

SETTLEMENT AGREEMENT

WHEREAS Metropolitan Mortgage & Securities Co., Inc. ("Metropolitan") and Summit Securities, Inc. ("Summit") (collectively the "Debtors") are affiliated corporations which were engaged, in part, in the marketing and sales of their securities totaling hundreds of millions of dollars through a subsidiary of Summit, Metropolitan Investment Securities, Inc. ("MIS"); and

WHEREAS Metropolitan and Summit, along with MIS filed for bankruptcy protection on or about February 4, 2004; and

WHEREAS Old Standard Life Insurance Company ("Old Standard") is an indirect subsidiary of Summit that was placed into rehabilitation under the supervision of the Idaho Department of Insurance; and

WHEREAS Old West Annuity & Life Insurance Company ("Old West") is an indirect subsidiary of Summit that was placed into rehabilitation under the supervision of the Arizona Department of Insurance; and

WHEREAS Plaintiffs Arthur Becker, Venus ("Vee") Hafford Webber, Eva Draughn, George Saylor, Becklynn Wilkey and Floyd Bodner ("Lead Plaintiffs") have filed a Consolidated and Amended Class Action Complaint for violations of the Securities Act of 1933 and Washington State Securities Laws against former officers and directors of Metropolitan, Summit and MIS and other defendants (the "Class Action"); and

WHEREAS Metropolitan and Summit have retained litigation counsel for the express purpose of pursuing claims the estates of Metropolitan and Summit may have against former Metropolitan and Summit officers, directors, employees and others for damages allegedly caused to the Debtors; and

WHEREAS Old Standard and Old West contend that they also have claims against former Metropolitan and Summit officers, directors, employees and others for damages allegedly caused to them; and

WHEREAS the Metropolitan Group of companies purchased in 2003 four insurance policies applicable to the claims that have been or could be made by various claimants against certain directors, officers and employees; and

WHEREAS the applicable insurance policies purchased by the Metropolitan Group are "wasting policies" whose proceeds are depleted by defense costs; and

WHEREAS the Settling Claimants (as defined below) and the Settling Defendants (as defined below), seek to avoid ongoing defense costs that would deplete the amounts of proceeds from the policies that could be otherwise made available to claimants; and

WHEREAS the defense costs that have accumulated have been filed under seal in the Bankruptcy Court, as hereinafter defined, pursuant to a Stipulation and Order Re Procedures for Review and Payment of Attorneys Fees from Insurance Policies (the "Procedures Order") at Docket No. 1589, and the Order Amending Order Re Procedures for Review and Payment of Attorney Fees from Insurance Policies (the "Amended Procedures Order") at Docket No. 7157, in the Metropolitan and Summit bankruptcy cases; and

WHEREAS the Insurers (as defined below) have filed interpleader lawsuits in the United States Bankruptcy Court for the Eastern District of Washington (the "Bankruptcy Court") as Adversary Proceedings Nos. 05-80135, 05-80126, and 05-80138 (the "Interpleader Actions"), to determine how the proceeds from the respective policies should be paid; and

WHEREAS the various claimants and defendants participated in lengthy discussions and three mediation sessions before the Hon. Edward Infante (Retired) in an effort to reach a

settlement that would include all the claimants and defendants, but were not able to agree upon the terms of such a settlement; and

WHEREAS the Settling Claimants and the Settling Defendants (collectively the "Settling Parties") wish to avoid the expense, risk and uncertainty involved in continued litigation over the matters that have been or might be alleged by the Settling Claimants and the matters raised in the interpleader lawsuits and instead wish to compromise and settle the claims that have been or may be made by the Settling Claimants;

NOW, THEREFORE, the Settling Parties wish to memorialize their understanding of the terms of a binding settlement through the execution of this Settlement Agreement.

I. DEFINITIONS

In addition to the capitalized terms defined above and at other places in this Settlement Agreement, the capitalized terms below shall have the following meanings:

A. Claimants.

1. **Securities Class Claimants.** "*Securities Class Claimants*" shall mean Lead Plaintiffs and all other members of a settlement class of securities fraud claimants (the "*Settlement Class*"), which shall be no smaller than the proposed class in the *In re Metropolitan Securities Litigation*, No. CV-04-025 FVS currently pending in United States District Court for the Eastern District of Washington (the "District Court"). The "*Settlement Class Period*" shall mean the period of time defined in the Securities Class Claimants' pleadings in the District Court for determining the composition of the class.

2. **Debtor Claimants.** "*Debtor Claimants*" shall mean the estates of the Debtors Metropolitan and Summit.

3. **Subsidiary Claimants.** "*Subsidiary Claimants*" shall mean Old Standard and Old West.

B. **Subsidiaries.** “*Subsidiaries*” means any and all subsidiaries of Metropolitan and Summit, including MIS, Western United Holding Company (“WUHC”), Western United Life Assurance Company (“WULA”), Old Standard and Old West.

C. **Insurers.** “*Insurers*” means National Union, American International Surplus Lines, St. Paul Mercury and Federal/Chubb, each of which issued an insurance policy to the Metropolitan Group of companies that was in effect during portions of 2003 and early 2004, as more particularly described in Section II.

D. **Settling Parties.** The term “*Settling Parties*” collectively means:

1. **Settling Claimants.** For purposes of this Settlement Agreement, the “*Settling Claimants*” mean Securities Class Claimants, Debtor Claimants and the Subsidiary Claimants.

