

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

In Re
CNL HOTELS & RESORTS, INC.
Securities Litigation

Case No. 6:04-cv-1231-Orl-31KRS
(Consolidated with 6:04-cv-1341-Orl-19JGG)
CLASS ACTION

PLAN OF ALLOCATION

I. Summary Plan of Allocation.

This Summary of the Plan of Allocation is intended to provide a general overview of the terms of the Plan of Allocation. The summary is not intended to replace the Plan of Allocation, but rather is the Summary that is included in the Notice of Pendency and Proposed Settlement of Class Action (“Class Notice”).¹

The Summary of the Plan of Allocation as set forth in the Class Notice is as follows:

The \$35,000,000 Purchaser Class Cash Settlement Fund and the interest earned thereon is the Cash Settlement Fund. The Cash Settlement Fund less the fees and expenses awarded by the Court with respect to the prosecution and settlement of the Purchaser Class claims (see Paragraph No. 35 of the Class Notice) and less all costs of claims administration, taxes, and other approved expenses (the “Net Settlement Consideration”) shall be distributed to members of the Purchaser Class in accordance with the Plan of Allocation.

The summary below is intended to provide a general overview of the terms of the Plan of Allocation. The summary is not intended to replace the Plan of Allocation. All shareholders and Purchaser Class members are encouraged to read the Plan of Allocation in its entirety. To obtain a copy of the Plan of Allocation in its entirety, you may download a copy from the websites or contact Co-Lead Counsel or the Claims Administrator (see Paragraph No. 41 of the Class Notice).

Attached to the Class Notice are two forms: (1) an **Investment Data Form** (“IDF”) and (2) a **Proof of Claim**. The **IDF** may contain a summary of your investment information depending on the way you acquired or disposed of your CHR stock. You must review the IDF carefully. If the IDF is correct, do nothing. If the IDF is incorrect, you must submit corrections and any supporting documentation requested postmarked no later than November 3, 2006. The **Proof of Claim** must be submitted by certain Purchaser Class members (see chart below), in order to be eligible to share in the Net Settlement Consideration. You must complete the Proof of Claim and submit it, including supporting documentation, postmarked no later than November 3, 2006.

Eligible transactions in CHR stock may have occurred as follows:

- **Subscription Purchase:** Acquired shares of CHR stock from CHR directly and that purchase is confirmed by the records of CHR as having an admission date between August 16, 2001 and August 16, 2004 (“Purchaser Class Period”).
- **Reinvestment Plan Purchase:** Acquired shares of CHR stock from CHR through CHR’s Reinvestment Plan and such shares were allocated to the purchaser’s account in the Purchaser Class Period.
- **Third Party Transaction:** Shares of CHR stock purchased from a person *other than* CHR and that transaction is confirmed by the records of CHR as having an admission date in the Purchaser Class Period. Shares of CHR stock sold during the Purchaser Class Period only if the records of CHR confirm that such shares were also acquired during the Purchaser Class Period.
- **Transfer by Operation of Law:** Acquired shares of CHR stock through a transfer of the shares for zero consideration (for example, a gift, bequest, marriage, divorce, and a change in account title such as an individual account changed to a retirement account) and such transfer occurred in the Purchaser Class Period. The shares transferred must have been acquired by the transferor during the Purchaser Class Period.

The Claims Administrator will determine, in accordance with the Plan of Allocation, which shares are eligible to receive a portion of the Net Settlement Consideration (“Eligible Purchaser Class Shares”).

For purposes of administering the Plan of Allocation, the Eligible Purchaser Class Shares will be divided into two groups: (a) eligible shares acquired as a Subscription Purchase or a Reinvestment Plan Purchase that continued to be held as of August 16, 2004, the Direct Purchase and Hold Group (“DPH Group”); and (b) eligible shares that were: (i) acquired by a Subscription Purchase or Reinvestment Plan Purchase, but were not held by the original purchaser as of August 16, 2004; (ii) acquired through a Transfer by Operation of Law; or (iii) purchased or sold in a Third Party Transaction, the Transaction Group. Claims Administration costs will be allocated to each group. A separate Net Settlement Consideration amount will be calculated for each group and distributed based upon the number of Eligible Purchaser Class Shares in each group.

