

SETTLEMENT AGREEMENT

WHEREAS, certain of the Parties (the "Parties") to certain related actions (the "Related Actions"), as such Parties and Related Actions are defined and described in Exhibit "A" hereto, have been engaged in litigation; and

WHEREAS, the Parties have determined after thorough investigation concerning the Related Actions, that it is in their mutual interests to settle the Related Actions; and

WHEREAS, the D & O Defendants (as defined below) expressly deny and disclaim wrongdoing or liability of any kind whatsoever; and

WHEREAS, the Parties have agreed to seek the entry of orders in each of the Related Actions approving the terms and conditions of the settlement (the "Settlement") set forth below from each of the courts (the "Approving Courts") in which the Related Actions are pending (as set forth on Exhibit "A"), and have further agreed that the Settlement shall be binding and effective only upon the approval by final and nonappealable orders of this Settlement agreement (the "Settlement Agreement") by each Approving Court; and

WHEREAS, the D & O Defendants represent and warrant that the entire amount of the funds remaining in policy number DOL88116219 issued by the Great American Insurance Companies (after the deduction of the D & O Defendants' remaining defense costs) is \$1,520,000, which is being contributed to fund the Settlement and that there is no other insurance policy covering the events alleged in the Related Actions.

NOW, THEREFORE, in consideration of the promises and respective agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties stipulate and agree as follows:

1. The Parties shall in good faith use their best efforts to promptly seek approval of this Settlement Agreement by the Approving Courts and to effectuate the terms of this Settlement Agreement. Such efforts shall include the execution and delivery of such further documents as are reasonably necessary to implement the provisions of this Settlement Agreement and cooperation in obtaining appropriate orders from the Approving Courts approving the Settlement Agreement.

2. For purposes of this Settlement Agreement, the term "Effective Date" shall mean that business day that immediately follows the date upon which the order approving the Settlement Agreement entered by the last of the Approving Courts becomes final and not subject to appeal, or, in the event an appeal has been taken from any such order, a final order deciding such appeal has been entered which is not subject to further appeal.

3. For the purposes of this Settlement Agreement, the term "Execution Date" shall mean the business day that immediately follows the date upon which the last Party has executed the Settlement Agreement and transmitted the fully executed Settlement Agreement by facsimile to counsel for all of the Parties.

4. Within five (5) business days of the Execution Date, Defendants Martin J. Simon, Saul Erdman, Herbert V. Friedman, Harvey Mass, Andrew W. Attivissimo, Raymond Brancaccio, Joel I. Dollinger, Allan R. Goodman, Harvey S. Jacobs, Joan M. Locascio, Louis Gottlieb, Louis Siracusano, Ralph Drabkin, Joseph Ciorciari, Seymour Uslan, David Schachne,

the estate of Bernard Litzky, Steve Diamond, and Samuel Plotkin (collectively the "D & O Defendants), will cause \$1.8 million (the "Settlement Amount") to be placed in an escrow account (the "Escrow Account") with the law firm of Solomon, Zauderer, Ellenhorn, Frischer & Sharp, serving as escrow agent (the "Escrow Agent") for the collective benefit of (a) Martin P. Ochs, as Chapter 7 Trustee of First Central Financial Corp. (the "Trustee"), (b) the Superintendent of Insurance of the State of New York, as Liquidator of First Central Insurance Company (the "Liquidator"); and (c) Sam Lipson ("Lipson") and a class to be certified for purposes of settlement of all purchasers and sellers of stock of First Central Financial Corporation ("FCFC") during the period July 6, 1995 to September 6, 1997 (the "Settling Class"), all of the plaintiffs in the Related Actions (collectively, the "Plaintiffs"). The Escrow Agent shall provide to counsel for each of the Plaintiffs written proof of the opening and funding of the Escrow Account within ten (10) business days of the Execution Date. The Escrow Account shall be an interest bearing FDIC insured account or accounts for the benefit of the Plaintiffs.

