IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

JOSE J. AMADOR, JOHN C. PIERCE and EDWARD JOHNSON, individually and on behalf of all others similarly situated, Plaintiffs, v. ILLINOIS BELL TELEPHONE COMPANY, a domestic corporation, Defendant.	No. 91 CH 980 Consolidated with
DIAMOND ENVELOPE CORPORATION, an Illinois corporation, and IRWIN FISCHMAN d/b/a IRWIN FISCHMAN & COMPANY, et al, Plaintiffs, v. ILLINOIS BELL TELEPHONE COMPANY, a domestic corporation, Defendant.	FILED DEC 2 3 1993 CLERK, CIRCUIT COURT No. 91 CH 1354 Judge Albert Green
JOHN J. MORRISON and JOHN J. MORRISON, LTD., a domestic corporation, individually and on behalf of all others similarly situated, Plaintiffs, v. ILLINOIS BELL TELEPHONE COMPANY, a domestic corporation, Defendant.	No. 91 CH 12529 Judge Edward C. Hofert

SETTLEMENT AGREEMENT

A

This Settlement Agreement is entered into as of this 9th day of December, 1993 (the "Execution Date") between the Plaintiffs (as defined separately below), acting on behalf of themselves and the Class (as defined below), and Defendant, Illinois Bell Telephone Company, now known as Ameritech Illinois ("Bell").

I. RECITALS

A. THE PARTIES AND THE LITIGATION

1. The Link-Up Plaintiffs. Jose J. Amador, John C. Pierce and Edward Johnson are the named Plaintiffs in Jose J. Amador, et al. v. Illinois Bell Telephone Company, 91 CH 980 (Circuit Court of Cook County, Illinois, County Department, Chancery Division). Diamond Envelope Corporation, an Illinois corporation, and Irwin Fischman, d/b/a Irwin Fischman Company, are the named Plaintiffs in Diamond Envelope Corp., et al. v. Illinois Bell Telephone Company, 91 CH 1354 (Circuit Court of Cook County, Illinois, County Department, Chancery Division), which case is consolidated with the Amador case. All of the Plaintiffs in the consolidated Amador and Diamond Envelope cases are considered the "Link-Up Plaintiffs".

2. The Morrison Plaintiffs. John J. Morrison and John J. Morrison, Ltd., an Illinois corporation (together, the "Morrison Plaintiffs"), are the named Plaintiffs in John J. Morrison, et al. v. Illinois Bell Telephone Company, 91 CH 12529 (Circuit Court of Cook County, Illinois, County Department, Chancery Division) and Morrison v. Illinois Bell, Docket No. 92-0403, pending before the Illinois Commerce Commission.

3. The Litigation. The Amador (including Diamond Envelope) and Morrison cases have been or will be consolidated for settlement purposes under the caption In Re Illinois Bell Telephone Link-Up II and Late Charge Litigation by order of the Presiding Judge of the Cook County Circuit Court, Chancery Division, dated December _____, 1993. The above-captioned consolidated cases are hereinafter referred to as the "Litigation," and the Link-Up Plaintiffs

and the Morrison Plaintiffs are hereinafter referred to collectively, where appropriate, as the "Plaintiffs."

4. The Class Representatives. The Plaintiffs are the representatives of the proposed Settlement Class defined below.

5. The Class Counsel. Clinton A. Krislov of Krislov & Associates, Ltd. is counsel for the Settlement Class.

6. The Court. The Litigation is currently or will be pending before the Honorable Albert Green on Chancery Calendar No. 10 of the Circuit Court of Cook County (who, with any successor, shall be referred to herein as the "Court").

7. Bell. Bell is an Illinois corporation and a "telecommunications carrier" within the meaning of the Universal Telephone Service Protection Law of 1985, 220 ILCS 5/13-202 and the Illinois Public Utilities Act, 220 ILCS 5/1-101 et seq., engaged in the business of providing telephone services.

B. FACTUAL BACKGROUND

8. Amador Litigation. The Amador Plaintiffs sued to stop the Illinois Commerce Commission (the "Commission") and Bell from instituting a charge called the "Link-Up II charge" on Bell's customer bills, and to recover the charges that ultimately were assessed on and paid by Bell customers. The Link-Up II charge was assessed to fund a program to provide telephone service for Illinois residents without telephones who were on state-administered welfare programs. The program was 50% funded by the federal government. The Commission, after hearings involving Bell and other Illinois telephone companies, adopted a method for funding the remaining 50% by assessing a 15-cent per-line charge on each existing customer bill commencing February 1, 1991. The Amador litigation was initially filed on January 30, 1991 to block the implementation of the charge; the Link-Up II charge went into effect on

February 1, 1991 and continued until March 15, 1991, when the Commission terminated the program effective March 25, 1991, in substantial part due to the Amador litigation.

