IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

STEVEN J. HATFILL, M.D., Plaintiff, v. ATTORNEY GENERAL MICHAEL MUKASEY, et al. Defendants.	)	Civ. A. No. 03-1793 (RBW)

SETTLEMENT AGREEMENT

Plaintiff Steven J. Hatfill and the defendants hereby settle all of the above-captioned claims filed by Plaintiff. The following sets forth a complete statement of the terms and conditions of settlement:

1. Within three business days of execution of this Settlement Agreement ("Agreement"), the parties will file it with the Court. The Stipulation of Dismissal attached as Exhibit 1 to this agreement shall be signed and filed within three business days after delivery to Plaintiff of a document sufficient to show that the annuity contract described in paragraph 2 remains in force after the expiration of any cancellation period provided for in that annuity contract.

2. The agency defendants agree:

(a) To pay TWO MILLION EIGHT HUNDRED TWENTY-FIVE THOUSAND DOLLARS ($2,825,000.00) in cash to Plaintiff and his attorneys, to be apportioned between them as they agree; and

(b) To purchase an annuity contract in substantially the same form as Exhibit 2 hereto, which will pay Plaintiff THREE MILLION DOLLARS ($3,000,000.00) over the term of 20 years, in equal installments, beginning one year following the purchase of the requisite annuity contract.

3. The parties hereby agree to settle and compromise each and every claim of any kind, whether known or unknown, arising directly or indirectly from the acts or omissions that gave rise to the above-captioned action under the terms and conditions set forth in this Agreement. This settlement is not intended to be, and shall not be construed as, a defense to any liability for acts or omissions that occur on or after the date of this Agreement. The payments made under Paragraph 2(a) and the purchase of the annuity contract referenced in Paragraph 2(b) are being made in full settlement of Plaintiff's claims in the above-referenced action against all defendants, including any attorneys' fees, costs, and expenses incurred by, or on behalf of, Plaintiff. The payments will fully settle all claims, demands, rights, and causes of action, whether known or unknown, that Plaintiff, his guardians, heirs, executors, administrators, or assigns have against all defendants and potential defendants, including any officer or employee of the agency defendants. By filing the stipulation in paragraph (1), and in consideration of the payments received, Plaintiff agrees to dismiss all of his claims against such defendants and potential defendants with prejudice. Responsibility for all taxes, if any, will remain with Plaintiff.

4. Plaintiff's attorneys will, upon the execution of this agreement, provide the information necessary for the United States Treasury to make wire transfers to their Client Trust bank account. Within two business days after execution of this agreement, the defendants will request from the Judgment Fund expedited payment of the lump sum set forth in paragraph 2(a), and

will make their best efforts to ensure payment of these monies within thirty days of the execution of this Agreement.

5. As soon as it is practicable after the execution of this Agreement, the defendants will pay by wire transfer to **JMW Settlements, Inc. Client Funds Account ("the Client Funds account")**, ONE MILLION SEVEN HUNDRED EIGHTY-EIGHT THOUSAND DOLLARS ($1,788,000.00) to purchase the annuity contract described herein. **JMW Settlements** will, as soon as practicable, disburse from the Client Funds account to Prudential Insurance Company of America the sum of ONE MILLION SEVEN HUNDRED EIGHTY-EIGHT THOUSAND DOLLARS ($1,788,000.00) for the purchase of the annuity contract described herein. Although the parties currently believe this sum will be sufficient to purchase the contemplated annuity contract, Plaintiff's agreement to dismiss all of his claims against such defendants and potential defendants with prejudice is triggered only by the satisfaction of the conditions set forth in paragraph 2, regardless of what the cost of purchasing the annuity is to the defendants.

The United States will purchase the annuity contract required under paragraph 2(b) of this Agreement to make the following payments to Steven J. Hatfill:

Commencing 1 year following purchase of the requisite annuity contract, the sum of $150,000.00 per year for 20 years (20 annual payments) certain. Upon payment of the sum in the 20th year all payments will cease. In the event of the death of Steven J. Hatfill prior to the 20th annual payment, the remaining payments will be paid when due to his estate or to such contingent beneficiary as he may designate. Said designation will be made to the annuity issuer, in writing, and in a form acceptable to the annuity issuer.

The annuity contract will be owned solely and exclusively by the United States and will be purchased as soon as practicable following the execution of this Agreement. The United States agrees not to exercise its ownership rights in such a way as to cancel or modify the annuity contract in any way without the consent of Steven J. Hatfill, nor to take any other action calculated to cancel, suspend, modify, or interfere with the payments made to Steven J. Hatfill or his beneficiary under the annuity contract. It is the intention of the parties that the Plaintiff shall be a third-party beneficiary to the annuity contract. The parties agree that the United States' only obligations with respect to said annuity contract and any annuity payments therefrom are to purchase and deliver the annuity contract as set forth in paragraph 2, and to refrain from canceling, suspending, modifying, or interfering with annuity payments as provided in this paragraph. The parties further agree that the United States does not guarantee or insure any of the annuity payments.

