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MICHAEL J. GARCIA
United States Attorney for the
Southern District of New York
By: NEIL M. CORWIN
Assistant United States Attorney
86 Chambers Street, 3rd Floor
New York, NY 10007
Tel. (212) 637-2707

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
UNITED STATES OF AMERICA, :
 :
 Plaintiff, :
 :
 v. :
 :
 SPACE HUNTERS, INC. and :
 JOHN McDERMOTT, :
 :
 Defendants. :
 :
-----x

00 Civ. 1781 (CM)

**STIPULATION AND ORDER OF
SETTLEMENT REGARDING SATISFACTION OF JUDGMENT**

WHEREAS, after a trial conducted in the above-captioned action on October 4 and 5, 2007 (the "punitive damages trial"), a jury rendered a verdict against defendants Space Hunters, Inc. and John McDermott (collectively, "defendants") awarding plaintiff the United States of America (the "Government") \$150,000 in punitive damages (the "punitive damages award");

WHEREAS, prior to the punitive damages trial, this Court granted the Government's motion for contempt and entered its Contempt Order on or about August 2, 2007 (the "contempt proceedings");

WHEREAS, pursuant to Rule 59 of the Federal Rules of

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Civil Procedure, defendants moved for remittitur of the punitive damages award or, in the alternative for a new trial (the "Rule 59 motion");

WHEREAS, the Court denied defendants' Rule 59 motion on or about November 15, 2007;

WHEREAS, the Court entered Judgment #07,2452 (the "Judgment") in the amount of \$150,000 in favor of the United States against defendants on or about December 21, 2007;

WHEREAS, the time for defendants to appeal the Judgment has now passed without defendants having appealed;

WHEREAS, defendants maintain that they lack assets to satisfy the Judgment; and

WHEREAS, the parties wish to resolve the collection of the Judgment without resort to further litigation;

IT IS HEREBY STIPULATED AND AGREED, by and between the parties, as follows:

1. Execution of the Judgment shall be stayed provided that defendants abide by the following terms and conditions of this Stipulation and Order (the "Stipulation").

2. Defendants agree to pay the Government \$35,000 (the "Settlement Amount") pursuant to the installment schedule set forth below. All payments shall be by bank check or money order made payable to the United States of America and shall be delivered to the United States Attorney's Office, 86 Chambers

Street, New York, New York 10007, Attn: Chief, Civil Rights Unit.

a. Within five (5) business days of the Court's entry of this Stipulation as an Order of the Court, defendants shall deliver to the United States a payment of \$5,000 (the "initial installment").

b. Following payment of the initial installment, defendants shall make twelve monthly installment payments of \$2,500 for each installment (the "subsequent installments"). Each subsequent installment shall be delivered to the United States on or before the 1st of the month, starting with the month following payment of the initial installment. In the event that the 1st of the month falls on a weekend or national holiday, the subsequent installment shall be delivered to the United States on or before the next business day following the 1st of the month.

c. Defendants shall have the right to pre-pay the entire balance of the Settlement Amount without penalty and may tender payments in amounts greater than those stipulated in subparagraphs 2(a) and 2(b) above.

3. Upon payment of the full Settlement Amount, the Government shall waive any right, claim or interest in seeking additional monies in satisfaction of the Judgment.

4. In the event that defendants fail to make any payment in accordance with the terms set forth in paragraph 2 above, such failure shall be deemed a default of this

Stipulation.

5. The United States shall provide written notice to defendants of any default of their payment obligations (the "Notice of Default"). The United States shall send the Notice of Default to defendants by overnight mail to defendants at the following address: John McDermott, 56 East 41st Street, New York, New York 10017.

5. If defendants fail to cure any default of their payment obligations within seven business days of the date of the Notice of Default, the Government shall have the right, at its sole option and discretion, to declare the stay of execution of the Judgment no longer in effect and the remaining balance of the Judgment (i.e., \$150,000 minus any installment payments made pursuant to paragraph 2 above plus interest pursuant to paragraph 6 below) to be immediately due and payable.

