SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

THE PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, v. FAMILY FIRST ADVANCED ESTATE PLANNING, a California corporation; FAMILY FIRST INSURANCE SERVICES, a California corporation; AMERICAN INVESTORS LIFE INSURANCE COMPANY, INC., a Kansas corporation; GROUP LEGAL SERVICES, INC., a California corporation; SENIOR LAW PRACTICE GROUP, A PROFESSIONAL CORPORATION, formerly known as Thomas R. Lee, a Professional Corporation, a California corporation; NICK A. MICHAELS; JOHN OWEN; THOMAS R. LEE; and DOES 1 through 200, inclusive, Defendants.	Case No.: BC328584 **STIPULATED PERMANENT INJUNCTION AND FINAL JUDGMENT AGAINST DEFENDANTS FAMILY FIRST ADVANCED ESTATE PLANNING, FAMILY FIRST INSURANCE SERVICES, AMERICAN INVESTORS LIFE INSURANCE COMPANY, INC., AND JOHN OWEN** Department: 308 Judge: Hon. Emilie H. Elias

Plaintiff, the People of the State of California on the complaint of Edmund G. Brown Jr.,

Attorney General, and Steve Poizner, Insurance Commissioner ("People" or "Plaintiff"), through its attorney, Attorney General Edmund G. Brown Jr., by Deputy Attorney General Benjamin G. Diehl and Defendants Family First Advanced Estate Planning, Family First Insurance Services, American Investors Life Insurance Company, Inc., and John Owen, appearing personally and through their respective counsel, Donald Randolph, Skadden, Arps, Slate, Meagher and Flom by Thomas Nolan, and Pillsbury, Winthrop, Shaw, Pittman LLP, by Anthony Delling, having stipulated that this Stipulated Permanent Injunction and Final Judgment (hereafter "Stipulated Judgment") may be entered without the taking of evidence, without trial or adjudication of any issue of fact or law or any adjudication of or decision regarding the substantive merits of any claim or defense in this case, and Family First Insurance Services and John Owen having further agreed to resolve administrative claims against them in separate proceedings to be commenced by the Insurance Commissioner, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. This Court has jurisdiction of the subject matter hereof and the parties hereto.

2. Venue is proper in this Court.

3. For purposes of this Stipulated Judgment:

   i. "Clearly and Conspicuously" means placed and printed such that the printed information will attract the reader's attention, and that such information is stated precisely and understandably, in words that are part of the working vocabulary of the average layperson; and

   ii. "Estate Planning Document" means:

      (a) any will (including any codicil or any pour-over will); living will; trust (including any revocable or irrevocable living trust, which may also be known as an inter vivos trust, testamentary trust, abstract or certificate of trust); revocation or modification of any trust; trust amendment; power of attorney (whether durable or not,

whether for health care, asset management or other purpose); transfer of title documents connected with the funding or administration of any trust, the avoidance of probate, or any probate proceeding; or conservatorship;

(b) any written instruction, summary or explanation concerning any document identified in part (a) of this definition;

(c) any amendment to or revision of any document identified in part (a) of this definition; and

(d) any document needed to carry out the funding or administration of any trust, probate avoidance mechanism or probate proceeding.

However, the term "Estate Planning Document" excludes any annuity or other insurance product, as well as any documents relating to the terms, use, conditions, exclusions, transfer, ownership, administration, beneficiary designations or funding of an annuity or insurance contract, provided that such documents are not used to offer or sell documents identified in subparagraphs (a) or (c) above.

4. Pursuant to Sections 17203 and 17535 of the Business and Professions Code and sections 789 and 12928.6 of the Insurance Code, Defendant John Owen, and his successors, assigns, agents, employees and representatives (except that persons enjoined as agents, employees and representatives are enjoined solely in those capacities and not in their individual capacities) who have actual or constructive knowledge of this Stipulated Judgment, are hereby permanently enjoined and restrained from directly or indirectly engaging in or performing, any of the following with respect to California consumers:

A. Engaging in any conduct that violates Sections 6125 or 6126 of the Business and Professions Code, or constitutes the unauthorized practice of law.

B. Acting as a runner or capper, as those terms are defined in Section 6151 of the Business and Professions Code, or engaging in any conduct that violates Section 6152 of the Business and Professions Code.

C. Engaging in any conduct that constitutes a violation of Section 25230 of the California Corporations Code, including acting as an Investment Adviser as that term is defined by Section 25009 of the California Corporations Code, without obtaining a license required by Section 25230 of the California Corporations Code.

D. Directing to consumers aged 65 years of age or older advertisements or other devices designed to produce leads based on a response from a potential insured without clearly and conspicuously disclosing in the advertisements or other devices designed to produce leads that recipients may be contacted by an insurance agent, if in fact that is the case. The "advertisements or other devices" covered under this provision include solicitations or advertisements promoting Estate Planning Documents or events where Estate Planning Documents will be marketed.

E. Offering or entering into a home solicitation contract, which shall include any contract for group or pre-paid legal services, without fully complying with Civil Code sections 1689.5 through 1689.7.

F. Engaging in fiduciary abuse as defined in Welfare and Institutions Code section 15610.30.

G. Discouraging any individual from taking a reasonable amount of time to consider or review, either in private or with another person not then present, each document an individual is requested to sign or signs in connection with any Estate Planning Document; any document relating to the terms, use, conditions, exclusions, transfer, ownership, administration, beneficiary designations or funding of an annuity or insurance contract; or any insurance product including any annuity offered or sold, before the individual is requested to sign such document(s).

H. Using the terms "seminar," "class," "informational meeting," or substantially equivalent terms to characterize the purpose of a public gathering or an event where insurance products will be marketed or offered for sale unless the advertisement adds the words "and insurance sales presentation" immediately following those terms in the same type size and font as those terms.

