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F I L E D
Clerk of the Superior Court
JUN 13 2005
By: **C. LUNT, Deputy**

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN DIEGO

DAVID W. WOOD, individually, and on
behalf of all others similarly situated,

Plaintiff,

vs.

HANSON, BRIDGETT, MARCUS,
VLAHOS & RUDY, LLP, ROBERT BLUM,
CONSTANCE M. HIATT, and DOES 1-50,

Defendants.

CASE NO.: GIC 830558

Judge: Hon. William C. Pate
Dept: 60
Action Filed: May 26, 2004

SAN DIEGO CITY EMPLOYEES'
RETIREMENT SYSTEM,

Plaintiff,


vs.

HANSON, BRIDGETT, MARCUS,
VLAHOS & RUDY, A Limited Liability
Partnership, ROBERT ALAN BLUM, an
individual; CONSTANCE MARIE HIATT,
an individual and DOES 1-100 inclusive,

Defendants.

CASE NO.: GIC 831983

Judge: Hon. William C. Pate
Dept: 60
Action Filed: June 25, 200


**~~PROPOSED~~ JUDGMENT APPROVING
SETTLEMENT OF CLASS ACTION AND
DISMISSING ACTION**

1 Pursuant to Rule 1859(e) of the California Rules of Court, hearings were held on
2 March 17, 2005, and May 31, 2005, in Department 60 of the Superior Court of the State of
3 California for the County of San Diego, The Honorable William C. Pate presiding. Michael A.
4 Conger appeared for plaintiff David W. Wood and for the Settlement Class. Kurt C. Peterson and
5 Peter J. Kennedy of Reed Smith LLP appeared for defendants Hanson, Bridgett, Marcus, Vlahos
6 & Rudy, LLP, Robert Blum, and Constance M. Hiatt ("Defendants"). Cornelius P. Bahan and
7 Alton J. Smith appeared for plaintiff San Diego City Employees' Retirement System.

8
9 The Court has conducted an inquiry into the fairness of the proposed settlement of
10 the consolidated action set forth in the Settlement Agreement and General Release ("Settlement
11 Agreement"), attached hereto as Exhibit "A," as required by Rule 1859(g) of the California Rules
12 of Court. The Court has considered factors relevant to fairness, including "[1] the strength of the
13 plaintiffs' case, [2] the risk, expense, complexity and likely duration of further litigation, [3] the
14 risk of maintaining class action status through trial, [4] the amount offered in settlement, [5] the
15 extent of discovery completed and the stage of the proceedings, [6] the experience and views of
16 counsel, [7] the presence of a governmental participant, and [8] the reaction of the class members
17 to the proposed settlement." (*Dunk v. Ford Motor Company* (1996) 48 Cal. App. 4th 1794, 1801.)

18
19 Based upon the evidence and arguments presented and the documents in the
20 court's file, and after due consideration of the factors relevant to fairness, the Court finds:

21
22 1. For purposes of this Settlement, the Court certifies the following as the
23 "Settlement Class":

24
25 All persons who are or have ever been active, current,
26 deferred, former, or retired members of SDCERS or active,
27 current, deferred, former or retired participants in any other
28 retirement plan that is administered by SDCERS, whether by
reason of employment with, or holding elective office with, the
City of San Diego or any other employer or for any other reason,
and all persons who may claim any interest whatsoever, for
whatever reason, in and to any rights or benefits under SDCERS

1 and/or any other retirement plan that is administered by SDCERS,
2 including but not limited to beneficiaries of members of SDCERS
3 and employees of the City of San Diego who are not yet but may
4 become entitled to membership in SDCERS, including all current
5 and former SDCERS staff and members of the SDCERS Board of
6 Administration who are active, current, deferred, former or retired
7 members of SDCERS or participants in any other retirement plan
8 that is administered by SDCERS.

