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ENDORSED
FILED
ALAMEDA COUNTY

AUG 18 1997

RONALD G. OVERHOLT, Exec. Off./Clerk
By Lindnell Williams

7 GIL GARCETTI, District Attorney
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9 201 N. Figueroa, 16th floor
Los Angeles, California 90012
10 Telephone: (213) 580-3305

11 (Additional Plaintiff Attorneys Follow Caption)
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15 SUPERIOR COURT OF THE STATE OF CALIFORNIA
16 FOR THE COUNTY OF ALAMEDA

17 THE PEOPLE OF THE STATE OF CALIFORNIA,)
18)
18 Plaintiff,)
19)
20 v.)
21 LEVITZ FURNITURE CORPORATION, a)
21 Florida corporation; LEVITZ FURNITURE)
22 COMPANY OF THE PACIFIC, INC., a Cali-)
22 fornia corporation; AMERICAN BANKERS)
23 INSURANCE COMPANY OF FLORIDA, a Florida)
23 corporation; AMERICAN BANKERS LIFE)
24 ASSURANCE COMPANY OF FLORIDA, a Florida)
24 corporation; GENERAL ELECTRIC CAPITAL)
25 CORPORATION, a New York Corporation,)
25)
26 Defendants.)

CASE NO.

STIPULATION FOR
ENTRY OF FINAL
JUDGMENT

787452-5

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28

1 Additional Plaintiff Attorneys

2 PAUL J. PFINGST, District Attorney
County of San Diego

3 CLIFFORD P. DOBRIN, No. 47689

Deputy District Attorney

4 101 W. Broadway, Suite 700

San Diego, California 92101

5 Telephone: (619) 531-3599

6 JAMES P. FOX, District Attorney

County of San Mateo

7 JOHN E. WILSON, No. 95602

Deputy District Attorney-in-Charge

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9 Telephone: (415) 363-4098

10 DANIEL E. LUNGREN, Attorney General

State of California

11 HERSCHEL T. ELKINS,

Senior Assistant Attorney General

12 MICHAEL R. BOTWIN, No. 44879

Deputy Attorney General

13 50 Fremont Street, Suite 300

San Francisco, California 94105-2239

14 Telephone: (415) 356-6289

15 Attorneys for Plaintiff

16

17

18 Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA, having
19 filed its Complaint herein; and

20 Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA,
21 appearing through its attorneys Thomas J. Orloff, District Attorney
22 for the County of Alameda, by Richard S. Michaels, Chief Assistant
23 District Attorney, Christopher G. Carpenter, Assistant District
24 Attorney, and Harry B. Johnson, Senior Deputy District Attorney,
25 Gil Garcetti, District Attorney for the County of Los Angeles, by
26 Thomas A. Papageorge, Head Deputy District Attorney, Paul J.
27 Pfingst, District Attorney for the County of San Diego, by Clifford
28 P. Dobrin, Deputy District Attorney, James P. Fox, District

1 Attorney for the County of San Mateo, by John E. Wilson, Deputy
2 District Attorney-in-Charge, and Daniel E. Lungren, Attorney
3 General, by Michael R. Botwin, Deputy Attorney General; Defendants
4 LEVITZ FURNITURE CORPORATION, a Florida corporation, and LEVITZ
5 FURNITURE COMPANY OF THE PACIFIC, INC., a California corporation
6 (together "Levitz"), AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA,
7 a Florida corporation ("ABIC"), AMERICAN BANKERS LIFE ASSURANCE
8 COMPANY OF FLORIDA, a Florida corporation ("ABLAC") and , GENERAL
9 ELECTRIC CAPITAL CORPORATION, a New York corporation ("GE Capital")
10 (collectively sometimes "defendants"), appearing through their
11 counsel James R. Woods and William C. Marcoux of LeBoeuf, Lamb,
12 Greene & MacRae, L.L.P., and Ronald M. Oster and Kurt Hansson of
13 Paul, Hastings, Janofsky & Walker, LLP; and

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RECITALS

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WHEREAS, in 1996 the Department of Insurance began an investigation concerning the offer and sale of credit insurance in connection with revolving charge accounts at Levitz Furniture Stores in California;

WHEREAS, in January 1997, Defendants reached a tentative settlement with the Department of Insurance of issues concerning the offer and sale of credit insurance in connection with revolving charge accounts at Levitz Furniture Stores in California;

WHEREAS, in December of 1996 the District Attorneys of Alameda, Los Angeles, San Diego and San Mateo began their own independent investigation of those practices;

WHEREAS, Defendants Levitz, ABIC, ABLAC and , GE Capital have denied and continue to deny liability for any of the acts

1 alleged in the Complaint;

2 WHEREAS, the District Attorneys' Offices, the Attorney
3 General's Office, and the Department of Insurance and Defendants
4 have now reached agreement on a full and final resolution of all
5 potential issues relating to Defendants' offer and sale of credit
6 insurance in connection with revolving charge accounts at Levitz
7 Furniture Stores in California including all issues which were or
8 could have been raised in the Complaint and wish to enter into the
9 Stipulated Final Judgment to resolve fully and finally all such
10 issues;

11 WHEREAS, the District Attorneys' Offices and the Attorney
12 General's Office have determined that it is in the best interests
13 of the People of the State of California to enter into this
14 Stipulation for Entry of Final Judgment, and the Department of
15 Insurance agrees with this determination;

16 WHEREAS, the District Attorneys' Offices, the Attorney
17 General's Office, and the Department of Insurance believe that the
18 restitution provided in this Stipulated Final Judgment provides for
19 fair, final and adequate restitution to those who are eligible to
20 receive restitution;

21 WHEREAS, the parties to this Stipulation acknowledge, and
22 the Department of Insurance agrees, that upon the entry of this
23 Stipulated Final Judgment, the Department of Insurance will enter
24 its order in In the Matter of Levitz Furniture Corporation, OAH
25 File No. 9610169 and shall cause the administrative proceedings to
26 be concluded with prejudice, the Department of Insurance and each
27 respondent in that proceeding to bear its own costs;

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DATED: _____

THOMAS J. ORLOFF, District Attorney
County of Alameda

By: _____
RICHARD S. MICHAELS
Chief Assistant District Attorney

DATED: _____

GIL GARCETTI, District Attorney
County of Los Angeles

By: _____
THOMAS A. PAPAGEORGE
Head Deputy District Attorney

DATED: _____

PAUL J. PFINGST, District Attorney
County of San Diego

By: _____
CLIFFORD P. DOBRIN
Deputy District Attorney

DATED: _____

JAMES P. FOX, District Attorney
County of San Mateo

By: _____
JOHN E. WILSON
Deputy District Attorney-in-Charge

DATED: July 87

DANIEL E. LUNGREN, Attorney General
State of California

By: Michael R. Botwin
MICHAEL R. BOTWIN
Deputy Attorney General

Attorneys for Plaintiff the People

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DATED: 8/18/97

LeBOEUF, LAMB, GREENE & MacRAE, L.L.P.

By: James R. Woods
JAMES R. WOODS

DATED: 8/18/97

PAUL HASTINGS JANOFFSKY & WALKER, LLP

By: Ronald M. Oster
RONALD M. OSTER

Attorneys for Defendants Levitz Furniture Corporation, Levitz Furniture Company of the Pacific, American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida and G.E. Capital Corporation

THE DEPARTMENT OF INSURANCE APPROVES THE FORM AND CONTENT HEREOF AND AGREES TO BE BOUND BY THE TERMS OF THE STIPULATED FINAL JUDGMENT:

DATED: _____

CHUCK QUACKENBUSH, Commissioner
California Department of Insurance

By: _____
WILLIAM W. PALMER
General Counsel

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DATED: _____

LeBOEUF, LAMB, GREENE & MacRAE, L.L.P.

By: _____
JAMES R. WOODS

DATED: _____

PAUL HASTINGS JANOFSKY & WALKER, LLP

By: _____
RONALD M. OSTER

Attorneys for Defendants Levitz Furniture Corporation, Levitz Furniture Company of the Pacific, American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida and G.E. Capital Corporation

THE DEPARTMENT OF INSURANCE APPROVES THE FORM AND CONTENT HEREOF AND AGREES TO BE BOUND BY THE TERMS OF THE STIPULATED FINAL JUDGMENT:

DATED: August 15, 1992

CHUCK QUACKENBUSH, Commissioner
California Department of Insurance

By: William W. Palmer
WILLIAM W. PALMER
General Counsel

EXHIBIT 1

1 THOMAS J. ORLOFF, District Attorney
County of Alameda
2 RICHARD S. MICHAELS, No. 51940
Chief Assistant District Attorney
3 CHRISTOPHER G. CARPENTER, No. 40715
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4 HARRY B. JOHNSON, No. 50834
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Head Deputy District Attorney
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11 (Additional Plaintiff Attorneys Follow Caption)
12

13

14

SUPERIOR COURT OF THE STATE OF CALIFORNIA

15

FOR THE COUNTY OF ALAMEDA

16

THE PEOPLE OF THE STATE OF CALIFORNIA,)

CASE NO.

17

Plaintiff,)

18

v.)

19

LEVITZ FURNITURE CORPORATION, a)

STIPULATED FINAL
JUDGMENT

20

Florida corporation; LEVITZ FURNITURE)

21

COMPANY OF THE PACIFIC, INC., a Cali-)

22

fornia corporation; AMERICAN BANKERS)

23

INSURANCE COMPANY OF FLORIDA, a Florida)

24

corporation; AMERICAN BANKERS LIFE)

ASSURANCE COMPANY OF FLORIDA, a Florida)

25

corporation; GENERAL ELECTRIC CAPITAL)

CORPORATION, a New York Corporation,)

Defendants.)