2. **Settling Defendants.** For purposes of this Settlement Agreement, the “*Settling Defendants*” mean Robert K. Potter, Clayton E. Rudd, James V. Hawkins, Gregory S. Strate, Philip W. Sandifur and Samuel Smith.

E. **Escrow Agent.** “*Escrow Agent*” means the financial institution, chosen by the Securities Class Claimants, which shall act as the escrow agent for the Securities Class Claimants’ portion of the Settlement Amount.

F. **Final.** “*Final*” means that one of the following events has occurred: (1) the time for appeal has expired; (2) following a final affirmance on appeal, the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or there is an affirmance on discretionary review; or (3) following a final dismissal of an appeal, the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review

is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the dismissal being challenged is itself finally affirmed on discretionary review. Any proceeding or order, or any appeal or appeal for a writ of certiorari pertaining solely to any plan of allocation and/or application for attorneys' fees, costs or expenses, shall not in any way delay or preclude the judgment to be rendered by the District Court dismissing the Class Action with prejudice from becoming Final.

II. THE INSURERS AND THEIR POLICIES

The Metropolitan Group of companies purchased insurance policies issued by the following Insurers with the following periods of coverage (the "Insurance Policies"):

- A. Directors and Officers Liability - National Union, Policy No. 263-38-69; (3-18-03 to 3-18-04), \$10,000,000; and
- B. Financial Institution Professional Liability - American International Surplus Lines, Policy No. 281-42-69, \$10,000,000 including a \$2,000,000 broker sublimit (7-29-03 to 7-29-04); and
- C. Excess Directors and Officers Liability - St. Paul Mercury Insurance Company, Policy No. 594CMO556 (3-18-03 to 3-18-04) \$5,000,000; and
- D. Excess Financial Institution Professional Liability – Federal/Chubb, Policy No. 704-30220 (7-29-03 to 7-29-04) \$2,000,000.

III. SETTLEMENT PAYMENT AND ASSIGNMENT OF RIGHTS

In consideration of, and expressly conditioned upon, a payment in the amount of **Seven Million Two-Hundred Fifty Thousand Dollars (\$7,250,000)** obtained solely from the interpleaded proceeds of the Insurance Policies (the "Settlement Amount"), the Settling

Claimants upon Final Approval, as hereinafter defined, of the settlement by the appropriate courts (as defined in Section IV(E) below), and subject to the conditions further described below, agree to release their claims as detailed below in Section IV. The Settling Claimants have agreed that the Settlement Amount shall be divided among them in the following proportions: (1) Three Million Eight Hundred Ninety-Nine Thousand Five Hundred Dollars (\$3,899,500.00) shall be paid to the Securities Class Claimants; (2) Three Million One Hundred Ninety Thousand Five-Hundred Dollars (\$3,190,500.00) shall be paid to the Debtors; (3) Ninety Thousand Dollars (\$90,000.00) shall be paid to Old Standard; and (4) Seventy Thousand Dollars (\$70,000.00) shall be paid to Old West; provided that if Old Standard and/or Old West do not participate in this Settlement Agreement because of the occurrence of events described in the next paragraph of this Section III or in Section IV(E)(3) below, the payments allocated in this paragraph to the non-participating company or companies shall be divided between the remaining Settling Claimants as follows: fifty-five percent (55%) to the Securities Class Claimants and forty-five percent (45%) to the Debtor Claimants.

The participation of each Subsidiary Claimant in this Settlement Agreement is conditioned upon it obtaining the settlement payment allocated to it, as described above, within one hundred eighty (180) days following complete execution of this Settlement Agreement, unless, in the exercise of its discretion, it decides to extend that deadline. Each Subsidiary Claimant shall have the power to extend its deadline more than once. In the event that either of the Subsidiary Claimants does not obtain its allocated payment by the applicable deadline, then this Settlement Agreement shall become null and void as to that Subsidiary Claimant, but only to the extent of the undertakings entered into as between that Subsidiary Claimant and the Settling Defendants, and that will not affect the undertakings and obligations as between the remaining

parties to this Settlement Agreement. Any notices provided by the Subsidiary Claimants under this paragraph shall be provided to the other Settling Parties' counsel of record.

Additionally, Settling Defendants agree to assign their rights against the Insurers and under the Insurance Policies to the extent provided in the form attached hereto as Appendix A. Settling Defendants agree to execute the assignment set forth in Appendix A promptly following complete execution of this Settlement Agreement. If Final Approval of this Settlement Agreement (as defined in Section IV.E below) does not occur, then the assignment set forth in Appendix A shall become null and void.

Upon Final Approval (as defined in Section IV.E below) and payment of the Settlement Amount pursuant to this Section III above, the portion of the proceeds of the Insurance Policies allocated to the Securities Class Claimants pursuant to this Section III shall be deposited into an interest bearing account. These proceeds and all interest accrued is the "Class Settlement Fund." The Class Settlement Fund created under this agreement shall be established and maintained as a Qualified Settlement Account in accordance with Section 468B of the Internal Revenue Code, as amended (the "Code"), and the Treasury Regulations promulgated thereunder. The Settling Parties agree to negotiate in good faith, subject to Court approval, any changes to this agreement necessary to obtain IRS approval of the Class Settlement Fund as a Qualified Settlement Account.

