

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

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In re VESTA INSURANCE GROUP, : Civil Action No. CV 98-BE-1407-S
INC. SECURITIES LITIGATION :
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STIPULATION OF SETTLEMENT

This Stipulation of Settlement dated as of September __, 2008 (the “Stipulation”), is made and entered into by and between Lead Plaintiff, the State Board of Administration of Florida (“Lead Plaintiff”), on behalf of itself and each of the Class Members, and Torchmark Corporation (“Torchmark”), by and through their counsel of record in the Action (collectively, the “Settling Parties”). This Stipulation is intended by the Settling Parties to fully, finally and forever resolve, discharge and settle the Released Claims (as defined in ¶1.19), upon and subject to the terms and conditions hereof.

I. THE LITIGATION AND RELATED PROCEEDINGS

On and after June 2, 1998, the following actions were filed in the United States District Court for the Northern District of Alabama, Southern Division (the “Court”), as class actions on behalf of persons who purchased or acquired the common stock of Vesta Insurance Group, Inc. (“Vesta” or the “Company”) during a defined period of time:

<i>LaPerriere v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-AR-1407-S
<i>Kutcher v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-P-1734-S
<i>Brannon v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-C-1429-S
<i>Labarre v. Vesta Insurance Group,</i>	Case No. CV-98-C-1430-S

<i>Inc., et al.</i>	
<i>Pittman v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-N-1440-S
<i>Roche v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-TMP-1444-S
<i>Anderson v. Vesta Insurance Co., et al.</i>	Case No. CV-98-B-1491-S
<i>Kovacs v. Huffman, et al.</i>	Case No. CV-98-B-1519-S
<i>Sorrentino v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-P-1553-S
<i>Fiegel v. Huffman, et al.</i>	Case No. CV-98-JEO-1650-S
<i>Sullivan v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-C-1735-S
<i>Gold v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-S-1761-S
<i>Kensington Capital Management v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-TMP-1898-S
<i>Shoehigh v. Vesta Insurance Group, Inc., et al.</i>	Case No. CV-98-P-2441-S

By order dated October 19, 1998, the above actions were consolidated for all purposes as *In re Vesta Insurance Group, Inc. Securities Litigation*, Master File No. CV-98-BE-1407-S, and are referred to herein collectively as the "Action." Thereafter the Court also appointed lead plaintiffs and lead counsel for the

proposed class. The operative complaint in the Action is the Consolidated Amended Class Action Complaint for Violation of the Federal Securities Laws (the "Complaint"), filed on March 15, 1999. The Complaint asserted claims on behalf of the Class against Vesta, Barry A. Patrick, Robert Y. Huffman, Donald W. Thornton, C. Russell Fletcher, Norman W. Gayle, III, Mary Beth Heibein, Stephen P. Leonard, Brian R. Meredith, and R.K. Richey (the "Individual Defendants"), KPMG LLP ("KPMG"), and Torchmark, for violations of §10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, and §20(a) of the Exchange Act against certain defendants. By orders dated December 10, 2001 and September 30, 2002, Plaintiffs' claims against all defendants other than Torchmark were dismissed.

II. PRE-TRIAL PROCEEDINGS AND DISCOVERY IN THE LITIGATION

Counsel for Lead Plaintiff has conducted extensive formal and informal discovery and investigation during the development and prosecution of the Action. Following the settlements with and dismissal of Vesta, the Individual Defendants and KPMG, this discovery and investigation has included, *inter alia*, (i) inspection of more than 10,000 pages of documents produced by, or otherwise relating to, Torchmark; (ii) the taking and defending of approximately 16 depositions; (iii) consultation with experts in the fields of damages, reinsurance accounting and

corporate governance and the preparation and review of expert reports; and (iv) drafting and filing of pre-trial motions, designations of trial evidence, and the preparation of pretrial orders.

III. TORCHMARK'S DENIAL OF WRONGDOING AND LIABILITY

Torchmark has denied and continues to deny each and all of the claims and contentions alleged by Lead Plaintiff in the Action. Torchmark expressly has denied and continues to deny all charges of wrongdoing or liability against it arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Torchmark also has denied and continues to deny, *inter alia*, the allegations that Lead Plaintiff and/or the Class have suffered damage or that the Lead Plaintiff and/or the Class were harmed by the conduct alleged in the Action.