26

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27

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//

1 Additional Plaintiff Attorneys

2 PAUL J. PFINGST, District Attorney
County of San Diego
3 CLIFFORD P. DOBRIN, No. 47689
Deputy District Attorney
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San Diego, California 92101
5 Telephone: (619) 531-3599

6 JAMES P. FOX, District Attorney
County of San Mateo
7 JOHN E. WILSON, No. 95602
Deputy District Attorney-in-Charge
8 401 Marshall Street
Redwood City, California 94063
9 Telephone: (415) 363-4098

10 DANIEL E. LUNGREN, Attorney General
State of California
11 HERSCHEL T. ELKINS,
Senior Assistant Attorney General
12 MICHAEL R. BOTWIN, No. 44879
Deputy Attorney General
13 50 Fremont Street, Suite 300
San Francisco, California 94105-2239
14 Telephone: (415) 356-6289

15 Attorneys for Plaintiff

16

17

18 Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA, having
19 filed its complaint herein; and defendants LEVITZ FURNITURE
20 CORPORATION, a Florida corporation; LEVITZ FURNITURE COMPANY OF THE
21 PACIFIC, INC., a California corporation; AMERICAN BANKERS INSURANCE
22 COMPANY OF FLORIDA, a Florida corporation; AMERICAN BANKERS LIFE
23 ASSURANCE COMPANY OF FLORIDA, a Florida corporation; and GENERAL
24 ELECTRIC CAPITAL CORPORATION, a New York corporation, having
25 accepted service thereof; and

26 Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA,
27 appearing through its attorneys Thomas J. Orloff, District Attorney
28 for the County of Alameda, by Chief Assistant District Attorney

1 Richard S. Michaels, Assistant District Attorney Christopher G.
2 Carpenter and Senior Deputy District Attorney Harry B. Johnson, Gil
3 Garcetti, District Attorney for the County of Los Angeles, by
4 Thomas A. Papageorge, Head Deputy District Attorney, Paul J.
5 Pfingst, District Attorney for the County of San Diego, by Clifford
6 P. Dobrin, Deputy District Attorney, James P. Fox, District
7 Attorney for the County of San Mateo, by John E. Wilson, Deputy
8 District Attorney-in-Charge, and Daniel E. Lungren, California
9 Attorney General, by Michael R. Botwin, Deputy Attorney General,
10 and defendants LEVITZ FURNITURE CORPORATION, a Florida corporation,
11 and LEVITZ FURNITURE COMPANY OF THE PACIFIC, INC., a California
12 corporation (together "Levitz"), AMERICAN BANKERS INSURANCE COMPANY
13 OF FLORIDA, a Florida corporation ("ABIC"), AMERICAN BANKERS LIFE
14 ASSURANCE COMPANY OF FLORIDA, a Florida corporation ("ABLAC") and
15 GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("GE
16 Capital") (collectively sometimes, "DEFENDANTS"), appearing through
17 their counsel James R. Woods and William C. Marcoux of LeBoeuf,
18 Lamb, Greene & MacRae, L.L.P., and Ronald M. Oster and Kurt Hansson
19 of Paul, Hastings, Janofsky & Walker, LLP; and

20 Plaintiff and DEFENDANTS having stipulated to the entry
21 of this Stipulated Final Judgment (sometimes hereinafter
22 "JUDGMENT") prior to the taking of any proof, and without trial or
23 adjudication of any fact or law herein, and without this Stipulated
24 Final Judgment constituting evidence or an admission by the
25 DEFENDANTS; and

26 The Court having considered the pleadings, and good cause
27 appearing therefor,

28 //

1 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that PLAINTIFF
2 have judgment against DEFENDANTS as follows:

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JURISDICTION

5 1. This action is brought under the laws of the State
6 of California and this Court has jurisdiction of the subject matter
7 hereof and the PARTIES hereto.

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9

DISCLAIMER OF ADMISSIONS AND COURT FINDINGS

10 2. Pursuant to the Stipulation for Entry of Final
11 Judgment and Permanent Injunction (the "Stipulation"), the PARTIES
12 have agreed to the entry of this Stipulated Final Judgment and
13 Permanent Injunction in connection with DEFENDANTS' offering,
14 advertising, marketing, selling or transacting of credit insurance
15 at Levitz stores in California, as provided herein. The Court
16 finds that the Stipulation was entered into as a compromise of
17 disputed potential liability and neither the Stipulation nor this
18 Stipulated Final Judgment and Permanent Injunction shall constitute
19 an admission of liability by any of the DEFENDANTS or evidence of
20 any fact or claim alleged in the Complaint and nothing contained
21 herein may be used against the DEFENDANTS by any non-party to this
22 JUDGMENT in any other proceeding of any nature.

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25 3. This Stipulated Final Judgment and Permanent
26 Injunction has been thoroughly reviewed by the Court and based upon
27 the representations of the PARTIES is found to have been entered
28 into in good faith and is in all respects just, fair, reasonable,
and equitable.

1 DEFINITIONS

2 4. Unless otherwise specified, the following
3 definitions shall apply:

4 A. "ACCOUNT" as used herein shall mean a Levitz
5 Revolving Charge Account or any other credit account established or
6 to be established at a Levitz store in California, whether open or
7 not and whether having one or more signatories to the ACCOUNT.

8 B. "ADMINISTRATOR" as used herein shall mean
9 Gilardi & Co., 1115 Magnolia Ave., Larkspur, California 94939,
10 which company shall be appointed by the Court as an Officer of the
11 Court to supervise the Direct Consumer Restitution Program.

12 C. "CONSUMER" as used herein shall mean any
13 natural person who is solicited to establish an ACCOUNT or who
14 establishes an ACCOUNT at a Levitz store in California.

15 D. "CREDIT INSURANCE" as used herein shall mean
16 any of the following in connection with the establishment of an
17 ACCOUNT at a Levitz store in California:

- 18 (1) any credit life insurance policy;
19 (2) any credit disability insurance policy;
20 (3) any credit involuntary unemployment
21 insurance policy;
22 (4) any credit property insurance policy; or
23 (5) any combination of two or more of the
24 foregoing.

25 E. "CUSTOMER" as used herein shall mean any
26 natural person who established or establishes an ACCOUNT at a
27 Levitz store in California. If an ACCOUNT is established by more
28 than one natural person, it shall be deemed to be a single ACCOUNT

1 for purposes of this JUDGMENT and the accountholders shall be
2 deemed to be a single CUSTOMER for purposes of this JUDGMENT.

3 F. "DELINQUENT CUSTOMER" as used herein shall mean
4 a CUSTOMER whose ACCOUNT has a balance which is more than thirty
5 days past due, is unpaid, and is not discharged, all as determined
6 as of thirty days after the date Questionnaires and Releases, in
7 the forms attached as Exhibit A hereto, are due. Restitution to
8 DELINQUENT CUSTOMERS who have not returned their Questionnaires and
9 Releases shall be limited as set forth in paragraph 16.

10 G. "DISTRICT ATTORNEYS" as used herein shall mean:
11 Thomas J. Orloff, Alameda County District Attorney, Gil Garcetti,
12 Los Angeles County District Attorney, Paul J. Pfingst, San Diego
13 County District Attorney, and James P. Fox, San Mateo County
14 District Attorney and their employees, agents, representatives and
15 successors.

16 H. "ENLIST OR ENLISTMENT" as used herein shall
17 mean any invitation to apply for CREDIT INSURANCE, any offer of
18 CREDIT INSURANCE, any discussions or actions necessary to complete,
19 execute or deliver any INSURANCE FORM, evidence of insurance or
20 other document appurtenant to the CREDIT INSURANCE.

21 I. "FUND A" as used herein shall mean a monetary
22 fund, in the amount of Three Million Six Hundred Thousand Dollars
23 (\$3,600,000.00) less permitted deductions set forth herein, to be
24 distributed to RESTITUTION ELIGIBLE CUSTOMERS as provided under
25 paragraphs 17 and 18.

26 J. "FUND A RESTITUTION AMOUNT" as used herein
27 shall mean the amount of restitution to be distributed to
28 RESTITUTION ELIGIBLE CUSTOMERS from FUND A. The calculation of the

1 FUND A RESTITUTION AMOUNT is set forth in paragraph 16.

2 K. "FUND B1" as used herein shall mean a monetary
3 fund in the amount of Four Hundred Thousand Dollars (\$400,000.00)
4 to be distributed first to RESTITUTION ELIGIBLE CUSTOMERS pursuant
5 to paragraphs 18 through 19, with the residue, if any, to be
6 distributed to the Insurance Education Fund pursuant to paragraph
7 35.

8 L. "FUND B2" as used herein shall mean a monetary
9 fund in the amount of One Hundred Thousand Dollars (\$100,000.00) to
10 be distributed first to RESTITUTION ELIGIBLE CUSTOMERS pursuant to
11 paragraph 22, with the residue, if any, to be distributed to the
12 Insurance Education Fund pursuant to paragraph 36.

13 M. "INSURANCE FORM" as used herein shall mean with
14 respect to an ACCOUNT, any document, including a conditional sales
15 contract, which the debtor signs and which requests CREDIT
16 INSURANCE for the debtor, or which authorizes the financing of
17 premiums for CREDIT INSURANCE or in which the debtor agrees to pay
18 premiums for CREDIT INSURANCE.

19 N. "JUDGMENT" as used herein shall mean this
20 Stipulated Final Judgment.

21 O. "PARTIES" as used herein shall mean PLAINTIFFS
22 and DEFENDANTS.

23 P. "POTENTIAL RESTITUTION ELIGIBLE CUSTOMER" as
24 used herein shall mean each CUSTOMER who

25 (1) either:

26 (a) between January 1, 1993 and
27 July 31, 1995, established a Levitz Revolving Charge Account and was
28 assessed premiums for CREDIT INSURANCE in connection with the

1 POTENTIAL RESTITUTION ELIGIBLE CUSTOMER'S ACCOUNT or
2 (b) between August 1, 1995 and
3 February 28, 1997 established a Levitz Revolving Charge Account and
4 paid premiums for CREDIT INSURANCE in connection with the POTENTIAL
5 RESTITUTION ELIGIBLE CUSTOMER'S ACCOUNT; and

6 (2) did not make a claim for insurance
7 benefits as of the dates of distribution of restitution benefits
8 provided for in paragraphs 15 through 22 below.

