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21 Counsel for Defendants

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24 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
25 IN AND FOR THE COUNTY OF SAN FRANCISCO

26  
27

28 ANN MORALES, CARLOS MORALES, LAURA )  
29 A. ALVARADO, ROBERTO L. ALVARADO, )  
30 SHERALD ANN COFFEY, SIMMIE LEE )  
31 COFFEY, IRENE CORONA, JOSE CORONA, )  
32 DANIEL FARDEN, PATRICIA FARDEN, )  
33 MARTHA HENDERSON, CHARLES LENT, )  
34 SANDRA LENT, IRMA MIDDLEBROOKS, )  
35 AND AUNOA UIAGALEILI, On Behalf of )  
36 Themselves And All Others Similarly) )  
37 Situated )

38

Plaintiffs, )

39

40

v. )

41

42 ASSOCIATES FIRST CAPITAL )  
43 CORPORATION, ASSOCIATES )  
44 CORPORATION OF NORTH AMERICA, )  
45 ASSOCIATES FINANCIAL SERVICES )  
46 COMPANY OF CALIFORNIA, INC., )  
47 ASSOCIATES LIFE INSURANCE COMPANY, )  
48 CITIGROUP INC., CITIFINANCIAL )  
49 CREDIT COMPANY AND DOES 1-50 )  
50 Defendants. )

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Co-Lead Counsel for  
Plaintiffs

Judicial Council  
Coordination  
Proceeding No. 4197

**STIPULATION OF  
SETTLEMENT**

1           IT IS HEREBY STIPULATED AND AGREED, by, between  
2 and among Ann Morales, Carlos Morales, Laura A. Alvarado,  
3 Roberto L. Alvarado, Sherald Ann Coffey, Simmie Lee Coffey,  
4 Irene Corona, Jose Corona, Daniel Farden, Patricia Farden,  
5 Martha Henderson, Charles Lent, Sandra Lent, Irma  
6 Middlebrooks, and Aunoa Uiagaleili in their individual and  
7 representative capacities ("the Named Plaintiffs" or  
8 "Plaintiffs"), and Associates First Capital Corporation,  
9 Associates Corporation of North America, Associates  
10 Financial Services Company of California, Inc., Associates  
11 Financial Life Insurance Company, Citigroup Inc.,  
12 CitiFinancial Credit Company and Does 1-50 ("The Associates  
13 Parties" or "Defendants") through their duly authorized  
14 counsel, that the lawsuit captioned *Ann Morales, Carlos  
15 Morales, Laura A. Alvarado, Roberto L. Alvarado, Sherald  
16 Ann Coffey, Simmie Lee Coffey, Irene Corona, Jose Corona,  
17 Daniel Farden, Patricia Farden, Martha Henderson, Charles  
18 Lent, Sandra Lent, Irma Middlebrooks, and Aunoa Uiagaleili  
19 v. Associates First Capital Corporation, Associates  
20 Corporation of North America Associates Financial Services  
21 Company of California, Inc., Associates Financial Life  
22 Insurance Company, Citigroup Inc., CitiFinancial Credit  
23 Company and Does 1-50, (the "National Class Case"), and  
24 the matters raised by the National Class Case, are settled,*

1 compromised and dismissed on the merits and with prejudice  
2 on the terms and conditions set forth in this Stipulation  
3 of Settlement ("Stipulation") and the Release set forth  
4 herein, subject to the approval of the Court.

5 **I. INTRODUCTION**

6 A. On May 8, 1996, certain of Plaintiffs' Counsel  
7 filed a national class action complaint in the District  
8 Court of Dallas County, Texas, which was captioned *Carter*  
9 *v. Associates Financial Services Co. et al.*, No. 96-04652  
10 (the "Texas case"). On May 5, 1999, the Texas court denied  
11 the Plaintiffs' motion to certify a nationwide class of  
12 borrowers with flipping and packing claims, and in March  
13 2000 the Texas case was settled on an individual basis. In  
14 April 1997 certain of Plaintiffs' Counsel commenced a  
15 lawsuit in the United States district of Arizona, Tucson  
16 Division, which is captioned *Siemer v. Associates Financial*  
17 *Services Co., et al.*, No. 97-281-TUC-JMR-JCC ("Arizona  
18 Case") in which plaintiffs sought a nationwide class  
19 challenging The Associates' policies and practices  
20 involving refinancing or sale of credit insurance; in March  
21 2001 the Court certified an Arizona state class on a single  
22 issue relating to credit life insurance. In November 1999  
23 certain of Plaintiffs' Counsel filed a complaint in the  
24 Superior Court of New Jersey, Atlantic Division, which was

1 captioned, *Gras v. Associates First Capital Corp.*, Docket  
2 No. 52,442 ("New Jersey case") in which plaintiffs sought  
3 certification of a New Jersey class challenging the sale of  
4 credit insurance. The case was ordered to arbitration on  
5 an individual basis. In May 2000 certain Plaintiffs'  
6 Counsel filed a class action in the Circuit Court for the  
7 City of St. Louis, which is captioned *Watson v. Associates*  
8 *Financial Life Ins. Co.*, No. 002-00424 (Cit. Ct. City of  
9 St. Louis)("Missouri Case") in which plaintiffs seek to  
10 certify a state-wide class challenging the sale of credit  
11 insurance. In February 2001 certain Plaintiffs' Counsel  
12 filed a class action in the Circuit Court for Madison  
13 County, Illinois, which is captioned *Robinson v. Associates*  
14 *Financial Life Ins. Co.*, No. 01-L-206 ("Illinois Case"), in  
15 which plaintiffs seek certification of a state-wide class  
16 challenging The Associates' sale of credit insurance.