I. Failing to provide any individual, at the time the document is signed, a retainable and legible copy of each document the individual signs in connection with the sale or transfer of any assets, if the funds from that transfer or sale will be used, in whole or in part, to fund an annuity.

J. Failing to provide retainable and legible copies of any other documents the consumer signs in connection with any annuity or other insurance product as soon as required by law, but in no event later than the time the annuity or other insurance policy is delivered.

K. Making or disseminating untrue or misleading statements, or causing untrue or misleading statements to be made or disseminated, with the intent to induce a consumer to purchase any Estate Planning Documents, any services related to Estate Planning Documents; any pre-paid legal service plan; any insurance product including any annuity; or any documents relating to the terms, use, conditions, exclusions, transfer, ownership, administration, beneficiary designations or funding of any insurance product.

L. Requesting or requiring any individual to sign any disclosure or acknowledgment (regardless of how titled) that is inconsistent with any statements made to that individual, in connection with the solicitation, offering, or sale of Estate Planning Documents or insurance products.

M. Offering or selling any insurance product, including any annuity in the same home visit to a consumer 65 years old or older in which any Estate Planning Document is offered, sold, delivered, executed or reviewed.

N. Meeting with a consumer 65 years old or older at the person's home, for the purpose of marketing or selling annuities or other insurance, without first complying with all provisions of Section 789.10 of the Insurance Code, including but not limited to giving all notices required under subdivision (b) of Section 789.10.

O. Engaging in any conduct that violates Sections 780, 781, 785(a), 787, 789.10, 790.02, or 790.03 of the Insurance Code.

P. Offering for sale or selling any annuity to any consumer without disclosing orally, clearly and conspicuously, each of the following, prior to the consumer signing any application to purchase an annuity or any document authorizing transfer of any assets to an annuity, unless the annuity does not contain such terms:

i. the terms and timing of any bonus that may be credited to the annuity;

ii. the interest rate the annuity will earn in the second and later years may be lower than the rate the annuity will earn in the first year;

iii. the minimum annual interest rate for the first year and each subsequent year of the annuity contract; and

iv. the penalties or charges applicable if the purchaser withdraws funds in excess of any free withdrawal amount from the annuity before the end of the surrender period, the percentage assessed for such penalties or charges, and the base amount on which the percentage would be assessed.

5. The entity sued herein as Family First Advanced Estate Planning, now known as California Advanced Estate Planning, Inc., has agreed to cease operations and, pursuant to Sections 17203 and 17535 of the Business and Professions Code, is permanently enjoined from engaging in any operations, including without limitation offering for sale or selling any Estate Planning Documents, services relating to Estate Planning Documents, annuities or other insurance products. Provided that Family First Advanced Estate Planning does not sell, offer or market any goods or services whatsoever, this paragraph shall not be construed as barring

Family First Advanced Estate Planning from carrying out those operations necessary to close its business, including conducting or resolving litigation or filing tax returns, or as requiring Family First Advanced Estate Planning to breach any contracts that exist as of the date this Stipulated Judgment is entered.

6. Family First Insurance Services has agreed to cease operations and, pursuant to Sections 17203 and 17535 of the Business and Professions Code and sections 789 and 12928.6 of the Insurance Code, is permanently enjoined from engaging in any operations, including without limitation offering for sale or selling any Estate Planning Documents, services relating to Estate Planning Documents, annuities or other insurance products. Provided that Family First Insurance Services does not sell, offer or market any goods or services whatsoever, this paragraph shall not be construed as barring Family First Insurance Services from carrying out those operations necessary to close its business, including conducting or resolving litigation or filing tax returns, or as requiring Family First Insurance Services to breach any contracts that exist as of the date this Stipulated Judgment is entered.

7. Pursuant to Sections 17203 and 17535 of the Business and Professions Code and sections 789 and 12928.6 of the Insurance Code, but subject to paragraph 18, below, Defendants American Investors Life Insurance Company ("AILI"), Family First Advanced Estate Planning ("FFAEP"), and Family First Insurance Services ("FFIS"), and their respective successors and assigns, are hereby permanently enjoined and restrained from conspiring to engage, or engaging in or performing, any of the following with respect to California consumers:

A. Engaging in any conduct that violates Sections 6125 or 6126 of the Business and Professions Code, or constitutes the unauthorized practice of law.

B. Acting as a runner or capper, as those terms are defined in Section 6151 of the Business and Professions Code, or engaging in any conduct that violates Section 6152 of the Business and Professions Code.

C. Engaging in any conduct that constitutes a violation of Section 25230 of the California Corporations Code, including acting as an "investment adviser" as that term is defined by Section 25009 of the California Corporations Code, without obtaining a license required by Section 25230 of the California Corporations Code.

D. Directing to consumers aged 65 years of age or older advertisements or other devices designed to produce leads based on a response from a potential insured without clearly and conspicuously disclosing in the advertisements or other devices designed to produce leads that recipients may be contacted by an insurance agent, if in fact that is the case. The "advertisements or other devices" covered under this provision include solicitations or advertisements promoting Estate Planning Documents or events where Estate Planning Documents will be marketed.

E. Offering or entering into a home solicitation contract, which shall include any contract for group or pre-paid legal services, without fully complying with Civil Code sections 1689.5 through 1689.7.

F. Engaging in fiduciary abuse as defined in Welfare and Institutions Code section 15610.30.

G. Making or disseminating untrue or misleading statements, or causing untrue or misleading statements to be made or disseminated, with the intent to induce a consumer to purchase either: (i) any annuities or other insurance products, or (ii) any other goods or services sold or offered to a person also offered, marketed or solicited to purchase annuities or other insurance products.