5. Within two (2) business days after the Effective Date, the Escrow Agent shall release the Settlement Amount, plus all interest earned on such sum, from the Escrow Account for the benefit of the Plaintiffs by transferring such sum by wire to Sidley Austin Brown & Wood LLP, counsel to the Trustee (c/o Norman N. Kinel, Esq.), which firm shall within ten (10) business days thereafter, distribute such funds pursuant to the terms of that certain "Memorandum of Understanding", entered into by the Plaintiffs as of June 28, 2002, as extended by the stipulation dated July 31, 2002 and by subsequent stipulations/letter agreements, the latest being dated September 15, 2002, with interest earned thereon being payable based on the same allocation of such funds as set forth in the Memorandum of Understanding as extended. Each

Plaintiff, in turn, is responsible for paying taxes, if any, upon the interest earned with respect to its share of the Settlement Amount.

6. All costs incurred in providing notice (the "Notice Costs") to the Settling Class up to a maximum of \$50,000.00 shall be paid from the Escrow Account. Such costs shall include, but are not limited to, (1) the costs of printing and mailing the Notice of Pendency of Class Action and Proposed Settlement and Settlement Hearing (the "Class Notice") and (2) the costs of publishing the Class Notice as determined by the Approving Court. The printing, preparation of mailing labels and other services associated with mailing and publishing the Notice shall be performed by a settlement administrator to be designated by counsel for the Settling Class, who shall seek judicial or magistrate approval of such expenditures. The Escrow Agent shall make a disbursement to the settlement administrator of a sum not to exceed \$50,000 within three days after receipt of the invoice evidencing the Notice Costs. The Notice Costs shall be the responsibility entirely of the Settling Class and its counsel. The Trustee and the Liquidator shall have no responsibility for and have no obligation to contribute any part of the Notice Costs or the costs associated with the settlement administrator. The Notice Costs shall come only from that portion of the funds in the Escrow Account which are to be distributed to the Settling Class in accordance with the terms of paragraph "5" above. The monies from the Escrow Account used to pay Notice Costs shall be deemed to have been paid to the Settling Class in accordance with paragraph "5" above.

7. Simultaneous with the execution of the Settlement Agreement, certain of the D & O Defendants (Martin J. Simon, Joel Dollinger, Allan Goodman, Joan Locascio, Raymond Brancassio and Steve Diamond, collectively, the "Certain D & O Defendants"), will provide verification, by way of an affidavit in a form reasonably acceptable to Plaintiffs, of

certain personal and confidential financial information disclosed during the course of the settlement negotiations among the Parties in the confidential memorandum, dated April 25, 2002 (the "Confidential Memorandum"), previously provided to counsel for the Plaintiffs by counsel for the D & O Defendants.

8. The Confidential Memorandum and affidavits described in paragraph "7" above will be maintained confidential pursuant to the terms of the Parties' letter agreement, dated April 25, 2002, attached hereto as Exhibit "B". The Confidential Memorandum will be subject only to (i) *in camera* review by any of the Approving Courts, or (ii) inspection by any other parties that any of the Approving Courts direct, provided that Plaintiffs shall request that any such Court provide the D & O Defendants with notice and a reasonable opportunity to be heard prior to disclosure to any party other than the Approving Courts.

9. The obligations incurred pursuant to this Settlement Agreement shall be in full and final disposition and settlement of all claims, demands, rights and causes of action of any nature whatsoever (whether class or individual in nature and whether or not now known) which have or could have been asserted by the Plaintiffs in the Related Actions against the D & O Defendants as directors or officers or former directors or officers of First Central Financial Corporation and/or First Central Insurance Company, including, but not limited to, any and all claims, demands, rights and causes of action of any nature whatsoever based in whole or in part on acts, failures to act, omissions, misrepresentations, facts, events, transactions, occurrences or other matters set forth or alleged in the Related Actions against any of the D & O Defendants only, including all claims for violations of federal, state or common law (the "Settled Claims"). It is fully understood and agreed that this Settlement Agreement leaves intact any and all claims against McGladrey & Pullen LLP ("McGladrey") to the extent that McGladrey is a defendant in

any of the Related Actions, and all claims against McGladrey and any other person or entity (other than the D&O Defendants) are expressly reserved. Simultaneous with the execution of the Settlement Agreement, 1) each of the Plaintiffs shall execute and deliver to the Escrow Agent general releases (the "Plaintiffs' Releases") substantially in the form annexed hereto as Exhibit "C" in favor of each of the D & O Defendants; and 2) each of the D & O Defendants shall execute general releases (the "D & O Releases") substantially in the form annexed hereto as Exhibit "C" in favor of each of the Plaintiffs, and deliver such general releases to the Escrow Agent. Within two (2) business days after the Effective Date, the D & O Releases and the Plaintiffs' Releases shall be delivered by the Escrow Agent to counsel for each of the Parties. Such releases shall include, as respects the Trustee, releases of any and all claims by each and all of the D & O Defendants against the bankruptcy estate of First Central Financial Corporation and against First Central Insurance Company in liquidation, whether or not any such claim or claims has been filed or asserted prior to the date hereof.

