

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re RELIANCE GROUP HOLDINGS, INC. : Master File No. 00-CV-4653 (TPG)  
SECURITIES LITIGATION :  
: X

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**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT, MOTION FOR ATTORNEYS' FEES AND SETTLEMENT FAIRNESS HEARING**

**If you purchased Reliance Group Holdings, Inc. common stock, Reliance 9% Senior Notes due November 15, 2000, and/or Reliance 9.75% Senior Subordinated Debentures due November 15, 2003, during the period from February 8, 1999 through and including December 6, 2000, then you could get a payment from a class action settlement.**

*A federal court authorized this notice. This is not a solicitation from a lawyer.*

- The settlement will provide a \$15 million settlement fund for the benefit of investors who purchased Reliance Group Holdings, Inc. ("Reliance") common stock, Reliance 9% Senior Notes due November 15, 2000, and/or Reliance 9.75% Senior Subordinated Debentures due November 15, 2003 (the Senior Notes and the Senior Subordinated Debentures are collectively referred to as the "Reliance Bonds") during the period from February 8, 1999 through and including December 6, 2000 (the "Class Period").
- The settlement resolves a lawsuit over whether Reliance and certain of its officers and directors misled investors about Reliance's future earnings.
- Your legal rights are affected whether you act, or do not act. Read this notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
<b>SUBMIT A CLAIM FORM</b>	The only way to get a payment.
<b>EXCLUDE YOURSELF</b>	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against Defendants and the other Released Parties about the Settled Claims.
<b>OBJECT</b>	Write to the Court about why you do not like the settlement.
<b>GO TO A HEARING</b>	Ask to speak in Court about the fairness of the settlement.
<b>DO NOTHING</b>	Get no payment. Give up rights.

- These rights and options - **and the deadlines to exercise them** - are explained in this notice.
- The Court in charge of this case still has to decide whether to approve the settlement. Payments will be made if the Court approves the settlement and after appeals are resolved. Please be patient.

## SUMMARY NOTICE

### Statement of Plaintiff Recovery

Pursuant to the settlement described herein, a Settlement Fund consisting of \$15,000,000 in cash, plus interest, has been established. Plaintiffs estimate that, measured at July 19, 2000, approximately 138.9 million shares of Reliance common stock traded during the Class Period may have been damaged. Plaintiffs further estimate that approximately \$60.7 million in face amount of Reliance 9% Senior Notes, and \$46.9 million of Reliance 9.75% Senior Subordinated Debentures, traded during the Class Period may have been damaged. Plaintiffs estimate that the average recovery per damaged share of Reliance common stock under the settlement is 8.3¢ per damaged share and \$33.25 per \$1,000 face amount of Reliance 9% Senior Notes and \$30.15 per \$1,000 face amount of Reliance 9.75% Senior Subordinated Debentures, before deduction of Court-awarded attorneys' fees and expenses. A Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by his, her or its Recognized Claim as compared to the total Recognized Claims of all Class Members who submit acceptable Proofs of Claim. Reliance securities purchased after July 19, 2000 will receive a much smaller recovery. See the Plan of Allocation on page 10 for more information on your Recognized Claim.

### Statement of Potential Outcome of Case

The parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed on each claim alleged. The Defendants deny that they are liable to the Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages.

### Statement of Attorneys' Fees and Costs Sought

Plaintiffs' Counsel are moving the Court to award attorneys' fees not to exceed one-third (33 1/3%) of the Gross Settlement Fund, and for reimbursement of expenses incurred in connection with the prosecution of this Action in the approximate amount of \$225,000. The requested fees and expenses would amount to an average of 2.9¢ per damaged share, \$11.58 per \$1,000 face amount of Reliance 9% Senior Notes, and \$10.50 per \$1,000 face amount of Reliance 9.75% Senior Subordinated Debentures, in total for fees and expenses. Plaintiffs' Counsel have expended considerable time and effort in the prosecution of this litigation on a contingent fee basis, and have advanced the expenses of the litigation, in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys' fees.

### Further Information

Further information regarding the Action and this Notice may be obtained by contacting Plaintiffs' Co-Lead Counsel: Robert A. Wallner, Esq., Milberg Weiss Bershad & Schulman LLP, One Pennsylvania Plaza, New York, New York 10119-0165, Telephone (212) 594-5300; or Sherrie R. Savett, Esq., Berger & Montague, P.C., 1622 Locust Street, Philadelphia, Pennsylvania 19103, Telephone (215) 875-3000.

### Reasons for the Settlement

The principal reason for the settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

**[END OF COVER PAGE]**

**WHAT THIS NOTICE CONTAINS**

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## **BASIC INFORMATION**

### **1. Why did I get this notice package?**

You or someone in your family may have purchased Reliance common stock, Reliance 9% bonds due November 15, 2000, and/or Reliance 9.75% bonds due November 15, 2003, during the period from February 8, 1999 through and including December 6, 2000.

The Court directed that this Notice be sent to Class Members because they have a right to know about a proposed settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the settlement. If the Court approves it and after objections and appeals are resolved, an administrator appointed by the Court will make the payments that the settlement allows.

This package explains the lawsuit, the settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Southern District of New York, and the case is known as *In re Reliance Group Holdings, Inc. Securities Litigation*, Case No. 00-CV-4653 (TPG). This case was assigned to United States District Judge Thomas P. Griesa. The people who sued are called Plaintiffs, and the company and the individuals they sued, Reliance, Saul P. Steinberg, Robert M. Steinberg and Lowell C. Freiberg, are called the Defendants.

### **2. What is this lawsuit about?**

Reliance is a holding company whose principal business was the ownership of Reliance Insurance Company and its property and casualty insurance subsidiaries. The Reliance Insurance Group underwrites a broad range of commercial line property and casualty insurance and also underwrites personal automobile coverage. Reliance also owned RCG Information Technology, Inc., an information technology consulting company. The lawsuit claimed that Reliance and its former officers and directors, misled investors by issuing false and misleading press releases and other statements regarding Reliance's financial condition, growth, liquidity and ability to repay and refinance its debt. The lawsuit also claims that Defendants' material misrepresentations and omissions caused the price of Reliance's securities to be artificially inflated to the injury of the Class Members. Defendants deny they did anything wrong.