H. Using the terms "seminar," "class," "informational meeting," or substantially equivalent terms to characterize the purpose of a public gathering or an event where insurance products will be marketed or offered for sale unless the advertisement adds the words "and insurance sales presentation" immediately following those terms in the same type size and font as those terms.

I. Meeting with a consumer 65 years old or older at the person's home, for the purpose of marketing or selling annuities or other insurance, without first complying with all provisions of Section 789.10 of the Insurance Code, including but not limited to giving all notices required under subdivision (b) of Section 789.10.

J. Failing to include in all disclosures and information provided to consumers pursuant to Section 10127.13 of the Insurance Code references to all page numbers that refer to, describe, or disclose any surrender charge that may be assessed upon the full or partial surrender of the annuity, regardless of the circumstances of the surrender. AILI shall have 60 days from the date this Stipulated Judgment is entered to comply with the provisions of this subparagraph.

K. Engaging in any conduct that violates Sections 780, 781, 785(a), 787, 789.10, 790.02, or 790.03 of the Insurance Code.

L. Issuing any annuity to any consumer without Clearly and Conspicuously disclosing each of the following in writing prior to the issuance of the annuity, unless the annuity does not contain such terms:

i. the terms and timing of any bonus that may be credited to the annuity;

ii. that the interest rate the annuity will earn in the second and later years may be lower than the rate the annuity will earn in the first year;

iii. the minimum annual interest rate for the first year and each subsequent year of the annuity contract; and

iv. the penalties or charges applicable if the purchaser withdraws funds in excess of any free withdrawal amount from the annuity before the end of the surrender period, the percentage assessed for such penalties or charges, and the base amount on which the percentage would be assessed.

AILI shall have 60 days after entry of this Stipulated Judgment to comply with this subparagraph.

8. A. Pursuant to Sections 17203 and 17535 of the Business and Professions Code and Sections 789 and 12928.6 of the Insurance Code, AILI, and its successors or assigns, are permanently enjoined and restrained from appointing new agents to sell life insurance in California, or permitting agents currently appointed to sell life insurance in California to continue to do so, unless within 60 days after the date this Stipulated Judgment is entered AILI revises the guidelines and procedures it provides all such current and future agents to include Clearly and Conspicuously the provisions of paragraph 7 above; provides copies of those guidelines and procedures as so amended to each current and future appointed agent; informs each such agent that AILI agreed to these changes to its guidelines and procedures as part of a Stipulated Judgment; and agrees to take remedial action against and, for a period of three years from the date this Stipulated Judgment is entered, refer to the DOI any agent found, either by AILI or in any judicial or administrative proceeding, to have violated any provision of paragraph 7 or any other provision of AILI's guidelines and procedures, as amended pursuant to this Stipulated Judgment. An appointed agent's denial of misconduct cannot by itself serve as a sufficient basis for AILI to determine that the agent did not violate AILI's guidelines and procedures. As used in this paragraph, "appropriate remedial action" shall mean (i) for an initial violation, AILI shall provide the agent with another copy of its policies and procedures and require the agent to sign a written acknowledgment that any further violations shall result in immediate revocation of the agent's appointment and (ii) for any subsequent violation, AILI shall immediately revoke the agent's appointment.

B. In addition to including the provisions of paragraph 7, AILI shall also amend its guidelines and procedures to state Clearly and Conspicuously that each agent:

i. is required to disclose Clearly and Conspicuously the information specified in subparagraph 7(L), above, prior to the consumer having signed any application to purchase an annuity or transfer assets to an annuity, unless the annuity does not contain such terms;

ii. is barred from preventing or discouraging California consumers from taking a reasonable amount of time to review a document before the consumer is requested to sign it;

iii. shall provide any individual, at the time the document is signed, a retainable and legible copy of each document the individual signs in connection with the sale or transfer of any assets, where the funds from that transfer or sale will be used to fund an annuity;

iv. shall provide retainable and legible copies of any other documents the consumer signs in connection with the purchase of any annuity or other insurance product as soon as required by law but in no event later than the time the annuity or other insurance policy is delivered; and

v. may not request or require any individual to sign any disclosure or other document inconsistent with statements made to that consumer.

9. With respect to AILI annuity policies issued in California before entry of this Stipulated Judgment and sold by FFIS or sales agents for FFIS that have not yet been fully surrendered ("Subject Annuity" or "Subject Annuities"), AILI shall follow the following procedures:

A. If any person withdrawing or seeking to withdraw from a Subject Annuity any amount that would be subject to a surrender charge under the annuity contract provisions ("Surrendering Party") demonstrates a hardship in accordance with the procedures and criteria specified below ("Qualifying Event"), AILI will not assess any surrender charge, as provided below:

i. A Surrendering Party may make a hardship request as provided for under this Stipulated Judgment by submitting a "Hardship Request Form" (the text of which shall be agreed to by the Office of the Attorney General, the Department of Insurance, and AILI) or other writing and appropriate documentation establishing

the Qualifying Event ("Hardship Request"). If the request is not submitted on the Hardship Request Form, AILI shall, within four business days of receiving the request, provide the Surrendering Party a copy of the Hardship Request Form via first class mail to be signed and returned to AILI, along with a postage paid return envelope. AILI shall also send by first class mail a Hardship Request Form and a postage paid return envelope to any person who owns a Subject Annuity either requests a copy of the form or requests a waiver of a surrender penalty, within four business days of receiving the request. If the Surrendering Party is incapacitated or otherwise unable to prepare the hardship request, a person with the authority to act for the Surrendering Party may submit the request on his or her behalf, along with documents showing that the Surrendering Party is not able to complete the hardship request form him or herself and that the person submitting the form has authority to act for the Surrendering Party.