17 B. In April 2002, certain of Plaintiffs' Counsel  
18 filed a class action which is captioned *Burnes v.*  
19 *Associates Financial Insurance Company* in which Plaintiffs  
20 seek certification of nationwide class challenging The  
21 Associates' sale of credit insurance ("Tennessee Case").  
22 Collectively, the Arizona case, New Jersey case, Missouri  
23 case, Illinois case and Tennessee case are referred to as  
24 the "Other Class Cases."

1 C. On March 6, 2001, the FTC filed a complaint ("FTC  
2 Complaint") captioned *Federal Trade Commission v. Citigroup*  
3 *Inc., CitiFinancial Credit Company, Associates First*  
4 *Capital Corporation, and Associates Corporation of North*  
5 *America*, Civil Action File No. 1:01-CV-00606 (JTC) (N.D.  
6 Ga.) A Stipulated Judgment resolving that case will be  
7 filed simultaneously with this Settlement Stipulation.

8 D. On and after June 25, 2001 Plaintiffs filed a  
9 series of five state class actions in California state  
10 courts.

11 E. On February 21, 2002, Plaintiffs combined those  
12 five cases and filed a Consolidated Amended Class Action  
13 Complaint for Violation of the Consumer Legal Remedies Act,  
14 Unfair, Unlawful and Fraudulent Business Practices, Breach  
15 of the Covenant of Good Faith and Fair Dealing, Fraud,  
16 Fraudulent Concealment and Deceit and Unjust Enrichment in  
17 San Francisco County Superior Court.

18 F. Simultaneously with filing this Stipulation of  
19 Settlement, Plaintiffs filed an Amended Consolidated Class  
20 Action Complaint for Violation of the Consumer Legal  
21 Remedies Act, Unfair, Unlawful and Fraudulent Business  
22 Practices, Breach of the Covenant of Good Faith and Fair  
23 Dealing, Fraud, Fraudulent Concealment and Deceit and

1 Unjust Enrichment ("National Class Complaint") in San  
2 Francisco County Superior Court seeking certification for  
3 Settlement purposes of a nationwide Credit Insurance Class  
4 and a nationwide Refinance Class.

5 G. Both the FTC Complaint and the National Class  
6 Complaint assert claims regarding The Associates' sale of  
7 Credit Insurance in connection with real estate secured and  
8 personal loans. Only the National Class Complaint asserts  
9 claims in connection with The Associates' refinancing of  
10 real estate secured loans. Claims in connection with  
11 refinancing of real estate secured loans have been asserted  
12 in each of the five California cases since their inception.

13 H. Plaintiffs and their Counsel have agreed to  
14 settle the National Class Case and the Other Class Cases  
15 defined in Paragraph 1B pursuant to the provisions of this  
16 Stipulation, considering, among other things, (i) the  
17 substantial benefits available to Plaintiffs and the Class  
18 under the terms of this Stipulation; (ii) the attendant  
19 risks and uncertainty of litigation, especially in complex  
20 litigation such as this, as well as the difficulties and  
21 delays inherent in such litigation; and (iii) the  
22 desirability of consummating this Stipulation promptly to  
23 provide effective relief to Plaintiffs and the Class.

1 I. Defendants have denied and continue to deny each  
2 and all of the claims and contentions alleged by Plaintiffs  
3 in the National Class Case. Defendants expressly have  
4 denied and continue to deny all charges of wrongdoing or  
5 liability against them arising out of or relating to any of  
6 the conduct, statements, acts or omissions alleged, or that  
7 could have been alleged, in the National Class Case.  
8 Defendants also have denied and continue to deny the  
9 allegations that Plaintiffs and Class Members have suffered  
10 damage or were harmed by the conduct alleged in the  
11 National Class Case. Nonetheless, Defendants and their  
12 counsel have concluded that further conduct of litigation  
13 would be protracted and expensive and would not be in the  
14 best interest of Defendants, and that it is desirable that  
15 the National Class Case be fully and finally settled in the  
16 manner and upon the terms and conditions set forth in this  
17 Stipulation.