Nonetheless, Torchmark has concluded that further conduct of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Torchmark also has taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Action. Torchmark has, therefore, determined that it is desirable and beneficial to it that the Action be settled in the manner and upon the terms and conditions set forth in this Stipulation.

IV. CLAIMS OF LEAD PLAINTIFF AND THE CLASS AND BENEFITS OF SETTLEMENT

Lead Plaintiff believes that the claims asserted in the Action have merit and the evidence developed to date supports the claims asserted. However, counsel for Lead Plaintiff recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Action against Torchmark through trial and appeals. Counsel for Lead Plaintiff also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Action, as well as the difficulties and delays inherent in such litigation. Counsel for Lead Plaintiff also is mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Litigation. Counsel for Lead Plaintiff believes that the settlement set forth in this Stipulation confers substantial benefits upon the Class. Based on their evaluation, counsel for Lead Plaintiff has determined that the settlement set forth in the Stipulation is in the best interests of Lead Plaintiff and the Class.

V. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Lead Plaintiff (for itself and the Class Members) and Torchmark, by and through their respective counsel or attorneys of record, that, subject to the approval of the Court, the Action and the Released Claims as against Torchmark shall be finally and fully compromised, settled and released, and the Action shall

be dismissed with prejudice, as to all Settling Parties, upon and subject to the terms and conditions of the Stipulation, as follows:

1. Definitions

As used in the Stipulation the following terms have the meanings specified below:

1.1 “Authorized Claimant” means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation and/or pursuant to the terms of the prior Stipulations of Settlement with the Vesta Defendants and KPMG.

1.2 “Claimant” means any Class Member who has filed a Proof of Claim in such form and manner, and within such time, as the Court has previously prescribed.

1.3 “Claims Administrator” means The Garden City Group, Inc.

1.4 “Class” means all Persons (except Defendants, their affiliates and any of their officers or directors or their affiliates, and any members of the immediate family of the Individual Defendants, any entity in which any Defendant has a controlling interest; and the legal representatives, heirs, successors, or assigns of any such excluded party), who purchased the common stock of Vesta during the period from June 2, 1995 through June 1,

1998, inclusive, and excluding those Persons who timely and validly requested exclusion from the Class pursuant to the “Notice of Pendency of Class Action” that was previously sent to the Class.

1.5 “Class Counsel” means lead counsel for plaintiffs in the Action: Labaton Sucharow LLP, Thomas A. Dubbs, James W. Johnson, 140 Broadway, 34th Floor, New York, New York 10005, Telephone (212) 907-0700.

1.6 “Class Member” or “Member of the Class” means a Person who falls within the definition of the Class.

1.7 “Class Period” means the period commencing on June 2, 1995 through June 1, 1998, inclusive.

1.8 “Defendants” means Vesta, the Individual Defendants, Torchmark Corporation, and KPMG.

1.9 “Effective Date” means the first date by which all of the events and conditions specified in ¶7.1 of the Stipulation have been met and have occurred.

1.10 “Escrow Agent” means the law firm of Labaton Sucharow LLP or its successor(s) or designee.

1.11 “Final” means: (i) the date of final affirmance on an appeal of the Judgment, the expiration of the time for a petition for or a

denial of a writ of certiorari to review the Judgment and, if certiorari is granted, the date of final affirmance of the Judgment following review pursuant to that grant; or (ii) the date of final dismissal of any appeal from the Judgment or the final dismissal of any proceeding on certiorari to review the Judgment; or (iii) if no appeal is filed, the expiration date of the time for the filing or noticing of any appeal from the Court's Judgment approving the Stipulation, *i.e.*, thirty (30) days after entry of the Judgment, such that the Judgment represents a final and binding judgment with respect to the Action. Any proceeding or order, or any appeal or petition for a writ of certiorari pertaining solely to any plan of allocation and/or application for attorneys' fees or expenses, shall not in any way delay or preclude the Judgment from becoming Final.

1.12 "Individual Defendants" mean Barry A. Patrick, Robert Y. Huffman, Donald W. Thornton, C. Russell Fletcher, Norman W. Gayle, III, Mary Beth Heibein, Stephen P. Leonard, Brian R. Meredith, and R.K. Richey.

1.13 "Judgment" means a judgment to be rendered by the Court.

