

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN MATEO

Coordination Proceeding  
Special Title (Rule 1550(b))

JUDICIAL COUNCIL  
COORDINATION PROCEEDING  
NO.4061

**REVERSE MORTGAGE CASES**

**CLASS ACTION**

Included actions:

The San Mateo County Public Guardian, et al. v.  
Transamerica Corp., et al.

SAN MATEO SUPERIOR NO. 405495

Head, et al. v. Transamerica Corp., et al.

SAN FRANCISCO SUPERIOR NO. 997850

Walker, et al. v. Transamerica Corp., et al.

SAN MATEO SUPERIOR NO. 406465

**[PROPOSED] NOTICE OF CLASS ACTION  
AND SETTLEMENT**

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**THIS NOTICE MAY AFFECT YOUR RIGHTS**  
**PLEASE READ ALL OF IT CAREFULLY**

This Notice has been sent to you in the belief that you may be entitled to receive a payment by reason of the settlement of a lawsuit involving the following Transamerica HomeFirst, Inc. reverse mortgage loan:

**BORROWER(S):** \_\_\_\_\_

**LOAN NUMBER:** \_\_\_\_\_

**TO ALL OF THE FOLLOWING PERSONS:**

1. Individuals who at any time prior to January 1, 1999, have entered into a reverse mortgage loan with Transamerica Homefirst, Inc., which charges or charged the following fees:
  - “Contingent Interest” of 50% of the appreciation in the value of the borrower’s property between the dates the loan was made and becomes due; and
  - a premium for a deferred annuity acquired as part of the loan; and/or
  - a “Maturity Fee” of 2% of the value of the property at the loan’s maturity.

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[PROPOSED] NOTICE OF CLASS ACTION AND SETTLEMENT

These loans consist of all those reverse mortgage loans identified by the trade name "Lifetime," of which there were 1,588 according to Transamerica HomeFirst, Inc.'s records. They exclude those known by the trade name "Cash Account," as well as all other reverse mortgage products, if any, offered by Transamerica HomeFirst, Inc., Financial Freedom Senior Funding Corporation, Transamerica Corporation and Metropolitan Life Insurance Company. Any included loans which have not yet come due are now being serviced by Financial Freedom Senior Funding Corporation.

2. Legal successors-in-interest (such as conservators, executors, administrators, or guardians) of any borrower described in paragraph 1 above.
3. Heirs of any borrower described in paragraph 1 above who has died and who does not have a legal successor-in-interest as described in paragraph 2 above.

Individuals in the foregoing categories are members of a class of people whose rights may be affected by the proposed settlement of litigation described below.

If you are either (1) the borrower referenced above, (2) that borrower's guardian, conservator, executor, administrator or other legal successor-in-interest, or (3) an heir of that borrower (if the borrower has died and does not have a legal successor-in-interest), you are a class member and this Notice contains important information about your rights under the proposed settlement. Qualifying class members are entitled to a cash payment, which could be substantial, and in return will give up potentially substantial claims.

**Please note that the settlement will not affect the existing obligations of any such loan. For example, the lender and annuity provider will still be obligated to make monthly payments as set forth in the loan documents and the borrower will still be obligated to pay off the loan pursuant to the terms of the loan documents.**

This Notice answers the following questions:

1. Why should I read this Notice?
2. What is the Action about?
3. What has occurred in the Action?
4. What are the basic terms of the settlement?
5. Why is Plaintiffs' Counsel recommending this settlement?
6. What attorneys' fees and other costs will be paid out of the Settlement Sum?
7. What are the procedures for participating in the settlement?
8. What if I do not wish to participate in the settlement?
9. Where can I find additional information?

## **1. Why Should I Read This Notice?**

This Notice is given pursuant to an Order of the Superior Court of California in and for the County of San Mateo (the "Court"), dated December 20, 2002. The purpose of this Notice is to inform you of the settlement of a class action lawsuit (hereafter referred to as "the Action")

relating to Lifetime reverse mortgage loans made by Transamerica HomeFirst, Inc. The Action is entitled *Reverse Mortgage Cases*, J.C.C.P. No. 4061. The settlement is subject to final approval by the Court. If finally approved, the settlement will result in (a) a distribution of money to the class members and (b) the dismissal of the Action and the release of certain broad categories of potential or actual claims which class members may have against Transamerica HomeFirst, Inc., Transamerica Corporation, Transamerica Occidental Life Insurance Company, Metropolitan Life Insurance Company and/or Financial Freedom Senior Funding Corporation (“Defendants”). The terms of the settlement are described below in more detail.

