

EXHIBIT 1

Settlement Agreement

EXECUTION VERSION

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (this "Agreement") is made and entered into as of this date of July 15, 2014, by and among Dolan LLC, as successor in interest to The Dolan Company, and certain of its affiliates (collectively, the "Debtors" or "Reorganized Debtors"), Bayside Capital Inc., and its affiliates ("Bayside"), and Nantahala Capital Management, LLC on behalf of itself and its clients ("Nantahala," and together with the Reorganized Debtors and Bayside, the "Parties").

Recitals

WHEREAS, on March 23, 2014 (the "Petition Date"), the Debtors filed voluntary petitions for relief commencing cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware (the "Court").¹

WHEREAS, on the Petition Date, the Debtors filed the *Debtors' Motion to Entry of Interim and Final Orders (A) Approving Notification and Hearing Procedures for Certain Transfers of Common Stock and Preferred Stock and (B) Granting Related Relief* [Docket No. 12] (the "NOL Motion"), seeking entry of interim and final orders requiring Substantial Shareholders (as defined in the NOL Motion) or persons that would become Substantial Shareholders in connection with an applicable acquisition to give notice to the Debtors of, among other things, intent to purchase, acquire, or accumulate Common Stock or Preferred Stock (each as defined in the NOL Motion) of The Dolan Company;

WHEREAS, on March 25, 2014, the Court granted the NOL Motion on an interim basis [Docket No. 78] (the "Interim Order").

WHEREAS, between March 26, 2014, and April 1, 2014, certain clients of Nantahala acquired 1,500,000 shares of the Common Stock and 129,825 shares of the Preferred Stock.

WHEREAS, on April 14, 2014, in advance of the hearing to consider the NOL Motion on a final basis (the "Second Day Hearing"), Nantahala filed an objection to the NOL Motion [Docket No. 128] (the "Original Objection"), to which the Debtors filed a response on April 15, 2014 [Docket No. 145].

WHEREAS, on April 16, 2014, Nantahala filed the supplemental declaration of Wilmot Harkey in support of the Original Objection [Docket No. 167], confirming that the purchases of Common Stock and Preferred Stock by Nantahala's clients were not coordinated.

WHEREAS, at the Second Day Hearing, Nantahala withdrew the Original Objection, and the Court entered an order granting the NOL Motion on a final basis [Docket No. 173] (the "Final Order").

¹ Capitalized terms used but not defined herein shall have the meanings set forth in the *Debtors' Modified Joint Prepackaged Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, dated May 23, 2014 [Docket No. 364] (including all exhibits and supplements thereto, the "Plan").

WHEREAS, following the Second Day Hearing, the Debtors and Nantahala engaged in discussions to resolve consensually the dispute regarding whether there had been a violation of the Interim Order and the Final Order with respect to the trades made by Nantahala's clients in the Common Stock and the Preferred Stock.

WHEREAS, after those discussions did not lead to an agreement, Nantahala filed its *Motion to Confirm Compliance with Stock Transfer Procedure Order, and to Amend the Stock Transfer Procedure Order* [Docket No. 243] (the "Motion to Confirm") seeking confirmation that the acquisitions by Nantahala's clients were in compliance with the Final Order, and seeking certain amendments to the Final Order as it relates to purchases of Preferred Stock.

WHEREAS, following good-faith negotiations, the Debtors and Nantahala entered into stipulations resolving in part and adjourning in part certain issues with respect to the Motion to Confirm [Docket Nos. 318–21] (collectively, the "Stipulations"), which the Court approved on May 22, 2014 [Docket Nos. 329–32].

WHEREAS, pursuant to the Stipulations, the adjourned issues with respect to the Motion to Confirm were to be heard at an agreed-upon date no earlier than June 20, 2014;

WHEREAS, following June 20, 2014, the Reorganized Debtors and Nantahala have engaged in extensive, good-faith negotiations regarding the adjourned issues raised in the Motion to Confirm.