9
10 2. Due notice of the approval hearings have been given to the members of the
11 Settlement Class pursuant to Rule 1859(f) of the California Rules of Court.
12

13
14 3. The only "agreement, express or implied, that has been entered into with
15 respect to the payment of attorney fees or the submission of an application for the approval of
16 attorney fees" (Cal. Rules of Court, Rule 1859(b)) is recited in the "Fee Division Agreement"
17 previously lodged with the Court on April 26, 2005, and attached hereto as Exhibit "B."
18

19
20 4. All parties, including the Settlement Class, are represented by experienced
21 and able counsel. Given the investigation and discovery to date, all parties are in a position to
22 have a clear view of the strengths and weaknesses of their cases and to make an informed
23 compromise of disputed issues.
24

25
26 5. The terms of settlement were negotiated through a process of arm's-length
27 bargaining in which all parties participated, and the parties were assisted by experienced
28 mediators, the Honorable Howard B. Wiener (Ret.) and the Honorable J. Lawrence Irving (Ret.).

29
30 6. The Settlement Agreement is not the product of fraud, or overreaching by,
31 or collusion between, negotiating parties.
32

33
34 7. All counsel to the parties have recommended and approved the terms of the
35 Settlement Agreement.
36

EXHIBIT A

SETTLEMENT AGREEMENT AND GENERAL RELEASE

The signatories to this Agreement are:

- (1) David W. Wood ("Wood") individually and on behalf of all members of the class defined in Paragraph No. 8, collectively referred to herein as the "Settlement Class;"
- (2) The San Diego City Employees' Retirement System ("SDCERS");
- (3) Hanson, Bridgett, Marcus, Vlahos & Rudy, L.L.P ("HBMVR");
- (4) Robert Blum, ("Blum"), individually; and
- (5) Constance M. Hiatt, ("Hiatt"), individually.

HBMVR, Blum, and Hiatt will collectively be referred to herein as the "Defendants."

The "Settlement Class," "SDCERS," and the "Defendants" will collectively be referred to herein as the "Parties."

I. RECITALS

A. On or about May 26, 2004, Wood, individually and on behalf of a purported class, filed a lawsuit against HBMVR, Blum, and Hiatt entitled *David W. Wood v. Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, et. al.*, San Diego County Superior Court Case No. GIC 830558 ("*Wood Action*").

B. On or about June 25, 2004, SDCERS filed a lawsuit against HBMVR, Blum, and Hiatt entitled *San Diego City Employees' Retirement System v. Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, et. al.*, San Diego County Superior Court Case No. GIC 831983 ("*SDCERS Action*").

C. Both Wood and SDCERS assert claims against the Defendants arising from professional services performed by Defendants on behalf of SDCERS. The *Wood* and *SDCERS* Actions will collectively be referred to herein as the "Actions."

D. Defendants deny any and all allegations of wrongdoing. Neither the settlement provided for herein nor the Settlement Sum is, and shall not in any way be construed as, deemed to be evidence of, or be admissible in any action or proceeding of any kind whatsoever (including, without limitation, arbitration proceedings) as an admission or concession of any fault, liability, fact or amount of damages, or any other matter whatsoever on the part of the Defendants, and the Defendants enter into this Agreement solely to avoid further substantial expense and inconvenience of potential litigation and finally put to rest all Claims as defined herein.

E. There are no other actions, claims, or proceedings on file as between Defendants on the one hand, and Wood and SDCERS on the other hand in any forum, or before any court, agency, or arbitral body.

F. Defendants have two professional liability policies, described below, with total limits of \$15 million subject to policy provisions and a deductible. Defendants have represented that they have no other insurance that provides coverage for the claims made.

G. Under the terms of the applicable policies, defense costs incurred by defendants erode the policy limits. The Hon. J. Lawrence Irving (Retired) has received and reviewed invoices relating to these fees and costs incurred by defendants. Defendants will account for fees and costs incurred (by providing final bills to Judge Irving who will review the bills for arithmetic accuracy, not appropriateness or reasonableness), and hence the available policy proceeds, when the Settlement Sum is distributed pursuant to this Agreement.

H. Defendants have provided Judge Irving information under oath regarding the net worth of individual Defendants Robert Blum and Constance Hiatt. Defendants have also provided documents memorializing the LLP status of Defendant HBMVR.