9. Morrison Litigation. The Morrison Plaintiffs sued to recover late payment charges assessed on and paid by Bell customers. Beginning in July 1990, Bell changed its customer bill mailing practice and began to mail bills in envelopes lacking any postmark or other marked date of mailing. At all relevant times, the applicable Commission regulation provided for bills to be mailed 21 days before the bills would become due for purposes of assessing late charges. After the Morrison Plaintiffs sued, Bell returned to its former practice of putting a dated meter mark on customer bills beginning in February 1992.

C. DEFINITIONS AND SETTLEMENT CLASS

10. Person. For purposes of this Agreement, "person" shall include: (a) any individual; (b) any corporation, partnership, sole proprietorship, joint venture, unincorporated association or other form of business organization, whether or not organized for profit; (c) any government, unit of government, governmental agency or other public body; (d) any church or other religious organization or body; and (e) any other entity capable of holding legal or equitable rights.

11. Customer of Record. For purposes of this Agreement, "Existing Customer of Record" shall mean the person(s) shown on Bell billing records as responsible for charges to a particular Bell account as of the date of the automatic bill credit provided for in this settlement, which date shall not be later than 60 days after the date of final approval of this settlement. "Former Customer of Record" shall mean a person who at any time during the period from May 1, 1990 through February 29, 1992 inclusive, was a Customer of Record but who is not a Customer of Record on any account as of the date of the automatic bill credit and who does not receive the automatic bill credit.

12. Class Definition. The Settlement Class (hereinafter, the "Settlement Class" or the "Class") on whose behalf this settlement is made consists of (a) every Customer of Record and (b) every Former Customer of Record. The Settlement Class does not include any person found by the Court, pursuant to paragraph 47 below, to have properly excluded himself or herself from the Class. Members of the Settlement Class are hereinafter referred to as "Class Members."

13. Class Representatives. The Plaintiffs are members of the Settlement Class and willing to serve as its representatives. The Plaintiffs are each a "Class Representative" and together they are the "Class Representatives."

14. Effective Date. This Settlement Agreement shall be effective upon the Court's entry of an order finding the Settlement fair, adequate, reasonable and in the best interests of the Class, and granting preliminary approval of this Settlement Agreement (hereinafter, the "Effective Date").

D. NATURE OF THE LITIGATION

15. Plaintiffs' Claims.

(a) Amador Litigation. The Amador Plaintiffs' Complaint in the Litigation alleges that Bell violated the law by imposing the 15-cents-per-telephone line Link Up II charge on the telephone lines of all its bill-paying customers, effective February 1, 1991. Plaintiffs assert claims based on the Illinois Constitution's state taxing power provision, the Illinois Public Utilities Act, equal protection and unjust enrichment.

(b) Morrison Litigation. The Morrison Plaintiffs' Complaint in the Litigation alleges that Bell violated the law by assessing late payment charges on customer bills which were mailed by Bell without a dated postmark. Plaintiffs allege that the lack of a dated postmark violated the regulations of the Commission. Plaintiffs assert claims based on the

Illinois Public Utilities Act, Illinois Consumer Fraud Act, breach of contract and unjust enrichment.

(c) Bell's Responses. Bell denies each of the substantive allegations made against it in both the Amador Litigation and Morrison Litigation and Bell denies all liability and contends that it has various defenses to the claims against it. Among the defenses Bell asserts are:

(i) For the Amador Litigation -- that the Plaintiffs' claims are impermissible collateral attacks on orders of the Commission; that the action cannot proceed as a class action; that the charge was a "rate" authorized by the Public Utilities Act that is not subject to refund; that the doctrines of laches and equitable estoppel bar the Plaintiffs' claims; that the Plaintiffs failed to exhaust their administrative and appellate remedies to challenge the legality of the charge before the Commission and the Court; that the relief sought would confiscate Bell's property without affording Bell due process and equal protection; that the commission is an absent but indispensable party to the litigation; and that the Plaintiffs voluntarily paid the charges and cannot later complain about that payment;

(ii) For the Morrison Litigation -- that the Commission has primary and exclusive jurisdiction over the Plaintiffs' claims; that the action cannot proceed as a class action; that the regulatory requirement of a dated postmark on the bill is not a substantive requirement for a bill to become due for payment purposes; that Bell gave all its customers at least 21 days from the bill mailing date before a bill became due for late-charge purposes and before any late-payment charges were assessed; that the Plaintiffs were not misled by the

absence of a dated postmark; and that the Plaintiffs suffered no harm from the absence of a dated postmark.

