

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA ATLANTA DIVISION**

IN RE FRIEDMAN'S, INC. SECURITIES LITIGATION

Civil Action No:  
1:03-CV-3475-WSD

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENTS WITH DEFENDANTS,  
MOTION FOR ATTORNEYS' FEES AND EXPENSES AND SETTLEMENT FAIRNESS HEARING**

**If you purchased or otherwise acquired Friedman's, Inc. common stock between January 26, 2000 and August 20, 2004, inclusive, you could receive a payment from the partial settlements of a class action.**

*A federal court authorized this notice. This is not a solicitation from a lawyer.*

- Four partial settlements have been reached in the above-captioned action (the "Action"), and together these partial settlements will provide \$14.9 million to pay claims from investors who bought the common stock of Friedman's, Inc. ("Friedman's" or the "Company") between January 26, 2000 and August 20, 2004, inclusive, and who were damaged thereby. The \$14.9 million cash settlement fund is comprised of (i) a \$2.7 million partial settlement with the Individual Settling Defendants (as defined below), (ii) a \$9.5 million partial settlement with Ernst & Young LLP ("E&Y"), (iii) a \$2.5 million partial settlement with the Underwriter Defendants (as defined below), and (iv) a \$200,000 partial settlement with Phillip Ean Cohen, Morgan Schiff & Co., MS Jewelers Corp. and MS Jewelers LP (the "Cohen Settling Parties"). See Questions 1 and 2 below for more detail on the partial settlements.
- The partial settlements resolve, with respect to the Settling Defendants (identified below) and Friedman's, a lawsuit over whether Friedman's misled investors about the Company's financial performance by engaging in accounting practices that were contrary to Generally Accepted Accounting Principles in violation of federal securities laws. The Underwriter Defendants are not alleged to have participated in or known about this conduct but are alleged to have disseminated the false and misleading information to purchasers in the public stock offerings on February 6, 2002 and September 19, 2003. The Cohen Settling Parties are not alleged to have participated in the conduct but are alleged to be responsible as controlling persons of Friedman's.
- Your legal rights are affected whether you act or do not act. Read this notice carefully.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:</b>	
<b>SUBMIT A CLAIM FORM</b>	The only way to get a payment.
<b>EXCLUDE YOURSELF</b>	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against the Settling Defendants and the other Released Parties about the Settled Claims.
<b>OBJECT</b>	Write to the Court about why you do not like any or all of the partial settlements, the Plan of Allocation or Plaintiffs' Co-Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses.
<b>GO TO A HEARING</b>	Ask to speak in Court about the partial settlements, the Plan of Allocation or Plaintiffs' Co-Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses.
<b>DO NOTHING</b>	Get no payment and your right to sue or participate in another lawsuit against the Settling Defendants relating to the legal claims in this case is barred.

To obtain more information, you may contact the claims administrator, The Garden City Group, Inc. at 1-888-439-4797 or visit [www.friedmansclasssettlement.com](http://www.friedmansclasssettlement.com). You may also contact one of Plaintiffs' Co-Lead Counsel, listed below:

Gregory E. Keller, Esq.  
Meryl W. Roper, Esq.  
Chitwood Harley Harnes LLP  
2300 Promenade II  
1230 Peachtree Street, NE  
Atlanta, GA 30309

Andrew Zivitz, Esq.  
Jennifer L. Enck, Esq.  
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280 King of Prussia Road  
Radnor, PA 19087

Joseph E. White, III, Esq.  
Saxena White P.A.  
2424 N. Federal Hwy. Suite 257  
Boca Raton, FL 33431

- These rights and options - **and the deadlines to exercise them** - are explained in this notice.
- The Court in charge of this case still has to decide whether to approve the partial settlements. Payments will be made if the Court approves the partial settlements and after appeals, if any, are resolved. Please be patient.

## SUMMARY NOTICE

### Statement of Plaintiff Recovery

Pursuant to the partial settlements described herein, a Gross Settlement Fund consisting of \$14,900,000 in cash, plus interest, has been established ("Gross Settlement Fund"). Plaintiffs estimate that there were approximately 15,100,000 shares of Friedman's common stock traded during the Class Period which may have been damaged. Plaintiffs estimate that the average recovery per damaged share of Friedman's common stock under the partial settlements is \$0.99<sup>1</sup> before deduction of Court-awarded attorneys' fees and expenses. A Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by that claimant's Recognized Claim as compared to the total Recognized Claims of all Class Members who submit acceptable Proof of Claim and Release forms ("Proofs of Claim"). Depending on the number of claims submitted, whether the Class Member purchased stock in one of the two public stock offerings by Friedman's, when during the Class Period a Class Member purchased or acquired shares of Friedman's common stock, the purchase price paid, and whether those shares were held at the end of the Class Period or sold during the Class Period, and, if sold, when they were sold and the amount received, an individual Class Member may receive more or less than this average amount. See the Plan of Allocation on pages 9-12 for more information on your Recognized Claim.