On May 29, 2001, Plaintiffs and the Defendants entered into a Memorandum of Understanding ("MOU") as an agreement in principle to settle the claims alleged in the Action. Pursuant to the terms of the MOU, the Defendants were obligated to cause their insurance carriers to pay \$17.4 million to the Class (as hereinafter defined) in exchange for a release of the claims against Defendants.

Simultaneously with the execution of the MOU on May 29, 2001, a Settlement Funding and Release Agreement (the "Funding Agreement") was entered into by Defendants and Syndicate 1212 at Lloyds of London and other underwriters of certain insurance policies (the "Policies") held by Reliance and its officers and directors (the "Underwriters"). The Funding Agreement stated that the Underwriters had approved and consented to the terms and conditions of the MOU. Under the Funding Agreement, the Underwriters agreed to fund the entire \$17.4 million settlement out of the Policies (subject to any remaining self-insured retention amount if, as of the date of any settlement payment, no bankruptcy petition had been filed by or against Reliance), in exchange for obtaining a release from liability under the Policies.

On May 29, 2001, the Commonwealth Court of Pennsylvania issued an order placing Reliance's former operating subsidiary, Reliance Insurance Company ("RIC") in rehabilitation and naming M. Diane Koken, Insurance Commissioner of the Commonwealth Court of Pennsylvania, as Rehabilitator (now Liquidator) of RIC (the "Liquidator"). On June 4, 2001, the Liquidator filed an emergency petition in the Commonwealth Court to block the settlement by requesting that the Commonwealth Court prohibit Reliance and its officers and directors, as well as the Underwriters, from effectuating the MOU and the Funding Agreement.

On or about June 12, 2001, Reliance filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The bankruptcy case is still pending in the United States Bankruptcy Court of the Southern District of New York under the caption, *In re Reliance Group Holdings, Inc. et al.*, Case No. 01-13404 (AJG). Reliance presently operates its business as a debtor-in-possession. The Official Unsecured Creditors' Committee for Reliance filed with the Bankruptcy Court a Plan of Reorganization and a related Disclosure Statement. The Disclosure Statement was approved, and after notice and a hearing, the Plan of Reorganization has been confirmed by order of the Bankruptcy Court.

On September 24, 2003, Plaintiffs filed a motion in this Court to enforce the MOU and the Funding Agreement. By Order, Judgment, and Decree dated July 15, 2004, the Court granted Plaintiffs' motion and directed the parties to the MOU and the Funding Agreement to take all necessary and appropriate actions to effectuate those agreements.

On September 22, 2004, Plaintiffs and the Liquidator executed a letter agreement under which Plaintiffs agreed to reduce the settlement amount from \$17.4 million to \$15 million. In exchange for the reduced settlement, the Liquidator agreed to withdraw her pending appeal in the Second Circuit Court of Appeals. The Liquidator also agreed not to object to the Settlement herein, and she agreed to cooperate in achieving final approval of this Settlement in the Bankruptcy Court. In

addition, the Liquidator agreed to arrange for the release of the claims asserted in the derivative action, *Glen Leibowitz and Harvey Greenfield v. Steinberg et al.*, Index No. 9869/00 (Supreme Court, Westchester County) (the “Derivative Action”). The Derivative Action is now pending before the Bankruptcy Court. Among other things, Reliance’s Plan of Reorganization provides that claims in the Derivative Action are assigned to the RGH Liquidating Trust and are to be administered by a Trustee if and when the Plan of Reorganization becomes effective.

### **3. Why is this a class action?**

In a class action, one or more people called Class Representatives (in this case Paul Minish, Verde Investments, Inc., Verde Reinsurance Co., Ltd., Donald and Bonnie Lee Siok, and Gary Kimmel), sue on behalf of people who have similar claims. All these people are a Class or Class Members. Bringing a case, such as this one, as a class action allows adjudication of many similar claims of persons and entities that might be economically too small to bring in individual actions. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class.

### **4. Why is there a settlement?**

The Court did not decide in favor of Plaintiffs or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the risks and cost of a trial, and the people affected will get compensation. The Class Representative and the attorneys think the settlement is best for all Class Members.

## **WHO IS IN THE SETTLEMENT**

To see if you will get money from this settlement, you first have to decide if you are a Class Member.

### **5. How do I know if I am part of the settlement?**

The Court directed, for the purposes of the proposed settlement, that everyone who fits this description is a Class Member: *all persons who purchased Reliance common stock, Reliance 9% Senior Notes due November 15, 2000, and/or Reliance 9.75% Senior Subordinated Debentures due November 15, 2003, during the period from February 8, 1999 through and including December 6, 2000.*

### **6. Are there exceptions to being included?**

Excluded from the Class are the Defendants in this Action, members of their immediate families, their legal representatives, heirs, successors, and assigns and persons acting in concert with or under the control of any Defendant, any entity or individual that provided accounting, auditing, actuarial and/or related services to Reliance or to any of its current or former subsidiaries, including but not limited to, Deloitte & Touche LLP, and any of its present or former partners, principals, officers, directors or employees, or its predecessors, successors and/or assigns and Jan A. Lommele, and all former and current senior executive officers of Reliance and members of their immediate families, their legal representatives, heirs, successors, and assigns and persons acting in concert with or under their control. Class Members may also request to be excluded from the Class. *See* question 13 below.

If one of your mutual funds owns Reliance common stock and/or Reliance Bonds, that alone does not make you a Class Member. You are a Class Member only if you directly purchased Reliance common stock or Reliance Bonds during the Class Period. Contact your broker to see if you have or held Reliance common stock and/or Reliance Bonds.