18 J. Since the acquisition of The Associates in  
19 November of 2000, Citigroup Inc. has voluntarily adopted a  
20 series of consumer-oriented initiatives that address  
21 concerns raised by regulatory agencies, including the FTC,  
22 consumer groups, legislators, private litigants, including  
23 the Plaintiffs herein, and others regarding The Associates'  
24 pre-acquisition lending practices. These consumer-oriented

1 initiatives were aimed at setting a high standard for sales  
2 practices in the subprime lending industry. Consistent  
3 with these initiatives and in the best interests of all  
4 concerned parties, Citigroup Inc. has agreed to address the  
5 FTC and Plaintiffs' concerns with The Associates' pre-  
6 acquisition lending practices by providing monetary redress  
7 in the form agreed herein to customers who obtained loans  
8 from The Associates prior to the Citigroup acquisition.

9 K. The proposed settlement incorporates two forms of  
10 relief. With respect to allegations related to the sale of  
11 Credit Insurance, the proposed settlement incorporates  
12 relief in the amount of a \$215 million consumer redress  
13 program set forth in the Stipulated Judgment in the FTC  
14 Action. With respect to the allegations related to real  
15 estate secured loan refinancings, Defendants will establish  
16 a redress fund of \$25 million for eligible Class Members to  
17 obtain redress. Plaintiffs and Co-Lead Counsel agree that  
18 this relief is fair, reasonable and adequate because it  
19 provides substantial benefits to the Class, is in the best  
20 interests of the Class and fairly resolves the claims  
21 alleged.



1 **II. DEFINITIONS**

2 A. As used in this Stipulation and the annexed  
3 exhibits, which are an integral part of this Stipulation  
4 and are incorporated in their entirety by reference, the  
5 following terms have the following meanings, unless a  
6 section or subsection of this Stipulation provides  
7 otherwise:

8 1. "Attorneys' Fees and Expenses" means such  
9 funds as may be awarded to Co-Lead Counsel to compensate  
10 them and any other attorneys for Plaintiffs in the National  
11 Class Case for their fees and expenses in connection with  
12 the National Class Case.

13 2. "Class" or "Class Member" means members of  
14 two sub-classes as follows:

15 a. Credit Insurance Sub-Class - All  
16 customers of The Associates in the United States and its  
17 territories who purchased credit insurance in connection  
18 with a real estate-secured or personal loan originated by  
19 The Associates between December 1, 1995 and November 30,  
20 2000, except: (i) consumers who purchased a credit  
21 insurance product but then cancelled it and obtained a full  
22 premium refund; and (ii) consumers who have released,  
23 individually or as part of a class, any and all claims

1 related to credit insurance purchased in connection with  
2 loans originated by The Associates, including but not  
3 limited to such releases in connection with the North  
4 Carolina Attorney General's settlement with The Associates  
5 (publicly announced on September 6, 2001), *Darden v. Ford*  
6 *Consumer Finance, Inc.*, No. E-62360 (Superior Court, Fulton  
7 County, Georgia), and *Wood v. Associates*, No. CV-97-1-3977-  
8 35 (Superior Court, Cobb County, Georgia).

9           b. Refinance Sub-Class - All customers of  
10 The Associates in the United States who refinanced with The  
11 Associates between December 1, 1995 and November 30, 2000 a  
12 real estate secured loan originated by The Associates,  
13 except: (i) customers who have released, individually or  
14 as part of a class, any and all claims against The  
15 Associates in connection with refinancing or alleged  
16 "flipping" of real estate secured loans originated by The  
17 Associates in connection with any state, federal or private  
18 legal action, or any other matter; and (ii) employees of  
19 Defendants and The Associates.

20           3. "Class Redress Process" means the process  
21 through which Class Members may obtain redress for  
22 allegations related to loan refinancing.

1           4.    "Class Notice" means the legal notice to be  
2 sent to Class Members containing the terms of the proposed  
3 settlement as well as other claims related information and  
4 materials.

5           5.    "Class Period" means the period from  
6 December 1, 1995 through November 30, 2000, inclusive.

7           6.    "Co-Lead Counsel" means the firms of  
8 Cotchett, Pitre, Simon, & McCarthy, LLP, San Francisco  
9 Airport Office Center, 840 Malcolm Road, Suite 200, San  
10 Francisco, CA 94010 and Milberg Weiss Bershad Hynes &  
11 Lerach, LLP, One Pennsylvania Plaza, 49<sup>th</sup> Floor, New York,  
12 NY 10119-0165 who have been designated as Plaintiffs' Co-  
13 Lead Counsel.

14          7.    "Co-Liaison Counsel" means the firms of  
15 Lieff, Cabraser, Heimann & Bernstein, LLP, 275 Battery  
16 Street, 30<sup>th</sup> Floor, San Francisco, CA 94111 and Wasserman,  
17 Comden, Casselman & Pearson LLP, 5567 Reseda Blvd., Suite  
18 330, Tarzana, CA 91356 who have been designated as  
19 Plaintiffs' Co-Liaison Counsel.