### Statement of Potential Outcome of Case

The parties disagree on liability, damages, and the average amount of damages per share that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The Settling Defendants deny that they are liable to Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages.

### Statement of Fees and Expenses Sought

Plaintiffs' Co-Lead Counsel have litigated this Action on a contingent basis and have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Gross Settlement Fund, as is customary in this type of litigation. Court-appointed Plaintiffs' Co-Lead Counsel will ask the Court for an award of attorneys' fees not to exceed 30% of the Gross Settlement Fund and reimbursement of expenses not to exceed \$675,000, plus an appropriate amount of interest on such amounts. If the above amounts are requested and approved by the Court, the average cost per share of Friedman's common stock will be \$0.34.

### Further Information

Further information regarding the case and this notice may be obtained by contacting Plaintiffs' Co-Lead Counsel: Andrew Zivitz or Jennifer L. Enck of Schiffrin Barroway Topaz & Kessler, LLP, 280 King of Prussia Road, Radnor, Pennsylvania 19087, Telephone (610) 667-7706; Gregory E. Keller or Meryl W. Roper of Chitwood Harley Harnes LLP, 2300 Promenade II, 1230 Peachtree Street, NE, Atlanta, Georgia 30309, Telephone (404) 873-3900; or Joseph E. White, III of Saxena White P.A., 2424 N. Federal Highway, Suite 257, Boca Raton, Florida 33431, Telephone (561) 394-3399.

### Reasons for the Settlement

Plaintiffs and their counsel have determined that the partial settlements present the best opportunity for a recovery from the Settling Defendants. More specifically, the primary perpetrator of the alleged fraud, Friedman's, was in bankruptcy and only very limited insurance proceeds were available to fund a settlement or satisfy a judgment against the Individual Settling Defendants. In fact, the insurer for Friedman's and the Individual Settling Defendants instituted an action to rescind the insurance policy (an action that, if successful, would prohibit any insurance coverage for the acts alleged), but has agreed to fund the partial settlement with the Individual Settling Defendants. In addition, the partial settlements with E&Y, the Underwriter Defendants and the Cohen Settling Parties represent the recovery of a substantial proportion of the damages that Plaintiffs could prove against those Defendants. Together, the partial settlements avoid the costs and risks associated with continued litigation against the Settling Defendants, including the risk of no recovery, and provides a substantial benefit to the Class now.

While Plaintiffs' Co-Lead Counsel were prepared to go to trial and were confident about the case, a trial is a risky proposition, and Plaintiffs might not have prevailed. The claims in this case involve numerous complex legal and factual issues that would require extensive and costly expert testimony. Among the issues on which the two sides do not agree are: (1) the amount of damages that could be recovered at trial; (2) the method for determining whether Friedman's common stock was artificially inflated during the relevant period; (3) the amount of any such inflation; (4) the extent that various facts alleged by Plaintiffs were materially false or misleading; (5) the extent that various facts alleged by Plaintiffs influenced the trading price of Friedman's

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<sup>1</sup> An allegedly damaged share might have been traded more than once during the Class Period, and the indicated average recovery would be the total for all purchasers of that share.

common stock during the relevant period; (6) whether the facts alleged were material, false, misleading or otherwise actionable under the securities laws, and (7) in the case of the Underwriter Defendants, whether there is any factual basis to question that they exercised due diligence in underwriting the 2002 and 2003 Friedman's public stock offerings and, as a result, whether the claims against them should even proceed to trial.

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**BASIC INFORMATION**

**1. Why did I get this notice package?**

You or someone in your family may have purchased or otherwise acquired shares of Friedman's common stock between January 26, 2000, and August 20, 2004, inclusive. If you or someone in your family purchased or acquired Friedman's common stock during this period and suffered a loss as a result of those purchases and/or acquisitions, you are a member of the Class, unless you fall within the exceptions described in Question 6 below.

The Court directed that this Notice be sent to Class Members because they have a right to know about proposed partial settlements of a class action lawsuit, and about all of their options, before the Court decides whether to approve the partial settlements. If the Court approves the partial settlements, and after objections and appeals, if any, are resolved, an administrator appointed by the Court will make the payments that the partial settlements allow.

This package explains the lawsuit, the partial settlements, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of Georgia, Atlanta Division, and the case is known as *In re Friedman's, Inc. Securities Litigation*, File No. 1:03-cv-3475-WSD. This case was assigned to Judge William S. Duffey Jr. of the United States District Court for the Northern District of Georgia, Atlanta Division.

The people who have filed and directed the lawsuit (Guerrilla Partners LP, Ardsley Partners, LP, James E. Parker, Ashley Abernathy, Doug Havel, James A. Hammann, and Allan Bortel) are called the Plaintiffs.