9 Q. "RESTITUTION ELIGIBLE CUSTOMER" as used herein
10 shall mean a POTENTIAL RESTITUTION ELIGIBLE CUSTOMER who:

11 (1) timely returned (as described in paragraph
12 15) to the ADMINISTRATOR a completed and signed Questionnaire and
13 Release in the forms attached as Exhibit A and B, respectively, or
14 is a DELINQUENT CUSTOMER. Restitution to DELINQUENT CUSTOMERS who
15 have not returned their Questionnaire and Releases shall be limited
16 as set forth in paragraph 16.

17 (2) The term shall also include those
18 CUSTOMERS who are otherwise determined to qualify for restitution
19 from FUND B1 or FUND B2 in the sole and exclusive discretion of the
20 DISTRICT ATTORNEYS and the Department of Insurance pursuant to
21 paragraphs 20 through 22.

22

23

INJUNCTION

24

25 5. Pursuant to Business and Professions Code sections
26 17203 and 17535, Levitz, and its successors in interest, officers,
27 employees, agents and representatives, and all persons or entities
28 acting in concert or participation with them or any of them with
actual or constructive notice of this JUDGMENT, are hereby

1 permanently enjoined and restrained from directly or indirectly
2 engaging in any of the following conduct with regard to the offer
3 or sale of CREDIT INSURANCE at Levitz stores in California:

4 A. Making or disseminating any false or misleading
5 statement relating to the offer or sale of CREDIT INSURANCE;

6 B. Stating or implying that CREDIT INSURANCE is
7 free without clearly, conspicuously and contemporaneously
8 disclosing all material conditions to this offer;

9 C. Failing, within 30 days after the entry of this
10 JUDGMENT to adopt, to provide periodic training in, and to enforce
11 a corporate policy requiring all current and new employees, whose
12 duties include offering or selling CREDIT INSURANCE to Levitz's
13 CONSUMERS, to make the following oral disclosures to such CONSUMERS
14 in connection with the offer or sale of CREDIT INSURANCE:

15 (1) That the purchase of any CREDIT INSURANCE
16 is optional; and

17 (2) That the CONSUMER should read the written
18 CREDIT INSURANCE disclosures on the Levitz Revolving Charge
19 INSURANCE FORM before deciding whether to purchase CREDIT
20 INSURANCE;

21 (3) That, if purchased, CREDIT INSURANCE will
22 attach to later purchases which can be made on the ACCOUNT, if
23 applicable, unless the CREDIT INSURANCE is canceled by the
24 CONSUMER;

25 D. Disseminating or utilizing any INSURANCE FORM
26 for CREDIT INSURANCE which is misleading either with regard to form
27 or content;

28 E. Disseminating or utilizing any INSURANCE FORM

1 for CREDIT INSURANCE unless it has been approved by the Department
2 of Insurance;

3 F. Disseminating or utilizing any INSURANCE FORM
4 for CREDIT INSURANCE unless it clearly and conspicuously states:

5 (1) That the purchase of any CREDIT INSURANCE
6 is optional;

7 (2) That the purchased CREDIT INSURANCE can be
8 canceled at any time and the procedures to be followed to effect
9 cancellation;

10 (3) That CREDIT INSURANCE will attach to later
11 purchases made on the ACCOUNT unless the CREDIT INSURANCE is
12 canceled by the CONSUMER;

13 G. Disseminating or utilizing a combined INSURANCE
14 FORM for CREDIT INSURANCE and for credit financing unless the
15 insurance terms are prominently set forth therein;

16 H. Disseminating or utilizing an INSURANCE FORM for
17 CREDIT INSURANCE that fails to state clearly and conspicuously the
18 cost of each insurance product offered (credit life insurance,
19 credit disability insurance, credit involuntary unemployment
20 insurance, credit property insurance) and the total cost of CREDIT
21 INSURANCE offered, all of which shall be expressed as the monthly
22 insurance charge per each \$100 of the monthly balance of the
23 CONSUMER'S ACCOUNT;

24 I. ENLISTING a CONSUMER in CREDIT INSURANCE without
25 providing the CONSUMER with a signed original or signed copy or
26 duplicate of the executed INSURANCE FORM for CREDIT INSURANCE at
27 the point and time of sale;

28 J. Paying, directly or indirectly, any compensation

1 or other valuable consideration to any employee to sell CREDIT
2 INSURANCE unless the employee is licensed to sell insurance by the
3 California Department of Insurance (sometimes "Department of
4 Insurance"); however this provision shall not prohibit the payment
5 of an administrative fee to such employee for the completion of
6 forms and applications, which fee is not contingent upon the sale
7 of such insurance; and

8 K. Offering, selling, or otherwise transacting
9 CREDIT INSURANCE with a CONSUMER unless Levitz has a valid
10 organizational license to do so issued by the California Department
11 of Insurance and at least one individual license for a Levitz
12 employee in Northern California and one individual license for a
13 Levitz employee in Southern California. This subsection is not to
14 be construed as authorizing the unlicensed transaction of insurance
15 by defendant Levitz, except to the extent that unlicensed Levitz
16 employees may discuss the availability of CREDIT INSURANCE, assist
17 the CONSUMER in completing the INSURANCE FORM, and ENLIST the
18 CONSUMER, so long as the stated licensure requirements have been
19 satisfied.

20
21 To the extent that Levitz uses forms substantially in conformance
22 with those forms which have been approved by the Department of
23 Insurance, it shall be conclusively deemed to be in compliance with
24 subparagraphs D. through H. of this paragraph.

25
26 6. Pursuant to Business and Professions Code sections
27 17203 and 17535, G.E. Capital and its successors in interest,
28 officers, employees, agents and representatives, and all persons or

1 entities acting in concert or participation with them or any of
2 them with actual or constructive notice of this JUDGMENT are hereby
3 permanently enjoined and restrained from directly or indirectly
4 engaging in any of the following conduct with regard to the offer
5 or sale of CREDIT INSURANCE at Levitz Stores in California:

6 A. Making or disseminating any false or misleading
7 statement relating to the offer or sale of CREDIT INSURANCE;

8 B. Stating or implying that CREDIT INSURANCE is
9 free without clearly, conspicuously and contemporaneously
10 disclosing all material conditions to this offer;

11 C. Disseminating or utilizing any INSURANCE FORM
12 for CREDIT INSURANCE which is misleading either with regard to form
13 or content;

14 D. Disseminating or utilizing any INSURANCE FORM
15 for CREDIT INSURANCE unless it has been approved by the Department
16 of Insurance;

17 E. Disseminating or utilizing any INSURANCE FORM
18 for CREDIT INSURANCE unless it clearly and conspicuously states:

19 (1) That the purchase of CREDIT INSURANCE is
20 optional;

21 (2) That the purchased CREDIT INSURANCE can be
22 canceled at any time and the procedures to be followed to effect
23 cancellation;

24 (3) That CREDIT INSURANCE will attach to
25 subsequent purchases which can be made on the ACCOUNT, if
26 applicable, unless the CREDIT INSURANCE is canceled by the
27 CONSUMER;

28 F. Disseminating or utilizing a combined INSURANCE

1 FORM for CREDIT INSURANCE and for credit financing unless the
2 insurance terms are prominently set forth therein;

3 G. Disseminating or utilizing an INSURANCE FORM
4 for CREDIT INSURANCE that fails to state clearly and conspicuously
5 the cost of each insurance product offered (credit life insurance,
6 credit liability, credit involuntary unemployment insurance, credit
7 property insurance) and the total cost of CREDIT INSURANCE offered,
8 all of which shall be expressed as the monthly insurance charge per
9 each \$100 of the monthly balance of the CONSUMER'S ACCOUNT; and

10 H. Paying any compensation or other valuable
11 consideration to any Levitz employee contingent upon the sale of
12 CREDIT INSURANCE to a CONSUMER unless the employee is licensed to
13 sell insurance by the Department of Insurance; however, this
14 provision shall not prohibit the payment of an administrative fee
15 for the completion of forms and applications which fee is not
16 contingent upon the sale of CREDIT INSURANCE.

17

18 To the extent that GE Capital utilizes forms substantially in
19 conformance with those forms which have been approved by the
20 Department of Insurance, it shall conclusively be deemed to be in
21 compliance with subparagraphs C. through G. of this paragraph.

