

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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IN RE LLOYD'S AMERICAN TRUST FUND
LITIGATION

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96 Civ. 1262 (RWS)
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THIS DOCUMENT RELATES TO:
ALL ACTIONS

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**NOTICE OF PENDENCY
OF CLASS ACTION**
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TO: ALL FORMER AND CURRENT UNDERWRITING MEMBERS OF THE SOCIETY OF LLOYD'S WHO UNDERWROTE AMERICAN BUSINESS AND WHO DID NOT ACCEPT LLOYD'S OFFER OF SETTLEMENT IN CONNECTION WITH ITS PLAN FOR RECONSTRUCTION AND RENEWAL

**YOUR LEGAL RIGHTS MAY BE AFFECTED BY THIS NOTICE.
PLEASE READ THIS NOTICE CAREFULLY.**

Why should I read this Notice?

Two Members ("Names") of the Society of Lloyd's ("Lloyd's"), Mr. Mark Rose and Mr. Philip Stamm, have sued Citibank, N.A. ("Citibank") in a class action filed in the United States District Court, Southern District of New York on behalf of all Names who were beneficiaries of the trusts held by Citibank in connection with the underwriting of "American Business" (i.e., policies that were payable in U.S. dollars and whose premiums were paid in U.S. dollars). As a Name that underwrote American Business, your rights may be affected by this lawsuit. You are receiving this notice because you may qualify as a member of the Class. The purpose of this notice is to advise that this action exists, provide you with information about the action, and ask you to make a decision as to whether you should remain a member of the Class.

What is this case about?

Citibank acts as the trustee of the Lloyd's American Trust Fund ("LATF"), in which policyholder premiums and other monies are held in trust in connection with the underwriting of American Business. Plaintiffs allege each Name that underwrote American Business had money held in trust by Citibank and was a beneficiary of that trust. Plaintiffs have alleged that Citibank breached its fiduciary duties to the Names for whom it acted as trustee. Specifically, Plaintiffs allege that Citibank breached its fiduciary duties as a trustee by, among other things: (1) failing to abide by the terms of the trust agreement including (a) failing to establish individual trust accounts as allegedly instructed by the trust deeds; (b) commingling the monies of individual trust funds; (c) improvidently making loans on behalf of beneficiaries who had no obligation to make such loans and without sufficient information to know whether those loans could be repaid by the borrower; and (d) failing to maintain records of the monies it holds on behalf of each beneficiary; (2) failing to inform the beneficiaries of massive impending losses resulting from asbestos and pollution liabilities of which it was aware; and (3) self-dealing by, among other things, preferring itself over its beneficiaries, and acquiescing and participating in a purported amendment to the trust deed in order to insulate Citibank from liability to the beneficiaries.

Plaintiffs allege Citibank is liable to the beneficiaries and answerable in damages. Accordingly, plaintiffs will seek damages from Citibank, including, but not limited to, requiring that Citibank restore all monies that were improvidently loaned on behalf of beneficiaries who had no obligation to make such loans. Plaintiffs may also seek to have the fees paid to Citibank to act as a trustee disgorged as plaintiffs allege Citibank failed to act as a trustee. Plaintiffs may also seek damages for monies they invested in Lloyd's syndicates which they would not have invested had Citibank apprised them of the true condition of the risks they faced and which were allegedly known to Citibank at the time plaintiffs made their investments and for Citibank's alleged self-dealing. Plaintiffs have also requested punitive damages.

Citibank denies Plaintiffs' allegations, asserts certain affirmative defenses in opposition to Plaintiffs' claims, and asserts that it is not liable to Plaintiffs or the Class. Among other things, Citibank contends that : (1) it acted in accordance with the express terms of the trust deed; (2) it complied with all directions that it received from Lloyd's; (3) it did not breach any duties owed to any Name; and (4) no Name suffered any damages by virtue of Citibank's conduct. Citibank also contends that some of the Names who are members of the Class may not have had monies loaned on their behalf, and that some Names may have benefited from the alleged loans to the extent that insolvent Lloyd's syndicates in which those Names participated received such loans.

The Court has not expressed any view as to the merits of the claims asserted by plaintiffs or the denials and defenses asserted by Citibank.

What is a class action?

A class action is a lawsuit brought by one or more representative plaintiffs on behalf of a group of people who allegedly have been injured in a similar fashion. The purpose of the class action is to resolve the claims of all the allegedly injured people in one proceeding. The plaintiffs who bring the action and are certified to act for the group are "Class Representatives" or "Class Plaintiffs." The other people who have been injured, and who chose to remain with the Class Plaintiffs are referred to as "Class Members" or, sometimes, simply, the "Class." The attorneys that are chosen by the Court to act on behalf of the Class and the Representative Plaintiffs are called "Class Counsel" or "Attorneys for Plaintiffs and the Class."

There are various types of class actions that can be certified. In this case, the Court has certified what is called an "opt-out" class. This means that if you fall within the definition of the Class, you are automatically a member of the Class unless you request exclusion, i.e., request to opt-out of the Class.

How do I know if I may be a member of this Class?

By Order dated February 4, 1998, the Honorable Robert W. Sweet certified this action as a class action and defined the class as all former and current Underwriting Members of the Society of Lloyd's who underwrote American Business and who allegedly have been damaged by the conduct of Citibank in allegedly breaching its fiduciary duties as trustee of the Lloyd's American Trust Funds, excepting those persons who have expressly accepted Lloyd's offer of settlement in connection with its plan for Reconstruction and Renewal, and excepting Citibank's officers and directors.