The company, individuals and other entities they sued (Friedman's; certain of its officers and directors, Victor M. Suglia ("Suglia"), Bradley J. Stinn ("Stinn"), Douglas Anderson ("Anderson"), John Mauro ("Mauro"), Sterling B. Brinkley ("Brinkley"), John E. Cay, III ("Cay"), Robert W. Cruickshank ("Cruickshank"), David B. Parshall ("Parshall"), and Mark C. Pickup ("Pickup"); certain of its underwriters, ABN AMRO Rothschild LLC, McDonald Investments Inc., Wedbush Morgan Securities, Inc., JMP Securities, Thomas Weisel Partners, LLC, and Morgan Joseph & Co. Inc.; its outside auditor, E&Y; and alleged controlling persons of Friedmans, Phillip Ean Cohen and the other Cohen Settling Parties) are called the Defendants. All of the Defendants are participating in the partial settlements. In addition, Friedman's has been dismissed from the Action as part of the partial settlement with the Individual Settling Defendants.

2. What is this lawsuit about?

This lawsuit was brought as a class action alleging that the Defendants violated various sections of the statutes governing the federal securities laws. The lawsuit alleges that Friedman's violated Generally Accepted Accounting Principles ("GAAP"), and that these violations caused Friedman's reported earnings for fiscal years 2000 through 2002 and the first three quarters of 2003 to be overstated, artificially inflating the price of Friedman's common stock. The lawsuit alleges five categories of GAAP violations: (1) failure to write down an impairment for the Company's investment in Crescent Jewelers, Inc.; (2) improper recognition of revenue; (3) understatement of allowance for uncollectible accounts; (4) overstatement of inventory; and (5) understatement of accounts payable, as part of the Company's alleged scheme with Crescent Jewelers, Inc. and Cosmopolitan Gem Corporation to defraud Capital Factors. Plaintiffs claim this misconduct caused the Company's written and oral public statements during the Class Period to be false and misleading.

The claims against the Underwriter Defendants are narrower than the claims against the other Defendants. The Underwriter Defendants are not alleged to have participated in the accounting misstatements or other underlying misconduct alleged against the other Defendants but are alleged to have disseminated false and misleading information to those members of the Class who purchased Friedman's shares in the 2002 and 2003 Friedman's secondary stock offerings for which the Underwriter Defendants were underwriters. Similarly, the claims against the Cohen Settling Parties do not allege that the Cohen Settling Parties participated in the alleged fraud, but rather that they are responsible for Friedman's violations as alleged controlling persons of Friedman's.

The Settling Defendants deny that they did anything wrong. The Court did not decide which side was right. But both sides agreed to the partial settlements to ensure a resolution and to provide benefits to Class Members.

3. Why is this action a class action?

In a class action, one or more people called class representatives (in this case Guerrilla Partners LP, Ardsley Partners, LP, James E. Parker, Ashley Abernathy, Doug Havel, James A. Hammann, and Allan Bortel), sue on behalf of people who have similar claims. All these people are referred to collectively as a Class, or individually as Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class.

4. Why is there a settlement?

The Court did not decide in favor of Plaintiffs or the Settling Defendants. Instead, the parties that are participating in the partial settlements have agreed to resolve the claims. By settling, the parties avoid the risks and cost of a trial, and eligible Class Members who submit valid claims will receive compensation. Plaintiffs and their attorneys think the partial settlements are best for all Class Members.

**WHO IS IN THE SETTLEMENT**

To see if you will get money from the partial settlements, you first have to determine whether you are a Class Member.

5. How do I know if I am part of the partial settlements?

The Court has directed that, for purposes of the partial settlements, everyone who fits this description is a Class Member: *all persons and entities who purchased or otherwise acquired Friedman's common stock between January 26, 2000 and August 20, 2004, inclusive (the "Class Period"), and were damaged thereby.*

6. Are there exceptions to being included?

Excluded from the Class are Friedman's, Settling Defendants and Other Related Non-parties (Crescent Jewelers, Inc. and EZCorp Inc.); members of the immediate family of each of the Settling Defendants, Friedman's, and Other Related Non-parties; any person, firm, trust, corporation, officer, director or other individual or entity in which any Settling Defendant, Other Related Non-party, or Friedman's has a controlling interest or that is related to or affiliated with any of the Settling Defendants, Other Related Non-parties, or Friedman's, Inc.; and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

If one of your mutual funds purchased or otherwise acquired shares of Friedman's common stock during the Class Period, that does not make you a Class Member. You are a Class Member only if you directly purchased or otherwise acquired shares of Friedman's common stock during the Class Period. Check your investment records or contact your broker to see if you purchased or otherwise acquired Friedman's common stock during the Class Period.

If you sold Friedman's common stock during the Class Period, that does not make you a Class Member. You are a Class Member only if you purchased or otherwise acquired your shares during the Class Period.

7. I am still not sure if I am included

If you are still not sure whether you are included, you can ask for free help. You can call 1-888-439-4797 or visit [www.friedmansclasssettlement.com](http://www.friedmansclasssettlement.com) for more information. Or you can fill out and return the Proof of Claim form described in the answer to question 10, to see if you qualify.