The Escrow Agent is appointed to be the "administrator" of the Class Settlement Fund within the meaning of Treasury Regulation Section 1.468B-2(k)(3). As such, the Escrow Agent will comply with the duties and obligations applicable to the administrator under the Treasury Regulations promulgated under Code Section 468B, including, but not limited to, the following: (i) obtaining a tax identification number for the Class Settlement Fund; (ii) preparing and timely filing, or causing to be prepared and timely filed, all tax returns the Class Settlement Fund is

required to file under federal or state law; (iii) paying from the Class Settlement Fund all taxes, including penalties, interest and additions to tax, that are imposed upon the Settlement Fund by federal or state law; (iv) complying with applicable federal or state information reporting or withholding requirements; and (v) filing, or causing to be filed, tax elections available to the Class Settlement Fund, including a request for a prompt assessment of tax under Code Section 6501(d) if and when the Escrow Agent deems it appropriate to do so. If at any time it is determined that the Class Settlement Fund does not qualify as a Qualified Settlement Account under Code Section 468B, the Escrow Agent shall promptly seek refunds of all taxes paid by the Class Settlement Fund. The Escrow Agent shall pay to the Class Settlement Fund all such refunds received, together with interest actually received from all taxing authorities.

All (i) taxes (including any interest or penalties) arising with respect to the income earned by the Class Settlement Fund, including any taxes or tax detriments that may be imposed upon the Settling Defendants with respect to any income earned by the Class Settlement Fund for any period during which the Class Settlement Fund does not qualify as a "qualified settlement fund" for Federal or state income-tax purposes ("Taxes") and (ii) expenses and costs incurred in connection with the operation and implementation of this paragraph (including, without limitation, expenses of a tax attorney or consultant and mailing and distribution costs and expenses relating to filing or failing to file the returns described in this paragraph ("Tax Expenses")), shall be paid out of the Class Settlement Fund (except to the extent theretofore paid from the Class Settlement Fund); in all events, the Settling Defendants shall have no liability or responsibility for the Taxes or the Tax Expenses. The Securities Class Claimants shall indemnify and hold the Settling Defendants harmless for Taxes and Tax Expenses (including, without limitation, taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be timely paid by the Escrow Agent out of the Class Settlement Fund without

need for an additional or prior order from the court, and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to the Securities Class Claimants or their clients any funds necessary to pay such amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. Section 1.468(B)-2(1)(2)); neither the Settling Defendants nor their counsel are responsible nor shall they have any liability therefor. The Securities Class Claimants, as appropriate, are permitted to retain the services of a tax attorney or consultant to the extent reasonably necessary to carry out the provisions of this paragraph. The Settling Defendants and the Securities Class Claimants agree to cooperate with each other and the tax attorneys and accountants of the Securities Class Claimants to the extent reasonably necessary to carry out the provisions of this paragraph.

IV. RELEASES

A. Scope of Releases. On the terms and conditions described herein, including without limitation the obtaining of Final Approval (as defined in Section IV.E below) and the payment of the Settlement Amount from the interpleaded proceeds of the Insurance Policies, the Settling Parties agree to the following releases of claims, which shall become effective upon Final Approval, as defined below, and receipt of the Settlement Amount:

1. **Release by the Securities Class Claimants.** Securities Class Claimants shall individually and collectively release all claims (including "Unknown Claims" as defined below), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or that might have been asserted in the Class Action or any other forum or proceeding, including, without limitation, claims for negligence, gross negligence, indemnification, contribution, breach of duty of care and/or breach of duty of loyalty, fraud,

misrepresentation, breach of fiduciary duty, negligent misrepresentation, unfair competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations, by or on behalf of the Lead Plaintiffs, the Settlement Class, or any Settlement Class member against the Settling Defendants, which are in any way based upon or in any way related to: (a) the purchase of, acquisition of, or investment in any securities issued by Debtors or Subsidiaries during the Settlement Class Period (whether on the open market or otherwise); (b) the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act which were or could have been alleged in the Class Action, or in any other legal forum; (c) the marketing, purchase and sale of securities issued by Debtors or Subsidiaries during the Class Period, including all matters relating to the authorization of any securities offerings, the issuance or registration of any securities, and the statements contained in any registration statements and/or prospectuses; (d) all matters relating to the control, management and failure of Debtors' or Subsidiaries' businesses; and/or (e) the administration of the Settlement Fund.

2. **Release by Debtor Claimants and Subsidiary Claimants.** The Debtor Claimants and the Subsidiary Claimants shall release the Settling Defendants from any and all claims (including "Unknown Claims" as defined below), demands, causes of action, actions, rights, liabilities, contract obligations, damages, attorneys' fees, costs, torts, suits, debts, sums of money, accountings, reckonings, bills, covenants, controversies, agreements, promises whatsoever, at law or in equity or otherwise, whether direct or indirect, known or unknown, which the Debtor Claimants or the Subsidiary Claimants now own or hold, or have at any time heretofore owned or held, or may in the future own or hold, against the Settling Defendants, in any capacity, which are or may be based upon any facts, acts, omissions, conduct, purchases,

representations, contracts, agreements, securities, events, causes or matters of any kind occurring or existing at any time on or before the date of this Settlement Agreement.

