

1.1 Settlement Agreement with Lender, Anticipating Tax Consequences

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Agreement”) is entered into by and between Big Bad Lender and Mr. and Mrs. Doe (the “Parties”) as of June __, 2007, with reference to the following facts:

RECITALS

WHEREAS, BIG BAD LENDER is the sole holder of a Note dated February 23, 2001, in the principal amount of \$44,000.00 (the “Loan”) and secured by a Mortgage on the real estate commonly known as Happy Home, East St. Louis, IL (the “Property”).

WHEREAS, BIG BAD LENDER filed a foreclosure action against Mr. and Mrs. Doe in connection with the Property in the Circuit Court of the 20th Judicial Circuit, St. Clair County, IL known as Case No. XXX . Mr. and Mrs. Doe asserted various affirmative defenses and counterclaims to that action (collectively “the Lawsuit”).

WHEREAS, while expressly denying and disclaiming any wrongdoing or liability of any kind whatsoever, the parties agree to enter into this Agreement in order to avoid further expense, inconvenience, and the distraction of litigation and to put to rest all claims among parties hereto relating to the real estate that were or might have been alleged in the pending lawsuit. The dispute between the parties covers the actual liquidated amount of the debt. Mr. and Mrs. Doe do not admit that any amount of the Loan was ever valid.

WHEREAS, each party to this Agreement is fully apprised of the facts set forth in these Recitals and of the facts and contentions at issue, and in all other aspects of the dispute between or among the parties.

WHEREAS, the parties desire to settle all disputes and claims which exist or which may exist between and among them arising out of the facts, matters, and events set forth above.

NOW THEREFORE, for good and valuable consideration, including the mutual covenants herein contained, it is agreed as follows:

AGREEMENT

The parties to this Agreement, for and in consideration of the mutual covenants, promises, and conditions set forth herein and subject to the terms and provisions hereof, agree to the following terms:

1. Payment to the Does: BIG BAD LENDER agrees to tender to the Does \$15,000.00, payable to the Land of Lincoln Legal Assistance Client Trust Account simultaneously with its execution of this Agreement. This payment reflects a settlement of the damages Does could have obtained in her claims asserted in the Lawsuit against BIG BAD LENDER, which consist of (a) Count VI (RESPA against BIG BAD LENDER) in the amount of \$3,000 for statutory treble damages, (b) Count VIII (TILA against BIG BAD LENDER) in the amount of \$7,000, including \$2,000 for statutory damages and \$5,000

for actual damages caused by the alleged failure to provide correct disclosures, and \$5,000 in punitive damages for the alleged willful violations of the Consumer Fraud and Deceptive Business Practices Act. This settlement does not include any damages, whether statutory, actual or punitive available against any of the remaining defendants in the Lawsuit, including Does' claims against the remaining defendants for (i) actual damages sustained on account of the overvaluation of the home, (ii) misrepresentation as to the repairs or condition of the home, (iii) other consequential economic damages sustained by Does as a result of the alleged actions of the remaining defendants, (iv) actual or statutory damages sustained by Does on account of the yield spread premium paid to Bogus Broker, (v) damages sustained as a result of alleged fraud, (vi) emotional distress damages, or (vii) punitive damages.

2. Release of Mortgage: BIG BAD LENDER further agrees to mail, simultaneously with its execution of this Agreement, a release of the mortgage recorded at Book 3528 Page 886 in the St. Clair County Recorder's Office to the St. Clair County Recorder's Office, together with funds sufficient for recording the release. A copy of the mailing to the St. Clair County Recorder's Office shall be provided to the Does' counsel at the time of mailing.
3. Satisfaction of Note: The Note is fully satisfied. BIG BAD LENDER agrees the Does are not obligated to make any additional payments to BIG BAD LENDER, its successors, assigns, former and present directors, members, agents, servicers, principals, attorneys, shareholders, predecessors, subsidiaries, affiliates or parents pursuant to the Note.
4. Dismissal of Lawsuit: Within 7 days from the date that this Agreement is executed by both the Does and BIG BAD LENDER the parties agree to do all things necessary to tender to the court an Agreed Order, in substantially the same form as the attached, dismissing, with prejudice, BIG BAD LENDER's Foreclosure Complaint and Mr. and Mrs. Doe's Affirmative Defenses and Counterclaims against BIG BAD LENDER and requiring the release of the mortgage lien.
5. Release and Discharge of BIG BAD LENDER: For good and valuable consideration, including but not limited to, BIG BAD LENDER's tender of \$15,000.00 to the Does as well as its release of the mortgage as set forth above, Mr. and Mrs. Doe, for themselves, their heirs, executors, and assigns, covenant with BIG BAD LENDER, its successors, assigns, agents, principals, former and present directors, members, attorneys, shareholders, predecessors, subsidiaries, affiliates or parents that they shall cease and desist from suing or prosecuting any claim or demand for damages against BIG BAD LENDER arising out of or relating to the Loan, the servicing of the Loan, or this Lawsuit, including, but not limited to, any claims asserted or any claims that could have been asserted in the Lawsuit.

