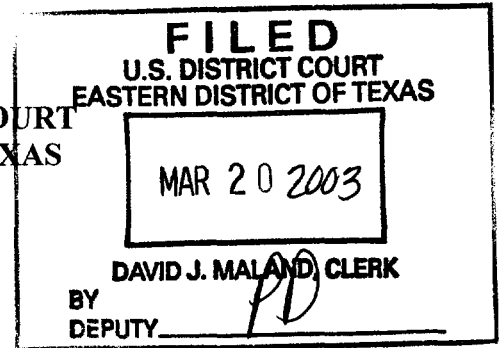


IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
PARIS DIVISION



LUCILLE YOUNG, et al,

Plaintiffs,

v.

MEL MARTINEZ, et al.,

Defendants.

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CIVIL ACTION NO.
P-80-8-CA

SETTLEMENT AGREEMENT AND RELEASE

WHEREAS, Lucille Young, et al, Plaintiffs, brought a class action lawsuit against Mel Martinez, et al, Defendants claiming various violations of law dealing with fair housing (the "Action"); and

WHEREAS, the parties hereto agreed upon the means set forth herein to resolve all disputes between the parties concerning the Final Judgment and Decree, dated March 30, 1995, concerning the State funding of physical improvements to public housing neighborhoods specified in desegregation plans, memorandum of understanding, and MOU Status Reports; and,

WHEREAS, pursuant to the Final Judgment and Decree, financial assistance for physical improvements to the public housing neighborhoods specified in the desegregation plans, memorandum of understanding, and MOU Status Reports shall be provided by the United States Department of Housing and Urban Development ("HUD") or, in the case of neighborhood improvements receiving financial assistance under the Community Development Block Grant Program ("State CDBG Program"), by the State

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of Texas (the "State") within seven years of the date of the Final Judgment and Decree (3/30/02); and,

WHEREAS, the State disbursed \$6,396,782 from its 1994 and 1995 CDBG allocations for neighborhood equalization activities, and an additional \$2.3 million was obligated by the State for those activities from its 2001 CDBG allocation for a total allocation of \$8,696,782; and,

WHEREAS, in addition to the \$8,696,782, the State has agreed to commit an additional \$4,429,557 million in CDBG funds to complete the funding of the neighborhood equalization activities contemplated under the Final Judgment and Decree and described in the attached Priority 1 and Priority 2 lists; and,

WHEREAS, Plaintiffs agree that if the additional \$4,429,557 is actually provided for the Priority 1 and Priority 2 activities as set out below, then the State funding for the neighborhood equalization will be complete.

IT IS HEREBY STIPULATED AND AGREED, BY AND BETWEEN the Plaintiffs and Defendants that,

1. No party, or party representative, heir or agent, will take any action of any kind whatsoever, whether in conjunction with this litigation or not, to make the State a party of this Action or seek any subsequent court-ordered enforcement action against the State to require it to provide financial assistance contemplated by the Final Judgment in this Action. The plaintiffs, their representatives, heirs or agents, will not take any legal action against HUD, either in this litigation or in separate litigation to compel HUD to institute any administrative or judicial proceedings against the State to provide additional financial assistance for neighborhood equalization

activities contemplated by the Final Judgment in this case for any non-CDBG entitlement City in the class action counties.

2. The \$13,126,339 million committed by the State to funding the neighborhood equalization activities fulfills HUD's obligation to provide financial assistance for neighborhood equalization activities for any community that is not designated as a CDBG Entitlement City. The \$13,126,339 million committed by the State to funding the neighborhood equalization activities fully satisfies any obligation the State may have under any federal statute or regulation, or any provision of the East Texas Comprehensive Desegregation Plan, to provide neighborhood equalization funding for the implementation of the Final Judgment and Decree entered in this action. The Plaintiffs will not take any legal action against HUD, either in this litigation or by separate lawsuit, to compel HUD to institute any administrative or judicial proceedings against the State to enforce any statutory or regulatory provision, or any provision of the East Texas Comprehensive Desegregation Plan, involving any duty the State may have to provide neighborhood equalization funding for the implementation of the Final Judgment and Decree entered in this action.
3. The neighborhood equalization activities that remained to be funded as of August 2001, shall be categorized in the two attached lists, entitled Priority 1 and Priority 2. The Priority 1 list is the list of communities and activities that should be given first priority, based upon the number of class members affected. Priorities range from highest (most class members affected) to lowest (least number of class members affected). The Priority 2 list identified

communities that would be funded only upon availability of funds after all Priority 1 activities have been funded.