22

23 7. Pursuant to Business and Professions Code sections
24 17203 and 17535, ABIC and ABLAC and their successors in interest,
25 officers, employees, agents and representatives, and all persons or
26 entities acting in concert or participation with them or any of
27 them with actual or constructive notice of the JUDGMENT, are hereby
28 permanently enjoined and restrained from directly or indirectly

1 engaging in any of the following conduct with regard to the offer
2 or sale of CREDIT INSURANCE at Levitz stores in California:

3 A. Making or disseminating any false or misleading
4 statement relating to the offer or sale of CREDIT INSURANCE;

5 B. Stating or implying that CREDIT INSURANCE is
6 free without clearly, conspicuously and contemporaneously
7 disclosing all material conditions to this offer;

8 C. Disseminating or utilizing any INSURANCE FORM
9 for CREDIT INSURANCE which is misleading either with regard to form
10 or content;

11 D. Disseminating or utilizing an INSURANCE FORM
12 for CREDIT INSURANCE which has not been approved for use by the
13 Department of Insurance;

14 E. Disseminating or utilizing any INSURANCE FORM
15 for CREDIT INSURANCE form unless it clearly and conspicuously
16 states:

17 (1) That the purchase of CREDIT INSURANCE is
18 optional;

19 (2) That the purchased CREDIT INSURANCE can be
20 canceled at any time and the procedures to be followed to effect
21 cancellation;

22 (3) That CREDIT INSURANCE will attach to
23 subsequent purchases which can be made on the ACCOUNT, if
24 applicable, unless the CREDIT INSURANCE is canceled by the
25 CUSTOMER;

26 F. Disseminating or utilizing a combined INSURANCE
27 FORM for CREDIT INSURANCE and for credit financing unless the
28 insurance terms are prominently set forth therein; and

1 G. Disseminating or utilizing an INSURANCE FORM
2 for CREDIT INSURANCE that fails to state clearly and conspicuously
3 the cost of each insurance product offered (credit life insurance,
4 credit disability insurance, credit involuntary unemployment
5 insurance, credit property insurance) and the total cost of CREDIT
6 INSURANCE offered, all of which shall be expressed as the monthly
7 insurance charge per each \$100 of the monthly balance of the
8 CONSUMER'S ACCOUNT;

9 H. 'Paying any compensation or other valuable
10 consideration to any Levitz employee contingent upon the sale of
11 CREDIT INSURANCE to a CONSUMER unless the employee is licensed to
12 sell insurance by the Department of Insurance; however, this
13 provision shall not prohibit the payment of an administrative fee
14 for the completion of forms and applications which fee is not
15 contingent upon the sale of CREDIT INSURANCE; and

16 I. Offering CREDIT INSURANCE to CONSUMERS unless
17 ABIC and ABLAC inform the CONSUMER of a toll-free telephone number
18 and an address to be used if the CONSUMER wishes to cancel the
19 CREDIT INSURANCE and maintain a toll-free telephone number for
20 CONSUMERS to use in connection with such CREDIT INSURANCE.

21
22 To the extent that ABIC and ABLAC utilize forms substantially in
23 conformance with those forms which have been approved by the
24 Department of Insurance, ABIC and ABLAC shall conclusively be
25 deemed to be in compliance with subparagraphs C. through G. of this
26 paragraph.

27 //

28 //

1 COMPLIANCE

2 8. For the purpose of ensuring compliance with the
3 injunctive provisions of this JUDGMENT, and for a period of three
4 years from the date of entry of this JUDGMENT, Levitz shall hold
5 periodic training sessions for each manager, employee or agent
6 responsible for or engaged in the sale of CREDIT INSURANCE at
7 Levitz stores in California. Such training shall include a review
8 and discussion of the terms of the injunctive provisions of the
9 JUDGMENT. In addition, GE Capital, ABIC and ABLAC shall, for a
10 period of three years from the date of entry of this JUDGMENT, hold
11 periodic training sessions for their respective employees whose
12 principal responsibilities are to provide marketing assistance to
13 Levitz in connection with the sale or offer to sell any CREDIT
14 INSURANCE at Levitz stores in California. Such training shall
15 include a review and discussion of the injunctive portions of this
16 JUDGMENT. A list of the managers, employees and agents of each
17 DEFENDANT who attend such training sessions shall be maintained by
18 each DEFENDANT and shall be made available, upon written request,
19 to PLAINTIFF.

20
21 9. Nothing in paragraphs 5, 6 or 7 shall alter the
22 standards and burden of proof applicable to enforcement of
23 injunctions under Business and Professions Code sections 17207,
24 17535.5 and/or the contempt powers of the court. To the extent
25 necessary to enforce the provisions of this JUDGMENT, DEFENDANTS
26 shall permit duly authorized representatives of the DISTRICT
27 ATTORNEYS, the Department of Insurance, or the Attorney General,
28 after reasonable notice and at reasonable times and places, to

1 interview agents, employees or representatives of DEFENDANTS
2 regarding the practices utilized by each of them, if any, with
3 respect to the sale of CREDIT INSURANCE at Levitz stores in
4 California.

5
6 **DIRECT CONSUMER RESTITUTION**

7 **GENERAL PROVISIONS**

8 10. Pursuant to Business and Professions Code sections
9 17203 and 17535, DEFENDANTS shall make restitution available on a
10 statewide basis to all RESTITUTION ELIGIBLE CUSTOMERS.

11
12 11. The Court has reviewed the Direct Consumer
13 Restitution Program set forth in this JUDGMENT and based upon the
14 representations of the PARTIES finds that said program provides for
15 fair, final, and adequate restitution to those who are eligible to
16 receive restitution and that upon completion of the Direct Consumer
17 Restitution Program set forth herein, and to the fullest extent
18 permitted by law, DEFENDANTS shall have no further liability for
19 restitution to any RESTITUTION ELIGIBLE CUSTOMERS, except that
20 nothing shall affect the contractual obligations, if any, of any
21 DEFENDANT in the event that a CUSTOMER makes a claim for benefits
22 under the CREDIT INSURANCE which he or she has purchased.

23
24 12. Each POTENTIAL RESTITUTION ELIGIBLE CUSTOMER will be
25 sent a Questionnaire and Release by the ADMINISTRATOR. To the
26 extent practicable and to the extent the information is available
27 on accessible computer records, DEFENDANTS will use their best
28 efforts to provide information regarding the CREDIT INSURANCE

1 premiums actually paid by a CUSTOMER who requests such information.
2 Each RESTITUTION ELIGIBLE CUSTOMER will receive restitution in the
3 form of a credit to his or her ACCOUNT and/or a check depending
4 upon the amount of restitution and the status of the ACCOUNT. In
5 order to provide fair and equitable relief to Levitz CUSTOMERS, a
6 "second chance" opportunity to qualify for restitution will be
7 provided to those CUSTOMERS who submit the Questionnaire and
8 Release within four months after the end of the initial Direct
9 Consumer Restitution Program. A "last chance" opportunity to
10 qualify for restitution will be provided to those CUSTOMERS who
11 submit the Questionnaire and Release within ten months after the
12 end of the "second chance" program. Finally, in order to provide
13 for additional relief in extraordinary circumstances, the DISTRICT
14 ATTORNEYS and the Department of Insurance may authorize restitution
15 from Fund B1 or Fund B2 to those who do not come strictly within
16 the terms of this Direct Consumer Restitution Program.

17

18 **Direct Consumer Restitution Program Funding**

19 13. To fund the restitution payments to RESTITUTION
20 ELIGIBLE CUSTOMERS as required by this JUDGMENT, DEFENDANTS shall
21 establish three restitution funds: FUND A, FUND B1, and FUND B2.

22

23 14. FUND A, FUND B1, and FUND B2 shall be administered
24 by the ADMINISTRATOR. All costs of administration of the
25 settlement shall be paid from FUND A, FUND B1, and FUND B2 and in
26 no event shall any DEFENDANT be liable for such administrative
27 costs. In addition, GE Capital shall be entitled to reduce its
28 obligation to FUND A, FUND B1, and FUND B2 for its reasonable

1 administrative expenses, up to a maximum of \$50,000 in the
2 aggregate, incurred in connection with this Direct Consumer
3 Restitution Program. The PARTIES reserve the right to seek
4 modification of this provision to increase the amount of GE
5 Capital's reasonable administrative expenses which may be offset
6 against its restitution obligations in the event that unforeseen
7 circumstances justify such modification.

8
9 Direct Consumer Restitution Program Administration

10 15. On the business day that is three months from the
11 entry of this JUDGMENT, the ADMINISTRATOR shall mail to each
12 POTENTIAL RESTITUTION ELIGIBLE CUSTOMER a Questionnaire and Release
13 (Exhibits A and B, respectively) with an accompanying Notice
14 (attached as Exhibit C hereto) advising that the Questionnaire and
15 Release must be completed, executed, and returned to the
16 ADMINISTRATOR by the business day that is eight months from entry
17 of this JUDGMENT in order to be considered for restitution. This
18 initial mailing shall also include a notice, attached as Exhibit D
19 hereto, advising POTENTIAL RESTITUTION ELIGIBLE CUSTOMERS of the
20 terms and conditions of the CREDIT INSURANCE. In the event a
21 packet sent to a POTENTIAL RESTITUTION ELIGIBLE CUSTOMER is
22 returned undelivered to the ADMINISTRATOR and a new address is
23 provided by the U.S. Postal Service, the ADMINISTRATOR shall resend
24 the packet. The date for return of the Questionnaire and Release
25 to the ADMINISTRATOR, however, shall remain the same. Nothing in
26 this JUDGMENT shall prohibit any DEFENDANT, at the DEFENDANT's own
27 expense, from contacting POTENTIAL RESTITUTION ELIGIBLE CUSTOMERS
28 by mail to encourage their participation in this restitution

1 program. However, any such mailing shall be sent to all POTENTIAL
2 RESTITUTION ELIGIBLE CUSTOMERS who have not returned their
3 Questionnaires and Releases as of the date of this secondary
4 mailing.

5

6 16. Within sixty days after the date the Questionnaire
7 and Release are due as provided in paragraph 15, the ADMINISTRATOR
8 shall determine the number of RESTITUTION ELIGIBLE CUSTOMERS and
9 calculate the FUND A RESTITUTION AMOUNT as follows:

10 A. A total of Three Million Six Hundred Thousand
11 Dollars (\$3,600,000.00) shall be paid by DEFENDANTS under this
12 paragraph to RESTITUTION ELIGIBLE CUSTOMERS in the form of credits
13 to CUSTOMER ACCOUNTS, checks to RESTITUTION ELIGIBLE CUSTOMERS, and
14 for the fees and administrative expenses actually incurred or
15 anticipated to be incurred by the ADMINISTRATOR and GE Capital.
16 The expenses of GE Capital are subject to the limitations of
17 paragraph 14.

