

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

EDWARD E. GATZ and DONALD D.)
GRAHAM, individually and on behalf of)
those similarly situated, and derivatively on)
behalf of Regency Affiliates, Inc.,)
)
Plaintiffs,)

v.)

Civil Action No. 174-CC

WILLIAM R. PONSOLDT, SR.,)
STATESMAN GROUP, INC., WILLIAM R.)
PONSOLDT, JR., MARC H. BALDINGER,)
STEPHANIE CAREY, MARTIN J.)
CRAFFEY, ROYALTY HOLDINGS,)
L.L.C., ROYALTY MANAGEMENT, INC.,)
LAURENCE LEVY, NEIL N. HASSON,)
STANLEY FLEISHMAN, ERROL)
GLASSER and REGENCY AFFILIATES,)
INC.,)
)
Defendants.)

**NOTICE OF CLASS CERTIFICATION, PROPOSED SETTLEMENT
OF CLASS ACTION, AND FAIRNESS HEARING AND CLAIM FORM**

To: ALL PERSONS WHO WERE RECORD OR BENEFICIAL OWNERS OF REGENCY AFFILIATES, INC. (“REGENCY”) COMMON STOCK ON OCTOBER 17, 2002, INCLUDING ANY AND ALL OF THEIR RESPECTIVE SUCCESSORS IN INTEREST, PREDECESSORS, REPRESENTATIVES, TRUSTEES, BENEFICIARIES, EXECUTORS, ADMINISTRATORS, IMMEDIATE AND REMOTE HEIRS, AND ANY PERSON OR ENTITY ACTING FOR OR ON BEHALF OF, OR CLAIMING UNDER ANY OF THEM, AND EACH OF THEM, EXCLUDING DEFENDANTS, MEMBERS OF THE DEFENDANTS’ FAMILIES, AFFILIATES OF THE DEFENDANTS, AND THOSE INDIVIDUALS OR ENTITIES WHO SOLELY HELD SECURITIES CONVERTIBLE INTO REGENCY COMMON STOCK OR OPTIONS TO PURCHASE REGENCY COMMON STOCK (THE “CLASS”).

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY THE LEGAL PROCEEDINGS IN THIS LITIGATION.

IF YOU HELD REGENCY COMMON STOCK FOR THE BENEFIT OF ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNER.

I. PURPOSE OF THIS NOTICE

This notice is sent to you pursuant to Rule 23 of the Court of Chancery of the State of Delaware (the “Court”) and by order of Chancellor William B. Chandler III dated December 22, 2008 entered in the above-captioned lawsuit (the “Class Action”). The Court has provisionally certified this Class Action as a class action on behalf of the Class defined above, and there is a proposal to settle the Class Action. Class members have the right, among other things, to attend a hearing to be held on March 16, 2009, at 10:30 a.m., before Chancellor William B. Chandler III in the Court of Chancery of the State of Delaware in and for Sussex County, Court of Chancery Courthouse, 34 The Circle, Georgetown, Delaware, 19947 (the “Fairness Hearing”). At the Fairness Hearing, the Court will consider whether it will: (1) approve the settlement set forth in the Stipulation of Settlement dated December 4, 2008 and entered into by the parties to the Class Action (the “Settlement”), as fair, reasonable, adequate and in the best interests of the Class; (2) enter a final judgment approving the Settlement; and (3) approve the application by Plaintiffs’ counsel in this Class Action for attorneys’ fees and reimbursement of expenses. This Notice describes the rights you may have under the Settlement and what steps you may take in relation to the Settlement.

In order to receive a distribution from the settlement fund created by the Settlement, you must fill out and return the claim form attached hereto as Exhibit 1 and attach proof of ownership of Regency common stock on October 17, 2002 in accordance with the instructions below. These documents must be postmarked no later than April 16 , 2009.

Upon the approval of the Settlement, the Court at the Fairness Hearing will be requested to enter an Order and Final Judgment dismissing the Class Action with prejudice. The

proceeds of the Settlement will then be distributed to members of the Class who submit timely and valid claim forms in accordance with the terms of this Notice. You will *not* receive any further notice concerning the Settlement, so if you want to receive distributions of funds as part of the Settlement, if it is approved, then you must fill out and return the attached claim form (and attached proof of ownership) by the deadline.

THE FOLLOWING RECITATION DOES NOT CONSTITUTE A STATEMENT OF THE COURT OF CHANCERY. IT IS A STATEMENT OF THE PARTIES AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT.

II. BACKGROUND OF THE CLASS ACTION

In June 1993, defendant Statesman Group, Inc. (“Statesman”), a Bahamian corporation the stock of which is held by Statesman Irrevocable Trust, a trust settled by defendant William R. Ponsoldt, Sr. (“Ponsoldt”), acquired approximately 28.78% of the outstanding common stock of Regency Affiliates, Inc. (“Regency”) and 100% of Regency’s outstanding Series C preferred stock.

On August 26, 1996, Ponsoldt was elected chairman of the board of directors of Regency (the “Board”), and on May 23, 1997, Ponsoldt was appointed president and CEO of Regency.