The parties agree that the annuity company that issued the annuity contract will at all times have the sole obligation for making all annuity payments. The obligation of the annuity company to make each annuity payment will be discharged upon direct deposit, electronic funds transfer (EFT), or the mailing of a valid check in the amount of such payment to the address designated by the party to whom the payment is required to be made under this Agreement, using whichever of these three methods the payee or beneficiary has elected. Checks lost or delayed through no fault of the annuity company will be promptly replaced by the annuity company, but the annuity company is not liable for interest during the interim.

As further consideration of this agreement the Plaintiff acknowledges and agrees that the annuity payments cannot be assigned, accelerated, deferred, increased, or decreased by the parties, that no part of any annuity payments called for herein or any assets of the United States, or the annuity company, are subject to execution or any legal process for any obligation in any manner, and that the Plaintiff will not have the power, nor the right, to sell, assign, mortgage, encumber, or anticipate said annuity payments, or any part thereof, by assignment, sale, transfer or otherwise. Moreover, Plaintiff hereby stipulates and agrees that any such purported sale, assignment, mortgage or other form of transfer will be void and of no legal effect. Plaintiff further agrees to indemnify and hold harmless the United States, any other party released hereunder, from any and all claims, costs, fees or expenses resulting from the sale, transfer, assignment or attempted sale, transfer or assignment of any payments made herein pursuant to the terms of the referenced annuity contract.

Plaintiff and his heirs, executors, administrators or assigns agree to maintain with the annuity company and the agency defendants a current mailing address, and to notify the annuity company and the agency defendants of the death of any beneficiary of said annuity contract as soon thereafter as reasonably practicable.

6. Within 30 days after delivery of the payment required under Paragraph 2(a), materials produced in discovery that were designated as protected materials under the protective orders in this action, and all copies thereof, will be destroyed or returned to counsel for the producing party in accordance with the terms of the applicable protective order. Any documents created by counsel which contain or reflect protected materials will be kept confidential. This paragraph is not applicable to any document which was placed on the public record in the above-captioned proceedings, except that any document which was placed on the public record under seal or confidentially will remain confidential. Nothing in this Agreement or the relevant protective orders in this action is construed by the parties as requiring defendant to destroy records in violation of the Federal Records Act or its implementing regulations.

7. This Agreement is not, is in no way intended to be, and should not be construed as, an admission of liability or fault on the part of any defendant, including agents, servants, or employees thereof, and it is specifically denied that the defendants are liable to the Plaintiff. This settlement is entered into by all parties for the purpose of compromising disputed claims in the above-captioned action and avoiding the expenses and risks of further litigation.

8. The terms of this Agreement are not severable and the failure to agree, fulfill or comply with any term, condition, or requirement renders the entire Agreement and the compromise settlement null and void. The authorization by the Attorney General or the Attorney General's designee to negotiate and consummate a settlement for the amount agreed upon by the parties does not make the settlement binding upon the defendants unless and until the other terms, conditions and requirements of this Agreement have been completely agreed upon in writing.

9. By signing this Agreement below, the signing individuals represent that they possess full and complete authority to enter into this Agreement and thereby bind their respective parties to it.

10. The parties will file this Agreement as an attachment to the Stipulation of Dismissal. The parties further agree that this Agreement may be made public in its entirety, and the Plaintiff expressly consents to such release and disclosure pursuant to 5 U.S.C. § 552a(b).

11. The parties hereby confirm that this is the entire agreement and that no other agreements exist which concern the above-captioned proceeding.

12. This agreement is fully enforceable by either party, with all rights allowable by law.

13. It is contemplated that this Agreement may be executed in counterparts, with a separate signature page for each party. All such counterparts and signature pages, together, will be

deemed to be one document. The effective date of the agreement will be the latest date of execution.

Executed this 27 day of June, 2008.

Elizabeth J. Shapiro
Department of Justice
Civil Division, Federal Programs Branch
Washington, DC 20530
Attorney for the Defendants

Executed this 27 day of June, 2008.

Steven J. Hatfill, M.D.
Plaintiff

Executed this 27th day of June, 2008.

Mark A. Grannis
Harris, Wiltshire & Grannis LLP
1200 Eighteenth St. NW, Suite 1200
Washington, DC 20036
Attorney for the Plaintiff

Executed this _____ day of ___________, 2008.

JMW Settlements, Inc.

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Michele M. Feldheim
Settlement Consultant
JMW Settlements, Inc.
1828 L Street, NW - Suite 800
Washington, DC 20036

deemed to be one document. The effective date of the agreement will be the latest date of execution.

Executed this _____ day of __________, 2008.

____
Elizabeth J. Shapiro
Department of Justice
Civil Division, Federal Programs Branch
Washington, DC 20530
Attorney for the Defendants

Executed this _____ day of __________, 2008.

____
Steven J. Hatfill, M.D.
Plaintiff

Executed this _____ day of __________, 2008.

____
Mark A. Grannis
Harris, Wiltshire & Grannis LLP
1200 Eighteenth St. NW, Suite 1200
Washington, DC 20036
Attorney for the Plaintiff

Executed this _____ day of __________, 2008.

JMW Settlements, Inc.
Michele M. Feldheim
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Settlement Consultant
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