MUTUAL RELEASE AND SETTLEMENT AGREEMENT

1. For and in consideration of the payment of the sum of One Hundred Sixty Thousand Dollars ($160,000.00), to be paid no later than May 22, 2009, the State of Indiana and the City of East Chicago, by and through Gregory F. Zoeller, Attorney General of Indiana, do hereby forever release, acquit and discharge Timothy Raykovich and his successors, assigns, and insurers of any and from any and all claims, demands, actions, including attorney's fees and costs, and causes of action of each and every kind whatsoever, if any, arising out of the claims asserted in the lawsuit including claims arising out of the consulting Agreement dated April 3, 1999 captioned *State of Indiana, and the City of East Chicago, ex. rel. Gregory F. Zoeller, Attorney General of Indiana v. Robert A. Pastrick, et al.*, filed in the United States District Court for the Northern District of Indiana, Hammond Division, under Cause Number 3:04-cv-0506 (hereinafter referred to as the "Lawsuit").

2. As part of this Release and Agreement, Timothy Raykovich hereby forever releases, acquits and discharges the State of Indiana, Attorney General of Indiana, and the City of East Chicago, and all their present and former members, officers, agents, employees, and successors known and unknown from any and all claims, demands, actions, including attorney's fees and costs, and causes of action of each and every kind whatsoever, if any, arising out of the claims asserted in the Lawsuit, and any claim which could have been raised, and any

claim that may exist as of the date of the execution of this Release and Agreement, including claims arising out of the consulting Agreement dated April 3, 1999.

3. The undersigned recognize that this Release and Agreement evidences the full, final, and complete settlement of disputed and doubtful claims and that it is made for the purpose of compromise only and to avoid litigation between the parties; that said settlement does not in any manner constitute an admission of liability on the part of Timothy Raykovich, his successors, assigns, or agents, for any injury, expenses, or damages which the State or its citizens may have sustained as a result of these allegations and the undersigned, Gregory F. Zoeller, Attorney General for the State of Indiana, does hereby promise and agree that the State will not hereafter assert any further claims on behalf of any person, firm, or corporation against Timothy Raykovich and his successors, assigns, or agents, for any past, present or future losses or damages as a result of the allegations stated within the Complaint filed in the Lawsuit.

4. As part of this Release and Agreement, Timothy Raykovich agrees to cooperate fully and truthfully with the Attorney General and his designated representatives as to any knowledge of, or involvement in, facts and circumstances giving rise to the Lawsuit including but not limited to providing truthful and complete interviews, sworn statements, affidavits, and testimony regarding any such knowledge or involvement, and making any and all relevant

documents in his possession available to the Attorney General for inspection and copying.

5. As part of this Release and Agreement and referenced in paragraph 4, Timothy Raykovich has agreed to execute an Affidavit under penalty of perjury pertaining to this Lawsuit, which is attached as Exhibit A, and he agrees may be used in this case, including as evidence.

6. The State of Indiana and the City of East Chicago agree to dismiss with prejudice their claims against Timothy Raykovich in the Lawsuit and to take any and all other action necessary to carry out the purpose and intent of this Release and Agreement.

7. Timothy Raykovich represents and warrants that he has not heretofore assigned or transferred (or purported to assign or transfer) to any person or entity any of these claims such as has been released in this Release and Agreement.

8. Timothy Raykovich acknowledges and agrees that his promises, obligations, actions, and undertakings pursuant to this Release and Agreement are supported by good and sufficient consideration.

9. In the event of any litigation arising out of or relating to this Release and Agreement, the prevailing party shall recover from the non-prevailing party all costs and expenses paid or incurred by the prevailing party in such proceeding, including but not limited to reasonable attorneys' fees,

expert witness fees, and any fees or expenses initially paid or shared by, or initially allocated to, such prevailing party.

10. This Release and Agreement shall be governed by and construed in accordance with the substantive laws of the State of Indiana, without regard to conflicts-of-law principles, unless otherwise preempted by federal law.

11. Each of the parties to this Release and Agreement represents and warrants that no other person or entity has, or has had, any interest in the claims, demands, obligations, causes of action, or defenses referred to in this Release and Agreement, and that the signatory for each party signing this Release and Agreement has the right and authority to execute this Release and Agreement.

12. This Release and Agreement may be executed in one or more counterparts, each of which shall be deemed original and all of which shall constitute a single agreement.

13. This Release and Agreement shall be binding upon and inure to the benefit of the parties to this Release and Agreement and each of their respective predecessors, successors, and assigns, as well as any entities with which any of them have merged or consolidated, or with which any of them may merge or consolidate in the future. None of the provisions of this Release and Agreement are intended to be, nor shall they be deemed to be, for the benefit of any other person or entity, including but not limited to the other named defendants in the Lawsuit.

14. If any provision of this Release and Agreement is unlawful, invalid, or unenforceable for any reason that does not affect the remaining provisions of this Release and Agreement, then all such remaining provisions shall be valid and enforceable as if the unlawful, invalid, or unenforceable provision or provisions had not been included in this Release and Agreement.

15. The language of all parts of the Release and Agreement shall be in all cases construed as a whole, according to its fair meaning and not strictly construed for or against the drafter.

16. Each of the parties to this Release and Agreement understands, agrees and intends that this Release and Agreement shall completely and finally resolve, compromise, and settle all actual and potential litigation and claims between and among them concerning the Lawsuit. The parties to this Release and Agreement further agree after execution of this Release and Agreement each will, upon reasonable request of the other or its counsel, execute and deliver such other documents and instruments and take such other actions as may be required or reasonably necessary to carry out the provisions or intent of this Release and Agreement.