**THE SETTLEMENT BENEFITS — WHAT YOU GET**

8. What do the partial settlements provide?

Together, the Settling Defendants have agreed to pay \$14.9 million in cash. The balance of this fund after payment of court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this notice and the cost of publishing a newspaper notice (the "Net Settlement Fund") will be divided among all eligible Class Members who send in valid Proof of Claim forms.

9. How much will my payment be?

Your share of the fund will depend on the total Recognized Claims represented by the valid Proof of Claim forms that Class Members send in, how many shares of Friedman's common stock you bought or acquired, how much you paid for them, and when you bought and/or acquired and whether or when you sold them, and if so, for how much you sold them.

You can calculate your Recognized Claim in accordance with the formula shown below in the Plan of Allocation. It is unlikely that you will get a payment for all of your Recognized Claim. After all Class Members have sent in their Proof of Claim forms, the payment you get will be a part of the Net Settlement Fund equal to your Recognized Claim divided by the total of everyone's Recognized Claims. See the Plan of Allocation on pages 9-12 for more information on your Recognized Claim.

**HOW YOU GET A PAYMENT — SUBMITTING A PROOF OF CLAIM FORM**

10. How can I get a payment?

To qualify for a payment, you must be an eligible Class Member and send in a Proof of Claim form. A Proof of Claim form is being circulated with this notice. You may also get a claim form on the Internet and file your claim on the internet at [www.friedmansclasssettlement.com](http://www.friedmansclasssettlement.com). Read the instructions carefully, fill out the Proof of Claim form, include all the documents the form asks for, sign it, and mail it postmarked no later than March 7, 2009.

11. When would I get my payment?

The Court will hold a hearing on February 5, 2009, to decide whether to approve the partial settlements. If the Court approves the partial settlements, after that, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. Please be patient.

12. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you will be a member of the Class, and that means that, upon the "Effective Date," you will release all "Settled Claims" (as defined below) against the "Released Parties" (as defined below).

"Settled Claims" means any and all claims, obligations, costs, damages, losses, and demands whatsoever, rights, liabilities, actions and causes of action of any nature, known or unknown (including Unknown Claims, as defined below), suspected or unsuspected, fixed or contingent, in tort or in contract, at law or in equity, including, without limitation, any claims of fraud, bad faith, breach of covenant of good faith and fair dealing, or failure to act that: (i) were asserted in the Complaint, or (ii) could have been asserted in the Complaint, upon the allegations, transactions, facts, matters, or occurrences, representations or omissions involved, set forth or that could have been included in the Complaint, and that relate to the purchase or acquisition of Friedman's common stock during the Class Period. "Settled Claims" shall also not include claims, if any, against the Released Parties arising under the Employment Retirement Income Security Act of 1974, 29 U.S.C. § 1001 *et seq.*, which are not otherwise common to all Class Members.

"Released Parties" means Settling Defendants and Friedman's (but not to include any Other Related Non-party) and the current and former general partners, limited partners, principals, directors, officers, employees, affiliates, attorneys, accountants, agents, insurers, subsidiaries, parents, and the legal representatives, heirs, successors in interest or assigns of Settling Defendants or Friedman's, including ABN AMRO Rothschild LLC, which was an underwriter of the February 6, 2002 offering and was previously dismissed from this action by the Court.

The "Effective Date" will occur when the Orders entered by the Court approving the partial settlements become final and not subject to appeal.

If you remain a member of the Class, all of the Court's orders will apply to you and legally bind you.

**EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment from the partial settlements, but you want to keep any right you may have to sue or continue to sue any of the Settling Defendants and Released Parties, on your own, about the Settled Claims, then you must take steps to get out of the Class. This is called "excluding yourself" — or is sometimes referred to as "opting out" of the settlement Class. The Settling Defendants may withdraw from and terminate their respective partial settlement if putative Class Members who purchased or acquired in excess of a certain amount of Friedman's common stock exclude themselves from the Class.

13. How do I get out of the proposed partial settlements?

To exclude yourself from the Class, you must send a signed letter by mail stating that you "request exclusion from the Class in *In re Friedman's, Inc. Securities Litigation*, File No. 1:03-CV-3475-WSD." Your letter should state the date(s), price(s), and number(s) of shares of all your purchases, acquisitions, and sales of Friedman's common stock during the Class Period, though the failure to include this information will not make your request defective. In the event you purchased 2,500 shares or less of Friedman's common stock and do not know the exact amount, date or price at which you purchased, acquired or sold your shares of Friedman's common stock, estimate the number of shares and the date(s) and price(s), and provide the name of the brokerage firm(s) that you used to buy and sell your Friedman's stock. You must mail your exclusion request postmarked no later than January 6, 2009 to:

In re Friedman's, Inc. Securities Litigation  
Exclusions  
c/o The Garden City Group, Inc.  
Claims Administrator  
P.O. BOX 9221  
Dublin, OH 43017-4621

You cannot exclude yourself by telephone or by e-mail. If you ask to be excluded, you are not eligible to receive payment, and you cannot object to any of the partial settlements, the Plan of Allocation or Plaintiffs' Co-Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses. If you exclude yourself, you will not be legally bound by anything that happens in this lawsuit.