**This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the merits of any of the claims or defenses asserted in the Action.**

## **2. What is The Action About?**

The Action consists of several class action lawsuits against defendants Transamerica HomeFirst, Inc., Transamerica Corporation, Metropolitan Life Insurance Company, and Financial Freedom Senior Funding Corporation, which have been combined before a single judge in California state court. Suing for themselves and on behalf of all other persons similarly situated, the named plaintiffs in the Action are (1) the San Mateo County Public Guardian, as special administrator of the Estate of Berta A. Gray; (2) George Goodrich, an individual, (3) Barbara DeVries, as conservator of the Estate of Teresita O. Zalbidea; (4) Morris Head as Executor and Court-Appointed Special Administrator of the Estate of Olathas “Tom” Crandell; (5) Mary Ann Hovis, as Executrix of the Estate of, and successor-in-interest to, Katherine Ofenbeck; (6) Jerome B. Walker, as Personal Representative of the Estate of Robert A. Walker; and Jerome B. Walker and Richard A. Walker, as successors in interest to Louise C. Walker; and (7) Margaret Mickey, as co-executrix of the estate of Kathleen Maloney. Mr. Goodrich is a California resident who entered into a Lifetime reverse mortgage loan with Transamerica HomeFirst, Inc. in California. The other named plaintiffs are heirs and/or legal successors-in-interest of such California borrowers, except that Ms. Mickey is the legal successor-in-interest of a New York borrower.

The Action asserts a number of claims against the defendants in connection with the marketing and making of “Lifetime” reverse mortgage loans nationally, including claims for fraud and negligent misrepresentation and claims for unfair and fraudulent business practices under California’s Business & Professions Code Section 17200, *et seq.* In general, the named plaintiffs contend that they and all borrowers generally were misled about the nature and effect of their loans’ terms, including the existence and amount of certain charges and fees, and the risks inherent in the loans. More specifically, the plaintiffs have alleged that three terms of the loans are unfair or were improperly concealed or misrepresented: (1) a “Contingent Interest” fee which requires the borrower to pay HomeFirst half of any appreciation in the value of the property which occurs during the loan’s term; (2) a “Life Annuity” issued by MetLife, which borrowers purchased from loan proceeds at the start of the loan; and (3) a “Maturity Fee” of two percent (2%) of the appreciated value of the property at the time the loan is paid off. The plaintiffs seek injunctive and equitable relief, a refund in whole or in part of the foregoing charges and/or fees, and recovery of profits allegedly earned by the defendants.

The defendants deny plaintiffs' allegations of wrongdoing. In addition to asserting numerous affirmative defenses to the claims, they assert that all relevant matters concerning the loans and annuities were fully and fairly disclosed to borrowers; that there is nothing unfair or unlawful about the loans' or the annuities' charges or features; and that the loans and associated annuities provide very substantial benefits to borrowers.

### **3. What Has Occurred In The Action?**

The Action has been pending since 1998 and has been vigorously litigated. Each side has conducted extensive factual discovery by means of written interrogatories, document requests and depositions. In addition, there have been multiple motions to the Court raising substantive legal issues, followed in two instances by interim appellate review. For example, the Court ruled, and the California Court of Appeal affirmed, that the provisions contained in the reverse mortgage loan documents requiring arbitration of disputes were unenforceable under California law.