17. It is expressly warranted by the parties to this Release and Agreement that no promise or inducement has been offered except as set forth herein; that this Release and Agreement is executed without reliance upon any statement or representation of the parties or persons released, or their representatives, concerning the nature and extent of the injuries, damages

and/or legal liability therefore; that acceptance of the consideration set forth herein is in full accord and satisfaction of a disputed claim for which liability is expressly denied.

18. Each of the persons executing this Release and Agreement on behalf of a party to this Release and Agreement represents that he is expressly authorized to do so by such party.

ENTERED INTO BY THE PARTIES OR THEIR COUNSEL AS EVIDENCED BY THEIR SIGNATURES ON THE DATES NOTED:

(The remainder of this page has been intentionally left blank.)

IN WITNESS WHEREOF, the undersigned, Gregory F. Zoeller, by Deputy Attorney General Patricia Orloff Erdmann, has executed this Release and Agreement this 22nd day of May, 2009.

Gregory F. Zoeller
by Deputy Attorney General
Patricia Orloff Erdmann

On behalf of the State of Indiana, ex. rel. Gregory F. Zoeller, Attorney General of Indiana, and the City of East Chicago, ex. rel. Gregory F. Zoeller, Attorney General of Indiana

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared Gregory F. Zoeller by Patricia Orloff Erdmann and acknowledged the execution of the foregoing Release and Agreement as her free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 22nd day of May, 2009.

Janette M. Umbarger
(Notary Public)

I am a resident of MARION County, State of Indiana.

My commission expires: August 2, 2009.

IN WITNESS WHEREOF, the undersigned, Timothy Raykovich has executed this Release and Agreement this 19th day of MAY, 2009.

By: _____
Timothy Raykovich

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

Before me, a Notary Public in and for said County and State, personally appeared TIMOTHY RAYKOVICH (name) and acknowledged the execution of the foregoing Release and Agreement as his free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 19th day of MAY, 2009.

_____
(Notary Public)
CAROLYNN M. BODOR

I am a resident of LAKE County, State of Indiana.

My commission expires: 3/29/2015.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF INDIANA
HAMMOND DIVISION

State of Indiana, et al.	)	
	)	
Plaintiffs,	)	
	)	
v.	)	No. : 3:04-CV-0506
	)	
Robert A. Pastrick, et al	)	
	)	
Defendants.	)	

AFFIDAVIT

Timothy Raykovich after first being duly sworn upon his oath deposes and states:

1. I have personal knowledge of the facts sworn to in this Affidavit.
2. Beginning in the 1980s, and continuing through 2004, at the request of Mayor Robert Pastrick, I became involved in financial and budgetary decisions for the City of East Chicago, Indiana (the "City"). During this time, I had direct personal access to the Mayor and was considered a special assistant to the Mayor. As a special assistant with direct access, I wielded substantial influence with the Mayor and other City officials.
3. During much of this period, James Fife was also a special assistant to the Mayor. By my observations, Fife possessed direct personal access to the Mayor and wielded substantial influence with the Mayor and other City officials.
4. On April 3, 1999, and in furtherance of my financial and budgetary role for the Mayor, I entered into a consulting agreement with the City. As part of that consulting agreement, I was to render financial and budgeting advice to the City and was paid $150 per hour.
5. From May 1999 through June 2000, I had unfettered access to Mayor Pastrick. I was in virtually daily communication with him and worked out of an office in City Hall near his

office. Jim Fife often worked out of the same office area and also had unfettered access to the Mayor.

6. In early May, 1999, I became aware that the City had entered into illegal contracts with various construction vendors as part of a massive concrete and tree program (the "1999 Concrete Program"). The contracts were illegal because there were no competitive bids for the projects as required by Indiana law; the Board of Public Works did not approve the projects in advance; there were little or no purchase orders; the work was unregulated and unaudited; and the cost of the work was excessive. As a result of this massive program, the City came into great financial distress.

7. As part of the 1999 Concrete Program, concrete projects were completed throughout the City on both public and private property. Most of these projects were in progress or were completed before the mayoral primary election held on May 4, 1999.

8. Upon my involvement on about May 8, 1999, I concluded that a primary motivation for the size and type of Concrete Program had been to ensure that Mayor Pastrick was re-elected in the 1999 mayoral election.

9. By my understanding and based on conversations with him, Jim Fife had some pre-existing knowledge of the 1999 Concrete Program and was very active in the 1999 re-election effort of the Mayor.

10. Shortly after the election, the work on the Concrete Program was ordered stopped. Based on events I participated in and for which legal counsel was obtained, the City informed the contractors that the work would be paid for based on a 1998 bid by Reith Riley Construction Company which called for a payment of $5.08 for each square foot of poured concrete. I was aware that that bid had expired and was not valid at the time.

11. While most of the contractors were paid $5.08 per square foot for their work, certain contractors who were connected to the Pastrick political organization of City government received additional payments above $5.08 per square foot. These preferential payments to a handful of contractors were made a substantial period of time after the work had been completed. The firms that received these payments included Rogers & Sons Construction, H&Y Maintenance, Calumet Concrete Construction and JGM Enterprises. I knowingly and wrongfully permitted these excessive payments to be made because of their association with the aforesaid political organization.

FURTHER AFFIANT SAYETH NOT.

Timothy Raykovich

Subscribed and sworn to before me
this 19th day of May, 2009.

Notary Public
CAROLYNN M BODOR
RESIDENT OF LAKE COUNTY
COMMISSION EXPIRES: 3/29/2015