WHEREAS, the Reorganized Debtors' and Nantahala's negotiations were productive and have culminated in a settlement of all issues raised by Nantahala in the Motion to Confirm on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, commitments, and agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties intending to be legally bound hereby agree as follows:

1. **Recitals.** The foregoing recitals are hereby incorporated into and made an express part of this Agreement.

2. **Resolution of the Motion to Confirm.**

a. In full and final settlement of the Motion to Confirm and any claims relating thereto, the Reorganized Debtors shall pay Nantahala on behalf of itself and its clients \$35,000.00 within 3 business days following approval of this Agreement by the Court. The Reorganized Debtors and Nantahala acknowledge that this payment is attributable to their mutual desire to avoid the added cost and expense of fully litigating the issues raised by Nantahala in its Motion to Confirm and does not represent payment to Nantahala on behalf of itself and its clients on account of any actual or purported interest in Common Stock or Preferred Stock of the Debtors or Reorganized Debtors.

b. The Reorganized Debtors, pursuant to paragraph 5 of the Interim Order and paragraph 4 of the Final Order, hereby retroactively waive the application of the provisions

of the Transfer Procedures to Nantahala with respect to the acquisition by the Nantahala clients in the aggregate of 34,930 shares of Preferred Stock, representing 4.99 percent of the total amount of issued and outstanding Preferred Stock (the "Approved Holdings").

c. The Reorganized Debtors and Nantahala hereby agree that, after giving effect to paragraph 2.b hereof and taking into account the representations made by Nantahala in paragraph 4.c hereof, any interest in the Preferred Stock purportedly acquired by Nantahala in an amount in excess of the Approved Holdings is deemed void *ab initio* pursuant to the Interim Order, the Final Order, and paragraph 10 of each of the Stipulations.

3. **Effect.** This Agreement shall be without force and effect until it is approved by the Court. As soon as is practicable after execution of this Agreement, the Parties shall file an agreed order with the Court pursuant to which the Motion to Confirm shall be denied with prejudice, the Stipulations and the prior order approving the Stipulations shall be confirmed, and this Agreement shall be approved.

4. **Representations and Warranties.**

a. Each of the Parties agrees, acknowledges, represents, and warrants on each of their behalves that: (i) they have full authority to enter into this Agreement and to bind themselves, their successors, and their assigns to this Agreement; and (ii) they have full knowledge of and have consented to this Agreement.

b. Nantahala agrees, acknowledges, represents, and warrants that it has the full authority to enter into this Agreement and to bind its clients, their successors, and their assigns to this Agreement.

c. Nantahala hereby agrees, acknowledges, represents, and warrants that the proceeds Nantahala's clients receive on account of its holdings of Preferred Stock in excess of the Approved Holdings (including under any settlement between Nantahala's clients and the Official Committee of Equity Holders) shall not exceed the sum of Nantahala's clients' tax bases in such Preferred Stock (including any attorneys' fees incurred in connection with or related to the Initial Order, the Final Order, the Motion to Confirm, the Stipulations, the *Motion to Amend Confirmation Order Pursuant to Bankruptcy Rule 9024* [Docket No. 428] (the "Motion to Amend"), and this Settlement Agreement that Nantahala determines in its sole discretion are properly capitalizable into the tax bases of such shares); *provided* that if such proceeds are in excess of the sum of Nantahala's clients' tax bases, Nantahala's clients shall donate such proceeds to one or more tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code, of their choosing, in accordance with applicable law.