1.14 "KPMG" means KPMG LLP.

1.15 “Lead Plaintiff” means the State Board of Administration of Florida, on behalf of itself and each of the plaintiffs who filed a complaint in the Action.

1.16 “Person” means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.17 “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund, which was described in the “Notice of Partial Settlement of Class Action” sent to Class Members in connection with the settlements reached with the Vesta and KPMG Defendants, (as modified by the Court’s Order entered on July 22, 2008, to amend the Class Period), whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the settlement, Taxes and Tax Expenses and such attorneys’ fees, expenses and interest as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and Torchmark shall have no responsibility or liability with respect thereto.

1.18 “Related Parties” means each of Torchmark’s present or former officers, directors, partners, employees, agents, attorneys, financial advisors, commercial bank lenders, investment bankers, underwriters, insurers, representatives, affiliates, associates, parents, subsidiaries, general and limited partners and partnerships, heirs, executors, administrators, successors and assigns.

1.19 “Released Claims” means all claims (including, but not limited to, Unknown Claims as defined in ¶1.24), demands, rights, liabilities, damages, expenses, costs, attorneys’ fees, actions and causes of action of every nature and description, whether known or unknown, whether in contract, tort, equity or otherwise, whether concealed or hidden, asserted or that might have been asserted, including, but not limited to, claims for negligence, gross negligence, recklessness, gross recklessness, severe recklessness, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, breach of fiduciary duty, or violations of any federal or state statutes, rules or regulations, by Lead Plaintiff or any Class Member against the Released Persons that are based upon, relate to or arise from both the purchase or other acquisition, sale or other disposition of Vesta common stock by any Class Member during the Class Period and the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or

failures to act that were or could have been alleged in the Action or any other forum, based upon, relating to or arising from the facts that were alleged.

1.20 “Released Persons” means Torchmark and its respective Related Parties.

1.21 “Settlement Fund” means the principal amount of One Million Nine Hundred Fifty Thousand Dollars (\$1,950,000), plus any interest that may accrue thereon as provided for herein.

1.22 “Torchmark” means Torchmark Corporation and its Related Parties.

1.23 “Settling Parties” means, collectively, Torchmark and Lead Plaintiff on behalf of itself and the Members of the Class.

1.24 “Unknown Claims” means any Released Claims that Lead Plaintiff or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons that if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement or not to exclude himself, herself or itself from the Class. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead

Plaintiff shall expressly and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of Cal. Civ. Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Lead Plaintiff shall expressly and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, that is similar, comparable or equivalent to Cal. Civ. Code §1542. Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those that any of them now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff shall expressly and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, reckless, intentional, with

or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

1.25 “Vesta” means Vesta Insurance Group, Incorporated.

1.26 “Vesta Defendants” means Vesta and Barry A. Patrick, Robert Y. Huffman, and Donald W. Thornton.

2. The Settlement

a. The Settlement Fund

2.1 The principal amount of \$1,950,000 (plus any interest that may accrue thereon as provided for herein) shall constitute the Settlement Fund and shall be paid by Torchmark by wire transfer into an interest bearing account maintained by the Escrow Agent within five business days of the Court granting preliminary approval of the Settlement.

b. The Escrow Agent

2.2 Labaton Sucharow shall invest the Settlement Fund deposited pursuant to ¶2.1 above in instruments backed by the full faith and credit of the United States Government or fully insured by the United States Government or an agency thereof and shall reinvest the proceeds of these

instruments as they mature in similar instruments at their then current market rates. Labaton Sucharow shall bear all risks related to investment of the Settlement Fund.

2.3 Labaton Sucharow shall not disburse the Settlement Fund except as provided in the Stipulation, by an order of the Court, or with the prior written agreement of counsel for Torchmark and Labaton Sucharow.

2.4 Subject to further order and/or directions as may be made by the Court, Labaton Sucharow is authorized to execute such transactions on behalf of the Class Members as are consistent with the terms of the Stipulation.

