

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

JAMES J. MORROW, PATRICIA MORROW,)
and MORRIS WEISER, individually and as)
class representative,)

Plaintiffs,)

v.)

No. 96 CH 11208

THEODORE H. ROBERTS, WILLIAM H.)
TYDA, JEROME P. CROKE, JAY T. FITTS,)
ROBERT H. JONES, WILLIAM E. LONG,)
ROBERT L. BRIGHAM, JAMES SHERMAN,)
ROBERT J. TAYLOR, LASALLE-TALMAN)
BANK, F.S.B., a federal savings bank, ABN)
AMRO NORTH AMERICA, INC., a Delaware)
corporation, and SALOMON BROTHERS, INC.,)
a Delaware corporation,)

Defendants.)

Judge Aaron Jaffe

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

TO: THE MEMBERS OF THE CERTIFIED CLASS CONSISTING OF ALL PERSONS WHO OWNED SHARES OF STOCK IN THE TALMAN HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF ILLINOIS ("TALMAN") AS OF SEPTEMBER 6, 1991, AND WHOSE SHARES OF TALMAN STOCK WERE SUBJECT TO BEING PURCHASED FOR \$10.00 PER SHARE BY A SUBSIDIARY OF ABN AMRO, NORTH AMERICA, INC. ("ABN"), PURSUANT TO THE TERMS OF THE MERGER BETWEEN TALMAN AND ABN

A proposed settlement of the above identified class action (the "Action") has been preliminarily approved by the Honorable Aaron Jaffe, Judge of the Circuit Court of Cook County, State of Illinois (the "Court"). The Court has set a hearing to consider final approval of the settlement for December 2, 2004.

Summary of Settlement

The representative class plaintiff, Morris Weiser, as well as the additional named plaintiffs, James Morrow and Patricia Morrow, have entered into a proposed settlement with all defendants that will resolve all claims asserted in the Action (the "Settlement").

The Settlement will create a settlement fund (the "Settlement Fund"), to which

defendants will immediately contribute \$1,050,000.00 in cash. In addition, a percentage share of any ultimate recovery in the action against the federal government brought by the successor to Talman (net of taxes and the costs of prosecution), will also be paid into the Settlement Fund, if and when any such recovery is obtained.

Nature of the Case

The plaintiffs brought the Action to recover alleged losses and damages arising from the defendants' alleged breaches of fiduciary duty, negligence and constructive fraud in connection with the merger of Talman into a subsidiary of ABN. The merger was effectively forced on Talman by the federal government, following the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (known by its acronym "FIRREA"). Among other things, FIRREA abrogated an asset called supervisory goodwill, which many savings and loans had been using to meet their capital requirements. As a result, Talman lost hundreds of millions of dollars in capital, and was rendered insolvent.

Plaintiffs have alleged that the government's action gave rise to a claim -- called a goodwill claim -- for the injury caused to Talman and its shareholders by the abrogation of Talman's supervisory goodwill. Plaintiffs have further alleged that defendants effectuated the merger without attempting to preserve Talman's goodwill claim for the benefit of Talman's shareholders, and without disclosing to the shareholders the existence of the claim or the fact that the claim would pass to ABN as a result of the merger for no additional consideration. Plaintiffs also have alleged that approximately seven months after the merger, an ABN subsidiary, then led by certain prior Talman officers and directors, caused Talman's goodwill claim to be filed for the benefit of ABN and its subsidiary, and not for the benefit of the prior Talman shareholders, who actually suffered the injury. This goodwill action is entitled *LaSalle Talman Bank, F.S.B. v. United States*, No. 92-652C (Cl. Ct.) ("the LaSalle federal action"), and is pending in the Court of Federal Claims. Finally, plaintiffs have alleged that ABN did not pay any extra value to acquire Talman's unique and valuable goodwill claim.

All of the defendants vigorously deny any wrongdoing and specifically deny the substantive allegations of plaintiffs' Amended Complaint. In agreeing to this settlement, the defendants in no way admit to any wrongdoing, but rather wish to avoid the uncertainties, costs, and expenses of further litigation.