In a Decision dated September 3, 2002, the Court determined that the Action could proceed as a class action on behalf of all Lifetime loan borrowers nationwide with respect to claims under California's Business & Professions Code Section 17200, *et seq.*, concerning the cumulative effect of the "Contingent Interest" fee, the "Maturity Fee", and the annuity premium and whether defendants should have explicitly disclosed the cumulative effect of these fees. The Court has expressly made no determination as to the merits of these claims and the defendants continue to deny Plaintiffs' allegations and assert instead that the reverse mortgage loans and accompanying annuities were fair. In certifying a nationwide class, the Court declined to enforce the choice-of-law clauses in each loan agreement, providing that the law of the state where the borrower resides governs. Instead, the Court held that California state law should apply to all transactions, nationwide. Further, the Court expressly denied Plaintiffs' request to have their fraudulent concealment and negligent misrepresentation claims resolved on a classwide basis, holding that individualized factual issues predominated over common factual issues, with respect to those claims. Because the parties are endeavoring to settle the Action, as described in this notice, no further consideration or appellate review of the class certification decision has been sought.

The Court has also found each of the named plaintiffs to be an adequate representative of the class and, pursuant to a stipulation of the parties added a seventh class representative, Margaret Mickey, as co-executrix of the estate of Kathleen Maloney, to serve as a representative of non-California borrowers.

Finally, the Court has also found the following law firms to be adequate counsel for the class: 1) Cotchett, Pitre, Simon & McCarthy; 2) Loeff, Cabraser, Heimann & Bernstein, LLP; 3) Ruby & Schofield; and 4) Jaret & Jaret ("Plaintiffs' Counsel").

Both before and after the Court's September 3, 2002 Decision, the parties participated in mediation proceedings conducted initially by the Honorable Edward A. Panelli, Justice of the California Supreme Court (Retired) and, subsequently, by the Honorable Eugene F. Lynch, Judge of the United States District Court, Northern District of California (Retired). This process ultimately resulted in an agreement to settle the Action on the terms outlined in this Notice.

#### **4. What Are The Terms Of The Settlement?**

The settlement essentially provides for the defendants to pay a specified total sum of money (the “Settlement Sum”) in return for a broad release of claims by the class members (“the Released Claims”). Both of these aspects of the settlement are discussed in more detail on the following pages.

##### **A. The Settlement Sum**

(i) Except in the circumstances described in (ii) below, the Settlement Sum is \$8,000,000, of which Transamerica HomeFirst, Inc., Transamerica Corporation and Financial Freedom Senior Funding Corporation, collectively, will pay \$6,750,000 and Metropolitan Life Insurance Company will separately pay \$1,250,000.

Part of the Settlement Sum will be used to pay the costs of notice and administration of the settlement, as well as the attorneys fees and costs of Plaintiffs’ Counsel, and an incentive payment totalling \$72,500 to the named plaintiffs for their service as class representatives. After payment of these expenses, it is expected that there will be approximately \$5,280,000 available for distribution to the members of the class on the basis of one “Settlement Share” per reverse mortgage loan. To the extent the amount available for distribution to the class is less or more than \$5,280,000, each share will be reduced or increased proportionately. Where there are multiple class members with respect to a single loan (for example, two borrowers on the same loan, or multiple heirs of a single borrower), those related class members will receive only a single Settlement Share among them, and whoever receives it will be responsible for properly allocating that Settlement Share among all the related class members.

Each loan’s Settlement Share will be determined according to a formula that depends, in the first instance, on whether the loan is “Closed” or “Open.” Closed Loans are those loans that, as of December 20, 2002, have either been paid off or have come due and a final payoff demand has been sent. Open Loans are all loans that are not Closed.

##### **1) Settlement Share of Closed Loans.**

The Settlement Share of each Closed Loan shall be determined as follows:

**Estimated total available funds is \$2,660,337. To the extent the actual amount varies, the distributions set forth below will be adjusted proportionately.**

- Closed Loans for which the borrower(s) received 15 or fewer payments receive a payment equal to 60% of the contingent interest they were charged.
- Closed Loans for which the borrower(s) received between 16 and 21 payments, inclusive, receive a payment equal to 40% of the contingent interest they were charged.
- Closed Loans for which the borrower(s) received between 22 and 29 payments, inclusive, receive a payment equal to 25% of the contingent interest they were charged.