2.5 All funds held by Labaton Sucharow shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

2.6 Within ten (10) days after payment of the Settlement Fund to Labaton Sucharow pursuant to ¶2.1, Labaton Sucharow may establish a "Notice and Administration Fund," and may deposit up to \$100,000 from the Settlement Fund in it. The Notice and Administration Fund may be used by Labaton Sucharow to pay costs and expenses reasonably and actually incurred in connection with providing Notice to the

Class, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms and paying escrow fees and costs, if any. The Notice and Administration Fund may also be invested and earn interest as provided for in ¶2.2 of this Stipulation.

c. Taxes

2.7 Settling Parties and the Escrow Agent agree to treat the Settlement Fund as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. §1.468B-1. In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out the provisions of this ¶2.7, including the “relation-back election” (as defined in Treas. Reg. §1.468B-1) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

(a) For the purpose of §468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the “administrator”

shall be the Escrow Agent. The Escrow Agent shall timely and properly cause to be filed all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. §1.468B-2(l)). Such returns (as well as the election described in this ¶2.7) shall be consistent with this ¶2.7 and in all events shall reflect that all Taxes as defined in subsection (b) below (including any estimated Taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in ¶2.7(b) hereof.

(b) All (i) Taxes (including any estimated Taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments that may be imposed upon Torchmark or its counsel with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a “qualified settlement fund” for federal or state income tax purposes (“Taxes”), and (ii) expenses and costs incurred in connection with the operation and implementation of this ¶2.7 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this ¶2.7) (“Tax Expenses”), shall be paid out of the Settlement Fund; in all events neither Torchmark nor its counsel shall have any liability or responsibility for the Taxes or the Tax Expenses. The Escrow Agent shall

indemnify and hold Torchmark and its counsel harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be timely paid at the direction of the Escrow Agent out of the Settlement Fund without prior order from the Court and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(1)(2)); neither Torchmark nor its counsel are responsible therefor, nor shall they have any liability therefor. The Settling Parties hereto agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this ¶2.7.

(c) For the purpose of this ¶2.7, references to the Settlement Fund shall include both the Settlement Fund and the Notice and Administration Fund and shall also include any earnings thereon.

d. Termination of Settlement

2.8 In the event that the Stipulation is not approved, or is terminated, canceled, or fails to become effective for any reason, including,

without limitation, in the event the Judgment is reversed or vacated following any appeal taken therefrom, the Settlement Fund (including accrued interest) less reasonable expenses actually incurred or due and owing from the Notice and Administration Fund (except that the Taxes and Tax Expenses shall be a cost of administration only to extent of interest earned), shall be refunded to Torchmark as described in ¶7.4 below.

3. Notice Order and Settlement Hearing

3.1 The Settling Parties shall submit the Stipulation together with its Exhibits to the Court on September 15, 2008 and shall jointly apply for entry of an order (the "Notice Order"), substantially in the form and content of Exhibit A attached hereto, requesting, *inter alia*, the preliminary approval of the settlement set forth in the Stipulation, and approval for the mailing and publication of a settlement notice (the "Notice"), substantially in the form and content of Exhibits A-1, A-2, A-3 and A-4 hereto, which shall include the general terms of the settlement set forth in the Stipulation, the Plan of Allocation, the general terms of the Fee and Expense Application as defined in ¶6.1 below and the date of the Settlement Hearing as defined below.

3.2 The Settling Parties shall request that after Notice is given, the Court hold a hearing (the "Settlement Hearing") on December 10,

2008 and finally approve the settlement of the Action as set forth herein. At or after the Settlement Hearing, Class Counsel also will request that the Court approve the Fee and Expense Application.

4. Releases

4.1 Upon the Effective Date, as defined in ¶1.9, Lead Plaintiff and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged all Released Claims against the Released Persons, whether or not such Class Member executes and delivers a Proof of Claim and Release.

4.2 The Proof of Claim and Release to be executed by Class Members shall release all Released Claims against the Released Persons and shall be substantially in the form and content contained in Exhibit A-3 hereto.

4.3 Upon the Effective Date, as defined in ¶1.9, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of the Class Members and counsel to Lead Plaintiff from all claims (including "Unknown Claims"), arising out of, in any way relating to,

or in connection with the institution, prosecution, assertion, settlement or resolution of the Action or the Released Claims.