18 B. The ADMINISTRATOR shall first determine the
19 number of RESTITUTION ELIGIBLE CUSTOMERS who are DELINQUENT
20 CUSTOMERS and who failed to return their Questionnaire and Release.
21 DELINQUENT CUSTOMERS who have not returned their Questionnaires and
22 Releases shall receive credits to their accounts in a total
23 aggregate amount of Six Hundred Thousand Dollars (\$600,000.00) to
24 be allocated in such manner and amounts as GE CAPITAL, in its sole
25 discretion, shall determine. Such allocation shall be binding on
26 all parties hereto and on all DELINQUENT CUSTOMERS who have not
27 returned their Questionnaires and Releases.

28 //

1 C. The ADMINISTRATOR shall next subtract from
2 Three Million Six Hundred Thousand Dollars (\$3,600,000.00) an
3 amount equal to the sum of (i) Six Hundred Thousand Dollars
4 (\$600,000.00), the aggregate restitution provided to DELINQUENT
5 CUSTOMERS who have not returned their Questionnaires and Releases
6 under the previous subparagraph, and (ii) the fees and
7 administrative expenses actually incurred by the ADMINISTRATOR and
8 GE Capital and the anticipated expenses to be incurred; such
9 expenses of GE Capital are subject to the limitations of paragraph
10 14. The ADMINISTRATOR shall then divide the resulting dollar
11 amount by the number of responding RESTITUTION ELIGIBLE CUSTOMERS,
12 which number shall not include those DELINQUENT CUSTOMERS who have
13 not returned their Questionnaires and Releases. The result shall
14 be the FUND A RESTITUTION AMOUNT.

15

16 17. The provisions of this paragraph describe how direct
17 restitution is to be made from FUND A for those RESTITUTION
18 ELIGIBLE CUSTOMERS who have not provided documentation establishing
19 more than \$100.00 in premium payments but who have returned their
20 Questionnaires and Releases.

21 A. Upon determination of the FUND A RESTITUTION
22 AMOUNT, the ADMINISTRATOR will provide to GE Capital a list of the
23 RESTITUTION ELIGIBLE CUSTOMERS who have returned their
24 Questionnaires and Releases and their account numbers, if known.
25 Upon receipt of the ADMINISTRATOR's report, GE Capital will credit
26 the unpaid balance of each ACCOUNT belonging to a RESTITUTION
27 ELIGIBLE CUSTOMER with the amount of the FUND A RESTITUTION AMOUNT.

28 //

1 B. If the unpaid balance of the RESTITUTION
2 ELIGIBLE CUSTOMER's ACCOUNT is less than the FUND A RESTITUTION
3 AMOUNT, the portion of the FUND A RESTITUTION AMOUNT which remains
4 after application to the unpaid balance of the RESTITUTION ELIGIBLE
5 CUSTOMER's ACCOUNT shall be distributed by check from the
6 ADMINISTRATOR to the RESTITUTION ELIGIBLE CUSTOMER from FUND A.

7 C. If the ACCOUNT 1) has a zero or credit balance
8 or 2) is closed and is not an ACCOUNT belonging to a non-responding
9 DELINQUENT CUSTOMER, restitution to such RESTITUTION ELIGIBLE
10 CUSTOMER shall also be distributed by check in the amount of the
11 FUND A RESTITUTION AMOUNT from the ADMINISTRATOR to the RESTITUTION
12 ELIGIBLE CUSTOMER from FUND A.

13 D. To facilitate these payments, GE Capital shall,
14 within two months of the determination of the FUND A RESTITUTION
15 AMOUNT described in paragraph 16, provide PARTIES with a written
16 report identifying those RESTITUTION ELIGIBLE CUSTOMERS (i) who
17 have received all or a portion of the FUND A RESTITUTION AMOUNT by
18 credits to their ACCOUNTS and the amounts of such credits and (ii)
19 who are to receive all or a portion of the FUND A RESTITUTION
20 AMOUNT by check from the ADMINISTRATOR and the amount due each such
21 person. Within thirty days after issuance of this GE Capital
22 report, DEFENDANTS shall deposit in FUND A moneys in an amount
23 equal to the aggregate amount of the FUND A RESTITUTION AMOUNT due
24 to be paid by check from the ADMINISTRATOR to RESTITUTION ELIGIBLE
25 CUSTOMERS who did not submit documentation establishing more than
26 \$100.00 in premium payments.

27 //

28 //

1 18. The provisions of this paragraph describe how direct
2 restitution is to be made from FUND A and FUND B1 for those
3 RESTITUTION ELIGIBLE CUSTOMERS who have provided documentation
4 establishing more than \$100.00 in premium payments.

5 A. If a POTENTIAL RESTITUTION ELIGIBLE CUSTOMER
6 has paid more than \$100.00 in premiums, the POTENTIAL RESTITUTION
7 ELIGIBLE CUSTOMER may submit documentary evidence to the
8 ADMINISTRATOR of the amount of premium payments made between
9 January 1, 1993 and February 28, 1997. This evidence must be
10 submitted to the ADMINISTRATOR not later than the date prescribed
11 in paragraph 15 for receipt of the Questionnaire and Release.

12 B. Restitution for RESTITUTION ELIGIBLE CUSTOMERS
13 with documented claims exceeding \$100.00 shall be made as follows:

14 (1) The ADMINISTRATOR will provide to GE
15 Capital a list of those RESTITUTION ELIGIBLE CUSTOMERS who have
16 returned their Questionnaires and Releases and who have provided
17 documentation establishing more than \$100.00 in premium payments
18 and their account numbers, if known. Upon receipt of the
19 ADMINISTRATOR's report, GE Capital will first credit the unpaid
20 balance of each ACCOUNT belonging to a RESTITUTION ELIGIBLE
21 CUSTOMER with a documented claim exceeding \$100.00 in the amount of
22 the FUND A RESTITUTION AMOUNT from FUND A. GE Capital will then
23 credit from FUND B1 the remaining unpaid balance of each ACCOUNT in
24 an amount equal to the difference between the FUND A RESTITUTION
25 AMOUNT and the total documented claim. If total restitution due a
26 RESTITUTION ELIGIBLE CUSTOMER exceeds the ACCOUNT balance then the
27 excess restitution shall be distributed by check or checks from the
28 ADMINISTRATOR to the RESTITUTION ELIGIBLE CUSTOMER from FUND A or

1 FUND B1, as applicable.

2 (2) If the unpaid balance of the RESTITUTION
3 ELIGIBLE CUSTOMER's ACCOUNT is less than the FUND A RESTITUTION
4 AMOUNT, the portion of the FUND A RESTITUTION AMOUNT which remains
5 after application to the unpaid balance of the RESTITUTION ELIGIBLE
6 CUSTOMER's ACCOUNT shall be distributed by check from the
7 ADMINISTRATOR to the RESTITUTION ELIGIBLE CUSTOMER from FUND A and
8 the additional restitution due to such RESTITUTION ELIGIBLE
9 CUSTOMER shall also be distributed by check from the ADMINISTRATOR
10 from FUND B1.

11 (3) If the unpaid balance of the RESTITUTION
12 ELIGIBLE CUSTOMER's ACCOUNT for a CUSTOMER with a documented claim
13 in excess of \$100.00 is larger than the FUND A RESTITUTION AMOUNT
14 but less than the total restitution due to such CUSTOMER, a credit
15 from FUND A in the amount of the FUND A RESTITUTION AMOUNT shall
16 first be applied to the ACCOUNT, with the remaining restitution to
17 be paid in the form of additional credits, and once the ACCOUNT
18 balance is zero, a check shall be issued from FUND B1 by the
19 ADMINISTRATOR for any remaining restitution due the RESTITUTION
20 ELIGIBLE CUSTOMER.

21 (4) If the ACCOUNT (1) has a zero or credit
22 balance or (2) is closed and is not an ACCOUNT of a non-responding
23 DELINQUENT CUSTOMER, restitution to such RESTITUTION ELIGIBLE
24 CUSTOMER with a documented claim in excess of \$100.00 shall be
25 distributed by check from the ADMINISTRATOR to the RESTITUTION
26 ELIGIBLE CUSTOMER first from FUND A in the amount of the FUND A
27 RESTITUTION AMOUNT with the balance coming from FUND B1.

28 //

1 C. To facilitate these payments, GE Capital shall,
2 on the business day that is fourteen months from the entry of this
3 JUDGMENT provide PARTIES with a written report identifying those
4 RESTITUTION ELIGIBLE CUSTOMERS with documented claims in excess of
5 \$100.00 (i) who have received all or a portion of the FUND A
6 RESTITUTION AMOUNT by credits to their ACCOUNTS and the amounts of
7 such credits, (ii) who have received all or a portion of the
8 balance of their restitution by credits to their ACCOUNTS from FUND
9 B1 and the amount of such credits, (iii) who are to receive all or
10 a portion of the FUND A RESTITUTION AMOUNT from FUND A by check
11 from the ADMINISTRATOR and the amount due to be paid to each such
12 RESTITUTION ELIGIBLE CUSTOMER, and (iv) who are to receive all or
13 a portion of their restitution from FUND B1 by check from the
14 ADMINISTRATOR and the amount due each such person. Within thirty
15 days after issuance of this GE Capital report, DEFENDANTS shall
16 deposit in FUND A moneys in amount equal to the aggregate amount of
17 the FUND A RESTITUTION AMOUNT due to be paid by check from the
18 ADMINISTRATOR to RESTITUTION ELIGIBLE CUSTOMERS who submitted
19 documentation establishing more than \$100.00 in premium payments.
20 DEFENDANTS shall also deposit in FUND B1 moneys in an amount equal
21 to the aggregate amount of FUND B1 restitution due to be paid by
22 check from the ADMINISTRATOR to RESTITUTION ELIGIBLE CUSTOMERS who
23 submitted documentation of more than \$100.00 in premium payments.