- Closed Loans for which the borrower(s) received between 30 and 45 payments, inclusive, receive a payment equal to 17% of the contingent interest they were charged.
- Closed Loans for which the borrower(s) received between 46 and 58 payments, inclusive, receive a payment equal to 10% of the contingent interest they were charged.
- Closed Loans for which the borrower(s) received 59 or more payments receive a payment equal to 8% of the contingent interest they were charged.
- The Settlement Share of each Closed Loan (other than those originating in NY and IL, where either no maturity fee was charged or the charges were based on actual costs) will also include a sum equal to 20% of that loan's maturity fee. The Settlement Share of each Closed Loan originating in NY or IL that did not result in any contingent interest will be \$250.
- In addition, Closed Loans which incurred at least \$100,000 of contingent interest will receive an additional sum equal to 10% of that loan's maturity fee.
- Up to the first \$100,000 of any Unclaimed Settlement Funds<sup>1</sup> from the Closed Loan allocation of the Net Settlement Sum, will be redistributed to Closed Loans for which the borrower(s) received 16 or more payments and resulted in \$100,000 or more in contingent interest, in proportion to the amount of contingent interest paid. Any additional Unclaimed Settlement Funds equal to or greater than \$40,000 will be redistributed among the remaining class members with loans which lasted 16 or more months, in proportion to the amount of their initial refund. If the remainder is less than \$40,000, it will be donated to an appropriate charity or non-profit organization of the plaintiffs' choosing, subject to the Court's approval.

## 2) Settlement Share of Open Loans.

The settlement share of each Open Loan shall be determined as follows:

**The Estimated Total Available Funds is \$1,782,000. To the extent the actual amount varies, the distributions set forth below will be adjusted proportionately.**

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<sup>1</sup> Unclaimed Settlement Funds refers to any Settlement Funds which remain after distribution has been made to all class members, and which arises from those Settlement Shares with respect to which a Settlement Class member opts out, or for which the check issued in payment thereof is not cashed within 180 days after issuance, or with respect to which the Claims Administrator has determined that the Settlement Class members associated with it consist solely of one more heirs and/or successors-in-interest, none of whom have timely submitted an executed Verification of Class Member Status.

<u>CATEGORY</u>	<u>SHARE AS PERCENTAGE OF ESTIMATED CONTINGENT INTEREST<sup>2</sup></u>
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For loans with a Start Date <sup>3</sup> in 1993:	
If the Thru Date <sup>4</sup> is 2002–2004:	8.0%
If the Thru Date is 2005 or later:	7.0%
For loans with a Start Date in 1994:	
If the Thru Date is 2002–2004:	8.1%
If the Thru Date is 2005 or later:	7.3%
For loans with a Start Date in 1995:	
If the Thru Date is 2002–2004:	8.8%
If the Thru Date is 2005 or later:	8.4%
For loans with a Start Date in 1996:	
If the Thru Date is 2002–2004:	11.0%
If the Thru Date is 2005 or later:	9.0%
For loans with a Start Date in 1997:	
If the Thru Date is 2002–2004:	14.2%
If the Thru Date is 2005 or later:	12.1%
For loans with a Start Date in 1998:	15.0%

- If, after distribution of the Settlement Shares to class members, there are any Unclaimed Settlement Funds from the Open Loan portion of the Net Settlement Sum, such Unclaimed Settlement Funds will be redistributed to Open Loan Settlement Shares in proportion to the amount of their initial settlement share distribution. If the Unclaimed Settlement Funds total less than \$40,000, they will be donated to an appropriate charity or non-profit organization of the plaintiffs’ choosing, subject to the Court’s approval.

### 3) Settlement Share for Annuitants.

Pursuant to the terms of their reverse mortgage loan contracts and associated annuity certificates, class members (i) who are currently receiving annuity payments from Metropolitan Life Insurance Company or Transamerica Occidental Life Insurance Company; or (ii) who later qualify to receive payments from Metropolitan Life Insurance Company or Transamerica Occidental Life Insurance Company; or (iii) who have not received any payments from either company, but who have qualified to receive payments (or who did qualify to receive payments

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<sup>2</sup> Estimated Contingent Interest is 10% of the Initial Appraisal Value of the borrower’s property. This was derived using data for Closed Loans which indicates that, on average, those borrowers’ residences appreciated approximately 20% over the life of the loan. Thus, on average, Closed Loans have incurred approximately 10% of the initial appraised value of the property in contingent interest.