16. Discovery Conducted to Date. Plaintiffs' counsel have conducted formal discovery in both the Amador Litigation and the Morrison Litigation. This discovery has included Bell's answering written interrogatories, producing boxes of documents and testifying at oral depositions. In the Amador Litigation, Bell has said that it does not know, and has no records enabling it to determine, the total dollar volume of Link-Up II charges it collected, nor which customers paid or did not pay any billed Link-Up II charge. When a customer has not paid his or her telephone bill in full, Bell claims that it has no way of knowing whether that customer was or was not paying a Link-Up II charge. However, Bell admits that it billed its customers a total of $984,480 in Link-Up II charges. In the Morrison Litigation, discovery disclosed that Bell began conversion to a manifest mailing system which deleted the dated postage meter mark from customer bill envelopes in mid-July 1990 and restored the postage meter date commencing in mid-February 1992. Bell stated that it is unable to determine from its records the exact number of dollars it collected in late payment charges on bills that were mailed without a metered date of mailing during this period or to identify the specific customers who paid late charges. However, Bell estimates that it billed $27.5 million in late payment charges and collected at least $23 million on bills mailed without a metered date of mailing. Discovery in the Morrison Litigation further disclosed that due to a Bell computer programming error starting in May 1990, approximately 15-25% of customer bills each month were mailed with a due date that was 20 days after the actual date of mailing rather than 21 or more days as required by Commission rule. Different customers were affected each month and Bell stated it was impossible to now determine which specific customers received those bills. Bell stated that late payment charges were not assessed on any of those accounts sooner

than 21 days after the actual date of mailing. However, as a result of this litigation, the programming error was corrected upon discovery in February 1992.

17. Results of Trial Court Litigation.

(a) Amador Litigation. On August 14, 1991 the trial Court, Honorable Albert Green, denied Bell's motions to dismiss the claims of the Link-Up Plaintiffs. On that day the Court certified a class of Link-Up II charge payors. However, on December 21, 1992, the trial Court granted summary judgment to Bell on its motion and denied the Link-Up Plaintiffs and the class summary judgment on their motions. The Link-Up Plaintiffs appealed the summary judgment ruling to the Illinois Appellate Court, First District, Appeals Nos. 1-93-230 and 1-93-250, and filed the Record on Appeal and their appellants' brief with that Court. This settlement was reached prior to Bell's filing any appellate brief. Pursuant to this Settlement Agreement, the Link-Up Plaintiffs have moved or will move to dismiss their appeals without prejudice to reassert their appeals, if this settlement does not obtain final approval.

(b) Morrison Litigation. On October 16, 1992, the trial Court, Honorable Edward C. Hofert, found that the primary, but not exclusive, jurisdiction for the Morrison Plaintiffs' claims lay with the Illinois Commerce Commission. Judge Hofert stayed further trial Court proceedings and retained jurisdiction over the case while the Morrison Plaintiffs presented their case to the Illinois Commerce Commission. The Morrison Plaintiffs then filed their Complaint with the Illinois Commerce Commission, Docket No. 92-0408. On March 15, 1993 the Commission Hearing Examiner struck from the Complaint the class action allegations and all the Plaintiffs' claims, except for Plaintiffs' claim of a Public Utilities Act violation. This settlement was reached prior to the scheduled September 21, 1993 trial of the Morrison Plaintiffs' claims before the Commission.

18. Negotiation of Settlement. The parties have engaged in substantial arm's-length negotiations to achieve a fair resolution of the controversy and obviate the need for protracted and risky litigation, the result of which would be uncertain.

19. Plaintiffs' Counsel Favor Settlement. Counsel for Plaintiffs and the Settlement Class have conducted written and oral discovery, analyzed the applicable law, consulted with Plaintiffs and others and considered such facts and other sources of information as they deem necessary to evaluate the terms and fairness of this Settlement Agreement. Counsel for Plaintiffs and the Settlement Class have analyzed the likely length of trial on the merits, the likelihood of success and the ability of Class Members to pursue their individual damage claims if this Settlement Agreement is not entered into. Based on the foregoing and on their analysis of the immediate benefits which this Settlement Agreement affords the Class, Plaintiffs' counsel consider it in the best interests of the Class to enter into this Settlement Agreement.

20. Bell Favors Settlement. Bell has also concluded that settlement on the terms set forth herein is in its best interests in order to avoid further expense and inconvenience and to bring to an early conclusion the controversies engendered.