II. AGREEMENT

NOW, THEREFORE, IT IS HEREBY AGREED, by and among the Settlement Class, SDCERS, and the Defendants that the Actions and "Claims" (defined in Paragraph No. 11) are settled and compromised on the following terms and conditions:

1. Incorporation of Recitals. Each of the foregoing recitals is incorporated by reference herein and made a part hereof.
2. Settlement Amount. HBMVR shall direct its professional liability carrier to pay the policy limits, after reduction for fees and costs incurred by HBMVR in the defense of the Actions, on the "Lawyers Professional Liability Insurance" policy numbers SE812990X and SE818740X, to "San Diego City Employees Retirement System" within 30 days after counsel for SDCERS and the Settlement Class provide written notice that the conditions set forth in Paragraph Nos. 3 and 4 below have been satisfied. As of April 15, 2005, this amount is estimated to be about \$14,631,000, but the final amount will be determined on the day of payment.
3. Good Faith Settlement Determination. This Agreement is conditioned upon a final judicial determination by the Courts in consolidated the *Wood* and *SDCERS Actions* that the settlement is made in good faith pursuant to California Code of Civil Procedure Sections 877 and 877.6 (the "Good Faith Settlement Order"). Defendants shall file these motions within 30 days of the last signature on this Agreement. Defendants at their discretion may provide notice of this motion to non-party individuals or entities, but at a minimum will provide notice via certified mail, return receipt requested, to all current and former SDCERS Board of Administration members since 2002. The condition set forth in this paragraph shall be deemed satisfied when:
(a) the Good Faith Settlement Order is issued by the Court without any objection or opposition to the motion for the issuance of that order having been filed and or served by anyone; or (b) if

opposition or objection was filed, the time for filing of a writ for review of the Good Faith Settlement Order as provided in CCP §877.6(c) has expired without the filing of a writ; or (c) said writ having been filed and been denied and the time for review or rehearing of said denial having expired without review or rehearing being sought as provided in CCP §877.6(e) or with review or rehearing having been denied, whichever is first.

4. Trial Court Approval of Non-Opt-Out Class Settlement and Agreement. This Agreement is conditioned upon the *Wood* Court approving a non-opt-out class settlement with all settlement terms set forth in this Agreement. Because this settlement involves a "limited fund," this Agreement requires that Settlement Class members not have the opportunity to opt out of the Settlement Class and all Settlement Class members shall be bound upon final approval. After the Court tentatively approves the settlement reflected in this Agreement, SDCERS shall mail notice of the proposed settlement to the Settlement Class, notifying members of the Settlement Class of their right to object to the settlement. The condition set forth in this paragraph shall be deemed satisfied upon expiration of (a) the time for any person to appeal the Judgment of Dismissal giving final approval to the non-opt-out settlement reflected in this Agreement; or (b) if timely appeal of the Judgment of Dismissal is taken, upon issuance of the remittitur, or upon dismissal or other termination of appellate proceedings that affirms the *Wood* Court's approval of a non-opt-out class settlement with all settlement terms set forth in this Agreement.

5. Distribution of Settlement Sum. Upon the satisfaction of the conditions set forth in Paragraphs 3 and 4, the Settlement Sum shall be distributed as set forth in Paragraph 2. If the conditions set forth in Paragraphs 3 and 4 are not satisfied, then the provisions of this Agreement are of no effect and the Actions shall revive, with each Party's respective rights, claims, and defenses fully preserved as if there had been no settlement, and each Party will be precluded in

the Actions from relying upon any of the representations or statements leading up to this Settlement Agreement and Release or contained herein.

6. Dismissal with Prejudice. In the *Wood Action*, the Parties shall submit a proposed Judgment of Dismissal in the form attached as Exhibit "A" and the *Wood Court* shall retain jurisdiction to enforce the terms of this Agreement pursuant to California Rule of Court 1859(h). In the *SDCERS Action*, on the same day as receipt of the Settlement Sum SDCERS shall file a dismissal with prejudice of the *SDCERS Action* in the form attached as Exhibit "B."

7. Good Faith Settlement. Each member of the Settlement Class, SDCERS, and the Defendants expressly agree that the terms of this Agreement represent a good faith, arm's length compromise of all "Claims," as defined in Paragraph No. 11.