If you **sold** Reliance common stock and/or Reliance Bonds, that alone does not make you a Class Member. You are a Class Member only if you **purchased** Reliance common stock or Reliance Bonds during the period from February 8, 1999 through and including December 6, 2000.

### **7. What if I am still not sure if I am included?**

If you are still not sure whether you are included, you can ask for free help. You can call 1-866-314-5811 or visit [www.reliancegrouplitigation.com](http://www.reliancegrouplitigation.com) for more information. Or you can fill out and return the claim form described on page 6, in question 10, to see if you qualify.

## **THE SETTLEMENT BENEFITS — WHAT YOU GET**

### **8. What does the settlement provide?**

In exchange for the Settlement and dismissal of the Action, the Defendants have agreed to create a \$15 million fund to be divided, after taxes, fees, and expenses, among all Class Members who send in a valid Proof of Claim form.

### **9. How much will my payment be?**

Your share of the fund will depend on the total Recognized Claims represented by the valid Proof of Claim forms that Class Members send in, how many shares of Reliance common stock, and/or the principal amount of Reliance Bonds you bought, and when you bought and sold them.

By following the instructions on page 10 of this Notice, you can calculate what is called your Recognized Claim. It is unlikely that you will get a payment for all of your Recognized Claim. After all Class Members have sent in their Proof of Claim forms, the payment you get will be a part of the Net Settlement Fund equal to your Recognized Claim divided by the total of everyone's Recognized Claims. See the Plan of Allocation on page 10 for more information on your Recognized Claim.

## **HOW YOU GET A PAYMENT — SUBMITTING A CLAIM FORM**

### **10. How can I get a payment?**

To qualify for a payment, you must send in a Proof of Claim form. A Proof of Claim form is being circulated with this Notice. You may also get a Proof of Claim form on the Internet at [www.reliancegroup litigation.com](http://www.reliancegroup litigation.com). Read the instructions carefully, fill out the Proof of Claim form, include all the documents the form asks for, sign it, and mail it postmarked no later than **March 31, 2006**.

### **11. When would I get my payment?**

The Court will hold a hearing on **Tuesday, March 21, 2006**, to decide whether to approve the settlement. If the Court approves the settlement after that, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. Please be patient.

### **12. What am I giving up to get a payment or stay in the Class?**

Unless you exclude yourself, you are staying in the Class, and that means that, upon the "Effective Date," you will release all "Settled Claims" (as defined below) against the "Released Parties" (as defined below).

"Settled Claims" means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and unknown claims, (i) that have been asserted in this Action by the Class Members or any of them against any of the Released Parties, or (ii) that could have been asserted in any forum by the Class Members or any of them against any of the Released Parties which arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint and relate to the purchase of Reliance Securities during the Class Period. "Settled Claims" does not include (i) any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and unknown claims, against any entity or individual that provided accounting, auditing, actuarial and/or related services to Reliance or to any of its current or former subsidiaries, including but not limited to, Deloitte & Touche LLP, and any of its present or former partners, principals, officers, directors or employees, or its predecessors, successors and/or assigns and Jan A. Lommele, (ii) any claims by Class Members who held Reliance Securities at the time Reliance filed for bankruptcy for recovery against Reliance for payment of principal and interest in any bankruptcy class of bondholders or for equity participation in any bankruptcy class of equity security holders, or (iii) any rights, claims or defenses that the Liquidator, Reliance, RIC, Reliance Financial Services Corporation (together with its successor Reorganized RFS Corporation), the general unsecured creditors of Reliance, the general unsecured creditors of Reliance Financial Services Corporation, the Official Committee of Unsecured Creditors, the Official Unsecured Bank Committee, Defendants or Underwriters has, have or may have, whether asserted or un-asserted, (a) against any party not expressly released by the Stipulation, including any entity or individual that provided accounting, auditing, actuarial and/or related services to Reliance or to any of its current or former subsidiaries, including but not limited to, Deloitte & Touche LLP, and any of its present or former partners, principals, officers, directors or employees, or its predecessors, successors and/or assigns and Jan A. Lommele, (b) with respect to the matters captioned or in any way, directly or indirectly, relating to the Koken Action, the Koken Settlement, or *Koken v. Deloitte & Touche LLP, et al.*, 734 MD 2002 (Pa. Commw. Ct.), or any settlement thereof, and/or (c) with respect to any other rights, claims or defenses not expressly released or waived by them in the Stipulation.

"Released Parties" means Defendants and Reliance's current and former subsidiaries, affiliates, directors, officers, employees, attorneys, Underwriters, insurers, co-insurers, and re-insurers. "Released Parties" does not include any entity or individual that provided accounting, auditing, actuarial and/or related services to Reliance or to any of its current or former subsidiaries, including but not limited to, Deloitte & Touche LLP, and any of its present or former partners, principals, officers, directors or employees, or its predecessors, successors and/or assigns and Jan A. Lommele.

The “Effective Date” will occur when all of the following have occurred: (i) an Order entered by the Court approving the Settlement becomes final and not subject to appeal; (ii) approvals by the United States Bankruptcy Court for the Southern District of New York and by the Commonwealth Court of Pennsylvania overseeing the liquidation of RIC, of this settlement, and the Settlement Funding and Release Agreement dated May 29, 2001, between the Defendants and the Defendants’ insurance carriers, become final and not subject to appeal; (iii) the Derivative Action (as defined in question 2 above) is dismissed with prejudice or a settlement of the Derivative Action is approved by the Supreme Court of New York, and such dismissal or settlement approval becomes final and not subject to appeal; (iv) certain Releases are executed and exchanged; and (v) the Settlement Amount is deposited in the Settlement Fund for the benefit of the Class.

If you remain a member of the Class, all of the Court’s orders will apply to you and legally bind you.