Therefore, it is agreed by all signatories that subject to Court approval, the Litigation shall be settled for the Class and for Bell on the following terms:

II. TERMS OF SETTLEMENT

A. REVESTING TRIAL COURT WITH JURISDICTION.

21. (a) Within three (3) days of the Execution Date, the parties to this agreement will file a Stipulation and Joint Motion to 1) dismiss the Link-Up Plaintiffs' pending appeals, Nos. 1-93-230 and 1-93-250, without costs and without prejudice to reasserting their appeals; and 2) remand this case to the Circuit Court of Cook County, Honorable Albert Green, with directions to vacate the December 21, 1992 judgment and hold a hearing on this Settlement.

(b) Within three (3) days after the Final Settlement Approval and Dismissal Order becomes final and unappealable, the parties to this Agreement will file a Stipulation and Joint Motion to dismiss with prejudice Morrison v. Illinois Bell, Docket No. 92-0403, pending before the Illinois Commerce Commission.

B. CONSOLIDATION.

22. Within three (3) days of the date that the Circuit Court is revested with jurisdiction over the Amador Litigation, the parties to this Agreement will file a joint motion to consolidate the Amador Litigation and the Morrison Litigation and assign the consolidated cases to the lower-numbered Amador Litigation.

C. PRELIMINARY APPROVAL ORDER.

23. Within three (3) days of a Court order consolidating the cases, the parties to the Settlement Agreement will jointly move the Court to enter a Preliminary Approval Order substantially in the form of Exhibit A.

D. CREATION OF FUNDS

24. Within seven (7) days of a Court order granting preliminary approval of this settlement, Bell will create three funds for the purpose of providing refunds to Customers of Record and Former Customers of Record.

(a) Morrison Existing Customers' Refund Fund. Bell will create a fund, to be called the "Morrison Existing Customers' Refund Fund", of $3,025,000 cash, less any attorneys' fees and expenses, for the purpose of paying refunds to Customers of Record. Based on Bell's approximately 5,300,000 telephone lines, this would mean a refund of approximately 57 cents, less attorneys' fees and expenses, per telephone line for each existing customer who does not exclude himself or herself from the Class. Centrex lines will be counted on a PBX trunk

equivalency basis. If the Court awards Class Counsel the requested attorneys' fees and expenses, this would mean a refund of approximately 45 cents per telephone line.

(b) Amador Existing Customers' Refund Fund. Bell will create a fund, to be called the "Amador Existing Customers' Refund Fund", of $300,000 cash, less any attorneys' fees and expenses, for the purpose of paying refunds to Customers of Record. Based on Bell's approximately 5,300,000 telephone lines, this would mean a refund of approximately 5.7 cents per telephone line, less attorneys' fees and expenses, for each existing customer who does not exclude himself or herself from the Class. Centrex lines will be counted on a PBX trunk equivalency basis. If the Court awards Class Counsel the requested attorneys' fees and expenses, this would mean a refund of approximately 3 cents per telephone line.

(c) Former Customers' Refund Fund. Bell will create a fund, to be called the "Former Customers' Refund Fund," of $100,000 cash for the purpose of paying refunds to former customers of record, upon the submission of claims.

25. Within seven (7) days of a Court order granting preliminary approval of this Settlement, Bell will pay the $3,425,000 total sum of the three funds described above into one or more interest-bearing escrow accounts under the joint control of Class Counsel and Bell, at a bank jointly selected by Class Counsel and Bell.

E. METHOD OF FUND DISTRIBUTION

26. For each Existing Customer of Record, Bell will provide a refund as an appropriately calculated one-time, automatic credit on customer bills. The automatic credits will be made over one continuous thirty (30) day billing cycle. Forty-eight (48) hours prior to the commencement of the automatic credit, Bell shall be allowed, with Class Counsel's consent, to withdraw the estimated total amount of the automatic credit from the escrow account,

subject to a final true-up and accounting. Class Counsel will not unreasonably withhold consent to the withdrawal.

27. For Former Customers of Record, Bell will, at its own cost and expense, set up, staff, and administer a designated toll-free telephone number and line (1-800-_____) for the purpose of accepting claims from Former Customers of Record during the "claims period." For the purpose of making a refund to any Former Customer, Bell will have the right, if it chooses, to validate information provided by any caller for the purpose of making a claim for refund as a Former Customer.

28. The claims period will run for a period of 45 continuous days, beginning on the date of the newspaper notice provided in paragraph 38. Valid claims made by Former Customers of Record will be paid in the same per-line amount as the customer bill credits issued to Existing Customers of Record. Bell need not pay any claim until after the expiration of the claims period. However, Bell must determine the validity of all claims within thirty (30) days from the close of the claims period, and Bell must pay all valid claims as soon as practicable but not later than forty-five (45) days after the close of the claims period. Claims shall be paid by check and delivered by first class mail. All claim checks returned by the Post Office as undeliverable shall be deemed to be the property of Bell.

