

SETTLEMENT AGREEMENT

by and between

THE OHIO DEPARTMENT OF COMMERCE
DIVISION OF FINANCIAL INSTITUTIONS
Consumer Finance Section

77 South High Street, 21st Floor
Columbus, OH 43215-6120

-and-

CHALLENGE FINANCIAL INVESTORS, CORPORATION
D.B.A. CHALLENGE MORTGAGE

1301 Seminole Blvd., Suite 140
Largo, FL 33770

-and-

RICHARD E. CLARK

4401 Tejon
Toledo, OH 43623

Final
3482794 + 831788933
AMOUNT \$5000.- \$5000.-
DATE APR 21 2004
REC. BY *[Signature]*

The Division agrees to enter into this Settlement Agreement in lieu of proceeding to an administrative hearing in Case Nos. 03-MB-R-108-109 and 03-LO-R-106-107. This Settlement Agreement is a legally binding document that affects your rights. Read it carefully. If you have any questions, consult your attorney.



If you choose to enter into this Settlement Agreement, you must follow it EXACTLY. If you fail to follow any provision of the Agreement, the Division may reject the Agreement.

All pages of this Settlement Agreement, including this cover page, must remain attached.

SETTLEMENT AGREEMENT

This Settlement Agreement is voluntarily entered into by and between:

THE OHIO DEPARTMENT OF COMMERCE
DIVISION OF FINANCIAL INSTITUTIONS
Consumer Finance Section

77 South High Street, 21st Floor
Columbus, OH 43215-6120

-and-

CHALLENGE FINANCIAL INVESTORS, CORPORATION
D.B.A. CHALLENGE MORTGAGE

1301 Seminole Blvd., Suite 140
Largo, FL 33770

-and-

RICHARD E. CLARK

4401 Teton
Toledo, OH 43623

THE PARTIES

The Division of Financial Institutions ("Division") is a state agency charged with the responsibility of administering and enforcing the Ohio Mortgage Broker Act ("OMBA"), codified in Chapter 1322 of the Ohio Revised Code ("R.C."), and the rules adopted thereunder.

Challenge Financial Investors Corporation, doing business as Challenge Mortgage ("Challenge"), is a Florida corporation licensed to do business in the state of Ohio, which holds an active mortgage broker certificate of registration issued by the Division. Challenge's business address is 1301 Seminole Blvd., Suite 140, Largo, FL 33770; its Division identification number is 802170, and its mortgage broker license number is 3087. Challenge has fifteen branch offices located in the state of Ohio that are currently registered by the Division to engage in mortgage broker activities regulated under the OMBA. On December 11, 2003, the Division issued Challenge notice that it intended to revoke the corporation's Ohio mortgage broker certificate of registration. (See Attached Notice of Intent to Revoke, Case No. 03-MB-R-108-109.)

Richard E. Clark ("Clark") holds an active loan officer license issued by the Division. Clark is employed by Challenge as the branch manager of the registered branch office located at 6800 West Central #C, Toledo, OH. Clark's address of record is 4401 Teton, Toledo, OH 43623, and his date of birth is July 16, 1953. On December 11, 2003, the Division issued Clark notice that it intended to revoke his loan officer license. (See Attached Notice of Intent to Revoke, Case No. 03-LO-R-107-108.)

STIPULATIONS, ADMISSIONS, AND SETTLEMENT TERMS

Challenge and Clark voluntarily enter into this Settlement Agreement being fully informed of their right to reject this Settlement Agreement and to proceed to formal adjudicative hearings, pursuant to R.C. Chapter 119, on the issues considered herein.

This Settlement Agreement is entered into on the basis of the following stipulations, admissions and understandings:

- A. On December 11, 2003, the Division issued Challenge a notice of the Division's intent to revoke its mortgage broker certificate of registration for allegedly violating OMBA §§ 1322.02(B) and 1322.07(C), and for failing to meet the standards set forth in § 1322.04(A)(10). Case No. 03-MB-R-108-109 was assigned to the notice. (See Attached Exhibit A.)
- B. On December 11, 2003, the Division issued Clark a notice of the Division's intent to revoke his Ohio mortgage loan officer license for allegedly violating OMBA §§ 1322.02(B) and 1322.07(C), and for failing to meet the standards set forth in § 1322.041(A)(5). Case No. 03-LO-R-107-108 was assigned to the notice. (See Attached Exhibit B.)
- C. Counsel for all parties have met and or spoken on numerous occasions regarding the above-mentioned allegations, and have determined that it is in the best interest of all parties to settle both cases (03-MB-R-108-109 and 03-LO-R-107-108) on the terms and agreements set forth herein.
- D. The Division enters into this Settlement Agreement in lieu of formal proceedings under R.C. Chapter 119 to revoke Challenge's mortgage broker certificate of registration and Clark's loan officer license.
- E. The Division expressly reserves the right to institute formal proceedings based upon any violation of or noncompliance with any provision of the OMBA not specifically addressed herein, whether occurring before or after the effective date of this Settlement Agreement.