**5. Administration and Calculation of Claims,
Final Awards and Supervision and
Distribution of Settlement Fund**

5.1 Class Counsel, or their authorized agents, acting on behalf of the Class, and subject to such supervision and direction of the Court as may be necessary or as circumstances may require, shall administer and calculate the claims submitted by Class Members and shall oversee distribution of the Net Settlement Fund (defined below) to Authorized Claimants. The Settlement Fund shall be applied as follows:

- (a) to pay all the costs and expenses reasonably and actually incurred in connection with providing Notice, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms and paying escrow fees and costs, if any;
- (b) to pay the Taxes and Tax Expenses described in ¶2.7 above;
- (c) to pay to Class Counsel attorneys' fees, expenses and costs with interest thereon (the "Fee and Expense Award"), if and to the extent allowed by the Court; and

(d) to distribute the balance of the Settlement Fund (the "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, or the Court.

5.2 Upon the Effective Date and thereafter, and in accordance with the terms of the Stipulation, the Plan of Allocation, or such further approval and further order(s) of the Court as may be necessary or as circumstances may require, the Net Settlement Fund shall be distributed to Authorized Claimants, subject to and in accordance with the following:

(a) Within sixty (60) days after the mailing of the Notice or such other time as may be set by the Court, each Person claiming to be an Authorized Claimant, if he, she or it has not already done so in connection with the settlements reached with the Vesta and/or KPMG Defendants, shall be required to submit to the Claims Administrator a completed Proof of Claim and Release, substantially in the form of Exhibit A-3 hereto, signed under penalty of perjury and supported by such documents as specified in the Proof of Claim and Release and as are reasonably available to the Authorized Claimant.

(b) Except as otherwise ordered by the Court, all Class Members who fail to timely submit a Proof of Claim and Release within such period, or such other period as may be ordered by the Court, or otherwise allowed, shall be forever barred from receiving any payments pursuant to the Stipulation and the settlement

set forth herein, but shall in all other respects be subject to and bound by the provisions of the Stipulation, the releases contained herein, and the Judgment.

(c) The Net Settlement Fund shall be distributed to the Authorized Claimants substantially in accordance with the Plan of Allocation described in the Notice. The proposed Plan of Allocation shall not be a part of the Stipulation.

5.3 Neither Torchmark nor its counsel shall have any responsibility for, interest in, or liability whatsoever with respect to the investment or distribution of the Settlement Fund, the Plan of Allocation, the determination, administration, or calculation of claims, the payment or withholding of Taxes, or any losses incurred in connection therewith.

5.4 No Person shall have any claim against Lead Plaintiff or its counsel, or the claims administrator, or other agent designated by Class Counsel, or Torchmark or its counsel based on distributions made substantially in accordance with the Stipulation and the settlement contained herein, the Plan of Allocation, or further orders of the Court.

5.5 If there is any balance remaining in the Net Settlement Fund after six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise) Labaton Sucharow shall reallocate such balance among Authorized

Claimants in an equitable and economic fashion. Any balance remaining thereafter shall be donated to an appropriate non-profit organization.

5.6 It is understood and agreed by the Settling Parties that any proposed Plan of Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an Authorized Claimant's claim set forth therein, is not a part of the Stipulation and is to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the settlement set forth in the Stipulation, and any order or proceedings relating to the Plan of Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's Judgment approving the Stipulation and the settlement set forth herein, or any other orders entered pursuant to the Stipulation.

6. Class Counsel's Attorneys' Fees and Reimbursement of Expenses

6.1 Lead Plaintiff or its counsel may submit an application or applications (the "Fee and Expense Application") for distributions to them from the Settlement Fund for: (a) an award of attorneys' fees from the Settlement Fund; plus (b) reimbursement of all expenses and costs incurred in connection with prosecuting the Action, including the fees of any experts or consultants incurred in connection with prosecuting the Action, plus any

interest on such attorneys' fees, costs and expenses at the same rate and for the same periods as earned by the Settlement Fund (until paid) as may be awarded by the Court. Class Counsel reserves the right to make additional applications for fees and expenses incurred. Torchmark takes no position with respect to Class Counsel's Fee and Expense Application. Such matters are not the subject of any agreement between the Settling Parties.