29. Bell will have the right to reduce the amount of all claims paid to Former Customers, but only if the payment of all valid claims would exhaust the $100,000 amount of the Former Customers' Refund Fund. In that situation, Bell may reduce on a pro rata basis the per-line amount it will pay all Former Customers making valid claims. Up to forty-eight (48) hours before the date on which refund checks are to be mailed, Bell shall be permitted to withdraw $100,000 from the escrow account, with Class Counsel's consent, for the purpose of making these refunds. Class Counsel will not unreasonably withhold consent to the

withdrawal. Any money remaining in the Former Customers' Refund Fund after Bell has paid all valid claims will return to and be the property of Bell. Bell has no right to the return of any moneys from any other refund fund created by the settlement.

F. DISTRIBUTION OF FRACTIONAL COMPONENTS

30. Where the appropriately calculated amount of refund due any Existing Customer of Record or Former Customer of Record includes a fractional component of a cent (e.g. 49.2 cents), then in lieu of Bell's issuing a refund that includes a portion of a cent, Bell will instead issue the refund less the fractional portion (e.g. a refund of 49 cents) and will deposit the fractional portion (e.g. .2 cents) into a pool together with all other such fractional portions.

31. The monies contained in the pool described in paragraph 30 shall be used to pay the incentive awards described in paragraphs 41 and 42. Any monies remaining in the pool after the incentive awards have been paid shall be distributed to the following organizations in the following percentages for their use for their general operating expenses:

(a) Legal Assistance Foundation of Chicago, a 33 1/3% share;

(b) Childrens' Oncology Services of Illinois, Inc., a 33 1/3% share; and

(c) Greater Chicago Food Depository, a 33 1/3% share.

This distribution shall be made within fourteen (14) days after Bell has credited or paid all refunds due under this Settlement.

G. COSTS OF FUND DISTRIBUTION

32. All costs and expenses associated with processing and paying refunds and claims to Existing Customers of Record and Former Customers of Record shall be the sole responsibility of Bell. Class Counsel will cooperate with Bell in keeping Bell's costs reasonable.

H. BELL'S ACKNOWLEDGMENT OF THE BENEFITS CONFERRED BY THE LITIGATION.

33. Bell acknowledges that the Morrison Litigation conferred a benefit on the Class, in addition to the $3,025,000 monetary benefits previously described, in that it caused Bell to change the manner of mailing customer bills so that Bell now puts a marked date of mailing on the bill envelope such that customers may readily confirm the timeliness of Bell's billing practices for late charges. Bell acknowledges that the Morrison Litigation conferred a further benefit on the class in that it led to the discovery and correction of an error in Bell's billing system which caused some customers to receive bills with a printed Due Date only 20 days, instead of the minimum 21 or more days, after the actual date of mailing. Bell acknowledges that the Amador Litigation conferred a benefit on the Class, in addition to the $300,000 monetary benefits previously described, in that the Amador Litigation substantially contributed to the decision by the Commission to repeal the rule and terminate the Link-Up II program, as it was structured at that time, and prevented the continuation of Link-Up II charges of approximately $8 million annually which otherwise would have been charged Bell customers under the rule's provisions.

I. BELL'S COMMITMENT TO FUTURE CONDUCT

34. Bell agrees that it will place a dated mark, readable by the customer and showing the actual date of mailing, on each customer bill envelope Bell mails for so long a time as the applicable statutes and/or regulations have not been changed, or a waiver granted, to eliminate the requirement of bill dating on customer bills or bill envelopes.

J. EXCLUSION FROM RATE BASE

35. Bell will not seek to treat as expenses or costs for rate-making purposes any of the refunds or credits to the Class, the costs and expenses of administering the settlement, the awards, fees and expenses paid to the named Plaintiffs and attorneys in connection with the

Litigation, or any other benefits, costs or expenses associated with the Settlement, nor will Bell attempt to recapture such benefits, costs or expenses from Bell's former, existing or future telephone customers.

K. INDIVIDUAL NOTICE TO THE CLASS

36. If the Court enters an order granting preliminary approval of this Settlement, then as soon as practical but not later than thirty (30) days thereafter, Bell will cause a Notice of Proposed Settlement, substantially in the form attached hereto as Exhibit B, to be printed and begin to be included as a "bill insert" in all customer bill envelopes which Bell mails or otherwise delivers to existing customers, on a one-time basis for each existing customer. Bell will continue to cause the Notice to be included in each customer bill envelope, so that all Existing Customers of Record will have been mailed or otherwise delivered a Notice of Proposed Settlement during a continuous 30-day billing cycle.