¹ Unless otherwise stated, capitalized terms used herein have the same meaning as set forth in the Stipulation of Settlement related to the above captioned litigation.

Are My Shares Eligible to Participate in Any Distribution?

Note: The purchase, sale or redemption date is the date reflected on CHR's books as the admission date or termination date, which may or may not be the same date you executed your purchase, sale or redemption documents.

1. CHR shares purchased before August 16, 2001 or after August 16, 2004 are not part of the Purchaser Class and are not eligible to participate in any distribution. Contractual assignments for purchases after August 16, 2004 will not be accepted.
2. Only CHR shares purchased between August 16, 2001 and August 16, 2004, the Purchaser Class Period, are part of the Purchaser Class and are eligible to participate in a distribution, but as to these shares:
 - a. If you made a Transfer by Operation of Law of your CHR shares before August 16, 2004, your transferee (not you) will be entitled to receive the distribution with respect to the shares transferred.
 - b. If you redeemed the CHR shares through the Company's Redemption Plan before August 16, 2004, you will not receive any distribution with respect to the shares redeemed.

If My Shares Are Eligible Purchaser Class Shares, What Must I Do To Participate In Any Distribution?

A. If you purchased your CHR shares from CHR during the Purchaser Class Period² and:

Then:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Held those same shares on August 16, 2004... | All such shares are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return. |
| 2a. Sold all of those shares in a Third Party Transaction before August 16, 2004... | You may be eligible for a partial allocation and are subject to a Weighting Formula which is set forth in the Plan of Allocation. Fill out and return a Proof of Claim. |
| 2b. Sold some of those shares in a Third Party Transaction before August 16, 2004, and held the balance of the shares on that date... | Shares held are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return.
Shares sold may be eligible for a partial allocation and are subject to a Weighting Formula which is set forth in the Plan of Allocation. Fill out and return a Proof of Claim. |
| 3a. Redeemed (<i>i.e.</i> sold back to CHR) all of my shares <u>before</u> August 16, 2004... | Shares redeemed prior to August 16, 2004 are not eligible. You will receive no distribution for the shares redeemed. |
| 3b. Redeemed some of my shares before August 16, 2004, and held the balance of the shares on that date... | Shares held are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return.
Shares redeemed prior to August 16, 2004 are not eligible. You will receive no distribution for the shares redeemed. |
| 4a. Made a Transfer by Operation of Law of all of my shares <u>before</u> August 16, 2004... | Shares transferred prior to August 16, 2004 are not eligible. You will receive no distribution for the shares transferred. |
| 4b. Made a Transfer by Operation of Law of some of those shares before August 16, 2004, and held the balance on that date... | Shares held are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return.
Shares transferred prior to August 16, 2004 are not eligible. You will receive no distribution for the shares transferred. |
| 5. <u>After</u> August 16, 2004, sold to a third party, redeemed or made a Transfer by Operation of Law of my shares | This does not affect your eligibility with respect to these shares. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make changes and return. |

B. If I received shares during the Class Period via a Transfer by Operation of Law, then: You must complete the Proof of Claim. Your shares may be eligible for an allocation provided the shares transferred to you were acquired by the transferor during the Purchaser Class Period.

C. If I purchased CHR shares in a Third Party Transaction during the Class Period, then: You must complete the Proof of Claim. Your shares may be eligible for a partial allocation and are subject to a Weighting Formula which is set forth in the Plan of Allocation.

² Such purchases would either be a Subscription Purchase or a Reinvestment Plan Purchase. If you made a Reinvestment Plan Purchase then the admission date for that purchase is the last day of each calendar quarter. If your original Subscription Purchase was made before August 16, 2001, only Reinvestment Plan Purchases between August 16, 2001 and August 16, 2004 are included in the Purchaser Class.

