

## SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT ("Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2002, by and between the States of New York, Maryland and California ("the Plaintiff States"), by their Attorneys General, and John Apfelbaum and Earl P.L. Apfelbaum, Inc. ("the Apfelbaum Defendants") (collectively "the Parties").

### **1. Introduction**

- 1.1 The Attorney General of New York has carried out an investigation ("the New York Investigation") into claims that various persons or entities, acting in concert with the Apfelbaum Defendants and others, engaged in bid-rigging at public stamp auctions over a period lasting through the date of the commencement of this litigation (the "Alleged Illegal Conduct"). Plaintiff States have brought an action in the Southern District of New York, *New York, et al. v. Feldman, et al.*, No. 01-cv-6691 ("New York v. Feldman"), naming the Apfelbaum Defendants and others as Defendants, and charging that the Apfelbaum Defendants and others participated in the Alleged Illegal Conduct.
- 1.2 On the basis of the New York Investigation, the Plaintiff States have concluded that the settlement set forth herein will confer substantial benefit on those individuals represented by the Plaintiff States, shorten proceedings in this case, and avoid the risks inherent in litigation. The Apfelbaum Defendants are also interested in shortening proceedings in this case and avoiding the risks inherent in litigation.
- 1.3 The Parties have entered into this Settlement Agreement, which they intend as a final and complete resolution of all claims by the Plaintiff States against the Apfelbaum Defendants arising out of the Alleged Illegal Conduct, including all claims made by Plaintiff States on behalf of those they represent as *parens patriae* or otherwise, to the extent permitted under, and in accordance with applicable law, including the procedures set forth in 15 U.S.C. § 15c.
- 1.4 Therefore, in consideration of the terms of this Settlement Agreement and other good and valuable consideration, receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

### **2. Definitions**

As used in this Settlement Agreement:

- 2.1 "Crossing Off" means any act whereby actual or potential bidders at Public Stamp Auctions (acting themselves or through an agent or other authorized representative)

in any way agree either not to bid against each other during a Public Stamp Auction, or to keep bids below a certain amount.

- 2.2 "Defendant" means any Defendant in *New York v. Feldman*, counsel for any such Defendant, any individual acting on one or more Defendants' behalf, and any employee of any Defendant.
- 2.3 "Effective Date" means the date as of which all of the Parties have executed this Settlement Agreement.
- 2.4 "Parties" mean the signatories of this Settlement Agreement.
- 2.5 "Person" means any individual, association, cooperative, partnership, corporation, or other business or legal entity.
- 2.6 "Public Stamp Auction" means any auction at which stamp(s) are offered for sale through the competitive bidding process, when the date, time and place of the auction is made known to the public.

### 3. Resolution of Claims

- 3.1 The parties agree to compromise, settle and resolve fully and finally on the terms set forth in this Agreement any and all claims, actions and causes of action arising out of the Alleged Illegal Conduct through the date of the commencement of this litigation, including but not limited to those brought by the Plaintiff States against the Apfelbaum Defendants in *New York v. Feldman*. The parties agree that this Settlement Agreement shall not be deemed or construed as evidence or an admission of any issue of fact or law, nor a determination that a violation of the law occurred, or of the truth of any of the claims or matters alleged by the Plaintiff States.
- 3.2 Except as expressly provided, this Agreement shall not be construed to limit or restrict any right that otherwise might be available to the Plaintiff States in relation to the Alleged Illegal Conduct. Nothing in this Agreement is intended to release the liability of, or in any way create a benefit in favor of, any person who is not a Party to this Agreement, except as set forth in 15 U.S.C. § 15c.
- 3.3 This Settlement Agreement may be executed by counsel for the parties, and will become effective on the Effective Date. Each counsel who executes this document shall, by his or her signature, expressly represent that he or she is fully authorized by the Party he or she represents to execute this Settlement Agreement. This Settlement Agreement may be executed on separate signature pages, in counterparts or by facsimile, with the same effect as if all parties had signed the same physical page of this Agreement.

- 3.4 The Plaintiff States agree to dismiss all claims against the Apfelbaum Defendants in *New York v. Feldman*, with prejudice, upon the entry of a final judgment entered in accordance with 15 U.S.C. § 15c and the terms of this Agreement.