24 D. The amounts of restitution by way of credits to
25 ACCOUNTS or checks from FUND B1 are subject to the limitations
26 described in paragraph 21.

27 //

28 //

1 19. The provisions of this paragraph describe how direct
2 restitution is to be made from FUND B1 for those RESTITUTION
3 ELIGIBLE CUSTOMERS who do not return their Questionnaire and
4 Release by the date specified in paragraph 15, specifically, eight
5 months from the date of entry of this JUDGMENT, but do submit them
6 within fourteen months from the date of entry of this JUDGMENT.

7 A. Those POTENTIAL RESTITUTION ELIGIBLE CUSTOMERS
8 who send in completed Questionnaires and Releases no later than
9 fourteen months from the date of the filing of this JUDGMENT shall
10 be eligible for a "second chance" at restitution from FUND B1 and
11 will be deemed to be RESTITUTION ELIGIBLE CUSTOMERS.

12 B. For those late RESTITUTION ELIGIBLE CUSTOMERS
13 who do not submit documentation establishing more than \$100.00 in
14 premium payments, restitution shall be made as set forth in
15 paragraph 17 in an amount not to exceed the FUND A RESTITUTION
16 AMOUNT through a combination of credits to ACCOUNTS and checks
17 issued by the ADMINISTRATOR.

18 C. For those late RESTITUTION ELIGIBLE CUSTOMERS
19 who submit documentation establishing more than \$100.00 in premiums
20 payments, restitution shall be made as set forth in paragraph 18
21 through a combination of credits to ACCOUNTS and checks issued by
22 the ADMINISTRATOR.

23 D. All credits to ACCOUNTS and checks issued by
24 the ADMINISTRATOR as part of this "second chance" restitution
25 program shall come from FUND B1.

26 E. To facilitate these payments, the ADMINISTRATOR
27 shall, on the business day that is sixteen months from the entry of
28 this JUDGMENT, provide PARTIES with a written report identifying

1 those "second chance" RESTITUTION ELIGIBLE CUSTOMERS (I) who are to
2 receive all or a portion of the balance of their restitution by
3 credits to their ACCOUNTS from FUND B1 and the amount of such
4 credits, and (ii) who are to receive all or a portion of their
5 restitution from FUND B1 by check from the ADMINISTRATOR and the
6 amount due to be paid to each such RESTITUTION ELIGIBLE CUSTOMER.
7 Within thirty days after issuance of this GE Capital report,
8 DEFENDANTS shall deposit in FUND B1 moneys in an amount equal to
9 the aggregate amount of the FUND B1 restitution due to be paid by
10 check from the ADMINISTRATOR to RESTITUTION ELIGIBLE CUSTOMERS who
11 are participants in this "second chance" program.

12 F. Restitution by way of credits to ACCOUNTS or
13 checks from FUND B1 are subject to the limitations describe in
14 paragraph 21.

15
16 20. The DISTRICT ATTORNEYS and the Department of
17 Insurance shall review unusual requests for restitution which are
18 brought to their attention directly or through the ADMINISTRATOR
19 during the time period ending on the business day that is fourteen
20 months from the entry of this JUDGMENT which do not fit the
21 parameters of paragraphs 17 through 19. If, in their opinion,
22 restitution is fair, just, and equitable, the DISTRICT ATTORNEYS
23 and the Department of Insurance may in their sole and exclusive
24 discretion provide restitution in the form of credits to ACCOUNTS
25 and/or checks to these CUSTOMERS in an appropriate amount.
26 Decisions regarding these claims shall be made by the DISTRICT
27 ATTORNEYS and the Department of Insurance no later than sixteen
28 months from the date of the filing of this JUDGMENT.

1 A. To facilitate these payments, the DISTRICT
2 ATTORNEYS and the Department of Insurance shall provide the
3 DEFENDANTS and the ADMINISTRATOR with a written report identifying
4 those CUSTOMERS (i) who are to receive all or a portion of their
5 restitution by credits to their ACCOUNTS as part of this
6 discretionary program and the amounts of such credits and (ii) who
7 are to receive all or a portion of their restitution by check from
8 the ADMINISTRATOR as part of this discretionary program and the
9 amount due each person. Within thirty days after issuance of this
10 report the DEFENDANTS shall credit the specified ACCOUNTS from FUND
11 B1 and shall deposit in FUND B1 moneys in an amount equal to the
12 aggregate amount of FUND B1 restitution due to be paid by check
13 from FUND B1 as part of this discretionary program.

14 B. Such restitution shall be made from FUND B1 and
15 are subject to the limitations of paragraph 21.

16
17 21. The Four Hundred Thousand Dollars (\$400,000.00)
18 available for direct consumer restitution in FUND B1 shall be
19 subject to:

20 A. claims made by RESTITUTION ELIGIBLE CUSTOMERS
21 who timely file their Questionnaires and Releases and who submit
22 documentation showing more than \$100.00 in premium payments
23 pursuant to paragraph 18;

24 B. claims made by RESTITUTION ELIGIBLE CUSTOMERS
25 who file their Questionnaires and Releases between eight and
26 fourteen months after the filing of this JUDGMENT pursuant to
27 paragraph 19; and

28 C. pay those extraordinary claims set forth in

1 paragraph 20. As it will not be possible to determine the
2 aggregate amount of such claims until the end of the "second
3 chance" program specified in paragraph 19, no credits to any
4 ACCOUNT or checks shall be issued from FUND B1 until the aggregate
5 amount of such claims is determined. If the aggregate claims equal
6 less than the total amount available for distribution from FUND B1
7 (\$400,000.00 less administrative costs described in paragraph 14)
8 then the excess shall be distributed to the Insurance Education
9 Fund by way of *cy pres* restitution as more fully described in
10 paragraphs 34 and 35. If the aggregate claims equal more than the
11 total amount available for distribution from FUND B1 then each
12 CUSTOMER shall receive a pro rata share of such available funds.

13
14 22. The provisions of this paragraph describe how direct
15 restitution is to be made from FUND B2 (\$100,000.00). In order to
16 effectuate the purpose of this JUDGMENT to provide fair and
17 equitable relief to Levitz CUSTOMERS who purchased CREDIT INSURANCE
18 and/or paid CREDIT INSURANCE premiums from January 1, 1993 to
19 February 28, 1997, the DISTRICT ATTORNEYS and the Department of
20 Insurance shall review unusual requests for restitution which are
21 brought to their attention directly or through the ADMINISTRATOR
22 within a time period beginning fourteen months from the date of
23 filing this JUDGMENT and ending twenty-four months from the date of
24 such filing. If, in their opinion, restitution is fair, just, and
25 equitable, the DISTRICT ATTORNEYS and the Department of Insurance
26 may in their sole and exclusive discretion provide restitution in
27 the form of credits to ACCOUNTS and/or checks to these Levitz
28 CUSTOMERS in an appropriate amount from FUND B2.

1 A. If the aggregate claims approved under this
2 "last chance" program equal less than the total amount available
3 for distribution from FUND B2 (\$100,000.00 less administrative
4 costs described in paragraph 14) then the excess shall be
5 distributed to the Insurance Education Fund by way of *cy pres*
6 restitution as more fully described in paragraphs 34 and 36. If
7 the aggregate claims equal more than the total amount available for
8 distribution from FUND B2 then each CUSTOMER shall receive a pro
9 rata share of such available funds.

10 B. To facilitate these payments, the DISTRICT
11 ATTORNEYS and the Department of Insurance shall provide the
12 DEFENDANTS and the ADMINISTRATOR with a written report identifying
13 those CUSTOMERS (i) who are to receive all or a portion of their
14 restitution by credits to their ACCOUNTS as part of this
15 discretionary "last chance" program and the amounts of such credits
16 and (ii) who are to receive all or a portion of their restitution
17 by check from the ADMINISTRATOR as part of this discretionary "last
18 chance" program and the amount due each person. Within thirty days
19 after issuance of this report the DEFENDANTS shall credit the
20 specified ACCOUNTS from FUND B2 and shall deposit in FUND B2 moneys
21 in an amount equal to the aggregate amount of FUND B2 restitution
22 due to be paid by check from FUND B2 as part of this "last chance"
23 program.

24
25 23. DEFENDANTS shall also offer to make restitution in
26 the form of waivers of insurance premiums in an aggregate value of
27 One Million Two Hundred Thousand Dollars (\$1,200,000.00) to those
28 CUSTOMERS who contact the ADMINISTRATOR or DEFENDANTS regarding

1 possible cancellation of CREDIT INSURANCE. The amount of this
2 restitution per CUSTOMER shall be determined in the sole and
3 exclusive discretion of the DEFENDANTS. Nothing in this Judgment
4 shall restrict or inhibit any DEFENDANT from attempting to persuade
5 a CUSTOMER, including giving premium waivers, not to cancel the
6 CREDIT INSURANCE and any such efforts by a DEFENDANT shall not be
7 deemed to constitute the transaction of insurance by the DEFENDANT;
8 provided, however, that once the DEFENDANT has completed an oral
9 presentation which attempts to persuade a CUSTOMER not to cancel
10 the CREDIT INSURANCE and the CUSTOMER still expresses a desire to
11 cancel the CREDIT INSURANCE, any oral presentation on the retention
12 of the CREDIT INSURANCE shall cease immediately and DEFENDANTS
13 shall refrain from any such further oral presentations. During the
14 course of attempting to persuade a CUSTOMER not to cancel the
15 CREDIT INSURANCE, whether orally or in writing, the DEFENDANT shall
16 not make any reference to the DISTRICT ATTORNEYS or the Department
17 of Insurance which suggests that the DISTRICT ATTORNEYS or the
18 Department of Insurance endorse such efforts to convince a CUSTOMER
19 to continue the coverage. After one year from the entry of this
20 JUDGMENT, if there are insufficient numbers of CUSTOMERS who desire
21 such waivers of premium to exhaust the \$1,200,000.00 in waivers
22 available, DEFENDANTS shall have no further obligation to make such
23 waivers of insurance premium available.