6. In the case of default, all fees and costs incurred in recording, executing or levying on, satisfying, or enforcing the Judgment shall be paid by defendants, and defendants hereby waive any objection to recording, executing or levying on, satisfying, or enforcing the Judgment. In the case of default, Defendants shall pay interest on the amounts defaulted upon. Interest shall be computed from December 21, 2008 (i.e., the date of entry of the Judgment) pursuant to the provisions of 28 U.S.C. § 1961(b) until paid in full.

7. Defendants have provided a sworn financial disclosure statement ("Financial Statement") to the United States, and the United States has relied on the accuracy and completeness of the Financial Statement in entering into this Agreement. Defendants warrant that the Financial Statement is thorough, accurate, and complete. Defendants further warrant that they do not own or have an interest in any asset(s) that has not been disclosed in the Financial Statements, and that they have made no misrepresentations on, or in connection with, the Financial Statements. In the event the United States learns of: (a) any asset(s) in which either defendant had an interest at the time of this Stipulation that would change the estimated net worth of defendants set forth in the Financial Statement by twenty-five thousand dollars (\$25,000) or more, and which was not disclosed in the Financial Statements; or (b) a misrepresentation by defendants on, or in connection with, the Financial Statement, and in the event such non-disclosure or misrepresentation changes the estimated net worth of any defendant as set forth on the Financial Statement by twenty-five thousand dollars (\$25,000) or more; the United States shall have the right, at its sole option and discretion, to declare the stay of execution of the Judgment no longer in effect and the remaining balance of the Judgment (i.e., \$150,000 minus any installment payments made pursuant to paragraph 2 above plus interest pursuant to paragraph 6 above) to

be immediately due and payable.

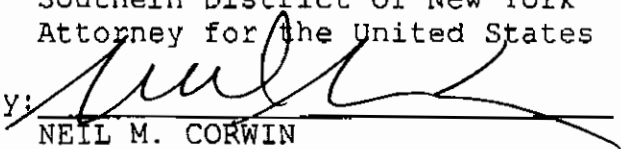
8. Nothing in this Stipulation shall be deemed to modify in any way defendants' obligations under the Contempt Order.

9. This Stipulation may not be modified except upon written consent of all parties and upon the Court's approval of such modification.

10. The parties understand and agree that this Stipulation contains the entire agreement between them, and that no statements, representations, promises, agreements, or negotiations, oral or otherwise, between the parties or their counsel that are not included herein shall be of any force or effect.

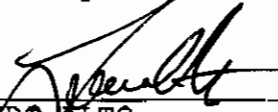
Dated: New York, New York
~~May~~, 2008
June 4

MICHAEL J. GARCIA
United States Attorney for the
Southern District of New York
Attorney for the United States

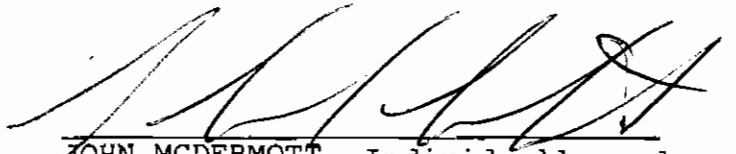
By: 
NEIL M. CORWIN
Assistant United States Attorney
86 Chambers Street
New York, New York 10007
Tel. No.: (212) 637-2707

Dated: Melville, New York
May 28, 2008

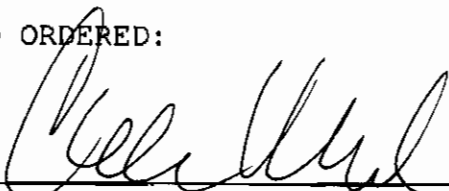
SCHULZ & ASSOCIATES, P.C.
Attorneys for Defendants

By: 
LAURA ALTO
225 Broadhollow Road, Suite 303
Melville, New York 11747
Tel. No.: (631)753-9000

Dated: New York, New York
May 28, 2008


JOHN MCDERMOTT, Individually and
on behalf of Space Hunters, Inc.

SO ORDERED:


UNITED STATES DISTRICT JUDGE

6-9-08