### **EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment from this settlement, but you want to keep the right to sue or continue to sue Defendants and the other Released Parties, on your own, about the Settled Claims, then you must take steps to get out. This is called excluding yourself — or is sometimes referred to as “opting out” of the settlement Class. Defendants may withdraw from and terminate the Settlement if in excess of a certain amount of claimants exclude themselves from the Class.

#### **13. How do I get out of the proposed settlement?**

To exclude yourself from the settlement Class, you must send a letter by mail stating that you “request exclusion from the Class in *In re Reliance Group Holdings, Inc. Securities Litigation*, Master File No. 00-CV-4653 (TPG).” Your letter should state the date(s), price(s), and number(s) of shares and face amount(s) of Reliance Bonds of all your purchases and sales of Reliance common stock and/or Reliance Bonds during the Class Period. In addition, be sure to include your name, address, telephone number, and your signature. You must mail your exclusion request postmarked no later than **February 13, 2006** to:

Reliance Group Holdings, Inc. Securities Litigation Exclusions  
c/o Analytics Incorporated, Claims Administrator  
P.O. Box 2007  
Chanhassen, MN 55317-2007

You cannot exclude yourself by telephone or by e-mail. If you ask to be excluded, you will not get any settlement payment, and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) Defendants and the other Released Parties in the future.

#### **14. If I do not exclude myself, can I sue Defendants and the other Released Parties for the same thing later?**

No. Unless you exclude yourself, you give up any rights to sue Defendants and the other Released Parties for any and all Settled Claims. If you have a pending lawsuit speak to your lawyer in that case immediately. You must exclude yourself from *this* Class to continue your own lawsuit. Remember, the exclusion deadline is **Monday, February 13, 2006**.

#### **15. If I exclude myself, can I get money from the proposed settlement?**

No. If you exclude yourself, do not send in a claim form to ask for any money. But, you may sue, continue to sue, or be part of a different lawsuit against Defendants and the other Released Parties.

### **THE LAWYERS REPRESENTING YOU**

#### **16. Do I have a lawyer in this case?**

The Court ordered that the law firms of Milberg Weiss Bershad & Schulman LLP in New York, New York and Berger & Montague in Philadelphia, Pennsylvania, will represent you and the other Class Members. These lawyers are called Plaintiffs’ Co-Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

#### **17. How will the lawyers be paid?**

Plaintiffs’ Co-Lead Counsel are moving the Court to award attorneys’ fees from the Settlement Fund in an amount of not greater than one-third (33 1/3%) of the Gross Settlement Fund and for reimbursement of their expenses in the approximate amount of \$225,000, plus interest on such expenses at the same rate as earned by the Settlement Fund. Plaintiffs’ Co-Lead Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the members of the Class and any proceedings subsequent to the Settlement Fairness Hearing.

## OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the settlement or some part of it.

### **18. How do I tell the Court that I do not like the proposed settlement?**

If you are a Class Member you can object to the Settlement or any of its terms, the proposed Plan of Allocation and/or the application by Plaintiffs' Co-Lead Counsel for an award of fees and expenses. You may write to the Court setting out your objection. You may give reasons why you think the Court should not approve any or all of the Settlement terms or arrangements. The Court will consider your views if you file a proper objection within the deadline identified, and according to the following procedures.

To object, you must send a signed letter stating that you object to the proposed settlement in the *In re Reliance Group Holdings, Inc. Securities Litigation*, Master File No. 00-CV-4653 (TPG). Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of Reliance common stock, and the face amount of Reliance Bonds, of all purchases and sales of Reliance securities you made during the Class Period, and state the reasons why you object to the Settlement. Mail the objection to each of the following addresses postmarked no later than **February 13, 2006**:

#### **COURT**

Clerk of the Court  
United States District  
Court for the Southern  
District of New York  
500 Pearl Street  
New York, NY 10007

#### **PLAINTIFFS' CO-LEAD COUNSEL**

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1285 Avenue of the Americas  
New York, NY 10019-6064  
Counsel for Defendant Lowell C. Freiberg

You do not need to go to the Settlement Fairness Hearing to have your written objection considered by the Court. At the Settlement Fairness Hearing, any Class Member who has not previously submitted a request for exclusion from the Class and who has complied with the procedures set out in this paragraph 18 and paragraph 22 below for filing with the Court and providing to the counsel for Plaintiffs and Defendants a statement of an intention to appear at the Settlement Fairness Hearing may also appear and be heard, to the extent allowed by the Court, to state any objection to the Settlement, the Plan of Allocation or Plaintiffs' Co-Lead Counsel's motion for an award of attorneys' fees and reimbursement of expenses. Any such objector may appear in person or arrange, at that objector's expense, for a lawyer to represent the objector at the Hearing.

### **19. What is the difference between objecting and excluding?**

Objecting is simply telling the Court that you do not like something about the proposed settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

## THE COURT'S SETTLEMENT FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the proposed settlement. You may attend and you may ask to speak, but you do not have to.

**20. When and where will the Court decide whether to approve the proposed settlement?**

The Court will hold a Settlement Fairness Hearing at **4:30 p.m. on Tuesday, March 21, 2006**, at the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007. At this hearing the Court will consider whether the settlement is fair, reasonable and adequate. At the Settlement Fairness Hearing, the Court also will consider the proposed Plan of Allocation for the proceeds of the Settlement and the application of Plaintiffs' Co-Lead Counsel for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions at question 18. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing; but decisions regarding the conduct of the hearing will be made by the Court. See Question and Answer 22 for more information about speaking at the hearing. The Court may also decide how much to pay to Plaintiffs' Counsel. After the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the hearing. Thus, if you want to come to the hearing, you should check with Plaintiffs' Co-Lead Counsel or the Court before coming to be sure that the date and/or time has not changed.