20          8.    "Credit Insurance" means credit life  
21 insurance, accident and health insurance, involuntary  
22 unemployment insurance, and personal property insurance

1 purchased in conjunction with personal and real estate  
2 loans originated by The Associates during the Class Period.

3 9. "Defendants" means Citigroup Inc.,  
4 CitiFinancial Credit Company, Associates First Capital  
5 Corporation, and Associates Corporation of North America,  
6 Associates Financial Services Company of California, Inc.,  
7 Associates Financial Life Insurance Company, and Does 1-50.

8 10. "Fairness Hearing" means the hearing at or  
9 after which the Court will decide whether to grant final  
10 approval to this Stipulation as fair, reasonable and  
11 adequate.

12 11. "Final Order and Judgment" means the order  
13 granting final approval of this Stipulation, and the  
14 judgment entered pursuant to that order.

15 12. "Final Settlement Date" means the date on  
16 which the Final Order and Judgment approving this  
17 Stipulation becomes final. For purposes of this  
18 definition, the Final Order and Judgment shall become  
19 final:

20 a. If no appeal is taken therefrom, two  
21 days after the date on which time to appeal therefrom has  
22 expired;

1                   b.    If any appeal is taken therefrom, on  
2 two days after the date on which all appeals therefrom,  
3 including petitions for rehearing or reargument, petitions  
4 for rehearing *en banc* and petitions for *certiorari* or any  
5 other form of review, have been finally disposed of in a  
6 manner resulting in an affirmance of the Final Order and  
7 Judgment without material modification; or

8                   c.    On a date after entry of the Final  
9 Order and Judgment, which date counsel for the Parties  
10 agree to in writing.

11                   13. "FTC Action" means the lawsuit captioned  
12 *Federal Trade Commission v. Citigroup Inc., CitiFinancial*  
13 *Credit Company, Associates First Capital Corporation, and*  
14 *Associates Corporation of North America*, Civil Action File  
15 No. 1:01-CV-00606 (JTC) (N.D. Ga.).

16                   14. "FTC Redress Process" means the process  
17 established and administered by the FTC through which Class  
18 Members may obtain relief for the claims alleged in the  
19 National Class Complaint related to Credit Insurance.

20                   15. "FTC Complaint" means the complaint filed in  
21 the FTC Action.

22                   16. "National Class Case" means the lawsuit  
23 captioned *Ann Morales, Carlos Morales, Laura A. Alvarado,*

1 *Roberto L. Alvarado, Sherald Ann Coffey, Simmie Lee Coffey,*  
2 *Irene Corona, Jose Corona, Daniel Farden, Patricia Farden,*  
3 *Martha Henderson, Charles Lent, Sandra Lent, Irma*  
4 *Middlebrooks, and Aunoa Uiagaleili v. Associates First*  
5 *Capital Corporation, Associates Corporation of North*  
6 *America Associates Financial Services Company of*  
7 *California, Inc., Associates Financial Life Insurance*  
8 *Company, Citigroup Inc., CitiFinancial Credit Company and*  
9 *Does 1-50, Judicial Council Coordination Proceeding No.*  
10 *4197.*

11           17. "National Class Complaint" means the  
12 complaint filed in the National Class Case.

13           18. "Parties" or "Party" means Plaintiffs or  
14 Named Plaintiffs (in their individual and representative  
15 capacities) and/or Defendants collectively and, where  
16 applicable, their respective counsel.

17           19. "Plaintiffs" or "Named Plaintiffs" means Ann  
18 Morales, Carlos Morales, Laura A. Alvarado, Roberto L.  
19 Alvarado, Sherald Ann Coffey, Simmie Lee Coffey, Irene  
20 Corona, Jose Corona, Daniel Farden, Patricia Farden, Martha  
21 Henderson, Charles Lent, Sandra Lent, Irma Middlebrooks,  
22 and Aunoa Uiagaleili.

1           20. "Preliminary Approval Order" means the order  
2 to be entered by the Court concerning notice,  
3 administration and the Fairness Hearing, annexed hereto as  
4 Exhibit 1.

5           21. "Refinance" means to payoff a real estate  
6 secured loan with the proceeds of another loan secured by  
7 the same real estate.

8           22. "Release" means the release and waiver set  
9 forth in Section VIII of this Stipulation.

10          23. "Releasees" means Defendants and each of  
11 their past, present and future parents (including  
12 intermediate and ultimate parents), subsidiaries,  
13 predecessors, successors and assigns, and each of their  
14 respective past, present and future officers, directors,  
15 employees, general agents, agents, branch managers,  
16 producers, brokers, solicitors, representatives, attorneys,  
17 heirs, administrators, executors, insurers, predecessors,  
18 successors and assigns, or any person or entity acting on  
19 their behalf or at the direction of them.

20          24. "Stipulated Judgment" means the stipulated  
21 judgment to be filed in the United State District Court for  
22 the Northern District of Georgia, Atlanta Division,  
23 resolving the claims made in the FTC Complaint.