6.2 The attorneys' fees, expenses and costs, including the fees of experts and consultants, as awarded by the Court, shall be paid to Class Counsel from the Settlement Fund, as ordered, immediately after the Court executes an order awarding such fees and expenses. Class Counsel shall thereafter allocate the attorneys' fees amongst plaintiffs' counsel in a manner that Class Counsel in good faith believe reflects the contributions of such counsel to the prosecution and settlement of the Action. In the event that the Effective Date does not occur, or the Judgment or the order making the Fee and Expense Award is reversed or modified, or the Stipulation is cancelled or terminated for any other reason, and in the event that the Fee and Expense Award has been paid to any extent, then Class Counsel shall within five (5) business days from receiving notice from Torchmark's counsel or from a court of appropriate jurisdiction, refund to the Settlement Fund, the fees, expenses and costs previously paid to them from the

Settlement Fund plus interest thereon at the same rate as earned on the Settlement Fund in an amount consistent with such reversal or modification. Class Counsel will remain severally liable for those amounts disbursed to plaintiffs' counsel, should any repayment of the amounts be required. Each such plaintiffs' counsel's law firm, as a condition of receiving such fees and expenses, on behalf of itself and each partner and/or shareholder of it, agrees that the law firm and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this paragraph.

6.3 The procedure for and the allowance or disallowance by the Court of the Fee and Expense Application are not part of the settlement set forth in the Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the settlement set forth in the Stipulation. Any order or proceedings relating to the Fee and Expense Application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Stipulation and the settlement of the Action set forth herein.

6.4 Torchmark and its Related Parties shall have no responsibility for, and no liability whatsoever with respect to, any payment to Class Counsel from the Settlement Fund.

6.5 Torchmark and its Related Parties shall have no responsibility for, and no liability whatsoever with respect to, the allocation of the Fee and Expense Award among Class Counsel, and/or any other Person who may assert some claim thereto, or any Fee and Expense Award that the Court may make in the Action.

7. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

7.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all of the following events:

- (a) Torchmark shall have timely transferred or caused to be timely transferred the Settlement Fund to the Escrow Agent as required by ¶2.1 above;
- (b) The Court has entered the Judgment; and
- (c) The Judgment has become Final, as defined in ¶1.17, above.

7.2 Upon the occurrence of all of the events referenced in ¶7.1 above, any and all remaining interest or right of Torchmark in or to the Settlement Fund, if any, shall be absolutely and forever extinguished.

7.3 If all of the conditions specified in ¶7.1 are not met, then the Stipulation shall be cancelled and terminated subject to ¶7.4 unless Class Counsel and counsel for Torchmark mutually agree in writing to proceed with the Stipulation.

7.4 Unless otherwise ordered by the Court, in the event the Stipulation shall terminate, or be cancelled, or shall not become effective for any reason, within five (5) business days after written notification of such event is sent by counsel for Torchmark or Class Counsel to the Escrow Agent, the Settlement Fund (including accrued interest), plus any amount then remaining in the Notice and Administration Fund (including accrued interest) less expenses and any costs that have either been properly disbursed pursuant to ¶¶2.7 or 2.8 herein, or are determined to be chargeable to the Notice and Administration Fund, shall be refunded by the Escrow Agent pursuant to written instructions from counsel for Torchmark. At the request of counsel for Torchmark, the Escrow Agent or its designee shall apply for any tax refund owed to the Settlement Fund and pay the proceeds, after deduction of any fees or expenses reasonably incurred in connection with such application(s) for refund.

7.5 In the event that the Stipulation is not approved by the Court or the settlement set forth in the Stipulation is terminated or fails to

become effective in accordance with its terms, the Settling Parties shall be restored to their respective positions in the Action as of August 21, 2008. In such event, the terms and provisions of the Stipulation, with the exception of ¶¶1.1-1.26, 2.2-2.5, 7.3-7.5, 8.2, 8.4, 8.5, 8.9, 8.10, and 8.12 herein, shall have no further force and effect with respect to the Settling Parties and shall not be used in the Action or in any other action or proceeding for any purpose, and any judgment or order entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*. No order of the Court or modification or reversal on appeal of any order of the Court concerning the Plan of Allocation or the amount of any attorneys' fees, costs, expenses and interest awarded by the Court to the Lead Plaintiff or any of its counsel shall constitute grounds for cancellation or termination of the Stipulation. If the Effective Date does not occur, or if the Stipulation is terminated pursuant to its terms, neither Lead Plaintiff nor any of its counsel shall have any obligation to repay any amounts actually and properly disbursed from the Notice and Administration Fund (except Taxes and Tax Expenses, but only to the extent they exceed interest earned). In addition, any expenses already incurred and properly chargeable to the Notice and Administration Fund pursuant to ¶2.6 hereof at the time of such termination or cancellation but that have not been paid, shall be paid by the

Escrow Agent in accordance with the terms of the Stipulation prior to the balance being refunded in accordance with ¶7.4 above.