II. Plan of Allocation

1. This Plan of Allocation relates to securities issued by CNL Hotel & Resorts Inc. (the “Company” or “CHR”) and the settlement of the above captioned litigation.

2. **Purchaser Class and Purchaser Class Period.** The Plan of Allocation is applicable to the Purchaser Class certified by stipulation for purposes of this Settlement only and defined as: pursuant to Fed. R. Civ. P. 23(a) and (b)(3), a class of all persons who purchased or otherwise acquired CHR securities issued or offered pursuant to or by means of CHR’s registration statements and/or prospectuses effective between August 16, 2001 and August 16, 2004, inclusive (the “Purchaser Class”).³ Only shares that are reflected on the records of the Company with an admission date between August 16, 2001 and August 16, 2004, inclusive (the “Purchaser Class Period”) are entitled to be considered to be eligible to be attributed a distribution pursuant to this Plan of Allocation.

3. Excluded from the Class are Settling Defendants, the officers and directors of Settling Defendants, at all relevant times, members of each Individual Settling Defendant’s immediate family, any entity in which any Settling Defendant has a controlling interest, and the legal affiliates, representatives, heirs, controlling persons, successors and predecessors in interest or assigns of any such excluded party.

4. **Admission date is controlling; accounting for shares.** With respect to determining if a share is included in the Purchaser Class, the following conditions will apply for purposes of this Plan of Allocation.

A. The admission date as reflected on the Company’s records will be controlling for purposes of this Plan of Allocation, including determining whether a purchase is considered to have been made during the Purchaser Class Period.

B. A first in first out (“FIFO”) accounting will be used to determine the shares to be included in the Purchaser Class. A FIFO accounting is applied on a chronological basis and assumes that the first shares purchased are the first shares redeemed, transferred or sold.

5. Shareholders of CHR may be considered members of the Purchaser Class with respect to some or all of the CHR shares purchased depending on when such purchase was made. If a shareholder made multiple purchases, then only shares purchased during the Purchaser Class Period according to the guidelines below will be considered eligible to be included in the Purchaser Class.

A. **Subscription Purchases.** Shares where the subscription purchase is confirmed by the records of CHR with an admission date between August 16, 2001 and August 16, 2004, inclusive, are eligible to be included in the Purchaser Class.

B. **Reinvestment Plan Purchases.** Shares purchased through the CHR Reinvestment Plan are eligible to be included in the Purchaser Class only if the records of CHR confirm that such shares were allocated to the shareholder’s account between August 16, 2001 and August 16, 2004, inclusive.

C. **Third Party Purchase.** Shares purchased from a person or entity other than CHR will be eligible to be included in the Purchaser Class only if the books of CHR indicate an admission date for the purchase of such shares between August 16, 2001 and August 16, 2004, inclusive. Purchases made through the informal trading market known as the secondary market are considered Third Party Purchases.

6. In connection with Purchaser Class claims CHR will pay, or cause to be paid, the following amounts in settlement of the Settled Claims.

A. **“2006 Cash Consideration.”** At a date of CHR’s choosing, which shall be no later than January 15, 2007, or the Effective Date, whichever is later, the sum of \$3,700,000;

B. **“2007 Cash Consideration.”** At a date of CHR’s choosing, which shall be no later than January 15, 2008, the sum of \$15,650,000; and

C. **“2008 Cash Consideration.”** At a date of CHR’s choosing, which shall be no later than January 15, 2009, the sum of \$15,650,000.

These amounts shall be evidenced by a non-interest bearing, unsecured Note from CHR, which will provide for, among other things, acceleration of and the payment of interest on the unpaid amounts in the event of a failure to pay any sum when due.

7. **Net Settlement Consideration.** Collectively, the 2006, 2007 and 2008 Cash Consideration and the interest earned on such funds after payment of court awarded fees and expenses including all claims administration costs (the “Net Settlement Consideration”) will be distributed among members of the Purchaser Class in one or more distributions following receipt of the 2007 Cash Consideration.