The claims released by the Debtor Claimants and the Subsidiary Claimants include, without limiting the foregoing: (a) any claims against the Settling Defendants for negligence, gross negligence, indemnification, contribution, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, breach of fiduciary duty, negligent misrepresentation, unfair competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations; (b) any claims related in any way, directly or indirectly, to the marketing, purchase and sale of securities issued by Debtors or Subsidiaries, including all matters relating to the authorization of any securities offerings, the issuance or registration of any securities, and the statements contained in any registration statements and/or prospectuses; (c) all matters relating to the control, management and failure of Debtors' or the Subsidiaries' businesses; and/or (d) the administration of the settlement funds.

3. **Settling Defendants.** The Settling Defendants shall release each other and the Securities Class Claimants, Debtor Claimants and Subsidiary Claimants from any and all claims (including "Unknown Claims" as defined below), demands, causes of action, actions, rights, liabilities, contract obligations, damages, attorneys' fees, costs, torts, suits, debts, sums of money, accountings, reckonings, bills, covenants, controversies, agreements, promises whatsoever, at law or in equity or otherwise, whether direct or indirect, known or unknown, which the Settling Defendants now own or hold, or have at any time heretofore owned or held, or may in the future own or hold, against the persons and entities they are releasing or any of them, in any capacity, which are or may be based upon any facts, acts, omissions, conduct, purchases, representations, contracts, agreements, securities, events, causes or matters of any kind occurring

or existing at any time on or before the date of this Settlement Agreement. In the event that the Settling Claimants subsequently settle with any other person or defendant and obtain releases of any such person or defendant's claim(s) against Settling Defendants in a form substantially similar to the release specified in this Section (IV)(A)(3), Settling Defendants shall promptly execute releases of their claim(s) against any such subsequently settling person or defendant in substantially the same form as in this paragraph as well.

Notwithstanding the foregoing or anything else in this Settlement Agreement, the Settling Defendants do not release contract claims against Metropolitan, Summit or the Subsidiaries based solely on (a) the terms of, or the failure to pay interest or principal when due on, debentures, debt instruments, or other securities issued by Metropolitan, Summit or the Subsidiaries, provided that (i) such securities were acquired at full value for cash; (ii) any such claims against Metropolitan or Summit may be maintained solely in the proof of claim process in Metropolitan's and Summit's respective bankruptcy cases; and (iii) any payments that may be made on such claims shall be calculated and paid in such a manner that the Settling Defendants do not share in any recoveries obtained by the Debtor Claimants either by virtue of this settlement or by virtue of any claims by the Debtor Claimants against third parties, or (b) the terms of any annuities or insurance policies issued by any of the Subsidiaries in the ordinary course of business; and (c) Clayton Rudd shall not release his contract rights under his separation agreement with Old Standard.

4. **Additional Released Parties.** All of the releases granted to the Settling Defendants herein will extend to, and inure to the benefit of, the Settling Defendants and their respective spouses, marital communities and estates (collectively "Additional Released Parties").

5. **No Other Beneficiaries.** Notwithstanding any other provision of this Section IV(A) that could be construed to the contrary, nothing herein shall be construed to

release or waive any claims the Settling Claimants may have against any individuals or entities other than the Settling Defendants and the Additional Released Parties.

B. **Unknown Claims Released.** With respect to the releases specified in Section IV(A) above, and except as specifically set forth above, the Settling Parties hereby waive any and all rights which they may have against each other under or pursuant to (i) the provisions of section 1542 of the Civil Code of the State of California and/or (ii) the provisions of any other similar statutory, regulatory or common law of any state, or of the United States ("Unknown Claims"). Section 1542 of the Civil Code of the State of California provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The parties understand fully the statutory language of section 1542 of the Civil Code of the State of California and, having been so apprised, nevertheless release all unknown released claims as provided above. This reference to California law shall not be construed as indicating an intent that California law should apply to this Settlement Agreement.

C. **Contribution Claims Barred.** The Final orders from the District Court and the Bankruptcy Court approving the settlement shall include a bar order making any and all claims for contribution or indemnification against the Settling Defendants (or any other claim against the Settling Defendants where the claimant's injury is the claimant's liability to the Settling Claimants) that arise out of the claims released in Section IV(A)(1) and (2) above, permanently barred, extinguished, discharged, satisfied, and unenforceable to the maximum extent permitted by law, including, without limitation, an order in the Securities Class Claimants' case under the contribution bar provisions of 15 USC §§ 78u-4(f)(7)(A). Without limiting the generality of the foregoing, such bar orders shall include and extend to the maximum extent permitted by law to

all claims asserted or alleged or that could be asserted or alleged by any former MIS registered representatives against Settling Defendants, including but not limited to the claims contained in the proposed Intervening Brokers' Complaint For Negligence, Negligent Misrepresentation, Equitable Indemnity, Contribution And For Declaratory Relief, on file in the Class Action Litigation in the Eastern District of Washington, Case No. CV-04-025-FVS. Such Final orders shall also include findings and a determination that the settlement is reasonable, is being entered into in good faith after arms-length negotiations by all Settling Parties, and that the Settling Defendants and the Additional Released Parties are entitled to the full protection of RCW 4.22.060 and any comparable statute of any other state. It is the intention of the parties that this settlement shall discharge the Settling Defendants and the Additional Released Parties described herein from all liability to any third parties for contribution or indemnification (or any other claim against the Settling Defendants where the claimant's injury is the claimant's liability to the Settling Claimants) that arise out of or relate to the claims released in Section IV(A)(1) and (2) above, to the fullest extent permitted by applicable federal or state laws, and that the judgment reduction provisions of 15 USC §78u-4(f)(7)(B) and the judgment reduction requirements applicable under Ninth Circuit law, as explicated in the decision of *Franklin v. Kaypro Corp.*, 884 F.2d 1222 (9th Cir. 1989), shall apply to any Final verdict or judgment on an action brought under the federal securities laws against a non-settling person or entity in which fault or responsibility is attributed to any Settling Defendant.