AGREED CONDITIONS

Wherefore, in consideration of the foregoing and mutual promises hereinafter set forth, and in lieu of any formal disciplinary proceedings at this time, the parties knowingly and voluntarily agree with the following terms, conditions and limitations:

1. As penalty for the violations of law described herein, Challenge agrees to pay a fine of five thousand dollars (\$5,000.00). Payment shall be in the form of a cashier's check or money order,

made payable to "DFI Consumer Finance," and shall be submitted to the Division with this Settlement Agreement.

2. As penalty for the violations of law described herein, Clark agrees to pay a fine of five thousand dollars (\$5,000.00). Payment shall be in the form of a cashier's check or money order, made payable to "DFI Consumer Finance," and shall be submitted to the Division with this Settlement Agreement.
3. Challenge and/or any of its affiliates shall not employ, accept referrals from, conduct any business with, or pay any consideration to Larry A. Temme on or before January 1, 2005.
4. Challenge shall amend its Ohio branch manager manual to include education and instructions regarding compliance with the OMBA, and specifically with the requirements of R.C. § 1322.031(E). Within sixty (60) days of the last execution of this Agreement, Challenge shall distribute the revised portion of the Ohio branch manager manual to all of its Ohio branches. A copy of the revision shall be mailed to and received by the Division within sixty days of the last execution of this Agreement. The revision shall be sent, via certified mail, to: Amanda Axtell, Ohio Division of Financial Institutions, 77 South High Street, 21st Floor, Columbus, OH 43215-6120.
5. Within sixty (60) days of the last execution of this Agreement, Challenge shall clarify and/or amend its hiring procedures to include specific steps to ensure compliance with R.C. § 1322.031(E). The amendment and/or clarification shall be made in writing and shall be distributed to each Ohio branch manager along with the revised manual described above in paragraph 4. A copy of the amendment and/or clarification about Challenge's hiring procedures shall be mailed to and received by the Division within sixty days of the last execution of this Agreement. The revision shall be sent, via certified mail, to: Amanda Axtell, Ohio Division of Financial Institutions, 77 South High Street, 21st Floor, Columbus, OH 43215-6120.
6. Upon receipt of this original, properly executed, Agreement and payment of the \$10,000.00 as described in paragraphs 1 and 2 above, the Division agrees to execute the same and to dismiss Administrative Case Nos. 03-MB-R-108-109 and 03-LO-R-107-108.
7. Challenge and Clark understand and agree that if either Challenge or Clark fail to follow any term of this Settlement Agreement, the Agreement shall be void and the Division may initiate formal proceedings under R.C. Chapter 119 to revoke Challenge's mortgage broker certificate of registration and Clark's loan officer license.
8. Challenge and Clark understand that they must comply with every provision herein, and that to be acceptance by the Division, the ORIGINAL properly executed Settlement Agreement, with all pages

attached, must be received in the offices of the Division on or before May 1, 2004.

9. The Division has relied upon the affirmative representations of Challenge and Clark in agreeing to this Settlement. Should the Division discover that either Challenge or Clark knowingly provided the Division with false, fraudulent, misleading, or incomplete information pertaining to this Agreement, Challenge and Clark agree that such evidence will be used by the Division to establish that Challenge and/or Clark's character and general fitness do not command the confidence of the public and warrant the belief that they will conduct business honestly and fairly in compliance with the purposes of the OMBA. Such evidence may be grounds for permanent revocation of Challenge's mortgage broker certificate of registration and/or Clark's loan officer license, as a result of specific findings made at a full adjudicative hearing.
10. The above-described terms, conditions and limitations may be amended or terminated at any time upon the written agreement of all parties.

FAILURE TO COMPLY

If, in the discretion of the Division, Challenge and/or Clark appear to have violated or breached any term or condition of this Settlement Agreement, the Division reserves the right to institute formal disciplinary proceedings for any and all possible violations or breaches, including but not limited to, alleged violations of any law occurring before, on, or after the effective date of this Settlement Agreement.

ACKNOWLEDGMENTS/LIABILITY RELEASE

Challenge and Clark hereby release the Division, its members, employees, agents, officers and representatives jointly and severally from any and all liability arising from the within matter.

This Settlement Agreement shall be considered a public record as that term is used in R.C. 149.43.

This Settlement Agreement in no way binds or limits future actions the Division may take with respect to Challenge and/or Clark or any other person, individual, or company, for the same or similar violations.

EFFECTIVE DATE

It is expressly understood that this Settlement Agreement shall become effective upon the last date of signature below.

IN WITNESS WHEREOF, the Parties by their signatures below agree to be bound by all the terms of the Settlement Agreement.

4/15/04

NAME TITLE DATE
Ohio Division of Financial Institutions
Deputy Superintendent for Consumer Finance

4/21/04

AMANDA M. AXTELL DATE
Consumer Finance Legal Counsel
Ohio Division of Financial Institutions

4/5/04

NAME TITLE DATE
Challenge Financial Investors Corp.

4/7/04

RICHARD E. CLARK DATE