24
25 24. As a condition precedent to receiving any
26 distribution of restitution by check or credit to their ACCOUNT, a
27 RESTITUTION ELIGIBLE CUSTOMER, except for those DELINQUENT
28 CUSTOMERS who have failed to return their Questionnaires and

1 Releases and are being credited amounts pursuant to paragraph
2 16(b), shall execute a "Release" in the form attached as Exhibit B.
3 Nothing in the "Release" shall be construed as causing the
4 RESTITUTION ELIGIBLE CUSTOMER to release any right he or she may
5 have to pursue insurance benefits under the CREDIT INSURANCE in the
6 event of a covered loss. This release is valid and enforceable and
7 upon execution by the RESTITUTION ELIGIBLE CUSTOMER, except as
8 otherwise provided in this JUDGMENT, the RESTITUTION ELIGIBLE
9 CUSTOMER is barred from filing a lawsuit or otherwise seeking
10 additional sums of money or other relief from the DEFENDANTS in
11 connection with his or her purchase of CREDIT INSURANCE.

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Duties of the Administrator

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25. The ADMINISTRATOR is an Officer of the Court and is responsible for the coordination of the Direct Consumer Restitution Program with the full and complete cooperation of all PARTIES.

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26. The ADMINISTRATOR shall establish a toll-free telephone number for use by CUSTOMERS in connection with the restitution program. The toll-free telephone number shall be prominently displayed on all correspondence and notices issued either by the PARTIES or the ADMINISTRATOR regarding the program. Spanish-speaking personnel shall be made available by the ADMINISTRATOR as necessary.

27. Documents sent by the PARTIES or the ADMINISTRATOR to CUSTOMERS as part of the Direct Restitution Program shall include clear and conspicuous notices in Spanish informing the

1 recipients that all such documents, including, but not limited to,
2 Questionnaires, Releases, and CREDIT INSURANCE information, are
3 available to CUSTOMERS in Spanish upon request by calling the toll-
4 free telephone number.

5
6 28. The ADMINISTRATOR shall be responsible for, among
7 other things, the collection of all funds and documents necessary
8 for distribution of restitution, the distribution of restitution
9 checks from the three funds, and the determination that all credits
10 to ACCOUNTS have been credited in accordance with paragraphs 17
11 through 21 above, and maintenance and disbursement of funds in the
12 Insurance Education Fund. At the conclusion of the Direct Consumer
13 Restitution Program the ADMINISTRATOR shall provide a report, in a
14 format and medium to be agreed upon by the PARTIES, setting forth:

15 A. the number of completed and executed
16 Questionnaires and Releases received from POTENTIAL RESTITUTION
17 ELIGIBLE CUSTOMERS;

18 B. the identity of POTENTIAL RESTITUTION ELIGIBLE
19 CUSTOMERS qualifying as RESTITUTION ELIGIBLE CUSTOMERS and the
20 amount of restitution distributed by check and/or credited on each
21 person's behalf; and

22 C. such other information as the PARTIES specify.
23

24 29. The ADMINISTRATOR shall also provide a quarterly
25 accounting to the PARTIES of all restitution funds provided to the
26 ADMINISTRATOR. The ADMINISTRATOR shall also provide a monthly
27 statement of its reasonable fees and expenses incurred in
28 connection with the Direct Consumer Restitution Program to the

1 PARTIES. For the twelve months following the entry of this
2 JUDGMENT, the DEFENDANTS, within thirty days after receipt from the
3 Administrator of appropriate documentation, shall reimburse the
4 ADMINISTRATOR for its actual and reasonable fees and expenses
5 administering the settlement. All such reimbursed amounts shall be
6 offset from DEFENDANTS' obligations to FUND A, FUND B1 or FUND B2.
7 All other reasonable fees and expenses of the administrator shall
8 be paid from the fund (FUND A, FUND B1, FUND B2 or the Insurance
9 Education Fund) with respect to which such reasonable fees and
10 expenses were incurred and not by DEFENDANTS. In no event shall
11 the DEFENDANTS be liable for any expense of the ADMINISTRATOR in
12 excess of amounts either withheld from FUND A or paid or to be paid
13 from FUND A, B1 or FUND B2.

14

15 30. With the prior written consent of the PARTIES, the
16 ADMINISTRATOR may employ such persons as are necessary to carry out
17 the duties described herein. If the ADMINISTRATOR is unable to
18 obtain the consent of the PARTIES for the employment of any person,
19 the ADMINISTRATOR may, on notice to the PARTIES, apply to this
20 Court for authorization to employ such persons.

21

22 31. If a dispute arises between the ADMINISTRATOR and
23 any of the PARTIES concerning the implementation of this Direct
24 Consumer Restitution Program, the ADMINISTRATOR shall so notify
25 counsel for all PARTIES.

26

27 32. A representative of the ADMINISTRATOR shall meet and
28 confer with the PARTIES as often as necessary in order to monitor

1 and audit the Direct Consumer Restitution Program properly.
2 Problems which arise concerning the implementation of the Direct
3 Consumer Restitution Program may be resolved by agreement between
4 the PARTIES and the ADMINISTRATOR without further court order. In
5 the event a dispute arises that cannot be resolved between the
6 PARTIES and the ADMINISTRATOR, any of the PARTIES or the
7 ADMINISTRATOR may petition the Court for resolution.

8
9 33. The ADMINISTRATOR shall maintain Liability Insurance
10 in the amount of at least Four Million Dollars (\$4,000,000.00).

11
12 CY PRES RESTITUTION

13 34. As a form of *cy pres* restitution, pursuant to
14 Business and Profession Code sections 17203 and 17535 and under the
15 guidelines set forth in *State of California v. Levi Strauss & Co.*,
16 (1986) 41 C.3d 460, within sixty days after the entry of this
17 JUDGMENT, the DEFENDANTS shall pay to the ADMINISTRATOR the sum of
18 Six Hundred Seventy-five Thousand Dollars (\$675,000.00) to
19 establish the Insurance Education Fund which shall be used at the
20 direction of the Department of Insurance. That fund shall be
21 administered by the ADMINISTRATOR at the direction of the
22 Department of Insurance for the purpose of generally enhancing the
23 education of California residents on consumer protection issues
24 relating to the transaction of insurance within California. This
25 education shall be conducted without any express reference to any
26 DEFENDANT or this JUDGMENT.

27
28 35. Within sixty days after the payment of all

1 administrative expenses and distribution of all restitution from
2 FUND B1, the ADMINISTRATOR shall transfer to the Insurance
3 Education Fund the remainder of FUND B1, leaving sufficient funds
4 available for all outstanding checks to clear, if any, for
5 inclusion in the Insurance Education Fund. Within 180 days after
6 the payment of all administrative expenses and distribution of all
7 restitution from FUND B1 by the ADMINISTRATOR, the ADMINISTRATOR
8 shall pay over to the Department of Insurance all remaining funds
9 in FUND B1, if any, for inclusion in the Insurance Education Fund.

10
11 36. Within sixty days after payment of all
12 administrative expenses and distribution of all restitution from
13 FUND B2, the ADMINISTRATOR shall transfer to the Insurance
14 Education Fund the remainder of FUND B2, leaving sufficient funds
15 for all outstanding checks to clear, if any, for inclusion in the
16 Insurance Education Fund. Within 180 days after the payment of all
17 administrative expenses and distribution of all restitution from
18 FUND B2 by the ADMINISTRATOR, the ADMINISTRATOR shall pay over to
19 the Department of Insurance all remaining funds in FUND B2, if any,
20 for inclusion in the Insurance Education Fund.

21
22 **REIMBURSEMENT OF EXPENSES**

23 37. Within thirty days after entry of this JUDGMENT,
24 DEFENDANTS shall pay to the DISTRICT ATTORNEYS and the Department
25 of Insurance the sum of Two Million and Twenty-five Thousand
26 Dollars (\$2,025,000) as reimbursement of PLAINTIFF'S attorneys'
27 fees and investigative expenses. This sum shall be paid by five
28 checks, delivered to the Consumer & Environmental Protection

1 Division, Alameda District Attorney's Office, 7677 Oakport Street,
2 Suite 400, Oakland, California 94621, made payable as follows:

3 A. One check for Twenty-five Thousand Dollars
4 (\$25,000) made payable to the Department of Insurance;

5 B. Four checks for Five Hundred Thousand Dollars
6 (\$500,000) each, made payable respectively to "District Attorney of
7 Alameda County," "District Attorney of Los Angeles County,"
8 "District Attorney of San Diego County," and "District Attorney of
9 San Mateo County."

10
11 **CIVIL PENALTIES**

12 38. Levitz shall pay PLAINTIFF forthwith, but in no
13 event later than thirty days after entry of this JUDGMENT, the sum
14 of Two Million Dollars (\$2,000,000) as civil penalties pursuant to
15 Business and Professions Code sections 17206 and 17536. Such
16 penalties shall be paid by four checks for Five Hundred Thousand
17 Dollars (\$500,000) each, delivered to the Consumer & Environmental
18 Protection Division, Alameda District Attorney's Office, 7677
19 Oakport Street, Suite 400, Oakland, California 94621, made payable
20 respectively to "District Attorney of Alameda County," "District
21 Attorney of Los Angeles County," "District Attorney of San Diego
22 County," and "District Attorney of San Mateo County," or in such
23 other method of payment as Levitz and the DISTRICT ATTORNEYS shall
24 agree.

