

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Settlement Agreement") is entered into by and between the California Corporations Commissioner ("Commissioner") and Wells Fargo Bank, N.A. ("WFB") (hereinafter collectively "the Parties").

RECITALS

This Settlement Agreement is made with reference to the following facts:

A. On March 25, 1996, Well Fargo Home Mortgage, Inc. ("WFHM") applied with the Commissioner for a Residential Mortgage Lender and Residential Mortgage Loan Servicer license and on July 18, 1996 was issued such a license (File No. 413-0088) by the Commissioner authorizing WFHM to engage in specified real estate lending activities in California.

B. On April 17, 2001 and April 9, 2002, respectively, the Commissioner commenced an examination and follow-up of WFHM's books and records, and thereafter, on December 18, 2001 and continuing through January 17, 2003, the Commissioner directed WFHM to conduct a self-audit and submit a report of its findings to the Commissioner.

C. On January 27, 2003, WFB and WFHM filed a civil lawsuit in United States District Court, Eastern District of California, entitled *Wells Fargo Bank, N.A., and Wells Fargo Home Mortgage, Inc. v. Demetrios A. Boutris*, Case No. S-03-0157-GEB-JFM (hereafter "the federal action"), seeking injunctive and declaratory relief against the Commissioner alleging, *inter alia*, that the Commissioner's examination was preempted by federal law, and consequently, the Commissioner lacked authority to regulate, supervise, examine or enforce the California Residential Mortgage Lending Act against WFHM.

D. On February 4, 2003, the Commissioner initiated an administrative proceeding, *In the Matter of the Accusation of the California Corporations Commissioner v. Wells Fargo Home Mortgage, Inc.*, File No. 413-0088, OAH No. N2003020615, to revoke the Residential Mortgage Lender and Residential Mortgage Loan Servicer license of WFHM based upon the findings of the regulatory examination (hereafter "the administrative proceeding").

E. On February 10, 2003, WFB and WFHM filed a First Amended Complaint in the federal action, asserting that the Commissioner was liable under 42 U.S.C. sections 1983 and 1988 for retaliating against WFHM for filing the federal action.

F. On May 2, 2003, the Commissioner issued an Order Revoking WFHM's Residential Mortgage Lender and Residential Mortgage Loan Servicer license, pursuant to his May 1, 2003 Decision adopting, with clarifying changes, the March 25, 2003 Proposed Decision of the Administrative Law Judge in the administrative proceeding ("Decision").

G. On May 9, 2003, the district court in the federal action issued an Order granting WFB and WFHM summary judgment on its claims for declaratory relief based on federal preemption, and granting the Commissioner summary judgment against the retaliation claim of WFB and WFHM.

H. On June 2, 2003, WFHM filed a petition for a writ of administrative mandate with the Superior Court for the County of Sacramento entitled *Wells Fargo Home Mortgage, Inc. v. Demetrios Boutris* (Case No. 03CS00829) (hereafter "the state action"), seeking to set aside the Commissioner's Order Revoking WFHM's Residential Mortgage Lender and Residential Mortgage Loan Servicer license.

I. On June 6, 2003, the Commissioner appealed the district court's Order in the federal action granting summary judgment to WFB and WFHM on preemption grounds to the Ninth Circuit Court of Appeals (9th Cir. Case No. 03-16194).

J. On June 19, 2003, WFB and WFHM appealed the district court's Order in the federal action granting summary judgment to the Commissioner on the retaliation claim of WFB and WFHM to the Ninth Circuit Court of Appeals (9th Cir. Case No. 03-16197).

K. WFHM has now merged into WFB, a national bank organized under the National Bank Act, and is now a division of WFB and is no longer an operating subsidiary of WFB.

L. There is no ongoing examination of WFHM by the Commissioner, and the Commissioner has no intention of taking any further action against WFHM based on the prior examination of WFHM.

M. It is in the best interest of the Parties that the administrative proceeding and related state action be resolved without further expense on the terms and conditions set forth below.