Background and Reasons for the Settlement

This Action was filed on October 15, 1996. The Court subsequently certified the Action as a class action, and appointed Morris Weiser as the representative plaintiff for the class. Thereafter, the parties engaged in extensive pretrial activities, including fact discovery and the retention of expert witnesses. At least 27 depositions of fact witnesses were taken in Chicago, New York and Washington D.C.; many hundreds of thousands of documents were produced; and five different expert witnesses were disclosed. A motion for summary judgment by defendant Salomon Brothers was fully briefed by the parties, and another motion for summary judgment,

brought by LaSalle Talman Bank, ABN AMRO and the former Talman officers and directors, was also pending.

Meanwhile, on September 30, 1999, the Court of Federal Claims ruled in the LaSalle federal action that Talman's damages were only \$5 million (which is about what ABN had spent prosecuting the LaSalle federal action). Similar setbacks were occurring in other supervisory goodwill cases. For example, the Federal Circuit Court of Appeals reversed and vacated supervisory goodwill damage awards in *Glendale Federal Bank FSB v. United States*, 239 F.3d 1374 (Fed. Cir. 2001); *California Federal Bank, FSB v. United States*, 245 F.3d 1342 (Fed. Cir. 2001) and *Landmark Land Co., Inc. v. United States*, 256 F.3d 1365 (Fed. Cir. 2001).

These developments have left ABN's chances of ultimately recovering any meaningful amount in the LaSalle federal action in substantial doubt, which drastically altered the prospects for plaintiffs' claims in this Action. Indeed, even if the plaintiff class prevails in this Action, it now faces the possibility that class members would obtain little or no ultimate recovery, depending on the outcome of the LaSalle federal action.

Spurred by these developments, the parties engaged in vigorous, arms-length settlement discussions. Among the considerations were (i) the inherent uncertainties and risks of taking any action to trial; (ii) the particular uncertainties and risks in both the Action and in the LaSalle federal action; and (iii) the substantial cost of trying the many factual and legal issues in this Action. With the assistance of the Court, the parties reached a "Stipulation of Settlement" in September 2004. The Court gave its preliminary approval to the Settlement on October 18, 2004.

Description of the Settlement

The Settlement was designed to provide the plaintiff class with the remedy it sought by bringing the Action -- namely, the right to participate in any net recovery in the LaSalle federal action. In addition to that participation right, the Settlement provides a guaranteed cash payment to the plaintiff class, which is not contingent on any net recovery in the LaSalle federal action.

Upon final approval of the Settlement, defendants will contribute \$1,050,000.00 in cash to the Settlement Fund. In addition, defendants will contribute to the Settlement Fund a share of any ultimate recovery in the LaSalle federal action, net of taxes and the costs of prosecution, on a sliding percentage scale that increases with the amount of the net recovery. As discussed above, there is no guarantee that any net recovery will be obtained in the LaSalle federal action. Moreover, because of the exigencies of litigation with the federal government, even if there is a net recovery, the amount may not be known for several years.

Plaintiffs' share of any net recovery in the LaSalle federal action is to be computed in accordance with the following table, and will be payable to the Settlement Fund within 10 days following LaSalle's actual receipt of the net recovery from the federal government:

LaSalle's Net Recovery From the U.S.	Percentage of Net Recovery To Be Paid to Plaintiff Class
0 — \$50,000,000	11% of Net Recovery
\$50,000,000 — \$100,000,000	18% of the incremental amount of net recovery over \$50,000,000, plus \$5,000,000
\$100,000,000 — \$200,000,000	22% of the incremental amount of net recovery over \$100,000,000, plus \$13,000,000
Over \$200,000,000	25% of the incremental amount of net recovery above \$200,000,000, plus \$35,000,000.

There will be no disbursement of the proceeds in the Settlement Fund until the LaSalle federal action is terminated, which can occur in one of three ways: (i) by a final, non-appealable judgment; (ii) by a good faith settlement; or (iii) by a determination that, in ABN's good faith business judgment, there is no reasonable prospect of a material recovery on Talman's goodwill claim. In the interim, the proceeds in the Settlement Fund will continue to accrue interest.