14. If I do not exclude myself, can I sue the Settling Defendants and the other Released Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue Friedman's, the Settling Defendants, or the other Released Parties for any and all Settled Claims. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must exclude yourself from *this* Class to continue your own lawsuit. Remember, the exclusion deadline is January 6, 2009.

15. If I exclude myself, can I get money from the proposed partial settlements?

No. If you exclude yourself, do not send in a Proof of Claim form to ask for any money. But, you may exercise any right you may have to sue, continue to sue, or be part of a different lawsuit against the Settling Defendants and the other Released Parties.

### THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The law firms that were appointed by the court as Plaintiffs' Co-Lead Counsel (Chitwood Harley Harnes LLP, Saxena White P.A., and Schiffrin Barroway Topaz & Kessler, LLP) will represent you and the other Class Members. These lawyers are called Plaintiffs' Co-Lead Counsel. You will not be separately charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Plaintiffs' Co-Lead Counsel will ask the Court for an award of attorneys' fees not to exceed 30% of the Gross Settlement Fund (as defined, above, the "Gross Settlement Fund" consists of the four partial settlements totaling \$14,900,000 in cash, plus interest) and for reimbursement of expenses not to exceed \$675,000, plus an appropriate amount of interest on both amounts. If these amounts are requested and approved by the Court, the average cost per share will be \$0.34. Plaintiffs' Co-Lead Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the members of the Class and any proceedings subsequent to the Settlement Fairness Hearing. The Court will conduct a separate hearing on Plaintiff's Co-Lead Counsel's application for attorney's fees and expenses. This hearing will occur after the time for filing claims expires.

### OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the partial settlements or some part of them.

18. How do I tell the Court that I do not like the proposed partial settlements?

If you are a Class Member, you can object to any or all four of the partial settlements or any of their terms, the proposed Plan of Allocation and/or the application by Plaintiffs' Co-Lead Counsel for an award of attorneys' fees and reimbursement of expenses. You may write to Plaintiffs' Co-Lead Counsel setting out your objection and Plaintiffs' Co-Lead Counsel will file your objection with the Court. You may give reasons why you think the Court should not approve any or all of the terms or arrangements of the partial settlements. The Court will consider your views if you file a proper objection within the deadline identified, and according to the following procedures.

To object, the Court requests that you send a signed letter stating that you object to one or all four of the proposed partial settlements in the *In re Friedman's Securities Litigation*, File No. 1:03-3475-WSD. Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of all purchases, acquisitions, and sales of Friedman's common stock you made during the Class Period to the best of your ability, and state the reasons why you object to the partial settlement(s). The Court requests that your objection be submitted to Plaintiffs' Co-Lead Counsel listed below on or before January 6, 2009. Plaintiffs' Co-Lead Counsel will file your objection with the Court and serve a copy on counsel for the Individual Settling Defendants, counsel for E&Y, counsel for the Underwriter Defendants and counsel for the Cohen Settling Parties (together, "Settling Defendants' Counsel") immediately upon receipt.

#### Plaintiffs' Co-Lead Counsel:

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Los Angeles, CA 90067

Neil A. Steiner, Esq.  
Dechert LLP  
1095 Avenue of the Americas  
New York, NY 10036

19. What is the difference between objecting and excluding?

Objecting is simply telling the Court that you do not like something about any or all four of the proposed partial settlements. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

**THE COURT'S SETTLEMENT FAIRNESS HEARING**

The Court will hold a hearing to decide whether to approve the proposed partial settlements. You may attend and you may ask to speak, but you do not have to.

20. When and where will the Court decide whether to approve the proposed partial settlements?

The Court will hold a Settlement Fairness Hearing at 9:30 a.m. on February 5, 2009, at the United States District Court for the Northern District of Georgia, Atlanta Division, Richard B. Russell Federal Building and Courthouse, 75 Spring Street, SW, Atlanta, Georgia 30303-3361, in Courtroom 1721. At this hearing the Court will consider, separately, whether the partial settlements are fair, reasonable and adequate. At the Settlement Fairness Hearing, the Court also will consider the proposed Plan of Allocation for the proceeds of the Net Settlement Fund. The Court will take into consideration any written objections filed in accordance with the instructions at question 18. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing; but decisions regarding the conduct of the hearing will be made by the Court. See question 22 for more information about speaking at the hearing. The Court may also wait to decide whether to approve the partial settlements or the Plan of Allocation. The Court will receive comments to Plaintiffs' Co-Lead Counsel's fee and expense request at the hearing described above. A hearing on Plaintiffs' Co-Lead Counsel's request for attorney's fees and expenses shall be held at 9:30 a.m. on April 27, 2009. If there are objections, the Court will consider them. Judge Duffey will listen to people who have asked to speak at the hearing. The Court may decide these issues at the hearing or take them under consideration. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the Settlement Fairness Hearing. Thus, if you want to come to the hearing, you should check with Plaintiffs' Co-Lead Counsel before coming to be sure that the date and/or time has not changed.