D. **Subsequent Bankruptcy by Settling Defendant.** If a bankruptcy proceeding is commenced by or against any Settling Defendant within one year of funding of the settlement agreement, and any court with jurisdiction over said proceeding determines that the receipt and payment of the insurance proceeds pursuant to the terms of this settlement are recoverable in any

manner by the estate created, then the release as to that particular Settling Defendant shall be void.

E. **Final Approval Orders.** As a condition to settlement, and as consideration therefor, but subject to Section IV(E)(3) below and the second paragraph of Section III above, Settling Claimants are to obtain entry of the following orders in a form agreeable to all the Settling Parties. Subject to Section IV(E)(3) below and the second paragraph of Section III above, the orders collectively becoming Final shall constitute "Final Approval" and if Final Approval is not obtained, this Settlement Agreement shall be deemed null and void:

1. *In re Metropolitan Securities Litigation.* The Securities Class Claimants must achieve: certification of a class or classes of purchasers of Metropolitan and Summit securities during the Settlement Class Period; notice to the class(es) of certification and the proposed settlement (the costs for which shall be paid or reimbursed from the Class Settlement Fund); the issuance by the District Court of a Final determination that the settlement is fair, reasonable and adequate under FRCP 23 and that proper notice of the settlement has been provided to the Settlement Class; and issuance by the District Court of a Final order complying with the provisions of this Settlement Agreement and dismissing with prejudice and on the merits the claims that have been or could have been asserted by the Securities Class Claimants against the Settling Defendants and barring claims in conformity with Section IV(C) above.

2. *In re Metropolitan Chapter 11.* The Debtor Claimants must achieve: a Final order from the Bankruptcy Court approving this Settlement Agreement insofar as it affects the Debtors, including the releases specified above; and a bar order in conformity with Section IV(C) above.

3. *Rehabilitation Proceedings.* To the extent required by applicable law to make this Settlement Agreement effective, Old Standard and Old West shall obtain Final orders

from the courts with jurisdiction over their respective rehabilitation proceedings approving this Settlement Agreement insofar as it affects Old Standard and Old West, respectively, including the releases specified above. In the event that Old Standard and/or Old West does not obtain such Final orders, then this Settlement Agreement shall become null and void, but only to the extent of the undertakings entered into as between Old Standard and/or Old West, on the one hand (whichever of the two, or both, that fail to obtain Final approval orders), and the Settling Defendants on the other hand, and in that event, "Final Approval" shall consist solely of the entry of the other Final orders referred to in this Section IV(E), it being the intent of the parties that the failure of Old Standard and/or Old West to obtain Final approval orders will not affect the undertakings and obligations as between the remaining parties to this Settlement Agreement.

4. *Interpleader Actions.* Subject to the second paragraph of Section III above, the Settling Claimants must achieve Final orders in the appropriate Interpleader Actions directing that the Settlement Amount be paid to the Settling Claimants from the interpleaded proceeds of the Insurance Policies.

V. VERIFIABLE FINANCIAL SETTLEMENTS

Each of the Settling Defendants has already submitted to the Securities Class Claimants and the Debtor Claimants a sworn statement of financial affairs ("Financial Statement"), under penalty of perjury. Those statements shall be treated confidentially pursuant to the Stipulated Protective Order and Confidentiality Agreement Regarding Disclosure of Financial Information for Settlement Purposes, entered on or about February 15, 2005, and shall be inadmissible in any proceeding except one to justify approval orders pursuant to the provisions of this section (in which case the materials shall be filed under seal) or to enforce the terms of this settlement.

In the event that a Financial Statement of any Settling Defendant is discovered to contain an intentional material omission or misstatement of any assets, individually or in the aggregate,

in excess of \$25,000 in value, such asset(s) shall be automatically forfeited and the interest in said asset(s) vested in the Securities Class Claimants and Debtor Claimants (and to be divided among them in the ratio of fifty-five percent (55%) to the Securities Class Claimants and forty-five percent (45%) to the Debtor Claimants). By entering into a settlement based in part on their submission of a financial statement, each Settling Defendant agrees to waive any applicable statute of limitations up through and including one year after the discovery of a material omission or misstatement in such financial statement.

VI. COOPERATION CLAUSE

As partial consideration for this settlement, the Settling Defendants shall reasonably cooperate with counsel for each Settling Claimant in obtaining Final Approval, and in pursuit of third party claims by Settling Claimants, subject to a Settling Defendant's exercise of any privileges (including but not limited to the Fifth Amendment privilege against self-incrimination) available under applicable law.