7.6 If a case is commenced in respect to Torchmark under Title 11 of the United States Code (Bankruptcy), or a trustee, receiver or conservator is appointed under any similar law, and in the event of the entry of a final order of a court of competent jurisdiction determining the transfer of the Settlement Fund, or any portion thereof, by or on behalf of Torchmark to be a preference, voidable transfer, fraudulent transfer or similar transaction, then, as to Torchmark, the releases given and Judgment entered in favor of Torchmark pursuant to this Stipulation shall be null and void, but only to the extent of the amount of preference actually returned to Torchmark's estate.

8. Miscellaneous Provisions

8.1 The Settling Parties: (a) acknowledge that it is their intent to consummate this agreement; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

8.2 Torchmark warrants as to itself that, at the time any of the payments provided for herein are made on its behalf, it is not insolvent

and the payment will not render it insolvent. This representation is made by Torchmark as to itself only, and is not made by counsel for Torchmark.

8.3 The Settling Parties intend this settlement to be a final and complete resolution of all disputes between them with respect to the Action. The settlement compromises claims that were contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or defense. While Torchmark denies that the claims advanced in the Action were meritorious, Torchmark will not deny in any statement made to any media representative (whether or not for attribution) that the Action was filed in good faith and is being settled voluntarily after consultation with competent legal counsel. The final judgment will contain a statement that, pursuant to the Private Securities Litigation Reform Act, during the course of the Action, the parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11. The Settling Parties agree that the amount paid to the Settlement Fund and the other terms of the settlement were negotiated in good faith by the Settling Parties, and reflect a settlement that was reached voluntarily after consultation with competent legal counsel. Nothing in this paragraph shall prohibit any comment on the accuracy of any public description of the settlement.

8.4 Neither the Stipulation nor the settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of Torchmark; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of Torchmark in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. Torchmark may file the Stipulation and/or the Judgment in any action that may be brought against it in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

8.5 All agreements made and orders entered during the course of the Action relating to the confidentiality of information shall survive this Stipulation.

8.6 All of the Exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

8.7 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

8.8 The Stipulation and the Exhibits attached hereto constitute the entire agreement between Lead Plaintiff and Torchmark and no representations, warranties or inducements have been made to any party concerning the Stipulation or its Exhibits other than the representations, warranties and covenants contained and memorialized in such documents. Except as otherwise provided herein, each party shall bear its own costs.

8.9 Class Counsel, on behalf of the Class, are expressly authorized by Lead Plaintiff to take all appropriate action required or permitted to be taken by the Class pursuant to the Stipulation to effectuate its terms and also are expressly authorized to enter into any modifications or amendments to the Stipulation on behalf of the Class that they deem appropriate.

8.10 Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf of any party hereto hereby warrants that such Person has the full authority to do so.

8.11 Once the Settlement becomes Final, Class Counsel will either: (a) return to Torchmark all discovery material produced by any

Defendant in this action and all deposition transcripts; or (b) certify to counsel for Torchmark that all discovery material produced by any Defendant in this action and all deposition transcripts have been shredded, with such costs for shipping or shredding of documents to be borne by Torchmark. Such discovery material shall include, but not be limited to, the documents generated in *Torchmark Corp. v. KPMG Peat Marwick LLP*, CV 03 3315 (Ala. Cir. Ct. Jefferson Cty.), that were furnished by KPMG and Torchmark in a supplemental document production.

8.12 The Stipulation may be executed by facsimile and in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. Counsel for the parties to the Stipulation shall exchange among themselves original signed counterparts and a complete set of executed counterparts shall be filed with the Court.

8.13 The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto.

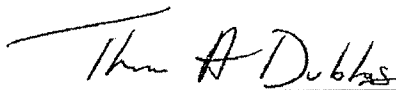
8.14 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and all parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in the Stipulation.

8.15 The Stipulation and the Exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of Alabama, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of Alabama without giving effect to that State's choice of law principles.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of September 15, 2008.

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