1           25. "Stipulation" or "Stipulation of Settlement"  
2 means this Stipulation of Settlement and attached exhibits,  
3 including any subsequent amendments thereto and any  
4 exhibits to such amendments.

5           26. "The Associates" means Associates First  
6 Capital Corporation, Associates Corporation of North  
7 America and all their subsidiaries and affiliates as they  
8 existed prior to the merger with Citigroup Inc. on November  
9 30, 2000.

10 **III. CLASS CERTIFICATION**

11           A. The Parties will submit to the Court the  
12 Preliminary Approval Order substantially in the form  
13 annexed hereto as Exhibit 1 which, among other things,  
14 shall certify the Class for settlement purposes only and  
15 shall approve Named Plaintiffs as adequate representatives  
16 of the Class.

17           B. Defendants do not consent to certification of the  
18 Settlement Class for any purpose other than to effectuate  
19 the settlement of the National Class Case. If this  
20 Stipulation is terminated pursuant to its terms or for any  
21 other reason, the order certifying the Class and all  
22 preliminary and/or final findings regarding the Preliminary  
23 Approval Order shall be automatically vacated upon notice



1 to the Court of the termination of the Stipulation, and the  
2 litigation shall proceed as though the Settlement Classes  
3 had never been certified and such findings had never been  
4 made.

5 **IV. SETTLEMENT RELIEF**

6 A. The Credit Insurance Sub-Class will accept as  
7 complete relief for the Claims advanced relating to Credit  
8 Insurance the FTC Redress Process established pursuant to  
9 the Stipulated Judgment in the FTC Action that requires  
10 Defendants to establish a \$215 million redress fund that  
11 the FTC will distribute pursuant to the FTC Redress  
12 Process. Pursuant to this Stipulation, Class Members will  
13 have an opportunity to participate in the FTC Redress  
14 Process and potentially to receive a full or partial refund  
15 of any insurance premium paid to The Associates in  
16 conjunction with the purchase of Credit Insurance during  
17 the Class Period. A significant factor in the \$215 million  
18 settlement is the existence of the National Class Case.

19 B. Defendants, Plaintiffs and Plaintiffs' counsel  
20 will be consulted regarding, and have input in, the  
21 administration of the FTC Redress Process, however, the FTC  
22 shall have sole discretion with respect to the FTC Redress  
23 Process.

1 C. For the Refinance Sub-Class, Defendants have  
2 agreed to establish a fund of \$25 million to be distributed  
3 through a Class Redress Process that will be established  
4 and submitted to the Court for approval at the hearing on  
5 Preliminary Approval.

6 D. The Refinance Class Redress Process shall be  
7 administered by an administrator selected by Plaintiffs  
8 with input of Defendants. Defendants shall deposit the \$25  
9 million into an interest bearing escrow account within 10  
10 days of an order being signed and entered granting  
11 preliminary approval of the settlement. All notice and  
12 administrative costs, except as provided below, shall be  
13 paid from the fund and interest accrued thereon. Said  
14 funds shall be released for distribution to class members  
15 no sooner than the Final Settlement Date. Interest will  
16 continue to accrue at all times on the escrow amount for  
17 the benefit of Plaintiffs.

18 E. Notwithstanding the foregoing, in connection with  
19 the Class Notice, The Associates Parties shall bear and pay  
20 the costs of providing and updating the data necessary to  
21 ascertain the last known address of the Refinance Sub-Class  
22 Members for purposes of sending the Class Notice, and  
23 crediting Class Members' account and notifying Class

1 Members of such credits to their accounts. Furthermore, in  
2 connection with the Refinance Class Redress Process, The  
3 Associates Parties shall match loans with borrowers or  
4 otherwise correct material deficiencies in the data set  
5 provided by The Associates Parties, and bear the cost of  
6 such work.

7 F. Reasonable incentive awards may be paid to the  
8 named plaintiffs who have asserted refinancing claims from  
9 the Class Redress Process Fund. Defendants will pay an  
10 additional \$85,000 in incentive awards to 17 named  
11 plaintiffs (Simmi L. Coffey, Roberto E. & Laura A.  
12 Alvarado, Quentin & Alvina M. Siemer, Alphonso & Helen  
13 Gamboa, Robert E. & Evelyn L. Gras, Leroy & Linda Robinson,  
14 James M. & Sharideth A. Watson, Kathryn Rehkop and Mark  
15 Remspecher, Hilton J. and Laurie L. Burnes) who are in  
16 cases being dismissed herein and who have not asserted  
17 refinancing class claims.

18 G. The Arizona Case class members whose loans were  
19 originated prior to December 1, 1995 shall be compensated  
20 separately in addition to the \$215 million fund on the same  
21 terms as similar Credit Insurance Sub-Class Members who had  
22 loans originated after December 1, 1995 and purchased  
23 credit life insurance. The funds required for this

1 compensation to such Arizona Case Class Members shall be  
2 deposited in an interest bearing account within 30 days  
3 after the deadline for filing claims related to the FTC  
4 Redress Process regarding Credit Insurance.