ii. Appropriate documentation in support of a Hardship Request can include medical records, a note or other writing from a doctor, other record(s) indicating that a Qualifying Event has happened or will happen, or estimates, receipts, documentation demonstrating financial circumstances, invoices, contracts, or any other records establishing that the Surrendering Party satisfies the requirements for a Qualifying Event.

iii. For the first ninety days after entry of this Stipulated Judgment, AILI shall review and either grant or deny the Hardship Request within 45 days of receipt, and shall immediately notify the Surrendering Party in writing of its decision to grant or deny the request. Thereafter, AILI shall review and either grant or deny the Hardship Request within 15 days of receipt, and shall immediately notify the Surrendering Party in writing of its decision to grant or deny the request. Notices AILI sends to consumers pursuant to this subparagraph shall be sent by first class

U.S. mail, or any other means of mailing calculated to reach the consumer more quickly than first class U.S. mail. If AILI contends that the Hardship Request should be denied, AILI shall, concurrently with informing the Surrendering Party of that fact and that the Hardship Request is being forwarded to the Department of Insurance, forward to the Consumer Services Division of the Department of Insurance a copy of the Hardship Request, all documentation submitted to AILI by the Surrendering Party and any statement of the reasons why AILI believes that the Hardship Request should not be approved. The Consumer Services Division of the Department of Insurance shall then make an independent determination of whether the Hardship Request should be approved, and notify both AILI and the Surrendering Party of its position. If the Consumer Services Division of the Department of Insurance disagrees with the determination made by AILI, it shall send a written statement of reasons to AILI, along with any supporting documentation. Within fifteen (15) days of receipt of the written statement of reasons sent by the Consumer Services Division of the Department of Insurance, AILI shall send a response stating whether it accepts the determination made by the Consumer Services Division of the Department of Insurance. If AILI does not accept the determination, it shall provide DOI with a written explanation of its position. The Consumer Services Division of the Department of Insurance shall then make a further review of the Hardship Request, including any additional materials provided by AILI, and notify AILI whether it is still of the position that the Hardship Request should be granted. If the Consumer Services Division of the Department of Insurance and AILI cannot reach agreement as to whether the Hardship Request should be granted, then any such disagreement shall be resolved via ex parte application to the Court, as provided under paragraph 17 below.

iv. AILI may use materials submitted by a consumer as part, or in support, of a Hardship Request solely for purposes of evaluating that request.

B. A Qualifying Event occurs when the owner of a Subject Annuity incurs a Demonstrated Financial Need as a result of conditions adversely impacting the owner and/or an immediate family member of the owner. A Qualifying Event that occurred prior to the entry of this Stipulated Judgment may serve as the basis for a Hardship Request. Adverse conditions that can constitute a Qualifying Event may include, but are not necessarily limited to:

i. The current existence or subsequent development of a chronic or acute mental or physical condition or illness, or any severe, life threatening or terminal illness.

ii. The owner of a Subject Annuity or an immediate family member of the owner going into a senior residential facility which offers progressive assistance as needed, or an assisted living facility, nursing home, or hospice.

iii. The owner of a Subject Annuity or an immediate family member of the owner suffering a medical emergency.

iv. Any fire, storm, flood, earthquake, landslide, mudslide, natural disaster or Act of God.

This list is not intended to be exclusive, but is reflective of examples of conditions that may constitute a Qualifying Event. The owner of a Subject Annuity may request a hardship based on other circumstances that may currently exist or subsequently arise, which the owner of the Subject Annuity claims constitute a Qualifying Event. All such hardship requests shall be submitted and evaluated pursuant to the procedures specified in this paragraph 9.

C. As used in this paragraph 9, "Demonstrated Financial Need" shall mean the inability to pay debts related to, or resulting from, the Qualifying Event(s) as they come due using financial resources other than (i) any fund, other than a certificate of deposit, where by making a withdrawal the consumer will incur a penalty, or other charge, assessed by the institution or entity managing the funds or the institution where the funds were held or deposited,

or (ii) equity in a home. In no event shall the fact that a person may qualify for a loan or other extension of credit or be able to obtain funds by selling property be the basis for denying a Hardship Request. A consumer may establish Demonstrated Financial Need by providing copies of financial statements or other records in his or her possession that show a lack of funds necessary to cover expenses associated with the Qualifying Event.

D. Materials AILI sends to the Consumer Services Division of the Department of Insurance in connection with a Hardship Request determination shall be sent via overnight mail, to the following address:

Attn: American Investors Hardship Request
Rating & Underwriting Services Bureau
California Department of Insurance
300 South Spring Street, 11th Floor
Los Angeles, CA 90013

E. Once a Hardship Request is approved, AILI shall immediately pay the amounts needed by the Surrendering Party to cover the costs associated with the Qualifying Event, without applying any surrender charge.

F. AILI shall maintain copies of all records received from consumers or prepared internally (including electronic records) regarding Hardship Requests for a period of at least five years from the date of receipt or date the record is generated. Copies of documents relied on by AILI in evaluating Hardship Requests may be requested by the Office of the Attorney General or Department of Insurance pursuant to paragraph 13 of this Stipulated Judgment.