4. Subsequent to August 2001, the State proceeded to fund as many of the Priority 1 activities that could be addressed from the \$2.3 million provided from its 2001 CDBG allocation. It is agreed that Priority 1 activities will be funded by the State first and that if funds remain from the total of \$13,126,339, including the additional \$4,429,557, then Priority 2 projects will be funded in the order in which they appear on the list.
5. Upon completion of the activities funded by the \$13,126,339, HUD will be deemed to have complied with the neighborhood equalizations requirements of ¶ I.1. Physical Improvements To Projects and Neighborhoods of the Final Judgment and Decree as it applies to non-entitlement cities.
6. This agreement is contingent upon the State actually providing the additional \$4,429,557 for the Priority 1 and Priority 2 activities by September 30, 2003; the State's awarding grants for Priority 1 and 2 in the total amount of \$4,429,557 will satisfy this obligation. If the State does not actually provide the additional \$4,429,557 funding, then the agreement is void and the parties agree that this agreement will not bar any subsequent judicial or administrative proceedings against either the State or HUD.
7. By this agreement and subject to the contingency in paragraph 6., the State is hereby RELEASED from any and all causes of action, claims, rights, or remedies that Plaintiffs or any Defendant, including HUD, could have brought arising out of, related to or indicated by, the claims, transactions and allegations made the subject matter of the Action. It is the intent of all parties

to this Agreement that the Action be fully and finally resolved as to the State and any actual or perceived State obligations resulting from the Action. HUD agrees the State will not be required to make any additional reference to any issue resulting from the Action in the State's Analysis of Impediments to Fair Housing, dated January 2003, and submitted on January 15, 2003.

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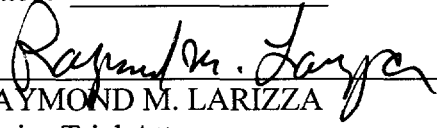
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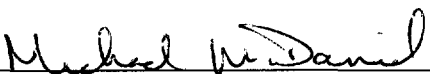
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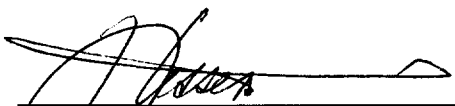
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PRIORITY 1
State CDBG Set-Aside Funding
Young vs. Martinez

PHA/CITIES	ACTIVITIES	PRIORITY LEVEL	ESTIMATED CDBG DOLLARS NEEDED	NUMBER OF CLASS MEMBERS
Crockett	Street Improvements - (1) Lovers Lane from Austin to Barnhill; (2) Rose Street inside PHA and from PHA to Briggs Street; (3) Briggs Street, inside PHA and north of Rose Street to PHA; (4) Barnhill Drive inside PHA and from Lovers Lane to Rose Street.	1	\$ 515,482.00	250
Paris	Site Acquisition. Acquire existing structure known as the Razzmtaz Club, corner of MLK and Fitzhugh Streets, adjacent to Booker T. Washington PHA site. Relocate businesses, convert for use as a community center or other eligible public facility.	1	\$ 200,000.00	166
Gilmer	Street Improvements - Resurface streets within the Sorrells PHA site.	1	\$ 283,700.00	77
Pittsburg	Street and Utility Improvements - Reconstruct all streets in the Hawkins PHA site to include utility upgrades.	1	\$ 99,040.00	63
Clarksville	Street and Drainage Improvements - (1) Roberts Street; from S. Donoho Street to S. Grove Street and (2) W. Jackson Street; from S. Emma Street to S. Delaware Street.	1	\$ 399,542.00	55
Livingston	Street and Drainage Improvements - on MLK Street from N. Bluebird Ave. to Dunbar Ave.	1	\$ 180,000.00	51