A. **Allocation of Claims Administration Costs.** Following mailing of the Notice, Investment Data Forms and Proof of Claim forms, the Claims Administrator will maintain a separate accounting for the costs required to complete the claims administration (“post mailing costs”) for shares assigned to the Direct Purchase and Hold Group and the Transaction Group,

³ The “Class” collectively includes the Purchaser Class defined above and the Proxy Class certified by stipulation for purposes of this Settlement only and defined pursuant to Fed. R. Civ. P. 23(a) and (b)(2), as a class of all stockholders of CHR who were entitled to vote on the proposals presented in the proxy statement, dated June 21, 2004, as amended or supplemented by the additional proxy solicitation materials filed on July 7, July 8, and July 20, 2004.

defined at paragraph 10. Claims Administration costs incurred before mailing of the Notice, Investment Data Forms and the Proof of Claim forms are referred to as the pre-mailing costs.

B. A separate Net Settlement Consideration amount will be calculated for the Direct Purchase and Hold Group and the Transaction Group where (i) interest, court awarded fees and expenses and pre-mailing costs are allocated equally among the combined number of shares in both the Direct Purchase and Hold Group and the Transaction Group and the (ii) post mailing costs are specifically allocated to either the Direct Purchase and Hold Group or the Transaction Group.

8. Eligible Purchaser Class Shares. The Claims Administrator will determine in accordance with the Plan of Allocation which shares bought by Purchaser Class members during the Purchaser Class Period are eligible to receive a portion of the Net Settlement Consideration (“Eligible Purchaser Class Shares”).

A. Subscription Purchases and Reinvestment Plan Purchases are considered Eligible Purchaser Class Shares to the extent such shares have not been sold either to a third party or into the CHR Redemption Plan prior to August 16, 2004, inclusive.

B. Any shares sold into the CHR Redemption Plan prior to August 16, 2004 will not be considered Eligible Purchaser Class Shares. Since the consideration received by a Purchaser Class member through the Redemption Plan closely approximates the original purchase price of a share, Plaintiffs’ Counsel consider the Purchaser Class member to have received a full recovery of his/her/its investment in CHR with respect to the shares sold into the Redemption Plan.

C. Shares purchased during the Purchaser Class Period through a Third Party Purchase will be considered Eligible Purchaser Class Shares, subject to the Weighting Formula described at paragraph 14.

D. Shares bought during the Purchaser Class Period that are also sold during the Purchaser Class Period through a Third Party Transaction may be eligible to receive a distribution of the Net Settlement Consideration. Such distribution, if any, will be determined according to the terms of paragraph 13 and subject to the Weighting Formula described at paragraph 14.

E. Transfers by Operation of Law. A transfer by operation of law means a transfer of shares to a person, entity or account for zero consideration (e.g., gifts, bequests, marriage, divorce, and a change in account title such as an individual account to a retirement account). The person, entity or account that makes the transfer is the transferor. The person, entity or account that receives the shares is the transferee.

(1) A Purchaser Class member who is a transferor during the Purchaser Class Period is deemed to have also transferred the allocation of the Net Settlement Consideration with respect to the Eligible Purchaser Class Shares to the transferee.

(2) A transferee who receives Eligible Purchaser Class Shares during the Purchaser Class Period will be eligible to receive the Net Settlement Consideration allocated to the Eligible Purchaser Class Shares transferred only if such transferee files a Proof of Claim, see paragraphs 10 C (3) c and 12.

(3) If a transferee receives shares during the Purchaser Class Period but the transferor acquired the shares before August 16, 2001 (the beginning of the Purchaser Class Period), then the transferee will not be entitled to receive an allocation of the Net Settlement Consideration because the shares transferred were not Eligible Purchaser Class Shares.

9. Per Share Allocation. The Net Settlement Consideration first will be determined for the Direct Purchase and Hold Group and the Transaction Group as specified in paragraph 7.

A. The Direct Purchase and Hold Per Share Allocation (“DPH Allocation”) will be calculated as the Net Settlement Consideration attributed to the Direct Purchase and Hold Group divided by the Eligible Purchaser Class Shares in the Direct Purchase and Hold Group.

