor denies any wrongdoing in this matter.

5. Settlement: Paul Financial further agrees that it shall pay a settlement of \$4000 to the California Department of Corporations and further that it will file its Annual Report for 2008 pursuant to Financial Code section 50307. The parties agree that this settlement payment will be paid upon the execution of this Agreement, and is based on the following violations and statutory costs:

- a. Failure under Financial Code section 50307 to timely file an Annual Report for 2008.
- b. Payment of an assessment based on 2008 activity pursuant to Financial Code section 50401.
- c. Failure to file the annual audited financial statements for 2008 required under Financial Code section 50200.
- d. Failure to file an Independent Auditor's Report on Internal Controls required under CCR Title 10, Section 1950.200.

6. Failure to Make Timely Payments. Paul Financial acknowledges that failure to timely pay any payment under this Agreement shall be a breach of this Agreement. Failure by Paul Financial to cure after ten days written notice to Paul Financial from the Commissioner shall be cause for the Commissioner to summarily revoke any license(s) currently held by Paul Financial, and/or deny any pending application(s) of Paul Financial, its successors and assigns, by whatever names they might be known. Paul Financial hereby waives any notice and hearing rights to contest such revocation(s) and/or denial(s) which may be afforded under the CRMLA, the California Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection therewith as the same may pertain to this matter.

7. Effective Date. This Agreement shall not become effective until signed, and delivered by all parties.

8. Settlement Agreement Coverage. The parties hereby acknowledge and agree that this Agreement is intended to constitute a full, final and complete resolution of this matter and Paul Financial is hereby released, as to the Department, from further liability in connection with the subject matter of this Agreement. Specifically, to the extent any complaint against Paul Financial is brought to the Department for prior reporting failures, this settlement will be a bar to further proceedings by the Department. The parties further acknowledge and agree that nothing contained in this Agreement shall operate to limit the Commissioner's ability to assist any other agency, (county, state or federal) with any prosecution, administrative, civil or criminal, brought by any such agency against Paul Financial based upon any of the activities alleged in this matter or otherwise.

9. Independent Legal Advice. Each of the Parties represents, warrants, and agrees that it has received independent legal advice from its attorneys with respect to the advisability of executing this Agreement.

10. No Other Representation. Each of the parties represents, warrants, and agrees that in executing this Agreement it has relied solely on the statements set forth herein and the advice of its own counsel. Each of the parties further represents, warrants, and agrees that in executing this Agreement it has placed no reliance on any statement, representation, or promise of any other party, or any other person or entity not expressly set forth herein, or upon the failure of any party or any other person or entity to make any statement, representation or disclosure of anything whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to execute this Agreement; and (2) to preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this Agreement.

11. Modifications and Qualified Integration. No amendment, change or modification of this Agreement shall be valid or binding to any extent unless it is in writing and signed by all of the parties affected by it.

12. Full Integration. This Agreement, including the attached Order, is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the parties, their respective representatives, and any other person or entity, with respect to the subject matter covered hereby.

13. No Presumption From Drafting. In that the parties have had the opportunity to draft, review and edit the language of this Agreement, no presumption for or against any party arising out of drafting all or any part of this Agreement will be applied in any action relating to, connected to, or involving this Agreement. Accordingly, the parties waive the benefit of California Civil Code section 1654 and any successor or amended statute, providing that in cases of uncertainty, language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist.

14. Counterparts. This Agreement may be executed in any number of counter-parts by the Parties, and when each Party has signed and delivered at least one such counterpart to the other Party, each counterpart shall be deemed an original and taken together shall constitute one and the same Agreement.

15. Headings and Governing Law. The headings to the paragraphs of this Agreement are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of California.

16. Authority For Settlement. Each Party warrants and represents that such Party is fully entitled and duly authorized to enter into and deliver this Agreement. In particular, and without limiting the generality of the foregoing, each Party warrants and represents that it is fully entitled to enter into the covenants, and undertake the obligations set forth herein.

17. Public Record. Paul Financial hereby acknowledges that this Agreement will be a matter of public record, and will be admissible and subject to disclosure in any court of competent jurisdiction should enforcement require appropriate judicial action or review.

18. Voluntary Agreement. The Parties each represent and acknowledge that he, she or it is executing this Agreement completely voluntarily and without any duress or undue influence of any kind from any source.

19. Notices. Notice shall be provided to each party at the following addresses:

If to Paul Financial to: John P. Christian
 Attorney at Law
 Tobin & Tobin
 500 Sansome Street, 8th Flr.
 San Francisco, CA 94111-3214
 Fax (415) 433-3883

If to the Commissioner to: John R. Drews
 Corporations Counsel
 Department of Corporations
 71 Stevenson Street
 Suite 2100
 San Francisco, CA 94105
 (415) 972-8570

IN WITNESS WHEREOF, the Parties hereto have approved and executed this Agreement on the dates set forth opposite their respective signatures.

Dated: 8/31/09

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
ALAN S. WEINGER
Deputy Commissioner

Dated: 8/14/09

PAUL FINANCIAL, LLC

By: _____
NOEL ZENTNER
Vice President

APPROVED AS TO FORM:

TOBIN & TOBIN

By _____
JOHN P. CHRISTIAN, Attorney for
PAUL FINANCIAL, LLC

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
JOHN R. DREWS,
Corporations Counsel