10. The provisions of New York General Obligation Law § 15-108 shall apply to the release and discharge of the D & O Defendants pursuant to this Settlement Agreement, as "one of two or more persons liable or claimed to be liable in tort", such that the release "reduces the claims of the releasor [Superintendent and the Settling Class] against the other tortfeasors to the extent of any amount stipulated by the release . . . or in the amount of the released tortfeasor's [D & O Defendants'] equitable share of the damages under article fourteen of the civil practice law and rules, whichever is greatest." Further, it is agreed that the release given to the D & O Defendants pursuant to the Settlement Agreement, is, pursuant to N.Y. Gen. Oblig. Law § 15-108(b), "given in good faith to one tortfeasor [the D & O Defendants]" and therefore

“relieves him [the D & O Defendants] from liability to any other person for contribution as provided in article fourteen of the civil practice law and rules.”

11. In addition, the Settling Class agrees that the provisions of the Private Securities Litigation Reform Act, 15 U.S.C. § 78u-4(g)(7), shall apply to the release and discharge of the D & O Defendants pursuant to this Settlement Agreement, such that upon entry of the Settlement by the court, the Settling Class will take steps reasonably necessary to ensure that “the court shall enter a bar order constituting the final discharge of all obligations to the plaintiff [the Settling Class] of the settling covered person [the D & O Defendants] arising out of the action” and “bar all future claims for contribution . . . by any person against the settling covered person [the D & O Defendants].” Moreover, any judgment obtained by the Settling Class “shall be reduced by the greater of an amount that corresponds to the percentage of responsibility of that covered person [the D & O Defendants] or the amount paid to the plaintiff [the Settling Class] by that covered person [the D & O Defendants]”.

12. A telephone number and address for each of the D & O Defendants is set forth in "Exhibit D" hereto. The D & O Defendants hereby stipulate and agree that Plaintiffs may serve the D & O Defendants with process or other papers (including but not limited to a deposition or trial subpoena) by mail and Federal Express delivery service and the D & O Defendants shall accept service in such manner at the address specified in Exhibit "E" hereto (notwithstanding any applicable rules requiring personal service) in connection with any further proceedings in either the Levin or Lipson Actions. The D & O Defendants further agree, upon reasonable notice, to appear in any of the five (5) boroughs of New York City or the Counties of Nassau or Suffolk, New York for the purposes of giving depositions and to appear and give testimony at the trial of the Levin or Lipson Actions. The D & O Defendants agree to reasonably

cooperate with the parties in the Levin or Lipson Actions in scheduling appearances to give testimony as non-party witnesses at depositions or the trial in the Levin or Lipson Actions. In the event that the health of one of the D & O Defendants precludes him or her from appearing for a deposition or at trial, that D & O Defendant may either move for a protective order or provide the subpoenaing party with a written certification from a licensed physician indicating that the D & O Defendant is unable for health reasons to appear. Notwithstanding such certification, plaintiffs reserve their right to seek a court order compelling the D & O Defendant's attendance.

13. Within five (5) business days after the Effective Date, Plaintiffs shall take appropriate action to effect the dismissal of each of the Related Actions insofar as they relate to the D & O Defendants, unless such action is discontinued by operation of a final judgment or order.

14. In the event that Settlement of the Related Actions as provided in this Settlement Agreement is not approved by all of the Approving Courts, this Settlement Agreement, except as set forth in paragraph "16" shall become null and void, and of no further force and effect, and this Settlement Agreement, and all negotiations and proceedings relating thereto shall be without prejudice to the rights of any and all parties hereto, each of whom shall be restored to their respective positions existing prior to the execution of this Settlement Agreement, except with regard to payment of Notice Costs pursuant to paragraph "6" above. In addition, upon the occurrence of such events, the Escrow Agent shall release the Escrow Account, and return to Great American Insurance Companies and each of the D & O Defendants their respective contributions to the Settlement Amount and shall mark "void" and return to each party the General Release executed by such party in connection with this Settlement Agreement and deposited with the Escrow Agent, as set forth in paragraph "9" above.