G. Consumers shall be given notice that they may make a Hardship Request for a Subject Annuity as follows: within forty (40) days after entry of this Stipulated Judgment, AILI shall send to the owner of each Subject Annuity a letter notifying the consumer of the opportunity to make a Hardship Request ("Hardship Request Notice Letter"). The form and content of the Hardship Request Notice Letter shall be agreed to by the Department of Insurance, the Attorney General and AILI. Within three business days after the date of mailing, AILI shall

provide a statement under penalty of perjury to the Attorney General and Insurance Commissioner identifying the date the Hardship Request Notice Letters were sent ("Hardship Letter Mailing Date"). The Hardship Request Notice Letter shall be sent by regular, first class U.S. mail, postage prepaid, to the last known address for each owner of a Subject Annuity. On the outside of the envelope on the same side as the recipient's address, the following statement shall appear in a bold-face, easily legible font which is not smaller than 14 points: "COURT APPROVED NOTIFICATION. PLEASE CAREFULLY READ ALL CONTENTS." The envelope shall reflect AILI's return address, or another address agreed to in advance by AILI and the People.

H. Thirty days after the Hardship Letter Mailing Date and every forty-five (45) days thereafter, AILI shall send to Plaintiff a list with the first, middle and last name, old address, and date of birth, and any other identifying information known to AILI regarding each consumer whose Hardship Request Notice Letter was returned to sender. Plaintiff, at its option, may try to locate such consumers and supply AILI with updated addresses for such consumers. Within thirty days from the date Plaintiff supplies AILI an updated address for any Consumer whose Hardship Request Notice Letter was returned, or from the date AILI otherwise learns of an updated address for any such consumer, a second Hardship Request Notice Letter shall be sent to the consumer at the updated address, at AILI's expense.

10. For those Subject Annuities for which AILI has not already agreed to make a settlement payment of at least 55% of any surrender penalty that has been or may be assessed on the Subject Annuity ("Qualifying Subject Annuity" or "Qualifying Subject Annuities"), AILI shall provide the owner of the Qualifying Subject Annuity with the option to receive the accumulated value of the Qualifying Subject Annuity (and the applicable bonus described below) in the form of monthly payments (referred to hereafter as "Monthly Settlement Payments"), as follows:

A. If fewer than six years remain on the surrender charge schedule of the Qualifying Subject Annuity, the owner of the Qualifying Subject Annuity may elect to receive the accumulated value of the Qualifying Subject Annuity in the form of equal Monthly Settlement Payments paid over thirty-six (36) months, with such equal monthly payments beginning no later than forty-five (45) days after the owner returns the Monthly Payment Offer Response Form described below ("36-Month Settlement Payments"). The amount of the 36-Month Settlement Payments shall be determined based on the accumulated value of the Qualifying Subject Annuity as of the date AILI receives the Response Form, plus a bonus equal to 1% of the accumulated value as of that date, which amount shall be credited to the accumulated value ("1% Bonus Payment"). Interest shall continue to accrue on the remaining balance (including the 1% Bonus Payment) from the time AILI receives the Response Form until the time of the final Monthly Settlement Payment, and shall be paid monthly. The method of calculating interest shall be the same method used nationally to calculate interest for policies of the same policy form as the Qualifying Subject Annuity and the interest rate used to calculate the amounts payable for the 36-Month Settlement Payments shall be, (i) for traditional fixed rate annuities, no less than the interest rate being credited on policies of the same policy form and policy issue date, as of the date AILI receives the Response Form, and, (ii) for indexed policies, the fixed interest rate being credited on funds not subject to an interest crediting formula linked to an index, as of the date AILI receives the Response Form, for annuities of the same policy form and policy issue date. In the event that the provisions of this subparagraph would ordinarily call for the 36-Month Settlement Payments to extend beyond the end date of the surrender charge schedule for the Qualifying Subject Annuity, then the duration of the 36-Month-Settlement Payments (and, correspondingly, the number and amount of the equal monthly payments) shall be shortened such that the last Monthly Settlement Payment will be made no later than the last date of the surrender charge schedule of the Qualifying Subject Annuity.

B. If six or more years remain on the surrender charge schedule of the Qualifying Subject Annuity, the owner of the Qualifying Subject Annuity may elect to receive the accumulated value of the Qualifying Subject Annuity in the form of equal Monthly Settlement Payments paid over forty-eight (48) months, with such equal payments beginning no later than forty-five (45) days after the owner returns the Monthly Settlement Payment Response Form described below ("48-Month Settlement Payments"). The amount of the 48-Month Settlement Payments shall be determined based on the accumulated value of the Qualifying Subject Annuity as of the date AILI receives the Response Form, plus a bonus equal to 1.25% of the accumulated value as of that date, which amount AILI shall credit to the accumulated value ("1.25% Bonus Payment"). Interest shall continue to accrue on the remaining balance (including the 1.25% Bonus Payment) from the time AILI receives the Response Form until the time of the final Monthly Settlement Payment, and shall be paid monthly. The method of calculating interest shall be the same method used nationally to calculate interest for policies of the same policy form as the Qualifying Subject Annuity and the interest rate used to calculate the amounts payable for the 48 Month Settlement Payments shall be, (i) for traditional fixed rate annuities, no less than the interest rate being credited on policies of the same policy form and policy issue date, as of the date AILI receives the Response Form, and, (ii) for indexed policies, the fixed interest rate being credited on funds not subject to an interest crediting formula linked to an index, as of the date AILI receives the Response Form, for annuities of the same policy form and policy issue date. In the event that the provisions of this subparagraph would ordinarily call for the 48-Month Settlement Payments to extend beyond the end date of the surrender charge schedule for the Qualifying Subject Annuity, then the duration of the 48-Month Settlement Payments (and, correspondingly, the number and amount of the equal monthly payments) shall be shortened such that the last Monthly Settlement Payment will be made no later than the last date of the surrender charge schedule of the Qualifying Subject Annuity.

C. Within 30 days after entry of this Stipulated Judgment, AILI shall provide to the Attorney General and Department of Insurance the first, middle and last name, last known address and date of birth of each owner of a Qualifying Subject Annuity to the extent this information is known to AILI.