**21. Do I have to come to the hearing?**

No. Plaintiffs' Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

**22. May I speak at the hearing?**

If you object to the Settlement, you may ask the Court for permission to speak at the Fairness Hearing. To do so, you must include with your objection (see question 18 above) a statement saying that it is your "Notice of Intention to Appear in *In re Reliance Group Holdings, Inc. Securities Litigation*, Master File No. 00-CV-4653 (TPG)." Persons who intend to object to the Settlement, the Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. You cannot speak at the hearing if you excluded yourself.

**IF YOU DO NOTHING**

**23. What happens if I do nothing at all?**

If you do nothing, you will get no money from this settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Reliance and the other Released Parties about the Settled Claims in this case, ever again.

**GETTING MORE INFORMATION**

**24. Are there more details about the proposed settlement?**

This notice summarizes the proposed settlement. More details are in a Stipulation and Agreement of Settlement dated as of December 12, 2005 (the "Stipulation"). You can get a copy of the Stipulation by writing to Robert A. Wallner, Esq., Milberg Weiss Bershad & Schulman LLP, One Pennsylvania Plaza, New York, New York 10119-0165, or Sherrie R. Savett, Esq., Berger & Montague, P.C., 1622 Locust Street, Philadelphia, Pennsylvania 19103.

You also can call the Claims Administrator at 1-866-314-5811 toll free; write to Reliance Group Holdings, Inc. Securities Litigation Settlement, P.O. Box 2007, Chanhassen, MN 55317-2007; or visit the website at [www.reliancegrouplitigation.com](http://www.reliancegrouplitigation.com), where you will find answers to common questions about the settlement, a claim form, plus other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

**25. How do I get more information?**

For even more detailed information concerning the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, United States Courthouse, 500 Pearl Street, New York, New York 10007, during regular business hours.

\* \* \* \* \*

## UNDERSTANDING YOUR PAYMENT – THE PLAN OF ALLOCATION

**(You do not need to make any of these calculations your self. The Claims Administrator will make all of these calculations for you.)**

The \$15,000,000 Cash Settlement Amount and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the “Net Settlement Fund”) shall be distributed to members of the Class who submit acceptable Proofs of Claim (“Authorized Claimants”).

1. The Net Settlement Fund will be allocated among the Authorized Claimants in accordance with this “Plan of Allocation.” The amount so allocated to each Authorized Claimant constitutes and is referred to herein as the Authorized Claimant’s “Payable Claim.” The Plan of Allocation is based upon Plaintiffs’ Counsel’s assessment of the merits and the relative strengths and weaknesses, including recoverable damages, of the claims of the members of the Class. In developing this Plan of Allocation, Class Counsel have considered, among other things, the following:
  - (a) Throughout the February 8, 1999 through December 6, 2000 Class Period, analysts following Reliance Securities and press reports indicated that investing in Reliance Securities, and particularly its common stock, was highly speculative.
  - (b) During the period from February 8, 1999 (at the start of the Class Period) through February 28, 2000 (prior to the announcement of changes in Reliance’s senior management and the suspension of its dividend): (i) the price of Reliance common stocks fell from \$11.125 to \$5.375, a decline of \$5.75 per share; (ii) the price of Reliance’s 9% Notes fell from \$1,042.50 (all bond prices are per \$1,000 face amount) to \$935.00, a decline of \$107.50; (iii) the price of Reliance’s 9.75% Debentures fell from \$1,037.50 to \$790.00, a decline of \$247.50; and (iv) the value of Standard & Poor’s index of insurance company stocks also fell, although not to the same degree as Reliance common stock.
  - (c) On February 29, 2000 following the announcement of, among other things, changes to Reliance’s senior management and the suspension of its common stock dividends, the price of Reliance’s common stock declined by \$1.25 to close at \$4.125, the price of its 9% Notes declined by \$15 to close at \$920, and the price of the 9.75% Debentures declined by \$91.25 to close at \$698.75.
  - (d) Between February 29, 2000 and June 8, 2000, the price of Reliance’s common stock fell from \$4.125 to \$1.75 per share; the price of the 9% Notes fell from \$920 to \$890; and the price of the 9.75% Debentures increased slightly.
  - (e) On June 9, 2000, A.M. Best announced that it was downgrading its rating of Reliance from A- to B+ +, expressing concerns about Reliance’s reserves and claims-paying abilities. On that day, the price of Reliance common stock fell from \$1.75 to \$1.4375; the price of the 9% Notes fell from \$890 to \$840; and the price of the 9.75% Debentures fell from \$731.25 to \$650.00.
  - (f) When Plaintiffs first filed this lawsuit, the Class Period ended on July 19, 2000, following further downgrades of Reliance’s credit rating. During the period from June 9, 2000 through July 19, 2000, several additional downgrades of Reliance bonds and other negative disclosures were issued, and the price of Reliance common stock fell from \$1.4375 to \$0.25 (a decline of approximately \$1.19 per share). During the same period, the price of the 9% Notes fell from \$840 to \$280 (a decline of \$560 per \$1,000 Note), and the 9.75% Debentures fell from \$650.00 to \$132.50 (a decline of \$517.50 per \$1,000 Debenture).
  - (g) Under certain Supreme Court and other precedents, persons who purchased Reliance Securities may only recover for losses proximately caused by defendants’ prior misleading statements and may not recover for any price declines caused by general market or industry factors or by disclosures of other negative information not alleged to have corrected prior misstatements. Similarly, persons who both purchased and sold Reliance stock or bonds prior to a corrective disclosure or between corrective disclosures may have a more difficult burden in proving recoverable damages.
  - (h) Further weakening any proof of recoverable damages in this case is the fact that even if the price of Reliance Securities fell on the day of a disclosure alleged in the Complaint, on the next trading day the prices of the same Reliance Securities recovered some or all of those price declines.
2. The Payable Claim will be calculated so that each Authorized Claimant shall receive, on a proportionate basis, that share of the Net Settlement Fund that the Authorized Claimant’s Recognized Loss (as defined below) bears to the total Recognized Losses of all Authorized Claimants, subject to the further provisions of this Plan of Allocation set forth below.