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Cooper	Street and Drainage Improvements - (1) 4th St.; from Marshall St. to Commerce St. (2) 5th St.; from Marshall and Commerce St. (3) Commerce St.; from 4th St. to 5th St. (drainage only).	1	\$ 191,310.00	48
Woodville	Street Improvements - near the Pecan St. PHA site on Robin St. (from Bluebird St. to dead end).	1	\$ 98,692.00	41
Naples	Drainage - drainage improvements to Cornett Road at the E. PHA site, from 400 ft. west of Hwy 338 to Church St.	1	\$ 39,040.00	37
Henderson	Street and Drainage Improvements at PHA sites. Yates Park: conversion of old swimming pool to basketball courts and resurfacing parking lot (\$48,500) and street and drainage work to be completed at Flanagan Heights PHA, Red Bud and Zion Streets (\$743,125)	1	\$ 791,625.00	31
Jefferson	Street Improvements - (1) Sharp St.; Tuddle St. to Hwy 59 (2) Washington St.; Clarksville St. to Bonham St. (3) Lafayette St.; from Market St. to Line St. (4) Canal St.; from Clarksville St. to St. Peter St. (5) Soda St.; from Hwy 49E to Henderson St.	1	\$ 67,000.00	30

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PHA/CITIES	ACTIVITIES	PRIORITY LEVEL	ESTIMATED CDBG DOLLARS NEEDED	NUMBER OF CLASS MEMBERS
DeKalb	Two separate activities: (1) Street Improvements - Resurface Beck Street from Oak Street to Napp Street serving N.W. North PHA site (\$41,841) and (2) Drainage Improvements - Improve existing drainage ditch at N.W. North PHA site from Napp Street to Pecan Street. Line existing ditch with concrete and replace Mill Street and Pecan Street culverts (\$108,834). Engineering, design, administration for both activities (\$33,150)	1	\$ 183,825.00	29
Linden	Street Improvements - Pave two existing dirt roads (Foster and Taylor Streets) by Main PHA site. Resurface a section of Taylor St., between W. Campbell and Rush Streets.	1	\$ 41,500.00	26
Hugh Springs	Street Improvements - Repair section of Pine Street in front of Pine PHA site. Fill Potholes and repair pavement deterioration by curb.	1	\$ 15,000.00	25
Overton	Street and Drainage - North Street.	1	\$ 100,000.00	24
Kirbyville	Street Improvements - (1) MLK Street (formerly W. Lanier) from Herendon St. to Hwy 96; and (2) resurface an improve drainage on W. Levert St.; from Hwy 96 to Herendon St.	1	\$ 642,890.00	19

PRIORITY 1
State CDBG Set-Aside Funding
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PHA/CITIES	ACTIVITIES	PRIORITY LEVEL	ESTIMATED CDBG DOLLARS NEEDED	NUMBER OF CLASS MEMBERS
Detroit	Street Reconstruction - Bennett Street - N. Main St. to 1st St. NE, N. Main, from Bennett St. to Hwy 82 and Sheppard Ave., from intersection of Hwy 410S., and west to West Sheppard (end of Street).	1	\$ 280,017.50	17
Wills Point	Multi-Purpose Center Project - (1) Demolish old Cartwright School building. (2) Construct a new 100' X 75' building to include parking area and outdoor playground equipment.	1	\$ 720,000.00	15
Garrison	Street and Drainage - East Henning Road from Patterson to Hwy 59	1	\$ 244,300.00	14
Talco	Drainage Improvements - Wilson Street; from 7th St. to 10th St.	1	\$ 24,264.50	10
Mt. Vernon	Street Improvements - English St. and utility improvements in the Site AB neighborhood, from Hwy 67 to Virginia St.	1	\$ 311,978.00	7
		TOTAL	\$ 5,429,206.00	

PRIORITY 2
State CDBG Set-Aside Funding
Young vs. Martinez

PHA/CITIES	ACTIVITIES	PRIORITY LEVEL	ESTIMATED CDBG DOLLARS NEEDED	NUMBER OF CLASS MEMBERS
Henderson	Street and Drainage - West Main PHA - Texas Street, Elizabeth Street, and West Elk.	2	\$ 493,137.00	31
Edgewood	Streets and Drainage - (1) Elm; from Crockett to PHA site and (2) Austin; from Downs to Oak.	2	\$ 300,000.00	6
Alba	Street Improvements - Reconstruction of Pope Street to include Center and Dewitt Street.	2	\$ 93,000.00	3
Deport	Street and Drainage Improvements - (1) Pecan Street; from Monroe Street to the end (2) Third Street; from Bevill Street to Monroe Street (3) Second Street; from Monroe Street to Bevill Street (4) Fourth Street to the end and (5) N. College Street to end.	2	\$ 414,214.00	3
		TOTAL	\$ 1,300,351.00	