D. Consumers shall be given notice of their eligibility to receive Monthly Settlement Payments at AILI's expense, as follows:

i. Within fifty days (50) days after entry of this Stipulated Judgment and at least ten days after the Hardship Letter Mailing Date, AILI shall send to each consumer eligible to receive a Monthly Settlement Payment a letter notifying the consumer that he or she is eligible for Monthly Settlement Payments, under the terms set forth above (hereafter referred to as "Monthly Payment Offer Letter," the form of which shall be agreed to by the Attorney General, Department of Insurance, and AILI). The Monthly Payment Offer Letter shall be sent by first class U.S. mail, postage prepaid, to the last known address for each person eligible to participate in this program, and the color of the envelope shall be a different color than the color of envelopes used to mail the notices sent pursuant to paragraph 9, above. On the outside of the envelope on the same side as the recipient's address, the following statement shall appear in a bold-face, easily legible font which is not smaller than 14 points: "COURT APPROVED NOTICE. PLEASE CAREFULLY READ ALL CONTENTS." The envelope shall reflect AILI's return address, or another address agreed to in advance by AILI and the People. Within three business days after the date of mailing, AILI shall provide a statement under penalty of perjury to the Attorney General and Insurance Commissioner identifying the date the Monthly Payment Offer Letters were sent (the "Monthly Payment Offer Mailing Date").

ii. In addition to the Monthly Payment Offer Letter, the mailing sent to eligible consumers shall include a Monthly Payment Offer Response Form, the form of which shall be agreed to by the People and AILI but which shall provide the opportunity for consumers to accept or decline the offer to receive Monthly Settlement Payments under the terms of this Stipulated Judgment, and an addressed return envelope, with sufficient postage prepaid for the Consumer to be able to return the Monthly Payment Offer Response Form to AILI via first class U.S. mail.

iii. Beginning thirty (30) days after the Monthly Payment Offer Mailing Date and every forty-five (45) days thereafter AILI shall send to the Office of the Attorney General and the Department of Insurance a list with the first, middle and last name, last known address, and any other identifying information known to AILI regarding each consumer whose Monthly Payment Offer Letter was returned to sender. Plaintiff, at its option, may try to locate and supply AILI with updated addresses for such consumers. Within thirty days from the date Plaintiff supplies AILI an updated address for any Consumer whose Monthly Payment Offer Letter was returned, or AILI otherwise learns of an updated address for any such consumer, another Monthly Payment Offer Letter (and all other materials specified above) shall be sent to the consumer at the updated address, at AILI's expense.

iv. Seventy-five (75) days and again two hundred ten (210) days after the Monthly Payment Offer Mailing Date, AILI shall give the Office of the Attorney General and the Department of Insurance a written status report showing (1) the name of each person who has requested Monthly Settlement Payments since the time of the last status report prepared pursuant to this Stipulated Judgment, including the

amount of that person's Qualifying Subject Annuity, and (2) the amount of the bonus awarded to each such owner.

E. Consumers shall have one hundred eighty days (180) from the Monthly Payment Offer Mailing Date to elect to receive Monthly Settlement Payments, except that consumers whose Monthly Payment Offer Letters are returned to sender shall have six months from the date notice is mailed to them at their correct address. Consumers who do not return the Monthly Payment Offer Response Form by the applicable 180 day deadline shall be deemed to have declined to receive a Monthly Settlement Payment. AILI shall have no obligation to make Monthly Settlement Payments to any consumer who declines or is deemed to have declined to receive Monthly Settlement Payments.

F. If a consumer contacts AILI by phone or in writing with questions regarding a Qualifying Subject Annuity, AILI shall notify that consumer the amount of time remaining on the surrender penalty, the amount of the surrender charge that would be assessed if the consumer surrendered on that date, and the number and amount of the monthly payments the consumer would receive under the terms of this Stipulated Judgment. Nothing in this Stipulated Judgment shall restrict AILI from providing to those consumers who contact AILI after receiving the Monthly Settlement Payment Offer Letter truthful and non-misleading information regarding the terms and conditions of their Qualifying Subject Annuity or the terms of the Monthly Settlement Payments they would receive. AILI shall not, however, make statements designed to induce consumers to opt in to or to opt out of receiving Monthly Settlement Payments.

G. The Attorney General and Insurance Commissioner shall have the right to inspect and request copies of all records pertaining to AILI's compliance with paragraph 10 of the Stipulated Judgment, pursuant to paragraph 13 of this Stipulated Judgment.

11. Pursuant to the terms of the Stipulation for Entry of this Stipulated Judgment:

A. Defendants Family First Insurance Services, Family First Advanced Estate Planning and John Owen shall jointly and severally pay Plaintiff the sum of $250,000 (Two Hundred and Fifty Thousand Dollars) as a civil penalty;

B. Family First Insurance Services and Family First Advanced Estate Planning shall pay Plaintiff an additional civil penalty of $750,000 (Seven Hundred and Fifty Thousand Dollars); and

C. Defendants American Investors Life Insurance, Family First Advanced Estate Planning, and Family First Insurance Services shall jointly and severally pay to the Office of the Attorney General the sum of $200,000 (Two Hundred Thousand Dollars) and the Department of Insurance the sum of $500,000 (Five Hundred Thousand Dollars) to cover their respective costs of investigating and prosecuting this matter.

All civil penalties paid under the terms of this paragraph shall be paid pursuant to Section 17206 of the Business and Professions Code. All funds paid pursuant to this paragraph shall be delivered to the Office of the Attorney General via wire transfer, to be allocated as set forth above.