VII. ADDITIONAL CLAIMS AGAINST POLICY PROCEEDS

All claims for reimbursement of defense costs of Settling Defendants potentially covered by the Insurance Policies shall continue to be processed by the terms of the Procedures Order and the Amended Procedures Order or such other order or procedure as may be established by the Bankruptcy Court, including procedures that may be established in the interpleader actions filed by the Insurers. Settling Defendants may submit for payment bills for legal services rendered in connection with the following: (1) unpaid defense costs for services rendered to date and for implementation and approval of this Settlement Agreement; (2) defense against regulatory or judicial proceedings or investigations undertaken by the U.S. Department of Justice, the SEC, or any other governmental or regulatory entity concerning Metropolitan, Summit, MIS, or any of their subsidiaries or affiliates; (3) defense, settlement and indemnity of any civil actions or

proceedings in other forums (including the Class Action and participation in discovery in such actions as necessary) relating in any way to Metropolitan, Summit, MIS, or any of their subsidiaries or affiliates; and (4) compliance with the cooperation provisions contained in this Settlement Agreement.

VIII. MISCELLANEOUS

A. **No Further Claims.** No Settling Claimant shall bring any further claims arising out of or related to the matters released herein, including but not limited to, any civil filings or arbitration filings, against any Settling Defendant from the date of the execution of this Settlement Agreement, except as provided herein or permitted herein.

B. **No Admission of Liability.** This Settlement Agreement is the result of a compromise to put an end to ongoing and potential future litigation against Settling Defendants. This settlement does not constitute, and shall not at any time or for any purpose be construed or considered as, any concession, admission, or belief on Settling Defendants' part whatsoever that Settling Defendants have any liability, fault or responsibility for any of the damages or liabilities that the Claimants claim. Settling Defendants enter into this Settlement Agreement solely for the purpose of avoiding the costs and risks of litigation.

C. **Retainer Payments.** Any retainer payments made by Metropolitan or Summit to counsel for any Settling Defendant within three (3) months prior to February 4, 2004 shall be returned to the Debtors within ten (10) days of Final Approval.

D. **No Retention.** The parties agree that no retention or deductible shall apply to the payment required by Section III of this Settlement Agreement.

E. **Opt-Outs.** The Settling Defendants shall retain the right to declare this Settlement Agreement null and void if (a) any two Lead Plaintiffs or class representatives opt out of the class certified by any relevant Court, or otherwise refuse to accept the terms of this

settlement; or (b) Securities Class Claimants collectively holding more than \$10 million (Ten Million Dollars) of Metropolitan and Summit securities issued during the Settlement Class Period elect to opt out of their class. Should the Settling Defendants declare this Settlement Agreement null and void, then it shall be null and void as to all parties hereto.

F. **Settlement Communications.** Any pleadings submitted or statements made in furtherance of the settlement reflected in this Settlement Agreement by the parties hereto are settlement communications subject to FRE 408 and Wash. Evid. R. 408. In the event Final Approval of this settlement cannot be achieved, the Settling Parties agree that nothing contained in this Settlement Agreement, any subsequent writings intended to implement this Settlement Agreement, or any pleadings or oral statements submitted or made by the Settling Parties in negotiations regarding, pursuant to, or in furtherance of this Settlement Agreement may be used, quoted, referenced, or admitted in any litigation or proceeding that is unrelated to the consummation or approval of the settlement.

G. **Integration.** This Settlement Agreement replaces and supersedes all prior agreements, discussions and representations on these subjects, and represents the complete agreement of the parties with respect to the subject matter hereof.

DATED this 30th day of September, 2005.

METROPOLITAN MORTGAGE AND
SECURITIES CO., INC.

By: *POWC Follow*

Its: *Attorney*

SUMMIT SECURITIES, INC.

By: Paul C. Johnson

Its: Attorney

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: Mark D. Tharp MARK D. THARP

Its: SPECIAL DEPUTY RECEIVER

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate

James V. Hawkins

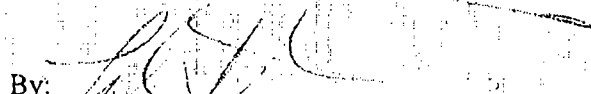
Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE
COMPANY

By:  _____

Its: *Special Deputy Rehabilitator*

OLD WEST ANNUITY & LIFE INSURANCE
COMPANY

By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate

James V. Hawkins

Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: P. Allen Fisher

Its: Attorney

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: Bradley B. Jones

Their: Lead Plaintiff's Counsel

Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate

James V. Hawkins

Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

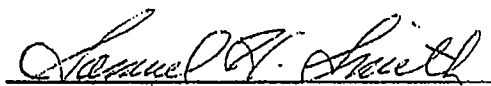
By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____



Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate

James V. Hawkins

Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: _____

Its: _____

**OLD STANDARD LIFE INSURANCE
COMPANY**

By: _____

Its: _____

**OLD WEST ANNUITY & LIFE INSURANCE
COMPANY**

By: _____


Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith



Robert K. Potter

James V. Hawkins

Clayton E. Rudd

Gregory S. Strate

Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE
COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE
COMPANY

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Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

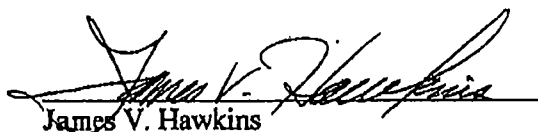
Their: _____

Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate


James V. Hawkins

Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith


Clayton E. Ridd

Robert K. Potter

Gregory S. Strato

James V. Hawkins

Philip W. Sandifur

SUMMIT SECURITIES, INC.