3. An Authorized Claimant's recognized loss ("Recognized Loss") is determined by the date(s) the Authorized Claimant purchased or sold any of Reliance's Securities during the Class Period, as set forth below.

**Part 1 - Computing Recognized Losses for Reliance Stock:**

- (a) **Stock Purchased between February 8, 1999 and February 28, 2000:** For shares of Reliance's Stock purchased during the period from February 8, 1999 to February 28, 2000, inclusive, the Recognized Loss is as follows:
- (i) For shares sold at a loss during the same February 8, 1999 to February 28, 2000 time period, the Recognized Loss is ten percent (10%) of the difference between (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is \$0.58 per share – representing approximately 10% of the price difference between the \$11.125 closing price on February 8, 1999 and the \$5.375 closing price on February 28, 2000.
  - (ii) For shares sold at a loss between February 29, 2000 and June 8, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$1.81 per share – representing approximately fifty percent (50%) of the difference between the \$5.375 closing price for Reliance's Stock on February 28, 2000 and the \$1.75 closing price of Reliance's Stock on June 8, 2000.
  - (iii) For shares sold at a loss between June 9, 2000 and December 6, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$2.56 per share – representing approximately fifty percent (50%) of the difference between the \$5.375 closing price for Reliance's Stock on February 28, 2000 and the \$0.25 closing price of Reliance's Stock on July 19, 2000.
  - (iv) For shares retained past December 6, 2000, the Recognized Loss is the smaller of: (a) 50% of the purchase price paid or (b) \$2.56 per share.
  - (v) For shares sold at a profit, the Recognized Loss is zero.
- (b) **Stock Purchased between February 29, 2000 and June 8, 2000:** For shares of Reliance's Stock purchased during the period from February 29, 2000 to June 8, 2000, inclusive, the Recognized Loss is as follows:
- (i) For shares sold at a loss between February 29, 2000 and June 8, 2000, inclusive, the Recognized Loss is twenty five percent (25%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$0.59 per share – representing approximately twenty five percent (25%) of the difference between the \$4.125 closing price for Reliance's Stock on February 29, 2000 and the \$1.75 closing price of Reliance's Stock on June 8, 2000.
  - (ii) For shares sold at a loss between June 9, 2000 and December 6, 2000 inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$1.94 per share – representing approximately fifty percent (50%) of the difference between the \$4.125 closing price for Reliance's Stock on February 29, 2000 and the \$0.25 closing price of Reliance's Stock on July 19, 2000.
  - (iii) For shares retained past December 6, 2000, the Recognized Loss is \$1.94 per share.
  - (iv) For shares sold at a profit, the Recognized Loss is zero.
- (c) **Stock Purchased between June 9, 2000 and July 19, 2000:** For shares of Reliance's Stock purchased during the period from June 9, 2000 to July 19, 2000, inclusive, the Recognized Loss is as follows:
- (i) For shares sold at a loss between June 9, 2000 and July 18, 2000, inclusive, the Recognized Loss is forty percent (40%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$0.56 per share –

representing forty percent (40%) of the difference between the \$1.4375 closing price for Reliance's Stock on June 9, 2000 and the \$0.375 closing price of Reliance's Stock on July 18, 2000.

- (ii) For shares sold at a loss between July 19, 2000 and December 6, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$0.59 per share – representing approximately fifty percent (50%) of the difference between the \$1.4375 closing price for Reliance's Stock on June 9, 2000 and the \$0.25 closing price of Reliance's Stock on July 19, 2000.
  - (iii) For shares retained past December 6, 2000, the Recognized Loss is \$0.59 per share.
  - (iv) For shares sold at a profit, the Recognized Loss is zero.
- (d) **Stock Purchased between July 20, 2000 and December 6, 2000:** For shares of Reliance's Stock purchased during the period from July 20, 2000 to December 6, 2000, inclusive, the Recognized Loss is as follows:
- (i) For shares sold at a loss between July 20, 2000 and December 6, 2000, inclusive, the Recognized Loss is five percent (5%) of the difference between: (a) the purchase price paid and (b) the sales price received.
  - (ii) For shares retained past December 6, 2000, the Recognized Loss is five percent (5%) of the difference between: (a) the purchase price paid and (b) an assumed value of zero as of the close of business on December 6, 2000.
  - (iii) For shares sold at a profit, the Recognized Loss is zero.

## **Part 2 - Computing Recognized Losses for Reliance 9% Senior Notes:**

- (a) **9% Notes Purchased between February 8, 1999 and February 28, 2000:** For each \$1,000 in face amount of Reliance's 9% Notes purchased during the period from February 8, 1999 to February 28, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9% Notes sold at a loss during the same February 8, 1999 to February 28, 2000 time period, the Recognized Loss is ten percent (10%) of the difference between (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is \$10.75 per \$1,000 face amount – representing 10% of the price difference between the \$1,042.50 closing price on February 8, 1999 and the \$935.00 closing price on February 28, 2000.
  - (ii) For 9% Notes sold at a loss between February 29, 2000 and June 8, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$22.50 per \$1,000 face amount – representing fifty percent (50%) of the difference between the \$935 closing price for Reliance's 9% Notes on February 28, 2000 and the \$890 closing price of Reliance's 9% Notes on June 8, 2000.
  - (iii) For 9% Notes sold at a loss between June 9, 2000 and December 6, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$327.50 per \$1,000 face amount – representing fifty percent (50%) of the difference between the \$935 closing price for Reliance's 9% Notes on February 28, 2000 and the \$280 closing price of Reliance's 9% Notes on July 19, 2000.
  - (iv) For 9% Notes retained past December 6, 2000, the Recognized Loss is \$327.50 per \$1,000 face amount.
  - (v) For 9% Notes sold at a profit, the Recognized Loss is zero.
- (b) **9% Notes Purchased between February 29, 2000 and June 8, 2000:** For each \$1,000 in face amount of Reliance's 9% Notes purchased during the period from February 29, 2000 to June 8, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9% Notes sold at a loss between February 29, 2000 and June 8, 2000, inclusive, the Recognized Loss is twenty five percent (25%) of the difference between: (a) the purchase price paid and (b) the

sales price received. The maximum Recognized Loss for such transactions is limited to \$7.50 per \$1,000 face amount – representing twenty five percent (25%) of the difference between the \$920 closing price for Reliance’s 9% Notes on February 29, 2000 and the \$890 closing price of Reliance’s 9% Notes on June 8, 2000.