12. Also pursuant to the terms of the Stipulation for Entry of this Stipulated Judgment, Defendants AILI, Family First Advanced Estate Planning and Family First Insurance Services shall send by wire transfer the sum of $5,500,000 (Five Million, Five Hundred Thousand Dollars) ("the Settlement Fund") to the Office of the Attorney General. The Settlement Fund will then be transferred to a bank or other financial institution to be agreed upon by the parties. Neither AILI, Family First Advanced Estate Planning, nor Family First Insurance Services shall have any property right, interest, claim or title to the Settlement Fund or any interest earned thereon. The Settlement Fund, and any net, post-tax interest thereon, shall be held in trust to be distributed to California consumers who (i) purchased AILI annuities through Family First Insurance Services and (ii), as of the date this judgment is entered had surrendered those annuities in a fashion that caused AILI to assess a surrender penalty or surrender charge.

AILI shall bear the cost of distributing these funds to such California consumers. Plaintiff shall develop the method to be used for determining those consumers eligible to receive funds pursuant to this paragraph, and the amounts to be paid to such consumers. Plaintiff shall obtain the court's approval of the method by which these funds shall be distributed to California consumers, and may seek such approval via an ex parte application, with no personal appearance required. Any funds associated with non-negotiated checks sent pursuant to this paragraph shall not revert back to any of the Defendants and shall instead be distributed as follows:

a. Fifty percent of such funds shall be deposited into the Life and Annuity Consumer Protection Fund that is maintained by the California Department of Insurance. Pursuant to Insurance Code section 12926.1(c)(5), some or all of said monies may be spent on educating consumers in all aspects of life insurance and annuity products, consumer protection, purchasing and using insurance and annuity products, claim filing, benefit delivery, and dispute resolution.

b. Fifty percent of such funds shall be deposited into the Consumer Protection Prosecution Trust Fund previously created by the Stipulated Final Judgment and Permanent Injunction, filed on September 21, 1989, in the case of *People v. ITT Consumer Financial Corporation* (Alameda County Superior Court case number 656038-0).

13. Upon 20 days prior written notice, any duly authorized representative of the Attorney General or Department of Insurance shall be permitted to inspect and copy such records as may be reasonably necessary to determine whether the parties subject to this Stipulated Judgment are in compliance with its provisions.

14. A. This Stipulated Judgment constitutes a full resolution and complete settlement of all, and only, those civil claims and causes of action the Attorney General and Insurance Commissioner had against AILI, Family First Advanced Estate Planning, Family First Insurance Services and John Owen (and their respective past or present officers, directors or

employees who were not named as individual defendants to this action) that were specifically alleged in the complaint on file in this matter, for conduct occurring before entry of this Stipulated Judgment, except that this Stipulated Judgment shall not be construed as releasing any antitrust, charitable trust, or tax claims.

B. This Stipulated Judgment also constitutes a full resolution and complete settlement of all administrative or regulatory claims the Insurance Commissioner may have against AILI regarding all matters that are resolved civilly as to AILI pursuant to subparagraph (A), above, of which the Department of Insurance is aware at the time it consents to entry of this Stipulated Judgment. Provided AILI is not alleged to have violated the Insurance Code in any proceeding conducted subsequent to the entry of this Stipulated Judgment and that AILI complies with its terms, this Stipulated Judgment shall neither have any impact on any licenses or approvals issued by the California Department of Insurance, nor disqualify AILI or any of its agents from offering insurance, including annuities, in California.

C. This Stipulated Judgment does not resolve and shall not be construed as resolving any claims (whether civil, administrative, or regulatory) against any person or entity not a party to this Stipulated Judgment who AILI appointed as a life agent in California, or any other person or entity not expressly identified in subparagraph (A) above.

D. The Attorney General and Insurance Commissioner agree that before seeking any relief from any court against any Defendant for any alleged violation of this Stipulated Judgment, they will give that Defendant twenty (20) business days written notice of the alleged violation. That Defendant shall be provided the opportunity to respond to Office of the Attorney General and Department of Insurance regarding the alleged violation within the twenty (20) business day period. However, nothing in this paragraph shall bar the Office of the Attorney General or Department of Insurance from seeking a preliminary injunction or temporary restraining order prior to the expiration of that 20 day period if, in their discretion, they believe

such action is necessary due to the violation posing a threat to the health, safety or welfare of the citizens of the State of California.

E. Except as expressly provided by its terms, this Stipulated Judgment shall not impact the terms of or benefits offered under any annuity policy already issued by AILI, and shall not otherwise impact the rights of any party as to any annuity policy already issued by AILI.

15. Nothing in this Stipulated Judgment shall be construed as relieving any of the parties subject to this Stipulated Judgment of their obligation to comply, or as prohibiting any of those parties from complying, with all applicable state and federal laws, regulations or rules, nor shall any of the provisions of this Stipulated Judgment be deemed to be permission to engage in any acts or practices prohibited by such laws, regulations, or rules.

16. This Court shall retain jurisdiction over this matter for the purposes of (i) approving the methods of distributing funds to consumers pursuant to paragraph 12, above; (ii) resolving disputes over whether a particular Hardship Request should be granted, upon ex parte application by either AILI, the Attorney General, or the Insurance Commissioner; (iii) enabling the Attorney General or Insurance Commissioner to apply, at any time, for enforcement of any provisions of this Stipulated Judgment and for sanctions or other punishment for any violation of this Stipulated Judgment; and (iv) enabling any party to this Stipulated Judgment to apply, upon giving 45 days written notice to all other parties, for such further orders and directions as might be necessary or appropriate either for the construction or carrying out of this Stipulated Judgment or for the modification or termination of one or more injunctive provisions of this Stipulated Judgment.