B. The Transaction Group Per Share Allocation (“TG Allocation”) will be calculated as the Net Settlement Consideration attributed to the Transaction Group divided by the Eligible Purchaser Class Shares in the Transaction Group.

10. Investment Data Form. An investment summary form (“Investment Data Form”) will be sent to CHR shareholders of record as of August 16, 2004.

Direct Purchase and Hold Group - Those shareholders in categories A, B (1) and C (1) below will receive a payment of the DPH Allocation (see paragraph 9A) with respect to the shares they purchased directly from CHR during the Purchaser Class Period and still owned as of August 16, 2004 (“Direct Purchase and Hold Group”). It is anticipated that the majority of shares held on August 16, 2004 will be included in the Direct Purchase and Hold Group.

Transaction Group - Those shareholders in categories B (2), C (2) and D below (the “Transaction Group”) will be required to submit a Proof of Claim with respect to some or all of the shares they owned during the Purchaser Class Period depending on the type of transaction by which they acquired and/or disposed of shares. Shareholders in the Transaction Group will share the TG Allocation according to the provisions of paragraphs 10, 13 and 14.

A. Category A. Shareholders who made Subscription Purchases or Reinvestment Plan Purchases during the Purchaser Class Period and who continue to hold all such shares as of August 16, 2004 and did not acquire shares during the Purchaser Class Period other than directly from CHR will not have to file a Proof of Claim with respect to any of their shares and will only be required to submit information to the Claims Administrator to correct data on the Investment Data Form.

(1) Such shareholders will receive a DPH Allocation with respect to the shares purchased from CHR during the Purchaser Class Period.

(2) Such shareholders will receive an IDF indicating the number of shares owned on August 16, 2004 equal to the number of shares owned on August 15, 2001 plus the number of shares purchased from CHR during the Purchaser Class Period and zero shares redeemed.

B. Shareholders who made Subscription Purchases or Reinvestment Plan Purchases during the Purchaser Class Period and who as of August 16, 2004 owned less than the number of shares purchased during the Purchaser Class Period.

(1) **Category B (1).** Shareholders will receive a DPH Allocation with respect to the shares purchased from CHR during the Purchaser Class Period that were held as of August 16, 2004.

(2) **Category B (2).** However, where the shares owned as of August 16, 2004 are less than the shares shown on the IDF as having been purchased during the Purchaser Class Period from CHR, it will be presumed that the shareholder disposed of the difference in the number of shares during the Purchaser Class Period (“Disposed Shares”) by one of the three types of transactions described in section 3 below.

(3) **Disposition Transactions.** The IDF will reflect shares that were sold into the CHR Redemption Plan during the Purchaser Class Period by the shareholder. Applying a FIFO accounting, if the IDF indicates the shareholder owned shares as of August 15, 2001, then the shares redeemed during the Purchaser Class Period will first be considered to be the shares purchased before August 16, 2001.

(a) The IDF will reflect the number of Disposed Shares not attributable to redemptions. The shareholder will not receive a TG Allocation with respect to the Disposed Shares not attributable to redemptions unless the shareholder submits a Proof of Claim with respect to such shares.

(b) If a shareholder disposed of shares through a Third Party Transaction (see paragraph 13) then such shares may be considered eligible for a TG Allocation subject to the Weighting Formula described at paragraph 14.

(c) If a shareholder transferred shares through a Transfer by Operation of Law (see paragraph 8 E) such shareholder need not submit documentation with the Proof of Claim and the shareholder will not receive a payment with respect to the shares transferred.

C. Shareholders who made Subscription Purchases or Reinvestment Plan Purchases during the Purchaser Class Period and who owned a greater number of shares as of August 16, 2004 than the number of shares purchased during the Purchaser Class Period.

(1) **Category C (1).** Such shareholders will receive a DPH Allocation with respect to the shares purchased from CHR during the Purchaser Class Period that were held as of August 16, 2004.