L. PUBLICATION NOTICE TO THE CLASS

37. If the Court enters an Order granting preliminary approval of this Settlement, then within ten (10) days thereafter, Bell will cause a Notice of Proposed Settlement, substantially in the form attached hereto as Exhibit C, to be published as a display advertisement of reasonable size in all the metropolitan editions of the CHICAGO TRIBUNE, CHICAGO SUN-TIMES and SPRINGFIELD REGISTER (the "Newspapers") on two separate days of Bell's choosing within a ten (10) day period for each Newspaper.

38. If the settlement receives final approval and the Court enters a Final Settlement Approval and Dismissal Order, then within ten (10) days of final approval, Bell will cause a Notice of How to Make a Claim, in a form to be jointly developed by Bell and Class Counsel, to be published as a display advertisement in the aforesaid Newspapers on one day of Bell's choosing within a two-week period.

39. Within ten (10) days following completion of the mailing and publication of the respective notices, Bell will file with the Court, and provide Affidavits of Completion to counsel for the Class, stating that Bell has complied with the notice procedures described herein.

40. Bell will bear all costs and expenses associated with the Class notices, including, but not limited to, expenses for printing, bill stuffing, mailing and publication costs.

L. INCENTIVE AWARDS FOR NAMED PLAINTIFFS

41. Prior to the Final Fairness Hearing, Class Counsel will petition the Court to pay to the following Plaintiffs the following sums as and for incentive awards for their work in bringing litigation over the practices at issue:

(a) Morrison Litigation - an award of $7,500 to named Plaintiff John J. Morrison;

(b) Amador Litigation - an award of $2,500 to initial Plaintiff Jose J. Amador and awards of $750 each to additional named Plaintiffs, John C. Pierce, Edward Johnson, Diamond Envelope Corporation and Irwin Fischman; and

(c) additionally, awards of $750 each to Bernadine Kramer and Betty Salomon, the two named Plaintiffs in parallel litigation against Illinois Commerce Commissioners over the Link-Up II charge.

42. Bell agrees to pay the above incentive awards, if approved by the Court, out of the pool described in paragraphs 30 and 31, to each of the above-named Plaintiffs after the Final Settlement Approval and Dismissal Order becomes final and non-appealable and within seven (7) days of the determination of the final value of the pool described in paragraphs 30 and 31. Should the Court award any of the above-named Plaintiffs a lesser award, Bell agrees to pay such lesser award.

M. ATTORNEYS' FEES AND EXPENSES

43. Bell agrees to the payment of the reasonable attorneys' fees and expenses incurred on behalf of the Class, as determined by the Court, up to and including $750,000, to be paid out of the Morrison Existing Customers' Refund Fund and the Amador Existing Customers' Refund Fund. Prior to the final fairness hearing, Class Counsel will petition the Court for an award of attorneys' fees and expenses from the Morrison and Amador Existing Customers' Refund Funds. Class Counsel will petition for an award of fees and expenses in the amount of $600,000 from the Morrison Refund Fund and for an award of fees and expenses in the amount of $150,000 from the Amador Refund Fund. The parties to this Settlement Agreement agree that these amounts are fair and reasonable attorneys' fees and expenses in light of the work done and the benefits conferred.

44. The hearing on the application for fees and expenses will take place on a date to be set by the Court. Bell agrees that Class Counsel may withdraw the amount of fees and expenses awarded to Class Counsel from the Morrison Existing Customers' Refund Fund and the Amador Existing Customers' Refund Fund and place the award in a separate interest bearing account within seven (7) days of the Court's order of the award, and may disburse the award, with accumulated interest, from the separate account to Class Counsel within one (1) day of the date that the Final Settlement Approval and Dismissal Order becomes final and non-appealable.

N. EXCLUSION FROM THE CLASS

45. Any Class Member who does not wish to be included in the Settlement Class and does not wish to receive any of the benefits available under the proposed settlement, if it is approved, may exclude himself or herself by preparing a written exclusion and sending it by first-class mail, postmarked not later than twenty-five (25) days from the completion of the

mail and publication notice required in Paragraphs 36 and 37, to Bell Exclusions, P.O. Box _____, Chicago, IL _____. Written exclusions must include the Class Member's name, address and all Bell telephone numbers for which exclusion is requested; must refer to the Litigation (i.e., In Re Illinois Bell Telephone Link-Up II and Late Charge Litigation); must state that the Class Member wishes to be excluded from the Class; and must be signed by the Class Member.

46. Any Class Member who excludes himself or herself from the Class (a) will not be permitted to participate in the Settlement described herein, if it is approved, (b) will not benefit from or be bound by any final judgment rendered in this Litigation and (c) may pursue on his or her own behalf whatever legal rights he or she may have.