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Its: _____

OLD STANDARD LIFE INSURANCE COMPANY

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Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

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Their: _____

Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate

Gregory S. Strate

James V. Hawkins

Philip W. Sandifur

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith

Clayton E. Rudd

Robert K. Potter

Gregory S. Strate

James V. Hawkins



Philip W. Sandifar

APPENDIX "A" TO SETTLEMENT AGREEMENT
ASSIGNMENT OF RIGHTS

I. DEFINED TERMS

All capitalized terms used in this Assignment are defined in that Settlement Agreement among the parties hereto, dated September ____, 2005 ("Settlement Agreement"), or in this Assignment Agreement.

II. BACKGROUND

The Settlement Agreement among the parties provides that the Settling Defendants will assign to the Settling Claimants certain rights of the Settling Defendants against the Insurers arising under the Insurance Policies. The parties are executing this Assignment pursuant to the Settlement Agreement in order to provide for the agreed assignment of rights.

III. AGREEMENT

A. In partial consideration of the Settlement Agreement, Settling Defendants hereby individually and jointly assign to the Settling Claimants, to be held and exercised by them jointly or severally as they may elect, all contractual, extracontractual, tort, equitable and statutory rights, claims or causes of action they may have now or may in the future acquire against the Insurers and their affiliated or parent companies, including but not limited to all rights and claims arising from the Insurance Policies, to such extent as may be necessary to enable the Settling Claimants to obtain payment of the Settlement Amount from the proceeds of the Insurance Policies.

B. Nothing in this Assignment shall be interpreted to assign or transfer from the Settling Defendants or their attorneys any rights they may have against the Insurers,

or any rights they may have arising from the Insurance Policies, to recover: (1) attorney's fees and other litigation costs incurred as a result of defense of claims covered by the Insurance Policies, whether incurred before or after the execution of this Assignment; (2) indemnity for any claims that may be asserted against the Settling Defendants by any person or entity other than claims that Settling Claimants have released pursuant to the Settlement Agreement; or (3) attorney's fees and expenses that Settling Defendants are permitted to incur pursuant to the Settlement Agreement, including legal fees and expenses for (a) implementation and approval of the Settlement Agreement; (b) defense against regulatory or judicial proceedings or investigations undertaken by the U.S. Department of Justice, the SEC, or any other governmental or regulatory entity concerning Metropolitan, Summit, MIS, or any of their subsidiaries or affiliates; (c) defense, settlement and indemnity of any civil actions or proceedings in other forums (including the Class Action and participation in discovery in such actions as necessary) relating in any way to Metropolitan, Summit, MIS, or any of their subsidiaries or affiliates; and (d) compliance with the cooperation provisions contained in the Settlement Agreement.

C. Settling Defendants shall reasonably cooperate with the Settling Claimants in order to obtain orders in the Interpleader Actions authorizing payment of policy proceeds to the Settling Claimants, to the extent of the Settlement Amount provided in the Settlement Agreement. To the extent reasonably necessary, Settling Claimants shall execute such further instruments and agreements (including any amendments to this Assignment) as may be necessary to enable Settling Claimants to obtain payment of the Settlement Amount out of the interpleaded proceeds of the Insurance Policies.

D. Should any dispute arise among the parties concerning the interpretation or enforcement of this Agreement, they agree to submit such dispute to the United States Bankruptcy Judge for the Eastern District of Washington presiding in the bankruptcies of the Debtor Claimants, or such other appropriate forum as may be necessary or required.

DATED this _____ day of _____, 2005.

METROPOLITAN MORTGAGE AND SECURITIES CO., INC.

By: _____

Its: _____

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: _____

Its: _____

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith

Robert K. Potter

James V. Hawkins

Clayton E. Rudd

Gregory S. Strate

Philip W. Sandifur

APPENDIX "A" TO SETTLEMENT AGREEMENT

ASSIGNMENT OF RIGHTS

I. DEFINED TERMS

All capitalized terms used in this Assignment are defined in that Settlement Agreement among the parties hereto, dated September ____, 2005 ("Settlement Agreement"), or in this Assignment Agreement.

II. BACKGROUND

The Settlement Agreement among the parties provides that the Settling Defendants will assign to the Settling Claimants certain rights of the Settling Defendants against the Insurers arising under the Insurance Policies. The parties are executing this Assignment pursuant to the Settlement Agreement in order to provide for the agreed assignment of rights.

III. AGREEMENT

A. In partial consideration of the Settlement Agreement, Settling Defendants hereby individually and jointly assign to the Settling Claimants, to be held and exercised by them jointly or severally as they may elect, all contractual, extracontractual, tort, equitable and statutory rights, claims or causes of action they may have now or may in the future acquire against the Insurers and their affiliated or parent companies, including but not limited to all rights and claims arising from the Insurance Policies, to such extent as may be necessary to enable the Settling Claimants to obtain payment of the Settlement Amount from the proceeds of the Insurance Policies.