#### 4. Monetary Payment

- 4.1 The Apfelbaum Defendants shall pay by certified or bank check to the New York Attorney General's Office the sum of \$200,000 by July 15, 2002. This money shall be placed by the States into an escrow account, and shall be disbursed in accordance with order of the Court in *New York v. Feldman*.
- 4.2 Except as otherwise set forth in this Agreement, the Parties are to bear their own costs relating to this Agreement or the Alleged Illegal Conduct.

#### 5. Subsequent Proceedings

- 5.1 The Apfelbaum Defendants shall fully, fairly and truthfully disclose all information and produce all records and other evidence in their possession, custody or control relevant to all inquiries made by the Plaintiff States concerning the Alleged Illegal Conduct, subject to attorney-client privilege, work product, or any other privilege of the Apfelbaum Defendants that could be asserted under Rule 501 of the Federal Rules of Evidence.
- 5.2 In *New York v. Feldman*, or any related case brought by the Plaintiff States, service by any State of any subpoena or discovery request on the Apfelbaum Defendants may be made by mailing to Mr. Apfelbaum's home address, or to the address of the Apfelbaum Defendants' undersigned counsel. The Apfelbaum Defendants' consent to such service by mailing is in addition to, and not in lieu of, service by any other means authorized by law. The Apfelbaum Defendants shall not challenge any subpoena or discovery request by the Plaintiff States seeking relevant documents, or deposition, trial or other testimony, except on grounds of attorney-client privilege, work product or any other privilege that could be asserted under Rule 501 of the Federal Rules of Evidence.
- 5.3 The Apfelbaum Defendants shall agree to be interviewed by assistant attorneys general or investigators employed by the Plaintiff States regarding the facts of this case within a reasonable period after any request for such interview. Any such interview may be recorded or transcribed at the sole discretion of the Plaintiff States. At the interview, the Apfelbaum Defendants shall answer all questions fully, fairly and truthfully, and may refuse to answer only on the grounds of attorney-client privilege or work product, or any other privilege that could be asserted under Rule 501 of the Federal Rules of Evidence. The Apfelbaum Defendants may be represented by counsel at any such interview.

- 5.4 The Apfelbaum Defendants shall fully, fairly and truthfully testify at any trial or other proceeding concerning the Alleged Illegal Conduct. The Apfelbaum Defendants shall not object to such testimony on grounds of Fifth Amendment privilege.
- 5.5 The Apfelbaum Defendants shall provide the Plaintiff States with written notice of any written or oral communication that they or their counsel or other representative have, on or after the Effective Date of this Agreement, with any Defendant regarding *New York v. Feldman* or the Alleged Illegal Conduct, within three days of any such communication, except that no notice need be provided regarding: 1) communications between counsel covered by any joint defense privilege in any criminal investigation or proceeding brought by the New York Office of the United States Department of Justice Antitrust Division concerning the Alleged Illegal Conduct; and 2) communications between counsel concerning non-confidential information about the procedural status of *New York v. Feldman*. The Apfelbaum Defendants shall provide the Plaintiff States with written notice of any request or subpoena by the Defendants that he testify on any Defendant's behalf, any agreement regarding his testimony, or any request for documents including but not limited to a subpoena or discovery request, within three days of such request or agreement. The Apfelbaum Defendants will provide the Plaintiff States with any correspondence or other documents sent to or received from any Defendant, except communications made in the ordinary course of business.
- 5.6 Any failure by the Apfelbaum Defendants to comply with the provisions of section 5 shall constitute a material breach of this Agreement, and shall permit the Plaintiff States to declare this Agreement null and void for all purposes and to the same extent as if it were never executed.

## 6. Future Conduct

- 6.1 From the Effective Date of this Agreement, and for five years following the entry of judgment in *New York v. Feldman*, the Apfelbaum Defendants shall refrain from the following conduct:
- A. Directly, indirectly -- or through any corporation, joint venture, partnership, or other entity or device -- entering into, attempting to enter into, organizing or attempting to organize, implementing, or soliciting or attempting to implement or solicit any agreement, understanding, contract or combination, either express or implied, with any other person or competitor:
1. To Cross Off bids to purchase any stamp(s) in a Public Stamp Auction held in the United States; or
  2. To act in concert with any other Person to set, establish, inflate, suppress or maintain the price or other terms and conditions of any

bids for the acquisition of any stamp(s) in a Public Stamp Auction held in the United States.