8. Class. The Settlement Class shall consist of all persons who are or have ever been active, current, deferred, former, or retired members of SDCERS or active, current, deferred, former or retired participants in any other retirement plan that is administered by SDCERS, whether by reason of employment with, or holding elective office with, the City of San Diego or any other employer or for any other reason, and all persons who may claim any interest whatsoever, for whatever reason, in and to any rights or benefits under SDCERS and/or any other retirement plan that is administered by SDCERS, including but not limited to beneficiaries of members of SDCERS and employees of the City of San Diego who are not yet but may become entitled to membership in SDCERS, including all current and former SDCERS staff and members of the SDCERS Board of Administration who are active, current, deferred, former or retired members of SDCERS or participants in any other retirement plan that is administered by SDCERS. SDCERS shall be responsible for providing any required notice to all members of the Settlement Class in a timely and complete manner. The Settlement Class notice and settlement

approval order shall provide that upon payment of the Settlement Sum, the Settlement Class shall be deemed to have released the Defendants from all "Claims," as defined in Paragraph No. 11.

9. Assertion of Claims. SDCERS and the Settlement Class agree not to assert any Claim (as defined in Paragraph No. 11) against the Defendants on behalf of the Settlement Class, SDCERS, future members of SDCERS, any past, present, or future member of the SDCERS Board of Administration or any of the "Releasers," as defined in Paragraph No. 11, including any Claim (as defined in Paragraph No. 11) to recoup fees paid to the Defendants by SDCERS.

10. Allocation of the Settlement Sum. SDCERS, the Settlement Class, and their respective counsel shall look solely to the Settlement Sum for settlement and satisfaction of all Claims (as defined in Paragraph No. 11) against Defendants, including without limitation all attorneys fees, costs, expenses, experts and consultants fees and costs, and any other expenses that might be awarded in the Actions.

11. Releases. Effective upon payment of the Settlement Sum, SDCERS and the Settlement Class, on behalf of themselves and their past, present, and future officers, directors, board members, agents, employees, representatives, members, insurers, attorneys, accountants, advisors, partners, partnerships, divisions, associates, affiliates, shareholders, trusts, heirs, successors-in-interest, predecessors-in-interest, legatees and assigns (all collectively referred to as "Releasers"), hereby release, discharge, and dismiss with prejudice the Defendants, including each of their predecessor and successor firms, their current and former partners, shareholders, employees, representatives, agents, attorneys, associates, insurers, mutual assurance entities, and assigns of and from any and all "Claims." "Claims" shall mean claims for relief, causes of action, debts, suits, rights of action, dues, sums of money, accounts, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, variances, executions,

demands, or obligations of any nature whatsoever, matured or unmatured, liquidated, absolute or contingent, known or unknown, at law, admiralty, equity or otherwise, including, without limitation, claims for damages, indemnity, contribution, or for costs, expenses and attorney's fees, which Releasors (including each member of the Settlement Class or any of them) have, own or hold, might have had, owned or held, formerly had, or hereafter might own or hold, arising from or relating to (a) any of the facts, omissions, or transactions alleged in the Actions or for which the pleadings in the Actions could be amended to include, or (b) any and all matters arising from or relating to the professional services rendered by Defendants to SDCERS.

12. Waivers of California Civil Code Section 1542. It is a condition of the consideration hereof, and is the intention of SDCERS and the Settlement Class, that this Agreement shall be effective as a complete release and settlement of all Claims as defined in Paragraph No. 11 that SDCERS and the Settlement Class now have or have had in the past, or might have in the future against the Defendants, including each of its predecessor and successor firms, its current and former partners, shareholders, employees, representatives, agents, attorneys, associates, insurers, mutual assurance entities, and assigns. In furtherance of this intention, which may be asserted by and between the parties hereto and/or their successors, heirs and/or assigns, SDCERS and the Settlement Class expressly, knowingly and voluntarily waive any and all rights and/or benefits conferred upon SDCERS or the Settlement Class by Section 1542 of the California Civil Code.

Section 1542 of the California Civil Code reads as follows:

"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."