If you are or were a Name, and you underwrote American Business, and you did not accept Lloyd's settlement offer in connection with its Reconstruction and Renewal plan, and you are not an officer or director of Citibank, then you are a member of the Class.

In addition, if you enter into a settlement with Lloyd's at some future date, you may be asked to provide a release of all your claims against Citibank in connection with that settlement. If you sign such a release, Citibank will likely argue to the Court that you are no longer entitled to be a Class Member.

Pursuant to Rule 23(c)(1) of the Federal Rules of Civil Procedure, the Court reserves jurisdiction to modify, alter or amend the above-described Order designating this action as a class action at any time before a final disposition of this action.

Who represents the Class?

The following counsel and their law firms are the Attorneys for the Class:

Sanford P. Dumain, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
One Pennsylvania Plaza
New York, New York 10119

Kenneth A. Lapatine, Esq.
Camhy Karlinsky & Stein, LLP
1740 Broadway, 16th Floor
New York, New York 10019

Jill S. Abrams, Esq.
Abbey, Gardy & Squitieri
212 East 39th Street
New York, New York 10019

These firms have extensive experience litigating complex, commercial cases and have developed an expertise in prosecuting class actions.

Who are the Class Representatives?

When an action is brought on behalf of many people by a representative few, the plaintiffs must seek permission from the Court to pursue the action as a class action. In connection with this, the plaintiffs are subjected to discovery demands and are deposed to determine if they can and will act in the best interest of the Class. In this action, the Court has determined that Mr. Mark Rose and Mr. Philip Stamm are adequate Class Representatives. Mr. Rose is a businessman who has been a Name at Lloyd's since 1979. Mr. Stamm is an attorney who has been a Name at Lloyd's since 1980.

As a member of the Class, what decisions do I have to make?

If you are a member of the Class defined above, you must now make a choice whether or not to remain a member of the Class. The decision either to remain a member of the Class, or to exclude yourself from the Class, will have consequences which you should understand before you make your decision.

How do I remain a member of the Class?

Because this Class is an "opt-out" class, if you wish to remain a member of the Class you do not need to take any further action.

What happens if I remain a member of the Class?

If you are a resident or domiciliary of the United States, and do not request exclusion, your legal rights with respect to the claims asserted against Citibank will be determined in this action and you will be bound by any order or judgment that the Court has entered or will enter with respect to the Class, whether favorable or unfavorable.

If you are not a resident or domiciliary of the United States, and do not request exclusion, your legal rights with respect to the claims asserted against the defendant may be determined in this action and you may be bound by any order or judgment that the Court has entered or will enter with respect to the Class, whether favorable or unfavorable.

It is Citibank's position that if you choose to be a member of the Class and a judgment is entered in favor of the Class, you will not receive any money unless you submit to the jurisdiction of the Court and furnish evidence in support of your individual claim, which may be contested by Citibank.

How do I exclude myself from the Class?

If you are included in the definition of the Class and do not wish to participate, you can request to be excluded from the Class. In order to request exclusion, you must mail a written request for exclusion to Sanford P. Dumain, Esq. at MILBERG WEISS BERSHAD HYNES & LERACH LLP, One Pennsylvania Plaza, New York, New York 10119. Requests for exclusion should include your name and address. Requests for exclusion must be postmarked on or before October 1, 1998.

What happens if I exclude myself from the Class?

If you exclude yourself from the Class, you will not be bound by any judgment, favorable or unfavorable, entered in this litigation, and if the result is favorable to the Class, you will not be entitled to share in the benefits conferred upon the Class.

Is there anything else I should do in response to this Notice?

If you wish to, you may contact Class Counsel with any information that you believe will be helpful in reaching a successful conclusion for the Class. We ask that you inform Class Counsel of any change in your address to insure that additional notices in this action will be received by you.

Do I have to hire my own attorney?

No. Class Counsel will represent your interest if you remain a member of the Class. However, you may, but you are not required to, enter an appearance through counsel of your choice at your own expense.

Do I have to pay attorneys' fees?

You are only responsible for attorneys' fees if you choose to retain your own attorney to represent your interests in this action. If you are represented by Class Counsel, you are not required to pay any attorneys' fees out-of-pocket. At the conclusion of the action, in the event of an award of monetary damages, Class Counsel will apply to the Court for payment of reasonable legal fees and reimbursement of expenses out of any recovery achieved. Notice of any request for an award of attorneys' fees and reimbursement of expenses will be sent to Class members and there will be an opportunity for Class Members to object to any fee request. In the event that the action is unsuccessful, you will not be responsible for the payment of any legal fees or expenses.

Where can I get additional information about this lawsuit?

IF YOU HAVE ADDITIONAL QUESTIONS, PLEASE WRITE OR TELEPHONE:

Sanford P. Dumain, Esq.
Regina L. LaPolla, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
One Pennsylvania Plaza
New York, New York 10119
(212) 594-5300

All legal filings in this action (other than those that have been sealed to protect confidentiality) may be examined and copied at any time during regular business hours at the office of the Clerk of the Court, United States District Court, Southern District of New York, 500 Pearl Street, New York, New York 10007. **PLEASE DO NOT CALL OR WRITE TO THE JUDGE OR THE CLERK OF THE COURT CONCERNING THIS ACTION.**

Dated: May 29, 1998

By Order of the United States
District Court for the Southern
District of New York