B. Nothing in this Assignment shall be interpreted to assign or transfer from the Settling Defendants or their attorneys any rights they may have against the Insurers,

or any rights they may have arising from the Insurance Policies, to recover: (1) attorney's fees and other litigation costs incurred as a result of defense of claims covered by the Insurance Policies, whether incurred before or after the execution of this Assignment; (2) indemnity for any claims that may be asserted against the Settling Defendants by any person or entity other than claims that Settling Claimants have released pursuant to the Settlement Agreement; or (3) attorney's fees and expenses that Settling Defendants are permitted to incur pursuant to the Settlement Agreement, including legal fees and expenses for (a) implementation and approval of the Settlement Agreement; (b) defense against regulatory or judicial proceedings or investigations undertaken by the U.S. Department of Justice, the SEC, or any other governmental or regulatory entity concerning Metropolitan, Summit, MIS, or any of their subsidiaries or affiliates; (c) defense, settlement and indemnity of any civil actions or proceedings in other forums (including the Class Action and participation in discovery in such actions as necessary) relating in any way to Metropolitan, Summit, MIS, or any of their subsidiaries or affiliates; and (d) compliance with the cooperation provisions contained in the Settlement Agreement.

C. Settling Defendants shall reasonably cooperate with the Settling Claimants in order to obtain orders in the Interpleader Actions authorizing payment of policy proceeds to the Settling Claimants, to the extent of the Settlement Amount provided in the Settlement Agreement. To the extent reasonably necessary, Settling Claimants shall execute such further instruments and agreements (including any amendments to this Assignment) as may be necessary to enable Settling Claimants to obtain payment of the Settlement Amount out of the interpleaded proceeds of the Insurance Policies.

D. Should any dispute arise among the parties concerning the interpretation or enforcement of this Agreement, they agree to submit such dispute to the United States Bankruptcy Judge for the Eastern District of Washington presiding in the bankruptcies of the Debtor Claimants, or such other appropriate forum as may be necessary or required.

DATED this 7th day of October, 2005.

METROPOLITAN MORTGAGE AND SECURITIES CO., INC.

By: *Pawc Folsom*
Its: Attorney

SUMMIT SECURITIES, INC.

By: *Pawc Folsom*
Its: Attorney

OLD STANDARD LIFE INSURANCE COMPANY

By: *[Signature]*
Its: Deputy Rehabilitation

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: _____
Its: _____

D. Should any dispute arise among the parties concerning the interpretation or enforcement of this Agreement, they agree to submit such dispute to the United States Bankruptcy Judge for the Eastern District of Washington presiding in the bankruptcies of the Debtor Claimants, or such other appropriate forum as may be necessary or required.

DATED this 3rd day of October, 2005.

METROPOLITAN MORTGAGE AND SECURITIES CO., INC.

By: _____

Its: _____

SUMMIT SECURITIES, INC.

By: _____

Its: _____

OLD STANDARD LIFE INSURANCE COMPANY

By: _____

Its: _____

OLD WEST ANNUITY & LIFE INSURANCE COMPANY

By: Mark D. Tharp MARK D. THARP

Its: SPECIAL DEPUTY RECEIVER

SAYLOR GROUP LEAD PLAINTIFFS

By: Bradley B. Jones
Their: Lead Plaintiff's Counsel

Samuel Smith

Robert K. Potter

James V. Hawkins

Clayton E. Rudd

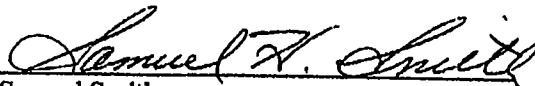
Gregory S. Strate

Philip W. Sandifur

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____


Samuel Smith

Robert K. Potter

James V. Hawkins

Clayton E. Rudd

Gregory S. Strate

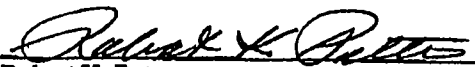
Philip W. Sandifur

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith



Robert K. Potter

James V. Hawkins

Clayton E. Rudd

Gregory S. Strate

Philip W. Sandifur

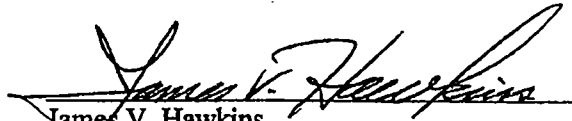
SAYLOR GROUP LEAD PLAINTIFFS

By: _____

Their: _____

Samuel Smith

Robert K. Potter



James V. Hawkins

Clayton E. Rudd

Gregory S. Strate

Philip W. Sandifur

SAYLOR GROUP LEAD PLAINTIFFS

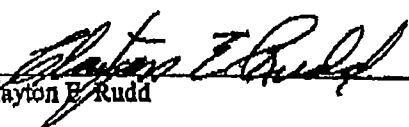
By: _____

Their: _____

Samuel Smith

Robert K. Potter

James V. Hawkins



Clayton E. Rudd

Gregory S. Strate

Philip W. Sandifur

SAYLOR GROUP LEAD PLAINTIFFS

By: _____

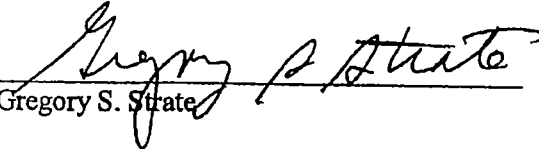
Their: _____

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Gregory S. Strate

Philip W. Sandifur

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By: _____

Their: _____

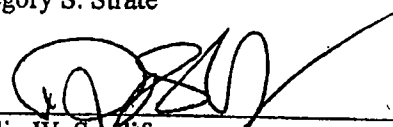
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