47. The Court shall by Order identify those persons who have properly excluded themselves from the Settlement Class.

48. In the event that more than 15% of the estimated 5,300,000 class members exclude themselves from the Settlement, Bell shall have the right, at its sole option, to declare this Settlement Agreement null and void.

O. OBJECTIONS TO THE SETTLEMENT

49. Any class member who wishes to object to any term of this Settlement may do so by preparing a written objection and sending it by first-class mail, not later than twenty-five (25) days from the completion of the mail and publication notice required in Paragraphs 36 and 37, to Bell Objections, P.O. Box _____, Chicago, Illinois _____. Written objections must include the Class Member's name, address and present or former Bell telephone number; must refer to the Litigation (i.e. In Re Illinois Bell Telephone Link-Up II and Late Charge Litigation); must state the Class Member's specific objection to the settlement; and must be

signed by the Class member. Any class member who has submitted a timely objection may also attend the Final Fairness Hearing.

50. Any class member who has submitted a timely objection may enter an appearance by counsel of his or her own choice. However, no counsel may participate in the Final Fairness Hearing unless his or her appearance has been filed in this matter and served on counsel for the parties on or before five (5) days before the Final Fairness Hearing.

P. FINAL FAIRNESS HEARING

51. If the Court enters an Order granting preliminary approval of this Settlement, then within ninety (90) days of the Execution Date the Court shall hold a Final Fairness Hearing for the purpose of determining, inter alia, whether this Settlement Agreement should receive Final Approval. At the Final Fairness Hearing the parties to this Settlement Agreement will jointly move the Court to enter a Final Settlement Approval and Dismissal Order which shall:

(a) determine, in accord with the Illinois Code of Civil Procedure, 735 ILCS 5/2-801 and 5/2-802, that the Litigation may be maintained, for settlement purposes only, as a class action with the Settlement Class, as defined in this Settlement Agreement;

(b) find that Plaintiffs, as the Class Representatives, fairly and adequately represent and protect the interests of the Settlement Class;

(c) find that Plaintiffs' counsel are qualified, experienced and competent to conduct the Litigation and protect the interests of the Settlement Class, and affirm the prior order of the Court appointing Class Counsel;

(d) find that notice has been given as previously ordered by the Court and as provided for in this Settlement Agreement;

(e) find that such notice satisfied the requirements of due process and of the Illinois Code of Civil Procedure, 735 ILCS 5/2-801 through 5/2-806;

(f) determine which persons have validly excluded themselves from the Litigation and the Settlement Class pursuant to 735 ILCS 5/2-804(b) of the Illinois Code of Civil Procedure, and declare those persons excluded (the "Settlement Opt-Outs");

(g) determine that this Settlement Agreement is fair, reasonable and adequate to the Settlement Class, provide that each Class Member (except the Settlement Opt-Outs) shall be bound by this Settlement Agreement and conclude that this Settlement Agreement should be approved;

(h) dismiss the Litigation on the merits and with prejudice, permanently enjoin each Class Member (except the Settlement Opt-Outs) from bringing any claim based upon either (a) the imposition or payment of the Link-Up II charge; or (b) the lack of a dated postmark or other mark showing the actual date of mailing on customer bill envelopes, or the printing of an erroneous Due Date on customer bills in those situations where the erroneous Due Date did not result in the premature imposition of a late payment charge sooner than 21 days after the actual date of mailing; or (c) any other claim that could have been brought in the Litigation, and enter final judgment thereon; and

(i) retain jurisdiction in the Court of all matters relating to the interpretation, administration, implementation, effectuation and enforcement of this Settlement Agreement.

Q. EFFECT OF FINAL APPROVAL OF SETTLEMENT AGREEMENT

52. In the event that the Illinois Commerce Commission dismisses Docket No. 92-0403 and the Court approves this Settlement Agreement and enters a Final Settlement Approval and Dismissal Order, then each Class Member, except the Settlement Opt-Outs, shall be governed by this Settlement Agreement. The Litigation will be dismissed on the merits and with prejudice, and each Class Member, except the Settlement Opt-Outs, will be permanently enjoined from bringing any claim based upon (a) the imposition of the Link-Up II charge; or (b) the lack of a dated postmark or other mark showing the actual date of mailing on customer bill envelopes, or the printing of an erroneous Due Date on customer bills in those situations where the erroneous Due Date did not result in the premature imposition of a late payment charge sooner than twenty-one (21) days after the actual date of mailing; or (c) any other claim that could have been brought in the Litigation.