This release does not apply to and has no effect on any claim accruing after the effective date of this release, including but not limited to the failure of any party to the settlement agreement and release to comply with their obligations under same.

Nothing contained herein shall be construed in any way to limit the Does' recovery from or claims asserted against the other third party defendants, namely Slimy Seller, Avaricious Appraiser, Bogus Broker, and Thieving Title Company.

6. Release and Discharge of the Does: In consideration of the above-described covenants by the Does, BIG BAD LENDER, its successors, assigns, former and present directors, members, agents, servicers, principals, attorneys, shareholders, predecessors,

subsidiaries, affiliates or parents, covenants with the Does, their successors, assigns, agents and attorneys, that it shall cease and desist from suing or prosecuting any claim or demand for damages arising from the Loan, the servicing of the Loan, or this Lawsuit, including, but not limited to, any claims asserted or any claims that could have been asserted in the Lawsuit.

7. Reporting of Disputed Legal Claims: It is understood and agreed by the Parties that this Settlement Agreement reflects settlement of disputed legal claims, including the liquidated value of the debt. [BIG BAD LENDER will not report any amount as discharge of indebtedness income.] [BIG BAD LENDER will report an amount not exceeding the appraised value of property/ the required tender amount after rescission, a total of \$ XX, as discharge of indebtedness income. BIG BAD LENDER expresses no opinion as to whether or not this amount is in fact income to Does for federal or state tax purposes. Does, by agreeing to this reporting, do not agree that it is income for federal or state tax purposes.] If any Government agency should dispute or question the amount reported or the time of the report, BIG BAD LENDER may report a revised amount in accordance with the terms of any order or instruction issued by a Government agency, and will inform the Does and the Does' counsel of the dispute. BIG BAD LENDER will provide the Does' counsel with copies of any responses provided Government agencies concerning the tax treatment.
8. Credit Reporting: [BIG BAD LENDER will require all credit reporting agencies to delete all negative references made by it or its agents or principals, including servicers, assignors, or assignees, to the loan, including any mention of delinquency of the Loan or default in payments of any kind, whether late, slow, or missing, from the Does' credit reports, and that it will report the loan as having been paid at all times as agreed and now as paid in full, as agreed.] [BIG BAD LENDER will require all credit reporting agencies to delete the tradeline reflecting the Loan.] BIG BAD LENDER further agrees that it will provide the Does' counsel with a copy of the transmittal to the credit bureaus no later than two weeks from the execution of this agreement. BIG BAD LENDER agrees to take all steps necessary to ensure that no credit report or credit reference that is unfavorable or that may be construed unfavorably to the Does shall be made by it, its heirs, successors, predecessors, assigns, servicers, agents, affiliates, subsidiaries, and parents, or by any consumer reporting agency with regard to any debts or claims between BIG BAD LENDER and the Does, including but not limited to adjusting its internal records to reflect this settlement. BIG BAD LENDER agrees that neither it nor its heirs, predecessors, successors, assigns, servicers, agents, subsidiaries, affiliates, or parents will verify a delinquency if they receive a reinvestigation request from a reporting agency.
9. Confidentiality: [The dollar amount of the Settlement Agreement is to remain confidential. Does and Does' counsel may disclose the terms of the Agreement to individuals representing potential funding sources of Land of Lincoln Legal Assistance Foundation or Gateway Legal Services, solely for the purpose of obtaining funding for Land of Lincoln Legal Assistance Foundation or Gateway Legal Services, including authorized representatives of the following entities: (1) the United States; (2) the State of Illinois; (3) the United Way; (4) the St. Clair County Bar Association; or (5) yet to be determined grant foundations or sources. The Parties may also disclose the terms of the Settlement Agreement to legal and tax professionals solely for the purpose of assisting the Parties with any tax issues or disputes resulting from this agreement, and specifically

from paragraph 14 of this agreement.] [The Parties agree that any initial statement made to any third party shall be accompanied by the Agreed Press Release, attached as Exhibit B.] The Parties are in no way limited, by this agreement, as to statements regarding any other defendants to the Lawsuit not included within the scope of this Settlement Agreement.