(2) **Category C (2).** However, where the shares owned as of August 16, 2004 are greater than the shares shown on the IDF as having been purchased during the Purchaser Class Period from CHR, it will be presumed that the shareholder acquired the difference in the number of shares during the Purchaser Class Period (“Acquired Shares”) by one of the two types of transactions described in section 3 below.

(3) **Redemptions and Acquisition Transactions.** The IDF will indicate whether any shares were sold by the shareholder into the CHR Redemption Plan during the Purchaser Class Period. Applying a FIFO accounting, if the IDF indicates the shareholder owned shares as of August 15, 2001, then the shares redeemed during the Purchaser Class Period will first be considered to be the shares purchased before August 16, 2001.

(a) The IDF will reflect the number of Acquired Shares net of any share redemptions. The shareholder will not receive a TG Allocation with respect to the Acquired Shares unless the shareholder submits a Proof of Claim with respect to such shares.

(b) If a shareholder acquired shares through a Third Party Transaction (see paragraph 13) then such shares may be considered eligible for a TG Allocation subject to the Weighting Formula described at paragraph 14.

(c) If a shareholder had shares transferred to him/her/it through a Transfer by Operation of Law (see paragraph 8 E) such shareholder must submit a Proof of Claim to be considered eligible to receive a payment of the TG Allocation with respect to the shares received by such a transfer. Only shares that were purchased by the transferor during the Purchaser Class Period will cause a transferee to be considered eligible to receive a payment from the TG Allocation (see paragraph 8 E (3)).

D. Category D. Shareholders where the IDF shows zero shares purchased from CHR during the Purchaser Class Period and a number of shares as of August 16, 2004 that is greater than the number of shares as of August 15, 2001 will be required to submit a Proof of Claim. No payment of the TG Allocation will be made with respect to such shares unless a Proof of Claim is received.

(1) It will be presumed that the shareholder acquired shares during the Purchaser Class Period (“Acquired Shares”) by one of the two types of transactions described in section 3 below.

(2) The IDF will indicate whether any shares were sold by the shareholder into the CHR Redemption Plan during the Purchaser Class Period. Applying a FIFO accounting, if the IDF indicates the shareholder owned shares as of August 15, 2001, then the shares redeemed during the Purchaser Class Period will first be considered to be the shares purchased before August 16, 2001.

(3) **Redemptions and Acquisition Transactions.** The IDF will reflect the number of Acquired Shares net of any share redemptions.

(a) If a shareholder acquired shares through a Third Party Transaction (see paragraph 13) then such shares may be considered eligible for a TG Allocation subject to the Weighting Formula described at paragraph 14.

(b) If a shareholder had shares transferred to him/her/it through a Transfer by Operation of Law (see paragraph 8 E) such shareholder must submit a Proof of Claim to be considered eligible to receive a payment of the TG Allocation. Only shares that were purchased by the transferor during the Purchaser Class Period will cause a transferee to be considered eligible to receive a payment from the TG Allocation (see paragraph 8 E (3)). The Weighting Formula described at paragraph 14 will not apply to shares acquired through a Transfer by Operation of Law.

11. Changes to the information contained on the Investment Data Form. A shareholder may provide information to correct or modify the information contained on the Investment Data Form by submitting credible, correcting information and documentation to the Claims Administrator. The forms of acceptable documentation are specified on the Investment Data Form.

A. Changes, with the required documentation, to the investment information including the admission date and the number of shares purchased or redeemed (“Investment Data”) must be provided to the Claims Administrator in writing in accordance with the instructions on the Investment Data Form no later than the date specified on the Investment Data Form.

B. Changes, with the required documentation, to the mailing address may be updated at any time through final distribution of the Net Settlement Consideration by providing written notification to the Claims Administrator according to the instructions contained in the Investment Data Form. Shareholders are encouraged to notify the Claims Administrator promptly of any change in mailing address.