<sup>3</sup> “Start Date” is the date the loan agreement was executed.

<sup>4</sup> “Thru Date” is the date the annuity was set to commence and monthly payments from Home First would cease.

before their death), will be entitled to receive or continue to receive the payments which they are owed *exclusive of and separate from the Settlement Fund*.

In addition, annuitants will be entitled to benefits through the settlement, as follows: (1) all annuitants will receive Settlement Funds in the amount of 4% of their original annuity premium; and (2) those annuitants who pre-deceased the annuity maturity date and received no payments under the annuity (as of December 20, 2002), will receive additional Settlements Funds in the amount of 2% of their original annuity premium (in the case of a joint annuity, this category applies only in those instances where both borrowers died prior to the annuity start date).

(ii) Under certain circumstances, Metropolitan Life Insurance Company has the right to terminate the settlement as to itself only and resume the litigation. Likewise, Transamerica HomeFirst, Inc., Transamerica Corporation and Financial Freedom Senior Funding Corporation (collectively, the “HomeFirst Defendants”) have a collective right to terminate the settlement as to themselves only and resume the litigation. In the event of such a termination, the non-terminating defendant(s) may elect to proceed with the settlement but modified as follows: the total Settlement Sum will be only \$6,750,000 if the termination is by Metropolitan Life Insurance Company, and only \$1,250,000 if the termination is by the HomeFirst Defendants; the Released Claims will not extend to claims against the terminating defendant(s); the Settlement Share of each class member will be reduced proportionately to the reduction in the Settlement Sum; and the settlement will be contingent upon a good-faith settlement finding by the Court.

## **B. The Released Claims.**

As noted above, in return for their respective Settlement Shares, class members will be required to release each of the defendants and Transamerica Occidental Life Insurance Company (which was the annuity provider on some Lifetime loans instead of MetLife) from a broad range of claims the class members may have pertaining to their respective loans. In particular, each class member will be completely releasing all claims, of any kind, he or she has now or may have in the future relating to the facts and claims alleged in the Action, including without limitation (1) the fairness of any of the terms or features of the loan and/or its accompanying annuity, (2) the disclosure or concealment of the loan’s features, including its charges and fees and the cost of the annuity, and (3) the marketing of the loan, including its annuity. The release will be effective even if facts come to light in the future as to the Released Claims that, had they been known at the time, would have materially affected the class member or representatives’ willingness to enter into the settlement. This does not affect or release claims based upon the parties’ respective obligations to pay under the terms of the reverse mortgage and annuity contracts.

It should be noted that the claims which class members will be releasing as a condition of the settlement include, *but are not limited to*, the claims that the named plaintiffs have asserted in the Action and those that the Court has determined are suitable for class-wide treatment. The Released Claims also are not limited to claims arising under California law. The Released Claims include any claims of the described sort, even if the claim has not been asserted in the

Action or is too individualized in its facts or relevant law to be suitable for class certification or uniquely arises under the laws of the borrower's home state.

## **5. Why Are Plaintiffs' Counsel Recommending This Settlement?**

Relative to the risks and costs of continuing the litigation, Plaintiffs' Counsel believe this settlement provides a very favorable recovery which is in the best interests of the Class.

Counsels' evaluation of the settlement is based on their intensive prosecution of this case over the past four years. During that time, they have obtained and analyzed thousands of pages of defendants' documents; reviewed loan materials provided to many of the Lifetime reverse mortgage borrowers; taken numerous depositions of defendants' employees and third-party witnesses; consulted experts in the areas of real estate, banking, finance and reverse mortgage lending; and had the benefit of insights into the case provided by defendants' own aggressive defense of the claims.

At trial, plaintiffs would have the burden of proof to establish liability and the amount of damages. In counsels' judgment, there is a significant risk of an adverse result in whole or in part. The case involves many unresolved factual and legal issues, some of which could be decided against plaintiffs at or before trial, and which would jeopardize plaintiffs' ability to obtain a favorable judgment and preserve it on appeal. Among many other things, defendants intend to present evidence at trial that, both verbally and in writing, HomeFirst disclosed and adequately explained to borrowers all the material terms of the loan and showed that the loan could be very expensive depending on how quickly the property appreciated and how soon the loan matured. Similarly, defendants intend to present substantial evidence that the contested features and charges associated with these loans were fair in relation to their benefits to the borrowers and their risks and costs to the lender and annuity provider.