R. EFFECT OF DISAPPROVAL OF SETTLEMENT AGREEMENT

53. In the event that the Illinois Commerce Commission does not dismiss Docket No. 92-0403, the Court disapproves this Settlement Agreement or holds that it will not enter a

Final Settlement Approval and Dismissal Order or holds that the entry of the Final Settlement Approval and Dismissal Order should be overturned, or in the event that Bell exercises its option pursuant to paragraph 48 if more than 15% of the eligible class members opt out of the Settlement, then this Settlement Agreement shall become null and void, the Litigation shall continue and revert to its pre-settlement state without prejudice to the rights of any party, and the parties shall move jointly that any order entered pursuant to this Settlement Agreement be vacated.

S. MONITORING OF COMPLIANCE

54. Upon reasonable request, Bell shall permit Class Counsel to physically monitor any aspect of the implementation of this Settlement Agreement. Bell shall make available to Class Counsel, upon reasonable conditions, (a) employees involved in the implementation of this Settlement Agreement and (b) documents and records pertaining to the implementation of this Settlement Agreement.

T. REPORT ON COMPLIANCE

55. Within one hundred and fifty (150) days after the entry of the Final Settlement Approval and Dismissal Order, Bell shall file with the Court and serve on Class Counsel a report on all aspects of Bell's implementation of and compliance with this Settlement Agreement. The report shall be in sufficient detail and contain such exhibits and affidavits as are necessary to satisfy the Court and Class Counsel that Bell has performed all its obligations under this Settlement Agreement. If the Court finds, on its own motion or on the motion of the Plaintiffs, that Bell has not made a good faith effort to comply with this paragraph or with its obligations under this Settlement Agreement, the Court may enter such further orders as the Court may determine are necessary and appropriate, including additional attorneys' fees for obtaining such compliance.

III. ADDITIONAL SETTLEMENT TERMS

56. Amendments. This Settlement Agreement may not be changed, altered, amended or modified in any way except by a writing signed by all signatories hereto or their counsel. This Settlement Agreement may be changed without the consent or approval of any non-signatory by a writing signed by all signatories hereto, any of whom may sign by their counsel of record (whose authority to make changes and to sign is hereby acknowledged as between all parties hereto).

57. Non-Waiver of Breach. After the Execution Date, no waiver of any breach of any provision of this Agreement shall be deemed a waiver of any other breach of the same or any other provision.

58. Entire Agreement. This Settlement Agreement and the exhibits hereto constitute the full and entire understanding and agreement between the parties with regard to the subject hereof and supersede any prior agreement or understanding, written or oral, with respect to such subject matter. No party shall be liable or bound to any other party in any manner by any promises, representations, warranties or covenants, or any other information or materials previously made, provided or delivered by the parties, whether written or oral, except as specifically set forth in this Agreement.

59. Agents for Communications. As agent for the receipt of communications relating to this Settlement Agreement, Plaintiffs and the Class appoint Clinton A. Krislov, Krislov & Associates, Ltd., 222 North LaSalle Street, Suite 810, Chicago, Illinois 60601, and Illinois Bell Telephone Company appoints its general counsel, Edward A. Butts, 225 West Randolph Street, Suite 28-B, Chicago, Illinois 60606. Any communication made in connection with this Settlement Agreement shall be deemed to have been made when sent by Federal Express or registered or certified mail, postage prepaid, or delivered in person to Mr. Krislov or Mr. Butts

at the addresses designated for them under this paragraph. The persons and addresses designated in this paragraph may be changed by any signatory hereto by written notice to the other signatories hereto.

60. Counterparts and Originals. This Settlement Agreement may be executed in more than one counterpart, and if so executed, the various counterparts shall be and constitute one instrument for all purposes. For convenience, the several signature pages may be collected and annexed to one or more documents to form a complete counterpart. Photocopies of executed copies of this Settlement Agreement may be treated as originals.

61. Binding Effect. Each and every term of this Settlement Agreement shall be binding upon and inure to the benefit of Plaintiffs, the members of the Class and any of their heirs, successors and personal representatives.

62. Computation of Time. The time periods provided and/or dates described in this Settlement Agreement shall be computed in accord with 5 ILCS 70/1.11 and are subject to approval and change by the Court.

63. Illinois Law. This Settlement Agreement shall be interpreted in accordance with the laws of the State of Illinois.

IN WITNESS WHEREOF, the undersigned have executed this Settlement Agreement as of the day, month and year first above written.

THE PLAINTIFFS, as defined herein, on behalf of themselves and the Class, as defined herein

By: _____
Clinton A. Krislov
Krislov & Associates

ILLINOIS BELL TELEPHONE COMPANY, now known as AMERITECH ILLINOIS

By: _____
Douglas Whitley, President

DATED: December 9, 1998

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