5. **Release.**

a. Except for the right to enforce the terms of this Agreement, Nantahala on behalf of itself, its clients, and its affiliates hereby releases and forever discharges the Reorganized Debtors, the Debtors' estates, Bayside Capital, Inc., and each of their respective employees, officers, directors, representatives, agents, subsidiaries, parents, affiliates, predecessors, successors, assignees, attorneys, and professionals (collectively, the "Debtor Released Parties") of and from any and all manner of action or actions, cause or causes of action,

in law or equity, suits, debts, liens, contracts, agreements, promises, liabilities, claims (including, but not limited to, claims for attorneys' fees, costs, and sanctions), damages, demands, losses, costs, or expenses of any nature, currently existing or arising in the future, whether known or unknown, suspected or unsuspected, fixed or contingent, concealed or hidden, latent or patent, which Nantahala has or may have against the Debtor Released Parties, arising from or related to the Interim Order, the Final Order, the settlement of the issues raised in the Motion to Amend, or the negotiation of this Agreement.

b. Except for the right to enforce the terms of this Agreement, the Interim Order, and the Final Order, the Reorganized Debtors on behalf of itself, its affiliates, and the Debtors' estates hereby releases and forever discharges Nantahala and each of its clients, employees, officers, directors, representatives, agents, subsidiaries, parents, affiliates, predecessors, successors, assignees, attorneys, and professionals (collectively, the "Nantahala Released Parties") of and from any and all manner of action or actions, cause or causes of action, in law or equity, suits, debts, liens, contracts, agreements, promises, liabilities, claims (including, but not limited to, claims for attorneys' fees, costs, and sanctions), damages, demands, losses, costs, or expenses of any nature, currently existing or arising in the future, whether known or unknown, suspected or unsuspected, fixed or contingent, concealed or hidden, latent or patent, which Reorganized Debtors have or may have against the Nantahala Released Parties, arising from or related to the Interim Order, the Final Order, the settlement of the issues raised in the Motion to Amend, or the negotiation of this Agreement.

c. Except for the right to enforce the terms of this Agreement, Bayside on behalf of itself and its affiliates hereby releases and forever discharges Nantahala and each of its clients, employees, officers, directors, representatives, agents, subsidiaries, parents, affiliates, predecessors, successors, assignees, attorneys, and professionals (collectively, the "Bayside Released Parties") of and from any and all manner of action or actions, cause or causes of action, in law or equity, suits, debts, liens, contracts, agreements, promises, liabilities, claims (including, but not limited to, claims for attorneys' fees, costs, and sanctions), damages, demands, losses, costs, or expenses of any nature, currently existing or arising in the future, whether known or unknown, suspected or unsuspected, fixed or contingent, concealed or hidden, latent or patent, which Bayside has or may have against the Bayside Released Parties, arising from or related to the Interim Order, the Final Order, the settlement of the issues raised in the Motion to Amend, or the negotiation of this Agreement.

6. Miscellaneous.

a. This Agreement sets forth the entire understanding of the Parties regarding the subject matter hereof and supersedes all prior oral or written agreements between them. This Agreement may not be changed, modified, amended, or supplemented, except in a writing signed by each of the Parties.

b. Signatures by facsimile or electronic signatures shall count as original signatures for all purposes.

c. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same Agreement.

d. The Parties hereby submit to the exclusive jurisdiction of the Court to resolve any dispute with respect to or arising from this Agreement; *provided, however*, that following entry of a final decree closing the Chapter 11 Cases, the parties hereto shall be subject to the exclusive jurisdiction of the federal and state courts located in the State of Delaware.

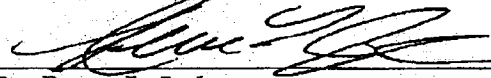
e. This Agreement shall be deemed to have been jointly drafted by the Parties, and any uncertainty or omission shall not be construed as an attribution of drafting by any party.

f. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the date first written above.

**DOLAN LLC, for itself and the
Reorganized Debtors**



By: Renee L. Jackson

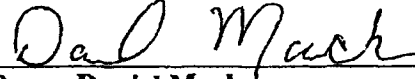
Title: Vice President and General Counsel

**BAYSIDE CAPITAL, INC., for itself, its
subsidiaries, and its affiliates,**



By: Richard Siegel
Title: General Counsel

**NANTAHALA CAPITAL
MANAGEMENT, LLC, for itself, its
subsidiaries, its affiliates, and its clients**

A handwritten signature in cursive script, appearing to read "Daniel Mack", is written over a horizontal line.

**By: Daniel Mack
Title: Managing Member**