SDCERS and the Settlement Class acknowledge that their legal counsel has advised them of and that they are familiar with the provisions of Section 1542 of the California Civil Code, as well as the provisions of any and all comparable or similar statutes or principles of law of any other state or federal jurisdiction might otherwise be deemed applicable, and that, being aware of that Section and other similar statutes or principles of law, SDCERS and the Settlement Class expressly waive any and all rights and benefits conferred by that Section or other similar statutes or principles of law on behalf of themselves individually, and on behalf of the Settlement Class. SDCERS and the Settlement Class admit to full knowledge and understanding of the consequences and effect of this waiver.

13. Assumption of Risk of Differences in Facts. Except for the representations contained in Recitals E, F, G, and H of this Agreement, SDCERS and the Settlement Class acknowledge that if the facts with respect to which this Agreement or the matters that are the subject of this Agreement are found hereafter to be different from the facts now believed by them to be true, they expressly accept and assume the risk of such possible differences in facts and agree that this Agreement will be and will remain effective notwithstanding such differences in facts.

14. No Reliance On Representations By Other Parties. Except for the representations contained in Recitals E, F, G, and H of this Agreement, this Agreement is executed without reliance upon any representation by SDCERS and the Settlement Class or their agents on the one hand, and the Defendants and their agents on the other hand, concerning the nature or extent of any damages or legal liability, and all parties have read the contents hereof, have been fully advised by counsel as to the consequences thereof, and have signed the same as a free act.

15. No Admission. This Agreement is entered into for purposes of settlement and compromise only. Neither this Agreement nor anything contained herein, nor any act or thing done in connection herewith, is intended to be nor shall be construed or deemed to be an

admission by any Party of liability, fault or wrongdoing, or an admission by any Party of any fact, allegation, or claim whatsoever.

16. Independent Legal Advice And Authority. The Parties have received independent legal advice from his, her, or its counsel regarding the meaning and legal effect of this Agreement, the advisability of making the agreements provided for herein, and the execution of this Agreement, and fully understand the same. The Parties executing this Agreement have the full right and authority to enter into this Agreement on behalf of himself, herself, or itself, or any person or entity on behalf of whom it enters into this Agreement in a representative capacity, and to bind fully such person or entity to the terms and obligations of this Agreement. The Parties executing this Agreement have full power to enter into this Agreement and have not heretofore assigned, transferred, or encumbered, or purported to assign, transfer, or encumber, voluntarily or involuntarily, to any person or entity, all or any portion of the Claims, obligations or rights which are the subject of this Agreement. SDCERS, the Settlement Class, and their respective counsel warrant that the Claims released pursuant to this Agreement have not been assigned or transferred voluntarily, involuntarily, or by operation of law. SDCERS and the Settlement Class promise to defend and indemnify Defendants against any of their own breaches of the representations and warranties in this paragraph.

17. Integrated Agreement. This Agreement constitutes and contains the entire agreement and understanding between the Parties hereto, and supersedes and replaces all prior statements, representations, negotiations, and agreements, proposed or otherwise, whether written or oral, concerning the subject matter hereof. This is an integrated document.

18. Prevailing Party. In the event of any litigation between the Parties, or any of them, to enforce any provision of this Settlement Agreement or any right of any Party hereto, the

non-prevailing Party or Parties to such litigation agree to pay to the prevailing Party or Parties all costs and expenses, including reasonable attorneys' fees, incurred therein. The attorneys' fees and costs so recovered shall include fees and costs for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single instrument. Photographic copies of signed counterparts may be used in lieu of the originals for any purpose. A faxed signature shall have the same force and effect as an original ink signature.

Date: _____, 2005

DAVID W. WOOD, individually and on behalf of the Class Settlement

Date: April 15, 2005

THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM, pursuant to an affirmative majority vote of its Board of Administration on April 15, 2005

By: STEVEN W. MEYER

Its: President

Date: _____, 2005

HANSON, BRIDGETT, MARCUS, VLAHOS & RUDY, L.L.P.

By: _____

Its: _____

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04/21/2005 09:29 FAX

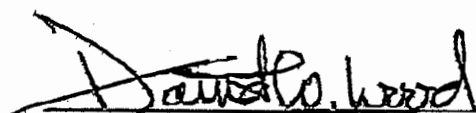
Law Off. Michael Conger

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non-prevailing Party or Parties to such litigation agree to pay to the prevailing Party or Parties all costs and expenses, including reasonable attorneys' fees, incurred therein. The attorneys' fees and costs so recovered shall include fees and costs for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full.