In addition, settling the case now has the further advantage of avoiding the very substantial additional costs and delay that further litigation would involve. Defendants have made it clear that they intend to seek appellate review before trial of any grant of class certification outside the settlement context and that they would appeal any final adverse result at trial. Thus, absent settlement, it is likely to be years before the litigation ends and class members receive a monetary recovery, if any. Given the costs involved in further litigation and the time-value of money, even a favorable judgment at trial could well produce less net recovery to the class members than the present settlement.

As noted, the claims and potential claims which class members will be giving up in connection with this settlement extend beyond those asserted on behalf of the entire class of borrowers in the Action and include claims which may be relatively unique to that borrower or which arise under the laws of the borrower's home state. For that reason, in considering whether to object to the settlement or request exclusion from the class as discussed below, each class member should carefully consider whether, despite all the foregoing considerations, the settlement is in his or her best interests.

**6. What Attorneys' Fees And Other Costs Will Be Paid Out Of The Settlement Sum?**

As part of the settlement approval process, Plaintiffs' Counsel will apply to the Court for an award of attorneys' fees not to exceed 29% of the Settlement Sum. In addition, Plaintiffs' Counsel will seek reimbursement of past expenses incurred in litigating the action, in an amount not to exceed \$250,000. The costs of notice and distribution will also be paid from the Settlement Sum. Plaintiffs' Counsel estimate that these costs will be approximately \$150,000, but the actual costs could be greater. Additionally, Plaintiffs' Counsel will ask the Court to approve incentive payments of \$10,000 to the original seven class representatives, and a payment of \$2,500 to the recently added class representative, for their time and effort on behalf of the class.

**7. What If I Do Not Wish To Participate In The Settlement?**

If you do not fall within any of the categories of persons on page 1 of this Notice, you are *not* a member of the Class and will not participate in the settlement despite your receipt of this Notice. You need do nothing further.

If you do fall within any of the categories of persons on page 1 of this Notice, you *are* a member of the class and will participate in the settlement and be bound by it unless you submit a valid and timely request for exclusion. If you do submit a valid and timely request for exclusion, you will have no rights under the Settlement Agreement, will not share in any distribution of the Settlement Sum, and will not be bound by the Settlement Agreement or the final judgment which the Court enters to implement the settlement.

If you wish to be excluded from the class, you must make your request in written form, signed by you and stating the following: (1) your name, address and telephone number; (2) the name of the borrower on the loan which gives rise to your inclusion in the class; (3) the loan number for that loan; and (4) if you are not the borrower, your relationship to the borrower (e.g., executor/trix of the estate, heir, personal representative, administrator, etc.); and (5) that you wish to be excluded from the class. **To be valid, your request for exclusion must state all of the foregoing information and must be signed by you. In addition, to be valid, your request for exclusion must be mailed to the following address and postmarked on or before April 16, 2003:**

Gilardi & Company LLC  
1115 Magnolia Avenue  
Larkspur, CA 94939

**8. What Are The Procedures For Participating In The Settlement?**

If you fall within any of the categories of persons on page 1 of this Notice and do not request exclusion from the class as discussed above, you are a class member and do not need to do anything to remain a class member. **All class members who do not request to be excluded from the settlement will be bound by it.** As a class member, you may enter a legal appearance individually or through your own counsel at your own expense, but you are not required to do so. If you do not, Plaintiffs' Counsel will represent your rights at no separate expense to you.

**A. Fairness Hearing**

A final fairness hearing will be held on May 14, 2003, at 9:00 a.m., before the Honorable Carol L. Mittlesteadt, at the San Mateo County Superior Court, Eighth Floor, 400 County Center, Redwood City, California (the "Fairness Hearing"). The purpose of the Fairness Hearing will be to determine, among other things: (1) whether the terms of the proposed settlement are fair, reasonable and adequate and should be approved by the Court; (2) whether the application of Plaintiffs' Counsel for an award of attorneys' fees and expenses should be approved, and what amount of fees and expenses should be awarded; (3) whether the application for an award of an incentive payment for the class representatives totaling \$72,500 should be approved; and (4) whether the action should be dismissed on the merits and with prejudice as set forth in the Settlement Agreement.