C. Transfers by Operation of Law *related to bequests only* will be recognized by the Claims Administrator through final distribution of the Net Settlement Consideration. Heirs are encouraged to notify the Claims Administrator promptly of all bequests by submitting credible, written information and documentation to the Claims Administrator according to the instructions contained on the Investment Data Form.

D. The Claims Administrator will have the discretion to determine the adequacy of the documentation supporting a requested change in or modification to the information contained on the Investment Data Form and if such information has been filed in a timely manner.

12. Proof of Claim. A Proof of Claim (defined as a completed, signed Proof of Claim form and all required supporting documentation as specified on the Proof of Claim form) must be submitted by shareholders where some or all of their shares fall into the Transaction Group defined in paragraph 10.

A. A Proof of Claim must be submitted listing each Disposition or Acquisition Transaction (see paragraphs 10 B (3), 10 C (3) and 10 D (3)) in order for the Claims Administrator to consider the transaction for inclusion in the allocation of the Transaction Group Net Settlement Consideration. A Proof of Claim is not required for any shares disposed of by a sale through the CHR Redemption Plan.

B. A Proof of Claim will be provided to shareholders along with the Notice. A blank Proof of Claim can also be requested directly from the Claims Administrator by phone or letter or through their web site.

C. A Proof of Claim and the required credible evidence of the transaction as specified on the Proof of Claim form must be filed with the Claims Administrator according to the instructions set forth on the Proof of Claim and by the date specified in the Proof of Claim.

D. The Claims Administrator will have the discretion to determine the adequacy of the documentation supporting the Proof of Claim and if such information has been filed in a timely manner.

13. Third Party Transactions during the Purchaser Class Period. Third Party Transactions include the purchase or sale of CHR securities among persons or entities other than CHR (“Third Party Transactions”). Purchases and sales made through the informal trading market known as the secondary market are considered Third Party Transactions.

A. The buyer and seller who acquired or disposed of Eligible Purchaser Class Shares during the Purchaser Class Period and files a valid Proof of Claim form may be eligible to receive a distribution of the TG Allocation. Such distribution, if any, will be determined by the Claims Administrator and will be subject to a weighting based on the gross purchase price and gross sales price according to the Weighting Formula described at paragraph 14.

B. Forfeiture in the event a Proof of Claim and required evidence is not timely submitted. In the event the buyer or seller (or both) to a Third Party Transaction that occurs during the Purchaser Class Period fails to timely submit the Proof of Claim and all required evidence, the TG Allocation otherwise attributable to such party after applying the weighting will be forfeited and will revert to the Net Settlement Consideration.

C. Shares sold during the Purchaser Class Period that were purchased before August 16, 2001 are ineligible to be allocated a distribution from the Net Settlement Consideration. Any shares purchased prior to the beginning of the Purchaser Class Period, August 16, 2001, are not Eligible Purchaser Class Shares and therefore, the shareholder is not

entitled to receive a distribution from the Net Settlement Consideration with respect to such shares even if the shares were sold in a Third Party Transaction during the Purchaser Class Period.

14. Weighting Formula. The Weighting Formula below will be applied to all Third Party Transactions that occurred during the Purchaser Class Period. The TG Allocation will be allocated based on the assigned weighting.

A. A Purchaser Class member who sells some or all of his/her/its Eligible Purchaser Class Shares in a Third Party Transaction during the Purchaser Class Period for a gross sale price⁴ that equals or exceeds \$19 per share will not be eligible to receive a TG Allocation. Since the consideration received by the seller through such Third Party Transaction closely approximates the original purchase price of the share, Plaintiffs’ Counsel consider the seller to have received a full recovery of his/her/its investment in CHR with respect to the Eligible Purchaser Class Shares sold.

B. Shareholders who purchased Eligible Purchaser Class Shares through a Third Party Transaction during the Purchaser Class Period where the gross purchase price⁵ equals or exceeds \$19 per share will be assigned 100% of the TG Allocation attributed to the TG Eligible Purchaser Class Shares acquired.