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Date: April 21, 2005



DAVID W. WOOD, individually and on behalf of the Class Settlement

Date: _____, 2005

THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM, pursuant to an affirmative majority vote of its Board of Administration on _____, 2005

By: _____

Its: _____

Date: _____, 2005

HANSON, BRIDGETT, MARCUS, VLAHOS & RUDY, LLP.

By: _____

Its: _____

04-20-05 11:34am From=HANSON BRIDGETT

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non-prevailing Party or Parties to such litigation agree to pay to the prevailing Party or Parties all costs and expenses, including reasonable attorneys' fees, incurred therein. The attorneys' fees and costs so recovered shall include fees and costs for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single instrument. Photographic copies of signed counterparts may be used in lieu of the originals for any purpose. A faxed signature shall have the same force and effect as an original ink signature.

Date: _____, 2005

DAVID W. WOOD, individually and on behalf of the Class Settlement

Date: _____, 2005

THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM, pursuant to an affirmative majority vote of its Board of Administration on _____, 2005

By: _____

Its: _____

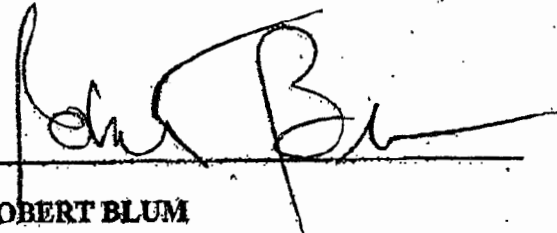
Date: 4/18, 2005

HANSON, BRIDGETT, MARCUS, VLAHOS & RUDY, L.L.P.


By: 

Its: MANAGING PARTNER

Date: 4/15 2005


ROBERT BLUM

Date: April 15 2004


CONSTANCE HIATT

APPROVED AS TO FORM:

LAW OFFICES OF MICHAEL A. CONGER

By: _____
Michael A. Conger
Settlement Class Counsel, and Attorney
for Plaintiff David W. Wood, individually
and on behalf Settlement Class

REED SMITH LLP

By: _____
Kurt C. Peterson
Peter J. Kennedy
Counsel for Defendants Robert Blum,
Constance M. Hiatt, and Hanson,
Bridgett, Marcus, Vlahos & Rudy, L.L.P.

LAW OFFICES OF CORNELIUS P. BAHAN

By: _____
Cornelius P. Bahan
Counsel for Plaintiff San Diego City
Employees' Retirement System

LAW OFFICE OF ALTON J. SMITH

By: _____
Alton J. Smith
Counsel for Plaintiff San Diego City
Employees' Retirement System

04-22-05 08:55pm From REED SMITH

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04/22/2005 12:07 FAX 8587591908

Law Off. Michael Conger

0005

Date: _____, 2005


ROBERT BLUM

Date: _____, 2004


CONSTANCE HIATT

APPROVED AS TO FORM:

LAW OFFICES OF MICHAEL A. CONGER

By: 
Michael A. Conger
Settlement Class Counsel, and Attorney
for Plaintiff David W. Wood, individually
and on behalf Settlement Class

REED SMITH LLP

By: 
Kurt C. Peterson
Peter J. Kennedy
Counsel for Defendants Robert Blum,
Constance M. Hiatt, and Hanson,
Bridgett, Marcus, Vlahos & Rudy, L.L.P.

LAW OFFICES OF CORNELIUS P. BAHAN

By: _____
Cornelius P. Bahan
Counsel for Plaintiff San Diego City
Employees' Retirement System

LAW OFFICE OF ALTON J. SMITH

By: _____
Alton J. Smith
Counsel for Plaintiff San Diego City
Employees' Retirement System

Apr. 26. 2005 7:13PM

No.1920 P. 2

Date: _____, 2005

ROBERT BLUM

Date: _____, 2004

CONSTANCE HIATT

APPROVED AS TO FORM:


LAW OFFICES OF MICHAEL A. CONGER

By: _____
Michael A. Conger
Settlement Class Counsel, and Attorney
for Plaintiff David W. Wood, individually
and on behalf Settlement Class


REED SMITH LLP

By: _____
Kurt C. Peterson
Peter J. Kennedy
Counsel for Defendants Robert Blum,
Constance M. Hiatt, and Hanson,
Bridgett, Marcus, Vlahos & Rudy, L.L.P.