- (ii) For 9% Notes sold at a loss between June 9, 2000 and December 6, 2000 inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$320 per \$1,000 face amount – representing fifty percent (50%) of the difference between the \$920 closing price for Reliance’s 9% Notes on February 29, 2000 and the \$280 closing price of Reliance’s 9% Notes on July 19, 2000.
  - (iii) For 9% Notes retained past December 6, 2000, the Recognized Loss is \$320 per \$1,000 face amount.
  - (iv) For 9% Notes sold at a profit, the Recognized Loss is zero.
- (c) **9% Notes Purchased between June 9, 2000 and July 19, 2000:** For each \$1,000 in face amount of Reliance’s 9% Notes purchased during the period from June 9, 2000 to July 19, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9% Notes sold at a loss between June 9, 2000 and July 18, 2000, inclusive, the Recognized Loss is forty percent (40%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$217.88 per \$1,000 face amount – representing approximately forty percent (40%) of the difference between the \$840 closing price for Reliance’s 9% Notes on June 9, 2000 and the \$295.31 closing price of Reliance’s 9% Notes on July 18, 2000.
  - (ii) For 9% Notes sold at a loss between July 19, 2000 and December 6, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$280 per \$1,000 face amount – representing fifty percent (50%) of the difference between the \$840 closing price for Reliance’s 9% Notes on June 9, 2000 and the \$280 closing price of Reliance’s 9% Notes on July 19, 2000.
  - (iii) For 9% Notes retained past December 6, 2000, the Recognized Loss is \$280 per \$1,000 face amount.
  - (iv) For 9% Notes sold at a profit, the Recognized Loss is zero.
- (d) **9% Notes Purchased between July 20, 2000 and December 6, 2000:** For each \$1,000 in face amount of Reliance’s 9% Notes purchased during the period from July 20, 2000 to December 6, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9% Notes sold at a loss between July 20, 2000 and December 6, 2000, inclusive, the Recognized Loss is five percent (5%) of the difference between: (a) the purchase price paid and (b) the sales price received.
  - (ii) For 9% Notes retained past December 6, 2000, the Recognized Loss is five percent (5%) of the difference between: (a) the purchase price paid and (b) an assumed value of \$70 - the last available closing price on December 5, 2000.
  - (iii) For 9% Notes sold at a profit, the Recognized Loss is zero.

### **Part 3 - Computing Recognized Losses for Reliance 9.75% Senior Subordinated Debentures:**

- (a) **9.75% Debentures Purchased between February 8, 1999 and February 28, 2000:** For each \$1,000 in face amount of Reliance’s 9.75% Debentures purchased during the period from February 8, 1999 to February 28, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9.75% Debentures sold at a loss during the same February 8, 1999 to February 28, 2000 time period, the Recognized Loss is ten percent (10%) of the difference between (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is \$24.75 per \$1,000 face amount – representing 10% of the price difference in the \$1,037.50 closing price on February 8, 1999 and the \$790.00 closing price on February 28, 2000.

- (ii) For 9.75% Debentures sold at a loss between February 29, 2000 and June 8, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$29.38 per \$1,000 face amount – representing approximately fifty percent (50%) of the difference between the \$790.00 closing price for Reliance’s 9.75% Debentures on February 28, 2000 and the \$731.25 closing price of Reliance’s 9.75% Debentures on June 8, 2000.
  - (iii) For 9.75% Debentures sold at a loss between June 9, 2000 and December 6, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$328.75 per \$1,000 face amount – representing fifty percent (50%) of the difference between the \$790.00 closing price for Reliance’s 9.75% Debentures on February 28, 2000 and the \$132.50 closing price of Reliance’s 9.75% Debentures on July 19, 2000.
  - (iv) For 9.75% Debentures retained past December 6, 2000, the Recognized Loss is \$328.75 per \$1,000 face amount.
  - (v) For 9.75% Debentures sold at a profit, the Recognized Loss is zero.
- (b) **9.75% Debentures Purchased between February 29, 2000 and June 8, 2000:** For each \$1,000 in face amount of Reliance’s 9.75% Debentures purchased during the period from February 29, 2000 to June 8, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9.75% Debentures sold at a loss between February 29, 2000 and June 8, 2000, inclusive, the Recognized Loss is twenty five percent (25%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$10.63 per \$1,000 face amount – representing approximately twenty five percent (25%) of the difference between the \$773.75 closing price for Reliance’s 9.75% Debentures on March 1, 2000 and the \$731.25 closing price of Reliance’s 9.75% Debentures on June 8, 2000.
  - (ii) For 9.75% Debentures sold at a loss between June 9, 2000 and December 6, 2000 inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$283.13 per \$1,000 face amount – representing approximately fifty percent (50%) of the difference between the \$698.75 closing price for Reliance’s 9.75% Debentures on February 29, 2000 and the \$132.50 closing price of Reliance’s 9.75% Debentures on July 19, 2000.
  - (iii) For 9.75% Debentures retained past December 6, 2000, the Recognized Loss is \$283.13 per \$1,000 face amount.
  - (iv) For 9.75% Debentures sold at a profit, the Recognized Loss is zero.
- (c) **9.75% Debentures Purchased between June 9, 2000 and July 19, 2000:** For each \$1,000 in face amount of Reliance’s 9.75% Debentures purchased during the period from June 9, 2000 to July 19, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9.75% Debentures sold at a loss between June 9, 2000 and July 18, 2000, inclusive, the Recognized Loss is forty percent (40%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$190 per \$1,000 face amount – representing forty percent (40%) of the difference between the \$650 closing price for Reliance’s 9.75% Debentures on June 9, 2000 and the \$175 closing price of Reliance’s 9.75% Debentures on July 18, 2000.
  - (ii) For 9.75% Debentures sold at a loss between July 19, 2000 and December 6, 2000, inclusive, the Recognized Loss is fifty percent (50%) of the difference between: (a) the purchase price paid and (b) the sales price received. The maximum Recognized Loss for such transactions is limited to \$258.75 per \$1,000 face amount – representing fifty percent (50%) of the difference between the \$650.00 closing price for Reliance’s 9.75% Debentures on June 9, 2000 and the \$132.50 closing price of Reliance’s 9.75% Debentures on July 19, 2000.
  - (iii) For 9.75% Debentures retained past December 6, 2000, the Recognized Loss is \$258.75 per \$1,000 face amount.
  - (iv) For 9.75% Debentures sold at a profit, the Recognized Loss is zero.