5 H. In the event that the provision of a particular  
6 form of relief would cause an adverse tax consequence to  
7 the Class Member, Defendants shall not be obligated to  
8 provide that form of relief, or to compensate Class Member  
9 for the tax consequence.

10 I. Defendants and Co-Lead Counsel agree and warrant  
11 that they will act in good faith in overseeing and  
12 implementing this Stipulation.

13 **V. CLASS NOTICE**

14 A. No later than 60 days before the Fairness  
15 Hearing, the FTC and Plaintiffs shall cause to be sent, by  
16 first class mail, postage prepaid to each reasonably  
17 identifiable Class Member.

18 B. Defendants shall provide Co-Lead Counsel the data  
19 necessary to send the Class Notice to the Refinance Sub-  
20 Class members within the same time periods that Defendants  
21 are providing the data to the FTC necessary to send the  
22 Class Notice to the Credit Insurance Sub-Class.

1 C. In connection with the implementation of the FTC  
2 Redress Process, the FTC shall transmit such other forms  
3 and notices to Class Members of the Credit Insurance Sub-  
4 Class. In connection with the Refinance Class Redress  
5 Process, the Plaintiffs shall transmit such other necessary  
6 forms and notices to Class Members of the Refinance Sub-  
7 Class, if any, subject to the approval of Co-Lead Counsel,  
8 with input from Defendants, and the Court.

9 D. Plaintiffs' Co-Lead Counsel shall retain an  
10 Administrator to help implement the Refinance Redress  
11 Process. The Administrator may assist with various  
12 administrative tasks related to the Refinance Redress  
13 Process, including, without limitation, (i) mailing or  
14 arranging for the mailing of the Class Notice to Class  
15 Members, (ii) handling returned mail not delivered to Class  
16 members, (iv) attempting to obtain updated address  
17 information for any Class Notices returned without a  
18 forwarding address, (v) making one additional mailing to  
19 any Class Member for whom an updated address is located,  
20 (vi) receiving and maintaining on behalf of the Court any  
21 Class Member correspondence regarding requests for  
22 exclusion and objections to the Stipulation, and (vii) the  
23 issuance of checks to class members receiving payments from

1 the Refinance Redress Fund. The Administrator shall comply  
2 with all applicable abandoned property statutes.

3 **VI. OBJECTIONS TO SETTLEMENT**

4 A. Each Class Member who wishes to exclude  
5 himself/herself from the Class must submit an appropriate  
6 written request for exclusion, including his/her name,  
7 address and telephone number, with the Clerk of the Court,  
8 in care of the post-office box rented for that purpose not  
9 later than 20 days before the Fairness Hearing. No Class  
10 Member, or any person acting on behalf of or in concert or  
11 participation with that Class Member, may exclude any other  
12 Class Member from the Class. The original requests for  
13 exclusion shall be filed with the Court by Co-Lead Counsel  
14 at or before the Fairness Hearing. If the proposed  
15 settlement is approved, any and all Class Members who have  
16 not submitted a timely, written request for exclusion from  
17 the Class shall be bound by all proceedings, orders and  
18 judgments in the Class Action, even if those persons have  
19 previously initiated or subsequently initiate individual  
20 litigation or other proceedings against the Defendants (or  
21 any of them) relating to the claims alleged in the National  
22 Class Action.

1           B.    Any Class Member who has not filed a timely  
2 written request for exclusion and who wishes to object to  
3 the fairness, reasonableness or adequacy of this  
4 Stipulation or the proposed settlement, or to the award of  
5 Attorneys' Fees and Expenses, must deliver to Co-Lead  
6 Counsel and Defendants' Counsel and file with the Court, no  
7 later than 20 days before the Fairness Hearing or as the  
8 Court may otherwise direct, a statement of his/her  
9 objection, as well as the specific reason(s), if any, for  
10 each objection, including any legal support the Class  
11 Member wishes to bring to the Court's attention and any  
12 evidence the Class Member wishes to introduce in support of  
13 the objection. Class Members may so object either on their  
14 own or through an attorney hired at their own expense.

15           C.    If a Class Member hires an attorney to represent  
16 him/her, the attorney must (i) file a notice of appearance  
17 with the Clerk of Court no later than 20 days before the  
18 Fairness Hearing, or as the Court may otherwise direct, and  
19 (ii) deliver to Co-Lead Counsel and Defendants' Counsel not  
20 later than 20 days before the Fairness Hearing a copy of  
21 the same.

22           D.    Any Class Member who files and serves a written  
23 objection may appear at the Fairness Hearing, either in

1 person or through personal counsel hired at the Class  
2 Member's expense, to object to the fairness, reasonableness  
3 or adequacy of this Stipulation or the proposed settlement,  
4 or the award of Attorneys' Fees and Expenses. Class  
5 Members and their attorneys intending to make an appearance  
6 at the Fairness Hearing must deliver to Co-Lead Counsel and  
7 Defendants' Counsel and file with the Court no later than  
8 20 days before the Fairness Hearing, or as the Court may  
9 otherwise direct, a notice of intention to appear as well  
10 as a written description of their objections to the  
11 settlement.