THEREFORE, in consideration for the mutual promises and covenants set forth below, the Parties agree as follows:

TERMS AND CONDITIONS

1. Upon execution and delivery of the Settlement Agreement by both Parties, the Commissioner shall issue an Amended Decision superseding the May 1, 2003 Decision in the administrative proceeding, which Amended Decision shall (a) delete the

words "for unfair business practices" from Paragraph 3D of the Legal Conclusions and (b) delete in its entirety Paragraph 3E of the Legal Conclusions.

2. WFB, on behalf of WFHM, shall immediately file a request to dismiss the state action with prejudice ("request for dismissal") upon issuance of the Amended Decision in the administrative proceeding. The Amended Decision issued pursuant to paragraph 2 above shall immediately become null and void if for any reason the state action is not dismissed as requested. As a further condition to the filing of the request for dismissal, the Commissioner acknowledges that, so long as WFHM remains merged with WBF, he will not take any action against WFB based upon the Amended Decision beyond the license revocation which is already in effect.

3. Nothing in this Settlement Agreement is intended to alter or affect the Parties' respective claims or defenses in the federal action or the appeal or cross-appeal taken with respect to that federal action, including without limitation the Parties' respective positions regarding federal preemption.

4. Except as otherwise specifically stated herein, nothing in this Settlement Agreement is intended to be an admission of any type by either party on any point of fact or law.

5. This Settlement Agreement contains the entire agreement between the parties and supersedes all prior understandings, communications, agreements, or writings regarding the subject matter of this settlement. This Settlement Agreement may be amended or modified only in writing signed by the parties. This Settlement Agreement shall be governed by the laws of the State of California.

6. 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.

7. In that the parties have had the opportunity to draft, review and edit the language of this Settlement Agreement, no presumption for or against any party arising out of drafting all or any part of this Settlement Agreement will be applied in any action relating to, connected, to, or involving this Settlement 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.

8. This Settlement Agreement may be executed in any number of counterparts 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 Settlement Agreement.

9. Each Party warrants and represents that such Party is fully entitled and duly authorized to enter into and deliver this Settlement 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.

10. Delivery of the executed Settlement Agreement shall be provided to each party at the following addresses:

WFB: Donald J. Querio, Esq.
Severson & Werson,
A Professional Corporation
One Embarcadero Center, Ste. 2600
San Francisco, California 94111

Commissioner: Judy L. Hartley
Senior Corporations Counsel
Department of Corporations
320 W. 4th Street, Suite 750
Los Angeles, CA 90013-2344

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

Dated: _____

WAYNE STRUMPFER
Acting California Corporations Commissioner

By _____
ALAN S. WEINGER
Acting Deputy Commissioner

Dated: August 1, 2005

WELLS FARGO BANK, N.A., and
WELLS FARGO HOME MORTGAGE, a
division of WELLS FARGO BANK, N.A.

By _____
JAMES M. STROTHER
Executive Vice-President
WELLS FARGO BANK, N. A.

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.

10. Delivery of the executed Settlement Agreement shall be provided to each party at the following addresses:

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Severson & Werson,
A Professional Corporation
One Embarcadero Center, Ste. 2600
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320 W. 4th Street, Suite 750
Los Angeles, CA 90013-2344

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

Dated: 8/1/05

WAYNE STRUMPFER
Acting California Corporations Commissioner

By _____
ALAN S. WEINGER
Acting Deputy Commissioner

Dated: _____

WELLS FARGO BANK, N.A., and
WELLS FARGO HOME MORTGAGE, a
division of WELLS FARGO BANK, N.A.

By _____
JAMES M. STROTHER
Executive Vice-President
WELLS FARGO BANK, N. A.

APPROVED AS TO FORM:

SEVERSON & WERSON,
A Professional Corporation

By _____
DONALD J. QUERIO, Attorneys
for WELLS FARGO BANK, N.A. and
WELLS FARGO HOME MORTGAGE, a
division of WELLS FARGO BANK, N.A.

WAYNE STRUMPFER
Acting California Corporations Commissioner

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