25
26 **PAYMENT SCHEDULES**

27 39. The payment of civil penalties and reimbursement of
28 expenses provided in this JUDGMENT shall be due on the date

1 specified and shall be in default if more than ten days late.
2 Should any payment required hereunder be in default, the entire
3 remaining balance of penalties or reimbursement, as applicable,
4 owed shall become immediately due and payable at the option of
5 PLAINTIFF. Should an action be commenced to collect any unpaid
6 balance following such default and an order be entered in favor of
7 PLAINTIFF, DEFENDANTS shall also be liable for PLAINTIFF's
8 reasonable attorney's fees and costs.

9
10 **PRECLUSIVE EFFECT**

11 40. This Judgment shall have a res judicata effect and
12 shall bar any civil or administrative action by PLAINTIFF the
13 People of the State of California or by the California Department
14 of Insurance against DEFENDANTS Levitz, GE Capital, ABIG and ABLAC
15 under Business and Professions Code sections 17200 or 17500
16 pertaining to the offer or sale of CREDIT INSURANCE at Levitz
17 stores in California, to the extent such acts or practices occurred
18 prior to the date of entry of this JUDGMENT.

19
20 **RETENTION OF JURISDICTION**

21 41. This Court shall have exclusive jurisdiction for the
22 purpose of enabling any party to this JUDGMENT to apply at any time
23 for such further orders and directions as may be necessary or
24 appropriate for the construction or carrying out of this JUDGMENT,
25 for the modification or termination of the injunctive provisions,
26 for the enforcement and compliance herewith, and for the punishment
27 of violations hereof.

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EFFECTIVE DATE

42. This JUDGMENT, including the permanent injunction terms contained herein, shall take effect immediately upon the entry thereof.

PREEMPTION

43. DEFENDANTS shall not be required to comply with any portion of any injunctive provision(s) set forth in paragraphs 5 through 7, inclusive, of this JUDGMENT that is inconsistent with any subsequently enacted or adopted federal or California statutory or decisional law. An injunctive provision shall be deemed inconsistent with the law if the DEFENDANTS are unable to comply with both the provision and the law. In the event of such an inconsistency, the DEFENDANTS shall notify the DISTRICT ATTORNEYS and the Department of Insurance in writing within thirty (30) days after DEFENDANTS determine that an inconsistency exists.

CONCLUSION OF ADMINISTRATIVE ACTION

44. Within five days after entry of this JUDGMENT, the Department of Insurance shall enter its order in In The Matter Of Levitz Furniture Corporation, et al., OAH File No. 9610169, and shall cause that administrative proceeding to be concluded with prejudice. Each party to bear its own costs.

DATED: _____

JUDGE OF THE SUPERIOR COURT

EXHIBIT A

Levitz Claims Administration Center
c/o Gilardi & Co. LLC
P.O. Box 8060
San Rafael, CA 94912-8060

Tel: 800-xxx-xxxx

QUESTIONNAIRE

[Bar Code] Claim #: LEV-123456-7
[FIRST][LAST]
[NAME2]
[Addr1]
[Addr2]
[City State Zip]

Changes/Corrections

Name of Joint Account Holder:

[Pre-print if data available]

Levitz Account Number

[Pre-print]

All Levitz customers who, between January 1, 1993 and February 28, 1997, established credit card accounts and elected to purchase Credit Insurance at Levitz stores in California may be eligible for a credit or refund in connection with their purchase of Credit Insurance. To be considered for such credit or refund, you and your joint accountholder, if any, must complete this Questionnaire **and** the attached Release.

1. Please write your new address in the lines provided above if it is different from that shown.
2. Were you a Levitz customer between January 1, 1993 and February 28, 1997?

Yes _____

No _____

If you paid more than \$100 and have proof of payment in the form of monthly billing statements, you may be eligible for **additional restitution**. To be eligible for additional restitution, you must include copies of such statements when you return this Questionnaire and the attached Release.

BOTH THIS QUESTIONNAIRE AND THE RELEASE MUST BE RETURNED TO _____ NO LATER THAN [eight months from entry of Judgment].

EXHIBIT A

EXHIBIT B

RELEASE

I/We understand that I/we may be eligible for an adjustment to my/our Levitz account or a refund (or a combination of both) due to my/our purchase of credit insurance. Whether my/our account is adjusted or I/we receive a refund (or a combination of both) will depend on several factors including the number of customers whose accounts are adjusted or who receive refunds.

In the event that I/we qualify for and receive a billing adjustment to my/our Levitz account or a refund check (or a combination of both) I/we understand that, with the exception noted below, acceptance of said billing adjustment or refund check will constitute full settlement, compromise, waiver and release of any and all claims, legal and equitable, against Levitz Furniture Company and Levitz Furniture Company of the Pacific, Inc., American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida, and General Electric Capital Corporation and all of their respective subsidiaries, parents, affiliates, officers, directors, employees, agents, and shareholders based upon the credit insurance policies which I/we purchased in connection with my/our Levitz charge account.

My/our acceptance of any billing adjustment or refund check does not, however, constitute a release of any right I/we may have to pursue insurance benefits through any claim which I/we may make on any credit insurance policy which I/we purchased in connection with my/our Levitz account in the event of a covered loss.

Printed Name of Levitz Insurance Customer

Signature of Levitz Insurance Customer

Date and Place

Printed Name of Levitz Insurance Customer
(If more than one accountholder)

Signature of Levitz Insurance Customer

Date and Place

Note: Two signatures required if joint account.

EXHIBIT C

[DOI Letterhead]

**IMPORTANT NOTICE FROM COMMISSIONER CHUCK QUACKENBUSH
OF LEVITZ REFUND OR BILLING ADJUSTMENT**

Dear Levitz Insurance Customer:

Recently the District Attorneys of Alameda, Los Angeles, San Diego and San Mateo Counties settled a case against the Levitz Furniture Corporation in which it was alleged that a number of Levitz customers had been charged for credit insurance without their knowledge. The Department of Insurance initiated this case and participated with the District Attorneys in reaching this settlement.

When you opened your Levitz Revolving Charge Account you also signed up for optional credit insurance. The enclosed Levitz Credit Insurance Information Notice explains this insurance, including options, benefits, and costs. If you were a Levitz customer between January 1, 1993, and February 28, 1997, you may be eligible for a billing adjustment to be made to your account or a refund (or a combination of both). We anticipate that all Levitz customers who qualify for restitution will receive a direct benefit estimated to be between \$30 and \$100 depending upon the number of eligible customers who return the enclosed Questionnaire and Release. Also, qualified Levitz customers who provide proof they paid more than \$100 for this credit insurance will receive additional restitution.

To determine if you are eligible for an account credit and/or refund, you and any joint accountholder must fill out and return the enclosed Questionnaire and sign the accompanying Release in the enclosed envelope **no later than _____, 1998.**

Sincerely,

Chuck Quackenbush
Insurance Commissioner
California State Department of Insurance

Enclosures

EXHIBIT D

LEVITZ CREDIT INSURANCE INFORMATION NOTICE

TO: LEVITZ CHARGE ACCOUNT HOLDERS IN CALIFORNIA
FROM: CALIFORNIA DEPARTMENT OF INSURANCE
SUBJECT: "CHARGE GARD PLUS" CREDIT INSURANCE

YOU PURCHASED CREDIT INSURANCE FROM LEVITZ

You have been identified as having enrolled in the CHARGE GARD PLUS insurance program.

When you opened your LEVITZ REVOLVING CHARGE ACCOUNT you signed an agreement to purchase a credit insurance package called CHARGE GARD PLUS. The agreement you signed was located at the bottom of your LEVITZ REVOLVING CHARGE AGREEMENT entitled INSURANCE ELECTIONS.

WHAT IS CHARGE GARD PLUS?

CHARGE GARD PLUS provides Credit Life, Disability, Involuntary Unemployment and Property Insurance coverage on your LEVITZ REVOLVING CHARGE ACCOUNT.

Shortly after opening your Levitz charge account you should have received a document in the mail entitled CHARGE GARD PLUS CERTIFICATES OF INSURANCE outlining your insurance coverages. If you no longer have your original CERTIFICATES OF INSURANCE, you may request them by calling 1-800- (Levitz Number).

HOW MUCH AM I PAYING FOR CHARGE GARD PLUS?

For the CHARGE GARD PLUS insurance coverage, every month you pay 89 cents per every \$100.00 of outstanding balance on your account. The monthly insurance charges appear on your Levitz bill as "CHARGE GARD" OR "CHARGE GARD INSURANCE." You will continue to pay for CHARGE GARD PLUS as long as there remains an outstanding balance on your charge account, or until you request a cancellation of your policy.

IMPORTANT: IF YOU CURRENTLY HAVE A ZERO BALANCE ON YOUR LEVITZ ACCOUNT BUT LATER DECIDE TO CHARGE ADDITIONAL MERCHANDISE, ALL

INSURANCE COVERAGES WILL AUTOMATICALLY RESUME AND THE PREMIUM CHARGES WILL BE REFLECTED ON YOUR MONTHLY LEVITZ BILL.

YOU MAY CANCEL CHARGE GARD PLUS AT ANY TIME

CHARGE GARD PLUS is optional, and is not required to obtain or maintain credit from Levitz. You may cancel CHARGE GARD PLUS at any time by calling Levitz Credit Services toll free at 800-967-8000 or writing Levitz Credit Services at _____.

YOU CAN PURCHASE THE INSURANCE COVERAGES SEPARATELY

You have the option of purchasing any of the coverages separately if you so desire. A breakdown of the separate coverages is as follows:

Credit Life Insurance.....	6 cents per every \$100 of your outstanding account balance
Credit Disability Insurance.....	22 cents per every \$100 of your outstanding account balance
Credit Involuntary Unemployment Ins.	32 cents per every \$100 of your outstanding account balance
Credit Property Insurance.....	29 cents per every \$100 of your outstanding account balance

(Note: Disability coverage is only available in California to applicants electing credit life insurance)

If you wish to obtain any one or more of the coverages separately, please call 1-800-(Levitz Number) and an application for separate coverages will be sent to you.