**B.** Directly, indirectly -- or through any corporation, joint venture, partnership, or other entity or device -- communicating or inquiring about any intentions, decisions, or plans to bid or to refrain from bidding on any particular lot or lots, including any intentions, decisions, or plans regarding any actual or proposed bid amounts to purchase any stamp(s) in a Public Stamp Auction held in the United States, where such communication or inquiry is to:

1. Any other Person who is known or reasonably should be known by the Apfelbaum Defendants to be an actual or a potential bidder to purchase stamp(s); or
2. Any other Person who has announced an intention to bid to purchase stamps(s).

**C.** Directly, indirectly -- or through any joint venture, partnership or other entity or device -- requesting, suggesting, urging or advocating that any other Person not bid on, or suggesting that it would not be appropriate for any other Person to bid on, any particular lot or group of lots offered for sale at a Public Stamp Auction held in the United States.

**6.2** For five years following the entry of judgment in *New York v. Feldman*, the Apfelbaum Defendants shall provide the New York Attorney General's Office, on a semi-annual basis, with: 1) a list of all auctions at which they have bid during the previous six months, the identity of any agent that represented him, and the particular auctions at which that agent acted on his behalf; and 2) a sworn certification that their participation at those auctions was in conformity with the terms of this Agreement. The Apfelbaum Defendants shall use their best efforts to insure that the required list is complete, and includes the information specified.

**6.3** For the purpose of determining or securing compliance with this Agreement, and subject to any legally recognized privilege, from time to time duly authorized representatives of the Plaintiff States, or anyone designated by them as such, may within five years following the entry of judgment in *New York v. Feldman*, upon written request and on reasonable notice, be permitted to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of the Apfelbaum Defendants relating to Public Stamp Auctions, and to interview any employees of the Apfelbaum Defendants on matters relating to public stamp auctions. During any such inspection, the Apfelbaum Defendants may have counsel present.

**6.4** Nothing in this Agreement shall be construed to provide that any of the prohibited

conduct set forth in this section 6 will or would be permissible under any state or federal laws upon the expiration of this Agreement.

- 6.5 The Apfelbaum Defendants consent to the entry of a judgment in *New York v. Feldman* prohibiting the conduct set forth in section 6.

**7. Choice of Law**

- 7.1 This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to an agreement negotiated, executed, entered into and performed solely within the State of New York.

**8. Enforcement**

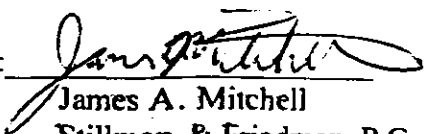
- 8.1 All of the obligations of this Settlement Agreement that are binding on the Apfelbaum Defendants shall be binding upon their successors, assigns and legal representatives.
- 8.2 Each and every obligation required to be performed by the Apfelbaum Defendants under this Settlement Agreement shall be a joint and several obligation on each of the Apfelbaum Defendants.

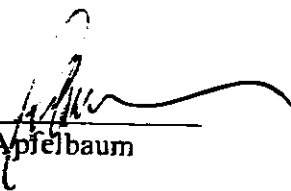
**9. Integration**

- 9.1 This Settlement Agreement contains the entire agreement and complete understanding of the parties. There are no additional promises or terms of the Settlement Agreement other than those contained above. This Agreement shall not be modified except in writing, signed by all the parties or by their authorized representatives.

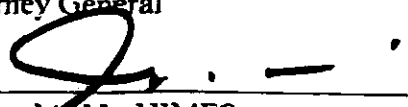
AGREED AND CONSENTED TO:

JOHN APFELBAUM AND  
EARL P.L. APFELBAUM, INC.

By:   
James A. Mitchell  
Stillman & Friedman, P.C.  
425 Park Avenue  
New York, NY 10022

  
John Apfelbaum

STATE OF NEW YORK  
ELIOT SPITZER  
Attorney General

By:   
LAY L. HIMES  
Bureau Chief  
Antitrust Bureau

BILL LOCKYER  
STATE OF CALIFORNIA  
Attorney General

By: \_\_\_\_\_  
LINDSAY BOWER  
Deputy Attorney General



STATE OF MARYLAND  
J. JOSEPH CURRAN  
Attorney General

By: John R. Tennis  
JOHN TENNIS  
Assistant Attorney General