- (d) **9.75% Debentures Purchased between July 20, 2000 and December 6, 2000:** For each \$1,000 in face amount of Reliance's 9.75% Debentures purchased during the period from July 20, 2000 to December 6, 2000, inclusive, the Recognized Loss is as follows:
- (i) For 9.75% Debentures sold at a loss between July 20, 2000 and December 6, 2000, inclusive, the Recognized Loss is five percent (5%) of the difference between: (a) the purchase price paid and (b) the sales price received.
  - (ii) For 9.75% Debentures retained past December 6, 2000, the Recognized Loss is five percent (5%) of the difference between: (a) the purchase price paid and (b) an assumed value of \$20 - the last available closing price on December 5, 2000.
  - (iii) For 9.75% Debentures sold at a profit, the Recognized Loss is zero.

**Part 4 - Terms Applying to Computing Recognized Losses for All Reliance Securities:**

- (a) For purposes of determining which shares of Reliance's Stock purchased during the Class Period either were sold at any time during the Class Period or were retained past February 28, 2000, June 9, 2000 or July 19, 2000, purchases and sales of Reliance's Stock are matched, on a "first-in, first-out" ("FIFO") basis, by matching the first shares sold against any closing position of shares held as of February 7, 1999 (prior to the start of the Class Period) and then on a FIFO basis against any additional shares of Reliance Stock purchased during the Class Period on the basis of the assumption that the first share purchased was the first share sold. This matching under FIFO will be done separately for the Reliance 9% Notes and 9.75% Debentures, and in the same fashion as the application of FIFO to Reliance Stock. The matching under FIFO will be applied separately for Reliance's Stock, 9% Notes and 9.75% Debentures irrespective of the different accounts in which the Reliance's Securities were purchased and sold unless the title or ownership of the accounts differed.
  - (b) The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement date."
  - (c) The restrictions on computing Recognized Losses set out in the 3 bullet points below apply to all claims. As a practical matter, however, they apply primarily to certain transactions engaged in by sophisticated traders or certain corporate or institutional Claimants:
    - "Short" sales shall not be recognized for any amount of loss on the cover or purchase transaction, and no Recognized Loss will be computed for any such covering purchase transaction.
    - No Recognized Loss will be computed for any transactions in Reliance Securities engaged in by market makers.
    - No Recognized Loss will be computed for any option premium paid or received where the shares of Reliance Stock or other Reliance Securities were purchased or sold by reason of having exercised or been assigned an option.
4. In the interest of economy, no payment will be made to any Authorized Claimant whose Payable Claim would be less than \$10 based on the initial allocation of the Net Settlement Fund to the Authorized Claimants.
5. If you inherited or received a gift of Reliance Securities during the Class Period, that inheritance or gift is not considered a purchase of Reliance Securities unless your ancestor or donor was the actual purchaser of Reliance Securities during the Class Period. You, as a recipient of a gift or inheritance, and the original purchaser may not both file a claim with regard to the same shares of Reliance Stock or same Reliance 9% Notes or Reliance 9.75% Debentures. If both you and the donor (or you and your ancestor's estate) make such a claim, only the claim filed by the recipient (or heir) will be honored.
6. Nothing in this Plan of Allocation represents an admission by any of the Defendants that there is liability or damage of any kind as a result of the allegations in the Complaint or that the dollar amounts set forth in this Plan of Allocation reflect actual or potential damages to the Class.
7. Payment in the manner set forth above will be deemed conclusive compliance with the Stipulation as to all Authorized Claimants. All Class Members who fail to submit valid and timely Proofs of Claim will be barred from participating in the distribution of the Net Settlement Fund but otherwise will be bound by all of the terms of the Stipulation, including the terms of any final orders or judgments entered and the releases given to Defendants and others.

8. No Authorized Claimant shall have any claim against Plaintiffs, Plaintiffs' Counsel or the Claims Administrator, or any other agent designated by Plaintiffs' Counsel based on the distributions made substantially in accordance with the Stipulation, the Plan of Allocation, and further orders of Court. In addition, in the interest of achieving substantial justice, Plaintiffs' Counsel shall have the right, but not the obligation, to waive what they deem to be formal or technical defects in any Proofs of Claim filed.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the settlement. If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs' Co-Lead Counsel.

Plaintiffs, Defendants, their respective counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation or the determination, administration, calculation, or payment of any Proof of Claim or non-performance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund or any losses incurred in connection therewith.

#### **SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased Reliance common stock and/or Reliance Bonds during the period from February 8, 1999 through and including December 6, 2000 for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased such stock or Bonds during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

Reliance Group Holdings, Inc. Securities Litigation  
c/o Analytics Incorporated  
Claims Administrator  
P.O. Box 2007  
Chanhassen, MN 55317-2007  
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Dated: New York, New York  
December 30, 2005

By Order of the Court  
CLERK OF THE COURT