LAW OFFICES OF CORNELIUS P. BAHAN

By: 
Cornelius P. Bahan
Counsel for Plaintiff San Diego City
Employees' Retirement System

LAW OFFICE OF ALTON J. SMITH

By: 
Alton J. Smith
Counsel for Plaintiff San Diego City
Employees' Retirement System

Date: _____, 2005

ROBERT BLUM

Date: _____, 2004

CONSTANCE HIATT

APPROVED AS TO FORM:

LAW OFFICES OF MICHAEL A. CONGER

By: _____
Michael A. Conger
Settlement Class Counsel, and Attorney
for Plaintiff David W. Wood, individually
and on behalf Settlement Class

REED SMITH LLP

By: _____
Kurt C. Peterson
Peter J. Kennedy
Counsel for Defendants Robert Blum,
Constance M. Hiatt, and Hanson,
Bridgett, Marcus, Vlahos & Rudy, L.L.P.

LAW OFFICES OF CORNELIUS P. BAHAN

By: _____
Cornelius P. Bahan
Counsel for Plaintiff San Diego City
Employees' Retirement System

LAW OFFICE OF ALTON J. SMITH

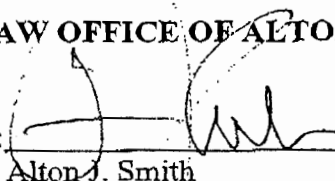
By: _____

Alton J. Smith
Counsel for Plaintiff San Diego City
Employees' Retirement System

EXHIBIT B

FEE DIVISION AGREEMENT

The parties to this agreement are: (1) the Law Offices of Cornelius P. Bahan ("Bahan"); (2) the Law Office of Alton J. Smith ("Smith"); (3) the Law Offices of Michael A. Conger ("Conger"); (4) Richard H. Benes ("Benes"); and (5) The San Diego City Employees' Retirement System ("SDCERS").

RECITALS

A. On or about May 26, 2004, David W. Wood, individually and on behalf of a purported class, filed a lawsuit against Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP ("HBMVR"), Robert Blum ("Blum"), and Constance Hiatt ("Hiatt"), entitled *David W. Wood v. Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, et al.*, San Diego County Superior Court Case No. GIC 830558 (the "*Wood Action*").

B. On or about June 25, 2004, SDCERS filed a lawsuit against HBMVR, Blum, and Hiatt entitled *San Diego City Employees' Retirement System v. Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, et al.*, San Diego County Superior Court Case No. GIC 831983 (the "*SDCERS Action*").

C. By contract between Bahan and Smith, on the one hand, and the Board of Administration of SDCERS, on the other, Bahan and Smith are entitled to receive a contingent attorney fee of 25 percent of the recovery in the *SDCERS Action*.

D. The parties to the *Wood Action* and the *SDCERS Action* have entered into a global Settlement Agreement and General Release ("Settlement Agreement"), a copy of which is attached hereto as Exhibit A, under the terms of which the professional liability insurer for HBMVR, Blum, and Hiatt will pay the policy limits (after reduction for defense fees and costs).

E. The *Wood Action* and the *SDCERS Action* have been consolidated for the purpose of settlement, and the parties to those lawsuits have sought judicial approval of their Settlement Agreement pursuant to rule 1859 of the California Rules of Court.

F. Under the terms of Paragraph 2 of the Settlement Agreement, SDCERS is entitled to receive from the professional liability insurer of HBMVR, Blum, and Hiatt an amount estimated, as of April 15, 2005, to be about \$14,631,000.

G. The parties to this Fee Division Agreement desire to avoid any claim by Conger, who is the attorney for David W. Wood and the plaintiff class in the *Wood Action*, and Benes, who has assisted Conger, for prejudgment attorney fees and costs and to maximize the monetary recovery to SDCERS from the Settlement Agreement.