Subject to the conditions set forth below, any member of the class may appear and be heard at the Fairness Hearing, including for the purpose of objecting to the proposed settlement or some aspect of it. However, no class member wishing to object to the settlement at the Fairness Hearing shall be heard, unless his or her objection or opposition is made in writing and is filed with the Court no later than April 16, 2003 along with proof of service (i.e., delivery) by mail on both of the following counsel:

COTCHETT, PITRE, SIMON &  
McCARTHY  
Attn: HomeFirst Reverse Mortgages  
840 Malcolm Road, Suite 200  
Burlingame, CA 94010

Liaison Counsel for Plaintiffs

HOWARD, RICE, NEMEROVSKI,  
CANADY, FALK & RABKIN, A  
PROFESSIONAL CORPORATION  
Attn: Dirk M. Schenkkan  
Three Embarcadero Center, 7<sup>th</sup> Floor  
San Francisco, CA 94111

Liaison Counsel for Defendants

Unless otherwise ordered by the Court, any class member who does not make his or her objection or opposition in the manner provided shall be deemed to have waived all objections and opposition to the fairness, reasonableness and adequacy of the proposed settlement, the plan of allocation, the fee and expense application, and the incentive payment application, and will have no other chance to object or oppose any of these items.

The Court may suspend or reschedule the Fairness Hearing without further notice to the class. In addition, the Court may grant an extension of time with respect to any deadline in this Notice provided the request is timely made and supported by facts establishing a compelling reason for the extension. Any such request for extension should be made in writing filed with the Court before the deadline expires, with proof of service (i.e., delivery) by mail of copies on both of the counsel set forth immediately above.

**B. Dismissal, Releases and Distribution of Settlement Shares.**

If the settlement is approved by the Court and not otherwise terminated, the Court will dismiss the Action with prejudice, and bar and permanently enjoin the named plaintiffs and each

class member from prosecuting the Released Claims. As a result, once judgment of Court in accordance with this settlement has been entered and all appeals resolved favorably to the judgment or (if no appellate review is sought) the time in which to do so has passed (the “Final Effective Date”), each of the named plaintiffs and the class members, as well as their respective heirs, executors, administrators, personal representatives, successors-in-interest trustees and assigns, shall be deemed to have, and by operation of the judgment shall have, fully, finally, and forever settled, released, relinquished and discharged any and all Released Claims against the defendants.

The calculation of Settlement Shares in accordance with the formula described above and the actual distribution of the Settlement Shares shall be made by an independent, bonded or insured claims administrator appointed for that purpose by the Court. To be entitled to receive their respective Settlement Shares, borrowers need do nothing. Payment will be sent automatically by the claims administrator. To be entitled to receive their respective Settlement Shares, legal successors-in-interest and heirs of borrowers will have to sign and return to the claims administrator a written verification of class member status in a form which will be provided following the Fairness Hearing. Once that verification has been received, distribution of the Class Member’s Settlement Share shall take place as promptly as possible following the Final Effective Date.

**9. Where Can I Find Additional Information?**

This Notice contains only a summary of the Action and terms of the proposed settlement. For more detail, the pleadings in the Action and the full Settlement Agreement are available for inspection by you or your representative during regular business hours at the Office of the Clerk of the Superior Court, San Mateo, California. In addition, on the Internet at [www.gilardi.com](http://www.gilardi.com), you may access copies of this Notice, the Verification of Class Member Status, and the Settlement Agreement.

Inquiries regarding the Action or this settlement should be addressed to:

COTCHETT, PITRE, SIMON & McCARTHY  
Attn: HomeFirst Reverse Mortgage Litigation  
840 Malcolm Road, Suite 200  
Burlingame, CA 94010

*Liaison Counsel for Plaintiffs*

**PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE.**

DATED: \_\_\_\_\_

Judge of the Superior Court

\_\_\_\_\_  
The Honorable Carol L. Mittlesteadt,