

## SETTLEMENT AGREEMENT

WHEREAS, on August 21, 2008, the Idaho Department of Finance, Securities Bureau, (Department) obtained a Judgment and Permanent Injunction against Todd A. Watts and Vohn J. Watts (jointly, the Watts) in the amount of five million dollars (\$5,000,000), Fourth District Court case number CV OC 08-02973; and

WHEREAS The Department and the Watts desire to enter into a payment arrangement whereby the Watts make payments in satisfaction of the judgment, thereby allowing the Department to forego collection efforts;

NOW THEREFORE The Idaho Department of Finance, Securities Bureau, (Department), Todd A. Watts and Vohn J. Watts (jointly, the Watts), in consideration of the mutual promises contained herein, hereby agree as follows:

- a. The Watts, jointly and severally, will pay to the Department the amount of two hundred forty thousand dollars (\$240,000), which the Department will provide to investors as restitution.
- b. While the Watts are making timely payments, the Department will make no efforts to collect on the judgment.
- c. Once the Watts have fully paid the amount of two hundred forty thousand dollars (\$240,000) as set forth below, the Department will prepare and file a Satisfaction of Judgment in full satisfaction of the judgment applicable to both Todd A. Watts and Vohn J. Watts.
- d. Beginning on January 1, 2014, the Watts will pay the sum of five hundred dollars (\$500) per month every month for a period of six months.
- e. Beginning on July 1, 2014, the Watts will pay the sum of one thousand dollars (\$1,000) per month every month for a period of six months.

f. Beginning on January 1, 2015, the Watts will pay the sum of one thousand five hundred dollars (\$1,500) per month every month for a period of six months.

g. Beginning on July 1, 2015, the Watts will pay the sum of two thousand dollars (\$2,000) per month every month for a period of sixty-six (66) months.

h. Beginning on January 1, 2021, the Watts will pay the sum of two thousand two hundred fifty dollars (\$2,250) per month every month for a period of twelve (12) months.

i. Beginning on January 1, 2022, the Watts will pay the sum of two thousand five hundred dollars (\$2,500) per month every month for a period of twelve (12) months.

j. Beginning on January 1, 2023, the Watts will pay the sum of two thousand seven hundred fifty dollars (\$2,750) per month every month for a period of twelve (12) months.

k. Interest will not accrue as long as the Watts are current in the payments. The balance may be paid before the 10-year term without penalty. When all 120 monthly payments have been made, or two hundred forty thousand dollars (\$240,000.00) has been paid before the expiration of ten years, the Department shall consider the terms of this Settlement Agreement (Agreement) fully satisfied and will file the Satisfaction of Judgment.

l. Time is of the essence for such payments, and failure to make a payment on time is a material breach of this Agreement. Failing to make a payment, or make a payment on time, will constitute breach of this Agreement. The Watts are entitled to notice of late payment and an opportunity to cure. If the Department receives the late payment within ten days of the mailing of the notice, this Agreement will continue in full force and effect. If payment is not received within the 10 days, the Department may consider this Agreement in breach and commence collection of the full five million (\$5,000,000) judgment, less any monies paid pursuant to this Agreement. Notice shall be sent by email and by mail to the last email and mailing addresses supplied by the Watts to the Department. Notice shall be complete upon mailing by the

Department. It is incumbent on the Watts to supply correct and current mailing addresses, and they should timely notify the Department of a change of address at Idaho Department of Finance, Securities Bureau, P.O. Box 83720, Boise, ID 83720-0031. The Department will not waive or extend the payment dates for any reason, unless it chooses to do so in its sole and arbitrary discretion, in which case it will do so only in a writing signed by the Department and the Watts. Waiving or extending a payment date on any occasion(s) will not constitute a waiver of any term of this Agreement.

m. The Watts acknowledge that over the course of ten years employees of the Department will come and go, and employees working at the time this agreement is fully satisfied may not be immediately familiar with all its terms, including its duty to file the Satisfaction of Judgment. In such event, the Watts agrees to notify the Department that they have satisfied all required terms and that the Department must file the Satisfaction of Judgment. The Watts agree to allow the Department a reasonable period of time to make inquiry, verify the terms of this agreement, and prepare and file the Satisfaction of Judgment.

n. The Department agrees to forgo any claim for costs, attorney fees, and reimbursement for investigative efforts in this action pursuant to Idaho Code § 30-14-603(b)(2)(C) and also agrees to forgo any penalties against the Watts related to this action, including the twenty thousand dollar (\$20,000) penalty awarded in the above referenced Judgment and Permanent Injunction, so long as the Watts comply with all terms of this Agreement. The Department may seek costs and fees as provided by rule or statute for enforcement of the Judgment and Permanent Injunction, if such becomes necessary due to the Watts's failure to comply with the terms of this Agreement.

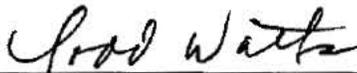
o. Each party will bear his/its own attorney fees and costs.

p. This Agreement will be construed according to the laws of the state of Idaho.

q. This Agreement represents the Parties' entire understanding regarding the subject matter herein. None of the terms of this Agreement can be waived or modified, except by an express agreement signed by the Parties. There are no representations, promises, warranties, covenants, or undertakings between the Parties other than those expressly set forth in this Agreement.

r. Should any part of this Agreement be rendered or declared invalid by a court of competent jurisdiction of the State of Idaho, the remaining terms of this Agreement will remain in full force and effect.

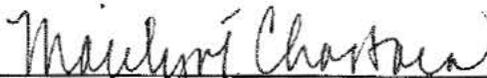
DATED this 15 day of Oct, 2013.

  
\_\_\_\_\_  
Todd Watts

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Vohn Watts

DATED this 7<sup>th</sup> day of January, 2013.

  
\_\_\_\_\_  
MARILYN T. CHASTAIN  
Securities Bureau Chief  
State of Idaho, Department of Finance

g This Agreement represents the Parties' entire understanding regarding the subject matter herein. None of the terms of this Agreement can be altered or modified except by an express agreement signed by the Parties. There are no representations, promises, warranties, covenants, or undertakings between the Parties other than those expressly set forth in this Agreement.

h Should any part of this Agreement be rendered or declared invalid by a court of competent jurisdiction of the State of Idaho, the remaining terms of this Agreement will remain in full force and effect.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2011

Todd Watts

DATED this 5<sup>th</sup> day of November, 2011

Todd Watts

DATED this 7<sup>th</sup> day of January, 2014

*Marilyn J. Chastain*

MARILYN J. CHASTAIN  
Securities Bureau Chief  
State of Idaho, Department of Finance