15. The duties of the Escrow Agent are only as herein specifically provided and are purely ministerial in nature. The Escrow Agent shall incur no liability to the Trustee, the Liquidator or to the Settling Class except for its own bad faith, willful misconduct or negligence. The Trustee, the Liquidator or the Settling Class each release the Escrow Agent from any liability for any act done or omitted to be done in the performance of its duties hereunder, except for acts done or omitted to be done in bad faith or through willful misconduct or negligence.

16. Neither this Settlement Agreement nor any proceedings taken in accordance with the terms set forth herein shall be construed as or deemed to be evidence, or any admission or concession, either (a) on the part of any Plaintiff, as to the merit of the Related Actions, or (b) on the part of the settling defendants, of any liability or wrongdoing whatsoever, which is hereby expressly denied and disclaimed by each of the D & O Defendants. Neither this Settlement Agreement, nor the fact of its execution, nor any of its provisions, shall be offered or received in evidence in any action or proceeding of any nature or otherwise referred to or used in any manner in any court or other tribunal, except as evidence of the fact of the making of this Settlement Agreement in any action or proceeding arising out of its execution or to enforce the terms thereof.

17. This Settlement Agreement, including but not limited to, the releases contained herein and annexed hereto, shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflict of laws principles. This Settlement Agreement and the exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of New York. Each of the Approving Courts shall retain jurisdiction with respect to implementation and enforcement of the terms of the Settlement Agreement.

18. The Parties expressly agree that the terms of this Settlement Agreement are reasonable and adequate, and represent a good faith compromise of all claims that were or could have been asserted against the Parties to the Related Actions.

19. Subject to the approval of each of the Approving Courts, each party to this Settlement Agreement and the Releases attached hereto represents and warrants that such person has full respective legal, corporate or other power, authority and legal right, and has obtained all approvals and consents necessary, to execute, deliver and perform all actions required under this Settlement Agreement. Each such person further acknowledges that this Settlement Agreement was drafted jointly by counsel for the Parties hereto, that each such person has consulted with their own attorneys and fully understands the terms hereof, and has received legal advice from their own attorneys regarding the advisability of entering into the Settlement Agreement.

20. This instrument and the Exhibits hereto together contain the entire agreement between the Parties to this Settlement Agreement, and all previous understandings, agreements, and communications prior to the date hereof, whether express or implied, oral or written, relating to the subject matter of this Settlement Agreement, are fully and completely extinguished and superseded by this Agreement. This Settlement Agreement shall not be altered, amended, modified, or otherwise changed except by a writing duly signed by all the Parties hereto.

21. This Settlement Agreement may be executed in one or more counterparts, all of which shall be considered the same as if a single document shall have been executed, but shall become effective when such counterparts have been signed on behalf of each of the Parties hereto. In addition, facsimile signatures shall be binding as original signatures.

22. This Settlement Agreement shall be binding upon and inure to the benefit

of the successors and assigns of the Parties.

Dated: New York, New York
November 1, 2002

MARTIN P. OCHS, A CHAPTER 7
TRUSTEE OF FIRST CENTRAL
FINANCIAL CORPORATION

Martin P. Ochs

SIDLEY AUSTIN BROWN & WOOD LLP
Counsel for Chapter 7 Trustee Martin P.
Ochs

Norman N. Kinel, Esq.
(A Member of the Firm)
787 Seventh Avenue
New York, NY 10019

~~SAM LIPSON, as representative of the class
of plaintiffs in the Lipson Action~~

~~Sam Lipson~~

LAW OFFICES OF J. JAMES CARRIERO
Counsel for Sam Lipson and the Settling Class



J. James Carriero, Esq.
29-53 Butler Street
East Elmhurst, NY 11369

SUPERINTENDENT OF INSURANCE OF
THE STATE OF NEW YORK, AS
LIQUIDATOR OF FIRST CENTRAL
INSURANCE COMPANY

Superintendent of Insurance of the State of
New York, as Liquidator of First Central
Insurance Company

BROWN RAYSMAN MILLSTEIN FELDER
& STEINER, LLP
Counsel for the Superintendent of Insurance of
the State of New York, as Liquidator of First
Central Insurance Company

Joseph W. Muccia, Esq.
(A Member of the Firm)
900 Third Avenue
New York, NY 10022-0557