21. Do I have to come to the hearing?

No. Plaintiffs' Co-Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you file your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

22. May I speak at the hearing?

If you object to any or all four of the partial settlements, you may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must include with your objection (see question 18 above) a statement stating that it is your "Notice of Intention to Appear in *In re Friedman's Securities Litigation*, File No. 1:03-cv-3475-WSD." Persons who intend to object to the partial settlement(s), the Plan of Allocation, and/or Plaintiffs' Co-Lead Counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing may be contacted by Plaintiffs' Co-Lead Counsel and Settling Defendants' Counsel to determine the identity of any witnesses the objector may call to testify and exhibits the objector intends to introduce into evidence at the Settlement Fairness Hearing in order to establish how much

time the Court should set aside at the Settlement Fairness Hearing. If you do not indicate in your objection that you desire to speak at the hearing, you may still request that the Court allow you to speak. The Court has discretion to grant your request. You cannot speak at the hearing if you excluded yourself from the Class or if you have not provided written notice of your intention to speak at the Settlement Fairness Hearing by the deadline identified, and in accordance with the procedures described in questions 18 and 20 above.

### IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from the partial settlements, and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against the Settling Defendants and the other Released Parties about the Settled Claims in this Action, ever again.

To share in the Net Settlement Fund you must submit a Proof of Claim form (see question 10). To start, continue or be a part of any other lawsuit against the Settling Defendants and the other Released Parties about the Settled Claims in this Action, you must exclude yourself from this Class (see question 13).

### GETTING MORE INFORMATION

24. Are there more details about the proposed partial settlements?

This notice summarizes the proposed partial settlements. More details are in (i) a Stipulation and Agreement of Partial Settlement with the Individual Settling Defendants dated September 7, 2006, (ii) a Stipulation and Agreement of Partial Settlement with Defendant Ernst & Young dated as of August 24, 2007, (iii) a Stipulation and Agreement of Partial Settlement with Thomas Weisel Partners LLC, McDonald Investments Inc., Wedbush Morgan Securities, Inc., JMP Securities, and Morgan Joseph & Co. dated November 30, 2007, and (iv) a Stipulation and Agreement of Partial Settlement with Defendant Phillip Ean Cohen, along with Morgan Schiff & Co., MS Jewelers Corp. and MS Jewelers LP, dated October 10, 2008 (collectively, the "Stipulations"). You can get copies of the Stipulations on the website, which is [www.friedmansclasssettlement.com](http://www.friedmansclasssettlement.com), or by writing to: Andrew Zivitz or Jennifer L. Enck of Schiffrin Barroway Topaz & Kessler, LLP, 280 King of Prussia Road, Radnor, Pennsylvania 19087; Gregory E. Keller or Meryl W. Roper of Chitwood Harley Harnes LLP, 2300 Promenade II, 1230 Peachtree Street, NE, Atlanta, Georgia 30309; or Joseph E. White, III of Saxena White P.A., 2424 N. Federal Highway, Suite 257, Boca Raton, Florida 33431.

25. How do I get more information?

For even more detailed information concerning the matters involved in this Action, reference is made to the pleadings, to the Stipulations, to the Orders entered by the Court and to the other papers filed in the action, which may be inspected at the Office of the Clerk of the United States District Court for the Northern District of Georgia, Atlanta Division, Richard B. Russell Federal Building and Courthouse, 75 Spring Street, SW, Atlanta, Georgia 30303-3361 during regular business hours. The Court's docket sheet and certain key Orders are also available at [www.friedmansclasssettlement.com](http://www.friedmansclasssettlement.com).

You also can call the Claims Administrator at 1-888-439-4797 toll free; write to *In re Friedman's, Inc. Securities Litigation*, c/o The Garden City Group, Inc., Claims Administrator, P.O. Box 9221, Dublin, OH 43017-4621; or visit their website at [www.friedmansclasssettlement.com](http://www.friedmansclasssettlement.com), where you will find answers to common questions about the partial settlements, a Proof of Claim form, plus other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

Plaintiffs' Co-Lead Counsel are available to answer questions you may have concerning your Proof of Claim form or concerning any notice that you may receive from the Claims Administrator, after the Claims Administrator reviews your submission.

### DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

### PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

The \$14,900,000 Cash Settlement Amount and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, and expenses (the "Net Settlement Fund") shall be distributed to members of the Class who submit acceptable Proofs of Claim ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's Recognized Claim. The Recognized Claim formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to

Authorized Claimants pursuant to the partial settlements. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

The following proposed Plan of Allocation reflects the Plaintiffs' allegations that the price of Friedman's common stock was inflated artificially, by reason of allegedly false and misleading statements made by the Defendants. The artificial inflation allegedly began on January 26, 2000, when Friedman's allegedly announced false record earnings. The price of Friedman's common stock allegedly continued to be artificially inflated thereafter through most of the Class Period, but the inflation began to be dissipated at intervals by certain revelations made by Friedman's on September 12, 2003, October 2, 2003, November 12, 2003, November 18, 2003, May 6, 2004, and was fully dissipated by August 20, 2004. **The precise method for allocation, the actual disclosures that were made and the price drops that were used within the Plan of Allocation are set forth below.**

On September 12, 2003, Friedman's issued a press release announcing that it had been contacted by the Securities and Exchange Commission ("SEC") about the opening of an informal inquiry into a lawsuit filed against Friedman's by Capital Factors, Inc., a former financier of Cosmopolitan Gem Corporation, a former supplier to Friedman's, alleging that Friedman's and others intentionally or negligently participated with Cosmopolitan in the misrepresentation of the balance of Cosmopolitan's accounts receivable, which induced Capital Factors to continue to advance funds to Cosmopolitan. Following the September 12, 2003 announcement, Friedman's common stock, which had closed at \$16.04 per share on September 11, 2003, within two trading days fell to a closing price of \$14.34 per share on September 15, 2003.

On October 2, 2003, Friedman's announced that the U.S. Department of Justice ("DOJ") had notified Friedman's on September 29, 2003, that it was conducting an investigation into the Capital Factors lawsuit. Following the October 2, 2003 announcement, Friedman's common stock, which had closed at \$14.00 per share on October 1, 2003, fell to a closing price of \$12.72 per share on October 2, 2003.

On November 11, 2003, Friedman's issued a press release and filed a corresponding Form 8-K-announcing that, on October 29, 2003, Friedman's was advised by the SEC that it was issuing a formal order of private investigation with respect to the Company and that the formal investigation expanded the topics from the earlier announced investigation, adding the topics of Friedman's allowance for uncollectible accounts and other financial matters, and sought to determine whether Friedman's may have issued materially false and misleading disclosures under the Securities Act of 1933 and Securities Exchange Act of 1934 and whether there were possible violations of the internal controls and books and records provisions under the Exchange Act for the period January 1, 2000 through the present. Friedman's also announced that the previously reported investigation by the DOJ into the Capital Factors matter had also been expanded to include Friedman's allowance for uncollectible accounts and other financial matters. Following the November 11, 2003 announcement, the price of Friedman's common stock fell from a close of \$11.99 per share on November 11, 2003, to a closing price of \$7.31 per share on November 12, 2003.

On November 17, 2003, Friedman's issued a press release and filed a corresponding Form 8-K announcing that Friedman's Audit Committee, working with E&Y, determined that Friedman's historical financial statements for at least the fiscal years 2000, 2001 and 2002 and for the first three quarters of fiscal year 2003 would be restated and that those financial statements and the related public filings with the SEC should no longer be relied upon. Friedman's also announced that E&Y informed the company that E&Y would be withdrawing its audit opinions on the previously filed annual financial statements and that, as a result of the restatement, the filing of its Form 10-K for the fiscal year ended September 27, 2003, may be delayed. Following the November 17, 2003 announcement, Friedman's common stock, which had closed at \$7.38 per share on November 17, 2003, fell to a closing price of \$6.04 per share on November 18, 2003 and to a closing price of \$5.08 by November 21, 2003.

On May 6, 2004, the Dow Jones News Service reported that the New York Stock Exchange ("NYSE") halted trading in Friedman's stock due to recent announcements regarding Board actions and the trading was to remain halted while the NYSE evaluated Friedman's continued listing. Friedman's common stock had closed at \$4.97 per share on May 5, 2004. Trading in Friedman's common stock resumed, in the pink sheets, on May 12, 2004, and Friedman's stock closed at \$2.65 per share. Following the end of the Class Period, August 20, 2004, Friedman's common stock had declined to \$1.60 per share, although the price rebounded and averaged \$1.88 per share for the 90-day period following the end of the Class Period.

During the Class Period, Friedman's made two offerings of its common stock. On or about February 6, 2002, Friedman's sold 3,750,000 shares at \$9.50 per share, and on September 19, 2003, sold 3,100,000 shares for \$15.00 each.

Recognized Claims will be calculated for purposes of the Settlement as follows:

**A. For shares of Friedman's common stock purchased or acquired during the period between January 26, 2000 and September 11, 2003, inclusive, and**

1. Sold on or before September 11, 2003, an Authorized Claimant's Recognized Claim shall be zero; or
2. Sold at a loss during the period between September 12, 2003 and August 20, 2004, inclusive, an Authorized Claimant's Recognized Claim shall mean the purchase price minus the sales price; or

3. Sold at a loss on or after August 21, 2004, or held, an Authorized Claimant's Recognized Claim shall mean the purchase price minus \$1.88 per share.