AGREEMENT

In consideration of the foregoing recitals, it is hereby agreed:

1. Compliance with Rule 2-200. As required by rule 2-200(A) of the California Rules of Professional Conduct, (a) the Law Offices of Cornelius P. Bahan, Bahan, and Smith have made a full disclosure in writing that a division of fees will be made and the terms of such division; (b) the total attorney fee charged by all lawyers will not be increased by reason of this agreement and is not unconscionable; and (c) this agreement shall constitute the written consent of SDCERS required by rule 2-200(A)(1) of the California Rules of Professional Conduct.

2. Division of Attorney Fees for Prejudgment Legal Services Between SDCERS' Counsel and Wood's Counsel. Within five days of receipt of the proceeds of the global settlement of the *Wood Action* and the *SDCERS Action*, from their fees under their contract with SDCERS, Bahan and Smith have agreed to pay \$950,000 to Conger and Benes. The net recovery to SDCERS as a result of the global settlement of the *Wood Action* and the *SDCERS Action* will not be diminished by the division of fees among counsel, i.e., it will be the same as it would have been if class counsel in the *Wood Action* had recovered no attorney fees for prejudgment legal services or prejudgment costs. Conger and Benes agree not to seek any award of attorney fees for prejudgment legal services or prejudgment costs from the superior court in the *Wood Action*.

3. Conditional Upon Settlement Agreement. This agreement is conditioned upon satisfaction of the conditions set forth in Paragraphs 3 and 4 of the Settlement Agreement.

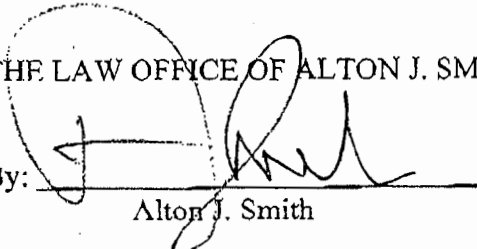
DATED: _____, 2005

THE LAW OFFICES OF CORNELIUS P. BAHAN

By: _____
Cornelius P. Bahan

DATED: April 15, 2005

THE LAW OFFICE OF ALTON J. SMITH

By: 
Alton J. Smith

DATED: _____, 2005

THE LAW OFFICES OF MICHAEL A. CONGER

By: _____
Michael A. Conger

AGREEMENT

In consideration of the foregoing recitals, it is hereby agreed:

1. Compliance with Rule 2-200. As required by rule 2-200(A) of the California Rules of Professional Conduct, (a) the Law Offices of Cornelius P. Bahan, Bahan, and Smith have made a full disclosure in writing that a division of fees will be made and the terms of such division; (b) the total attorney fee charged by all lawyers will not be increased by reason of this agreement and is not unconscionable; and (c) this agreement shall constitute the written consent of SDCERS required by rule 2-200(A)(1) of the California Rules of Professional Conduct.

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3. Conditional Upon Settlement Agreement. This agreement is conditioned upon satisfaction of the conditions set forth in Paragraphs 3 and 4 of the Settlement Agreement.

DATED: 4-22, 2005

THE LAW OFFICES OF CORNELIUS P. BAHAN

By: [Signature]
Cornelius P. Bahan

DATED: _____, 2005

THE LAW OFFICE OF ALTON J. SMITH

By: _____
Alton J. Smith

DATED: 4/21/05, 2005

THE LAW OFFICES OF MICHAEL A. CONGER

By: [Signature]
Michael A. Conger

DATED: _____, 2005

RICHARD H. BENES

DATED: April 15, 2005

THE SAN DIEGO CITY EMPLOYEES'
RETIREMENT SYSTEM, pursuant to an
affirmative majority vote of its Board of
Administration on April 15, 2005

By: STEVEN W. MELLEN

Its: President

04/22/2005 12:05 FAX 8587591908

Law Off. Michael Conger

005

DATED: April 14, 2005

Richard H. Benes
RICHARD H. BENES

DATED: _____, 2005

THE SAN DIEGO CITY EMPLOYEES'
RETIREMENT SYSTEM, pursuant to an
affirmative majority vote of its Board of
Administration on _____, 2005

By: _____

Its: _____