## 12 **VII. ATTORNEYS' FEES AND EXPENSES**

13 A. Co-Lead Counsel agree to make an application for  
14 an award of Attorneys' Fees and Expenses in the National  
15 Class Case to be set by the JAMS Mediators, the Honorable  
16 Eugene F. Lynch (Ret.) and The Honorable Daniel Weinstein  
17 (Ret.). Such Attorneys' Fees and Expenses shall be set by  
18 said mediators between \$20 and \$25 million. Defendants  
19 will deposit the Attorneys' Fees and Expenses into an  
20 interest-bearing escrow account 10 days after the  
21 Preliminary Approval Order is signed and entered. The  
22 amount deposited, with interest accrued thereon, will be  
23 distributed to Plaintiffs' Co-Lead Counsel no sooner than  
24 on the Final Settlement Date. Interest will continue to



1 accrue at all times on the escrow amount for the benefit of  
2 Plaintiffs' Counsel.

3 B. Co-Lead Counsel, in its discretion and in  
4 consultation with the JAMS Mediators, The Honorable Eugene  
5 F. Lynch (Ret.) and The Honorable Daniel Weinstein (Ret.),  
6 shall allocate and distribute this award of Attorneys' Fees  
7 and Expenses among counsel for the National Class.

8 C. If the Court denies, in whole or part, Co-Lead  
9 Counsel's fee and expense application, the remainder of the  
10 terms of this agreement shall remain in effect.

11 **VIII. RELEASE, WAIVER AND ORDER OF DISMISSAL**

12 A. **Release and Waiver**. Plaintiffs and the Class  
13 agree to the following release and waiver, which shall take  
14 effect upon entry of the Final Order and Judgment:

15 1. Plaintiffs and all Class Members hereby  
16 expressly agree that they shall release and discharge the  
17 Releasees from, and shall not now or hereafter institute,  
18 participate in, maintain, maintain a right to or assert  
19 against the Releasees, either directly or indirectly, on  
20 their own behalf, or on behalf of the Class or any other  
21 person or entity, any and all causes of action, claims,  
22 damages, awards, equitable, legal and administrative  
23 relief, interest, demands or rights, including, without

1 limitation, claims for rescission, restitution for all  
2 damages of any kind, including those in excess of actual  
3 damages, and claims for mental anguish, whether based on  
4 federal, state or local law, statute, ordinance,  
5 regulation, contract, common law, or any other source, that  
6 have been, could have been, may be or could be alleged or  
7 asserted now or in the future by Plaintiffs or any Class  
8 Member against the Releasees or any of them in the National  
9 Class Case or in any other court action or before any  
10 administrative body (including any brought by or on behalf  
11 of any state attorney general or Department of Insurance or  
12 other regulatory entity or state prosecutorial or other  
13 organization), tribunal, arbitration panel, or other  
14 adjudicatory body, in connection with all purchases of  
15 Credit Insurance in connection with a real estate secured  
16 or personal loan originated by The Associates between  
17 December 1, 1995 and November 30, 2000 and in connection  
18 with the refinance by The Associates between December 1,  
19 1995 and November 30, 2000 of a real estate secured loan  
20 originated by The Associates.

21           2. In connection with this Release, Plaintiffs  
22 and the Class Members acknowledge that they are aware that  
23 they may hereafter discover claims presently unknown or  
24 unsuspected, or facts in addition to or different from

1 those that they now know or believe to be true with respect  
2 to the matters released herein or with respect to their  
3 Policies for acts, facts, circumstances or transactions  
4 occurring or arising during the Class Period.

5 Nevertheless, it is the intention of Plaintiffs and the  
6 Class Members in executing this Release fully, finally and  
7 forever to settle and release all such matters, and all  
8 claims relating thereto, which exist, hereafter may exist,  
9 or might have existed (whether or not previously or  
10 currently asserted in any action or proceeding) in  
11 connection with all purchases of Credit Insurance in  
12 connection with a real estate secured or personal loan  
13 originated by The Associates between December 1, 1995 and  
14 November 30, 2000 and in connection with the refinance by  
15 The Associates between December 1, 1995 and November 30,  
16 2000 of a real estate secured loan originated by The  
17 Associates.

18           3. In connection with the foregoing, Plaintiffs  
19 acknowledge that they are familiar with and hereby waive  
20 and relinquish any and all rights and benefits they may  
21 have under the laws of any state, similar to and including  
22 Section 1542 of the California Civil Code, which provides  
23 as follows: A general release does not extend to claims  
24 which the creditor does not know or suspect to exist in his

1 favor at the time of executing the release, which if known  
2 by him must have materially affected his settlement with  
3 the debtor.