**B. For shares of Friedman's common stock purchased or acquired during the period between September 12, 2003 and August 20, 2004, and**

1. Sold at a loss on or before August 20, 2004, inclusive, an Authorized Claimant's Recognized Claim shall mean the purchase price minus the sales price; or
2. Sold at a loss during on or after August 21, 2004, or held, an Authorized Claimant's Recognized Claim shall mean the purchase price minus \$1.88 per share.

**C. Alternatively, for shares of Friedman's common stock purchased in the February 6, 2002 public stock offering, the Recognized Claim amount shall be the amount calculated below if it is greater than the amount calculated under (A) above:**

1. For such shares sold on or before September 11, 2003, an Authorized Claimant's Recognized Claim shall be zero.
2. For such shares sold at a loss between September 12, 2003 and August 20, 2004, inclusive, an Authorized Claimant's Recognized Claim shall mean the difference, if a loss, between the \$9.50 per share February 2002 Secondary Offering price and the price for which such shares were sold.
3. For shares sold anytime after August 20, 2004 for more than \$1.60 per share, an Authorized Claimant's Recognized Claim shall mean the difference, if a loss, between the \$9.50 per share February 2002 Secondary Offering price and the price for which such shares were sold.
4. For shares (i) sold anytime after August 20, 2004 for less than \$1.60 per share, or (ii) still owned at the time of submission of the Proof of Claim, an Authorized Claimant's Recognized Claim shall mean \$7.90 per share (the difference between the \$9.50 per share February 2002 Secondary Offering price and \$1.60 per share).

**D. Alternatively, for shares of Friedman's common stock purchased in the September 19, 2003 public stock offering, the Recognized Claim amount shall be the amount calculated below if it is greater than the amount calculated under (B) above:**

1. For such shares sold at a loss on or before August 20, 2004, an Authorized Claimant's Recognized Claim shall mean the difference, if a loss, between the \$15.00 per share September 2003 Secondary Offering price and the price for which such shares were sold.
2. For shares sold anytime after August 20, 2004 for more than \$1.60 per share, an Authorized Claimant's Recognized Claim shall mean the difference, if a loss, between the \$15.00 per share September 2003 Secondary Offering price and the price for which such shares were sold.
3. For shares (i) sold anytime after August 20, 2004 for less than \$1.60 per share, or (ii) still owned at the time of submission of the Proof of Claim, an Authorized Claimant's Recognized Claim shall mean \$13.10 per share (the difference between the \$15.00 per share September 2003 Secondary Offering price and \$1.60 per share).

In the event a Class Member has more than one purchase, acquisition, or sale of Friedman's common stock, all purchases, acquisitions, and sales shall be matched on a First In First Out ("FIFO") basis. Class Period sales will be matched first against any Friedman's shares held at the beginning of the Class Period and then against purchases or acquisitions in chronological order. A purchase, acquisition, or sale of Friedman's common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, devise or operation of law of Friedman's common stock during the Class Period shall not be deemed a purchase, acquisition, or sale of Friedman's common stock for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such shares unless specifically provided in the instrument of gift or assignment.

To the extent a claimant had a gain from his, her or its overall transactions in Friedman's common stock during the Class Period, the value of the Recognized Claim will be zero. To the extent that a claimant suffered an overall loss on his, her or its overall transactions in Friedman's common stock during the Class Period, but that loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the actual loss.

Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants.

Class Members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who do not submit either a request for exclusion or an acceptable Proof of Claim will nevertheless be bound by the partial settlements and the Orders and Final Judgments of the Court dismissing this Action.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the partial settlements. If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution, and provided that Plaintiffs' Co-Lead Counsel determine a re-distribution should be undertaken. If after six months after such re-distribution, or if no re-distribution is undertaken, any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs' Co-Lead Counsel.

Settling Defendants, their respective counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Gross Settlement Fund, the Net Settlement Fund, the Plan of Allocation or the determination, administration, calculation, or payment of any Proof of Claim or non-performance of the Claims Administrator, the payment or withholding of taxes owed by the Gross Settlement Fund or any losses incurred in connection therewith.

#### **SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased the common stock of Friedman's (Ticker Symbol: FRDM, FRM, and FRDMQ, CUSIP No. 358-438-109) during the period between January 26, 2000 and August 20, 2004, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased Friedman's common stock during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven days mail the Notice and Proof of Claim form directly to the beneficial owners of that Friedman's common stock. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Gross Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re Friedman's, Inc. Securities Litigation  
c/o The Garden City Group, Inc.  
Claims Administrator  
P.O. BOX 9221  
Dublin, OH 43017-4621  
(888) 439-4797

Dated: Atlanta, Georgia  
October 27, 2008

By Order of the Court  
CLERK OF THE COURT