Following the termination of the LaSalle federal action, the proceeds of the Settlement Fund, less any Court-approved reimbursement of plaintiffs' litigation expenses and attorneys' fees, will be disbursed on a *pro rata* basis to members of the plaintiff class, based on the number of Talman common shares and options owned by each class member as of September 6, 1991. In order to share in the recovery, class members will be required to file properly completed, valid and timely claims in such form as the Court designates. These claim forms will be made available to class members at the appropriate time. Defendants who were Talman shareholders as of September 6, 1991 will be eligible to share in the portion of any net recovery from the LaSalle federal action that is paid into the Settlement Fund, but will not be eligible to share in the initial \$1,050,000 payment, or the interest accruing thereon. Any unclaimed funds, other than the initial \$1,050,000 payment (plus accrued interest), will revert to ABN.

Pursuant to the Settlement, upon entering a final judgment in this Action, the Court will dismiss this Action on the merits with prejudice, permanently enjoining the Plaintiff Class from asserting against any party, person or entity any and all claims, demands, or causes of action that are alleged in the amended complaint or could have been alleged. In addition, members of the plaintiff class will release defendants from any claims that (i) arise out of or are related in any way to any or all of the acts, omissions, facts, matters, transactions, or occurrences that were alleged, asserted, described, set forth or referenced in any complaint, other pleading, or filing in the Action, (ii) could have been asserted in the Action, (iii) arise out of or relate in any way to Salomon's fairness opinion (dated September 16, 1991) at issue in the Action, or (iv) relate to the subject matter of the Action.

The representative plaintiff and the other named plaintiffs strongly endorse this Settlement and have recommended that it be approved.

Attorneys' Fees, Costs and Expenses

Pursuant to the Settlement, counsel for the plaintiff class will not seek reimbursement for the out-of-pocket expenses of the class which they have advanced, nor any award of attorneys' fees, until the termination of the LaSalle federal action. In no event will counsel for the plaintiff class seek an award of reasonable attorneys' fees in excess of 25% of the plaintiff class' ultimate recovery.

The Settlement Hearing

On December 2, 2004, at 11:00 a.m., the Honorable Aaron Jaffe, Illinois Circuit Court Judge, will hold a hearing (the "Settlement Hearing") in Room 2405 of the Richard J. Daley Center, Chicago, Illinois, for the purpose of considering whether a final judgment should be entered approving the Settlement as fair and reasonable, and effectuating its terms. The Settlement Hearing may be continued or adjourned from time to time by the Court at the Settlement Hearing or any continued or adjourned session thereof, without further notice to the plaintiff class or its members.

Any member of the plaintiff class may appear at the Settlement Hearing and be heard on the foregoing matters, provided that no such person shall be heard unless his or her written objection or opposition to the Settlement is made as described herein. Such written objection or opposition must be (i) accompanied by proof that the putative class member was an owner of Talman stock as of September 6, 1991; (ii) filed with the Court **no later than November 30, 2004**; and (iii) served for *receipt* by class counsel listed below, with due proof of such service, **no later than November 30, 2004**:

Class Counsel
Eugene J. Frett, Esq.
Daniel A. Shmikler, Esq.
Sperling & Slater, P.C.
55 West Monroe Street
Suite 3200
Chicago, Illinois 60603

Unless otherwise ordered by the Court, any member of the plaintiff class who does not make and serve his, her, or its objection or opposition in the manner provided herein shall be deemed to have waived all objections and opposition to the matters described in this Notice.

Examination of Papers

The foregoing references to the proceedings, pleadings, Stipulation of Settlement, and any other document in the present case are only incomplete summaries thereof. The entire court file of the case may be examined in the office of the Clerk of the Circuit Court of Cook County, Illinois, Richard J. Daley Center, Chicago, Illinois. The file may be examined and the documents

therein may be copied during the regular business hours of that office.

Contact With Class Counsel And The Court

Please do not contact the Court or the Clerk of the Court for any other information. If there is any additional information you may need, write Class Counsel, Talman Litigation, 55 West Monroe Street, Suite 3200, Chicago, Illinois 60603 or call class counsel at 888-544-8236, and leave a message on the voice mail system, together with your telephone number for a response.

Dated: November 15, 2004

BY ORDER OF THE CIRCUIT COURT OF
COOK COUNTY, JUDGE AARON JAFFE