C. Where a Third Party Transaction during the Purchaser Class Period occurs with a gross transaction price⁶ less than \$19 per Eligible Purchaser Class Share, the TG Allocation will be attributed to the seller and buyer according to the following formula.

(1) The midpoint for the weighting will be established at the weighted average price per Eligible Purchaser Class Share where the gross transaction price is less than \$19 per Eligible Purchaser Class Share. Only Third Party Transactions for which properly executed and documented Proof of Claim forms have been timely submitted will be included in this calculation.

(2) The Claims Administrator will calculate a sliding scale for the range of actual gross transaction prices where: (a) the weighted average price is assigned a 50% weight to both seller and buyer; (b) the highest gross transaction price that is less than \$19 per share will have a weighting of 95% to the buyer and 5% to the seller and (c) the lowest actual gross transaction price will have a weighting of 5% to the buyer and 95% to the seller. Weightings will be rounded to the nearest whole percentage.

For Example: assuming the highest gross transaction price per share less than \$19 is \$18.50, the lowest gross transaction price per share is \$15.50, and the weighted average price is \$17.00 per share, the resulting sliding scale would be as follows:

<u>Gross Transaction Price Per Share</u>	<u>Assigned Weighting to Per Share Allocation</u>	
	<u>Buyer</u>	<u>Seller</u>
\$19.00	100%	0%
\$18.50	95%	5%
\$17.75	72.5%	27.5%
\$17.00	50%	50%
\$16.75	27.5%	72.5%
\$15.50	5%	95%

(3) Where a Third Party Transaction during the Purchaser Class Period includes shares that were purchased before August 16, 2001 the buyer will be assigned the weighting according to the above formula. The seller’s portion resulting from the weighting will revert to the Net Settlement Consideration because the shares sold were not Eligible Purchaser Class Shares because the seller did not purchase such shares during the Purchaser Class Period.

15. Disputes among Purchaser Class Members with respect to the TG Allocation.

A. It is the obligation of the seller and the buyer to resolve any disputes, if any, between themselves with respect to the TG Allocation.

B. In the event a Purchaser Class Member who bought or sold shares through a Third Party Transaction chooses to press a dispute concerning the sharing of the TG Allocation resulting from the Weighting Formula, the TG Allocation attributable to the shares subject to the dispute will be put in a segregated account. All costs related to the dispute including claims administration costs and court costs will be deducted from the segregated TG Allocation funds. It is expected that the claims administration costs alone related to disputes will exceed the segregated funds in which event the shares in dispute will be excluded from participation in the TG Allocation and both seller and buyer will forfeit any portion of the TG Allocation. If the segregated amount exceeds the claims administration costs to consider the dispute, the dispute will be referred to a special magistrate assigned by the Court. Any court costs and additional claims administration costs first will be deducted from the remaining segregated funds. The disputing party will be responsible to pay all remaining unpaid costs in advance before the magistrate will consider the dispute.

⁴ Gross sale price means the sale price per share received by the seller net of commissions, mark-ups and any other transaction fees paid by the seller.

⁵ Gross purchase price means the price paid by the buyer including any mark-ups charged to the buyer by a firm acting as principal.

⁶ Gross transaction price means the gross sale price for sellers and gross purchase price for buyers.

16. Purchases of shares through Third Party Transactions after the end of the Purchaser Class Period. Third Party Transactions that occur after August 16, 2004, the end of the Purchaser Class Period, will not be considered for purposes of the Plan of Allocation.

A. No buyer will be recognized by the Claims Administrator as being entitled to receive any portion of the Net Settlement Consideration regardless of any contractual arrangements between the seller and buyer.

B. No changes will be made to the Investment Data or the ownership of the shares for purposes of distributing the Net Settlement Consideration.

C. Neither the Claims Administrator nor Plaintiffs' Counsel will review any contractual arrangements, mediate any dispute, or withhold distribution of the Net Settlement Consideration.

D. It is the obligation of the seller and the buyer to resolve any disputes, if any, between themselves with respect to the Net Settlement Consideration or to seek a forum other than this litigation to resolve such dispute.

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