10. No Solicitation: BIG BAD LENDER and all of subsidiaries, affiliates, parent, and agents shall not solicit the Does for any financial services products, whether by mail, telephone, in person, or otherwise. BIG BAD LENDER and its affiliates will place the Does on its “do not contact” lists.
11. Denial of Liability/ Compromise of Disputed Claims: The parties to this Agreement hereby agree and expressly acknowledge that the settlement of this proceeding and the covenants contained herein, do not constitute, and shall not be construed as an admission of liability or fault by any of the parties to the agreement but rather are to be construed strictly as a compromise and settlement of disputed claims between the parties, solely for the purpose of avoiding further controversy, litigation and expenses. The parties to this Agreement further expressly acknowledge that the each of the parties hereto has denied and continues to deny all claims or allegations of liability or fault. Further, this Agreement is acknowledged to be a final and binding disposition of any and all claims between these parties hereto in the Lawsuit.
12. Attorneys' Fees: Each party shall bear their own attorneys' fees and costs incurred, other than as ordered by the Court. The Parties understand and agree that if either party fails to comply with any of the terms of this Settlement Agreement, either party may enforce the Settlement Agreement as a breach of contract, including the right to collect any damages sustained as a result of the breach, administrative fees, costs and attorney fees incurred in pursuing any breach of contract claim.
13. Waiver of Construction Against Drafter: Each of the parties to this Agreement acknowledges that this Agreement has been negotiated at arms length between persons knowledgeable in the matters dealt with herein, and each party participated in its drafting. Accordingly, any rule of law, statute, legal decision or common law principle that would require the interpretation of any ambiguities in this Agreement against the drafter thereof is of no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effectuate the intentions of the parties hereto.
14. Severability: If any of the provisions of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions shall not be affected thereby.
15. Governing Law: This Settlement Agreement shall be construed and enforced in accordance with the laws of the State of Illinois.
16. Binding Effect: This Agreement shall be binding on, and shall inure to the benefit of, the Parties hereto and their respective administrators, representatives, successors, and assigns.
17. Further Assurances: The Parties agree to do all acts and things and to make, execute, acknowledge and deliver such written documents, instructions and/or instruments in such form as shall from time to time be reasonably required to carry out the terms and provisions of this Agreement, including but not limited to, the execution, filing or recording of any reporting documents, affidavits, releases, deeds or agreements. The Parties further agree to give reasonable cooperation and assistance to any other party or

parties hereto in order to enable such other Party or Parties to secure the intended benefits of this Agreement.

18. Counterparts: This Agreement may be executed by the Parties in any number of counterparts, including by way of facsimile, and each of which shall be deemed to be an original and all of which, collectively, shall be deemed to be one and the same instrument.
19. Integration Clause: This Agreement contains the entire agreement between and among the Parties hereto, and supercedes all prior and contemporaneous discussions, negotiations, understandings and agreements, whether oral or written, express or implied, between or among them relating to the subject matter of this Agreement. This Agreement may not be amended orally, nor shall any purported oral amendment (even if accompanied by partial or complete performance in accordance therewith) be of any legal force or effect or constitute an amendment of this Agreement, but rather this Agreement may be amended only by an agreement in writing signed by the parties.
20. Time Is of The Essence: Time is of the essence with respect to the performance of any and all provisions of this Agreement.
21. Capacity: That all Parties agree that no Party hereto is an infant or incompetent person for whom a committee or Guardian has been appointed and that each party has the power and authority to bind itself and all of its predecessors, successors, assigns, and agents. BIG BAD LENDER specifically warrants that it is the current holder of the Note and assignee of the Mortgage at issue in this case.
22. Effective Date: This Agreement shall be deemed to be effective on the Date that it is signed by all parties hereto.

IN WITNESS WHEREOF, each of the Parties hereto has executed this Agreement on the date set forth opposite his, their or its name below. **The undersigned hereby certify that they have read and fully understand all of the terms, provisions, and conditions of this Agreement and have executed this Agreement voluntarily.**

BIG BAD LENDER

By: _____

Its: _____

Date: _____

JANE DOE

DATE

ROBERT DOE

DATE