4           4. All other individual and class cases against  
5 The Associates in which one or more of Plaintiffs' counsel  
6 is counsel of record, including, but not limited, to the  
7 Other Class Cases, shall be dismissed with prejudice by the  
8 Final Settlement Date. In addition, the Beasley, Allen  
9 class action case in Tennessee captioned *Lee v. Citigroup*  
10 *Inc.*, No. CH-02-0897-1 (Chancery Court of Shelby County,  
11 Tenn.), shall be dismissed with prejudice.

12           5. Plaintiffs and the Class Members hereby  
13 agree and acknowledge that the provisions of this Release  
14 together constitute an essential term of the Stipulation.

15           6. Nothing in this Stipulation of Settlement  
16 shall in any way compromise any Class Member's right to  
17 pursue a claim for payment on any Credit Insurance policy,  
18 or any claim related to the proper servicing of a loan.

19           B. **Order of Dismissal and Release.** The Parties will  
20 seek and obtain from the Court a Final Order and Judgment  
21 (for which, as a condition of settlement, the time for  
22 appeal has expired without any modifications in the Final  
23 Order and Judgment). The Final Order and Judgment shall,

1 among other things, (i) approve this Stipulation as fair,  
2 reasonable and adequate, (ii) dismiss the National Class  
3 Case with prejudice and on the merits, and (iii)  
4 incorporate the terms of the Release.

5 **IX. PRELIMINARY APPROVAL AND FINAL ORDER AND JUDGMENT**

6 A. Immediately upon the execution of this  
7 Stipulation, the Parties will submit this Stipulation to  
8 the Court and apply for a Preliminary Approval Order,  
9 annexed hereto as Exhibit 1.

10 B. Plaintiffs will not request exclusion from the  
11 Class, will not object to the proposed settlement, and will  
12 not file an appeal from or seek review of any order  
13 approving the proposed settlement in its current form.

14 C. It is a condition of the settlement that the  
15 Court enter a Final Order and Judgment as substantially  
16 similar to the Proposed Preliminary Approval Order.

17 **X. MODIFICATION OR TERMINATION OF THE STIPULATION**

18 A. The terms and provisions of this Stipulation may  
19 be amended, modified or expanded by Stipulation of the  
20 Settling Parties.

21 B. The Parties agree to have the JAMS Mediators, The  
22 Honorable Eugene F. Lynch (Ret.) and The Honorable Daniel  
23 Weinstein (Ret.), resolve any disputes that may arise among

1 the Parties and/or their attorneys with respect to this  
2 Stipulation.

3 C. The Stipulation will terminate at the sole option  
4 and discretion of Defendants or Plaintiffs if:

5 1. The Court, or any appellate court(s),  
6 rejects, modifies or denies approval of any material  
7 portion of the Proposed Settlement.

8 2. The Court, or any appellate court(s), does  
9 not enter or completely affirm, or alters or expands, any  
10 material portion of the Final Order and Judgment.

11 The terminating party must exercise the option to  
12 withdraw from and terminate the Stipulation no later than  
13 30 days after receiving written notice of the event  
14 prompting the termination.

15 D. If an option to withdraw from and terminate the  
16 Stipulation arises, neither Defendants nor Plaintiffs are  
17 required for any reason or under any circumstance, to  
18 exercise their option.

19 E. If the Stipulation is terminated, then:

20 1. This Stipulation shall be null and void and  
21 shall have no force or effect, and no party to this  
22 Stipulation shall be bound by any of its terms;

1           2.    This Stipulation, all of its provisions, and  
2 all negotiations, statements and proceedings relating to it  
3 shall be without prejudice to the rights of Defendants,  
4 Plaintiffs or any other Class Member, all of whom shall be  
5 restored to their respective positions (regarding the  
6 provisions of this Stipulation) existing immediately before  
7 the execution of the Term Sheet;

8           3.    Neither this Stipulation, nor the fact of  
9 its having been made, shall be admissible or entered into  
10 evidence for any purpose whatsoever; and

11          4.    Any order or judgment with respect to the  
12 settlement referred to herein entered after the date of  
13 this Stipulation will be deemed vacated and will be without  
14 any force or effect.

15 **XI. CONTINUING JURISDICTION**

16          1.    The Superior Court for the City and County  
17 of San Francisco will have continuing jurisdiction over the  
18 National Class Case until the matter is resolved.

19          2.    The Parties agree that the JAMS Mediators  
20 will resolve any disputes that may arise among the Parties  
21 and/or their attorneys with respect to the settlement  
22 agreement.

1 **XII. REPRESENTATIONS AND WARRANTIES**

2       A.     Subject to approval by the Court in the National  
3 Class Case, Co-Lead Counsel represents and warrants that it  
4 is authorized to enter into this Stipulation on behalf of  
5 the Plaintiffs in the National Class case and all Class  
6 Members (upon the Court's certification of the Class), and  
7 believes that it is in the best interests of the Plaintiffs  
8 and the National Class.

9       B.     Defendants' Counsel represents and warrants that  
10 it is authorized to enter into this Stipulation on behalf  
11 of all Defendants in the National Class Case.

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