17. In the event that any statute or regulation pertaining to the subject matter of this Stipulated Judgment is modified, enacted, promulgated or interpreted by the highest Court of the State or by a person with the authority to bind the Department of Insurance in a manner such that any of the Defendants contend the statute or regulation is in conflict with any provision of this

Stipulated Judgment and therefore that the parties subject to this Stipulated Judgment cannot comply with both the statute or regulation and the provision of this Stipulated Judgment, the Defendant or Defendants making such a contention shall provide advance written notice of at least forty-five days to the Attorney General and Insurance Commissioner of the inconsistent provision of the statute or regulation with which the Defendant(s) making the contention intend to comply and of the counterpart provision of this Stipulated Judgment that the Defendant or Defendants contend is in conflict with the statute or regulation. If the Attorney General or Insurance Commissioner disagree, he or she shall within 30 days of receipt of the notice notify the Defendant or Defendants that the Attorney General or Insurance Commissioner, as applicable, does not agree there is a conflict between the requirements of the Stipulated Judgment and the newly enacted statute or regulation. If the Defendant or Defendants disagree with any such contention that there is no conflict, the parties subject to this Stipulated Judgment shall comply with the terms of the Stipulated Judgment until such time as the Defendant or Defendants obtain a court order modifying the Stipulated Judgment.

18. AILI and its successors or assigns shall not be in violation of this Stipulated Judgment or subject to a finding of contempt under this Stipulated Judgment unless the underlying violation was committed by an officer, director, or direct employee of AILI, or its successors or assigns. For AILI and its successors or assigns to be in violation of this Stipulated Judgment based on the acts of an insurance agent who engages in conduct prohibited by this Stipulated Judgment, an officer, director, or direct employee of AILI, or its successors or assigns, needs to have acted in concert with or conspired in the commission of the agent's conduct. The mere act of either appointing as an agent or compensating a person who subsequently engages in conduct that is prohibited under either paragraph 7 of this Stipulated Judgment or under AILI's guidelines and procedures, as required to be amended under paragraph 8 of this Stipulated Judgment, shall not, by itself, be the basis for a claim that AILI (or its successors or assigns) conspired to violate or violated this Stipulated Judgment. However, AILI

(or its successors or assigns) shall (a) for five years from the date this Stipulated Judgment is entered, forward to the Department of Insurance any complaints it receives from any source that any of its agents doing business in California are engaging in any conduct prohibited under AILI's guidelines and procedures as amended pursuant to this Stipulated Judgment and (b) cooperate with the Department of Insurance in any investigation as to whether any life agent who (i) is licensed by the California Department of Insurance and (ii) has been appointed by AILI as its agent may have engaged in any of the conduct prohibited under AILI's guidelines and procedures. This paragraph shall not be construed as limiting whatever other liability AILI or its successors or assigns might have under applicable law for misconduct committed by agents.

19. The parties have stipulated to the entry of this Stipulated Judgment without the adjudication of any claims made or defenses raised by any party and with the understanding that neither Plaintiff on the one hand, nor any of the Defendants on the other hand, are agreeing or conceding that any claims, allegations or defenses asserted by the other have merit. Defendants' agreement to enter into this Stipulated Judgment is not an admission of wrongdoing by any of the Defendants or an admission, concession, or evidence of any alleged fault, misrepresentation, act or omission or any other alleged violation of the law, and does not represent and shall not be interpreted as representing any finding of fact or conclusion of law.

20. Notices to be given to any party under this Stipulated Judgment are sufficient if given by nationally recognized overnight courier service or certified mail (return receipt requested), or personal delivery to the named party at the address below:

A. If to Family First Insurance Services or Family First Advanced Estate Planning:

Family First Insurance Services/Family First Advanced Estate Planning
c/o Amerus Annuity Group
attn: Chris Conroy
555 South Kansas Avenue
Topeka, KS 66603

B. If to American Investors Life Insurance Company, Inc:

American Investors Life Insurance Company, Inc.
attn: Chris Conroy
555 South Kansas Avenue
Topeka, KS 66603

C. If to John Owen:

John Owen
2665 Cashmere Canyon Road
Acton, CA 93510

D. If to the Attorney General:

Benjamin G. Diehl, Esq.
Office of the California Attorney General
300 S. Spring St.
Los Angeles, CA 90013

E. If to the Insurance Commissioner:

Jodi S. Lerner
Senior Staff Counsel
California Department of Insurance
45 Fremont Street, 21st Floor
San Francisco, CA 94105

Notice is effective when delivered personally, or five (5) days after it is sent by certified mail, or on the business day after it is sent by nationally recognized courier service for next day delivery. Any party may change its notice address, or the person to whom notices shall be directed, by giving notice in accordance with this paragraph.

21. Defendants shall pay any fee for the filing of the Stipulation for Entry of Permanent Injunction and Stipulated Judgment. Except as otherwise set forth in this Stipulated Judgment, Plaintiff on the one hand and Defendants on the other hand shall bear their respective costs and expenses of litigation.

22. Nothing in this Stipulated Judgment shall be interpreted as invalidating or superseding any separate agreement one or more of the Defendants may have between or among

themselves regarding responsibility for fees or costs incurred in defending this litigation, as waiving or limiting any right to indemnification any Defendant may have as to any other Defendant under the Labor Code or any other applicable law, or as or as requiring or permitting any Defendant to breach any contracts or legal obligation that it may owe to any other Defendant to this matter.

23. This Stipulated Judgment shall take effect immediately upon entry by the clerk, and the clerk is ordered to enter it forthwith.

24. Leave is granted for Plaintiffs to proceed against Group Legal Services, Inc., and Does 1-200.

Date:

Hon. Emilie Elias
Judge, California Superior Court