On June 3, 1997, Statesman and Regency entered into an agreement that, in part, provided Statesman with an option to purchase 6,100,000 shares of Regency common stock (the “Option”).

On October 15, 2001, Statesman exercised the Option in accordance with its terms which, among other things, provided for payment of the exercise price through delivery to Regency of a \$2,440,000 promissory note.

Beginning in 2001, Ponsoldt and defendant Laurence Levy (“Levy”) began discussions concerning possible transactions involving Regency.

In December 2001, National Resource Development Corporation (“NRDC”), an 80% owned subsidiary of Regency, sold approximately 75,000,000 short tons of quarried aggregate rock located in Michigan (the “Aggregate”) to Iron Mountain Resources, Inc., a 75% owned subsidiary of Regency, in exchange for an \$18,200,000 promissory note (the “Aggregate Sale”).

On May 2, 2002, plaintiffs initiated litigation in the United States District Court for the District of Nebraska seeking relief under 18 U.S.C. §§ 1964(a) and 1964(c) of the Organized Crime Control Act of 1970, Pub. L. No. 91-452, Section 901(a), 84 Stat. 941 Racketeer Influenced and Corrupt Organizations (“RICO”), and stating various other state law claims, including breach of fiduciary duty with respect to Statesman’s exercise of the Option and the Board’s approval of the Aggregate Sale (the “Nebraska Action”).

On September 30, 2002, Levy proposed a recapitalization transaction to the Board.

On October 1, 2002, the Board appointed a three-member special committee (the “Special Committee”) to analyze, among other things, Levy’s recapitalization proposal. The Special Committee consisted of defendants Marc H. Baldinger (“Baldinger”), Stephanie Carey (“Carey”), and Martin J. Craffey (“Craffey”). After certain modifications were made to Levy’s original recapitalization proposal, the Special Committee approved the recapitalization transaction.

On October 17, 2002, Regency announced the completion of a recapitalization (the “Recapitalization”) involving defendant Royalty Holdings, L.L.C. (“Royalty Holdings”).

The managing member of Royalty Holdings is defendant Royalty Management, Inc. (“Royalty Management”), which is owned and controlled by Levy. The terms of the Recapitalization, as announced by the parties, were as follows:

(i) Regency paid an aggregate redemption price of \$1,020,000 to Statesman to redeem the 754,950 shares of Regency common stock owned by Statesman pursuant to the terms of a Redemption Agreement dated October 16, 2002;

(ii) Regency paid \$2,730,000 to Statesman for Statesman’s consent to amend the Certificate of Designation of Regency’s Series C Preferred Stock and certain other agreements of Statesman;

(iii) Regency paid \$250,000 to Statesman and transferred to Statesman the office equipment and furniture located in Regency’s Florida office in exchange for Statesman granting Regency the option to purchase 20% of the shares of NRDC;

(iv) the \$2,440,000 promissory note issued by Statesman to Regency in connection with Statesman’s exercise of the Option was amended to make it nonrecourse and secured by Statesman’s 20% interest in NRDC and all of Statesman’s Series C Preferred Stock;

(v) Royalty Holdings loaned Regency \$3,500,000, and Regency issued to Royalty Holdings a promissory note in that amount which, among other things, provided Royalty Holdings with the option to convert amounts outstanding under the note into shares of Regency common stock at the conversion price of \$2.00 per share (the “Convertible Note”); and

(vi) Royalty Holdings loaned Regency \$1,250,000, and Regency issued to Royalty Holdings a promissory note in that amount.

By July 3, 2003, Royalty Holdings had converted certain amounts outstanding under the Convertible Note, thereby acquiring 1,750,000 shares of Regency common stock.

Prior to the Recapitalization, approximately 61.1% of Regency's issued and outstanding common stock was owned by individuals and entities other than Statesman. Following the Recapitalization and Royalty Holdings' conversion, approximately 40.7% of Regency's issued and outstanding common stock was owned by individuals and entities other than Royalty Holdings.

Shortly after the public announcement of the Recapitalization, plaintiffs amended their complaint in the Nebraska Action to include additional claims relating to the Recapitalization against the defendants named in the original complaint, as well as Levy, Royalty Holdings, and Royalty Management. Prior to July 7, 2003, plaintiffs were permitted by the Nebraska District Court to conduct, and they then conducted, limited discovery relating to the claims.

On July 7, 2003, the Nebraska District Court transferred the Nebraska Action to the United States District Court for the District of Delaware.

On December 18, 2003, the Delaware District Court dismissed plaintiffs' RICO claims under Federal Rule 12(b)(6) and dismissed plaintiffs' other claims for lack of federal subject matter jurisdiction.

On January 20, 2004, plaintiffs filed their initial complaint in the Class Action alleging, among other things, breach of fiduciary duties in connection with the Recapitalization, the Aggregate Sale, certain compensation paid to Ponsoldt, and aiding and abetting breach of fiduciary duties in connection with the Recapitalization (the "Complaint"). Plaintiffs named Ponsoldt, Statesman, William R. Ponsoldt, Jr. ("Ponsoldt Jr."), Baldinger, Carey, Craffey, Royalty Holdings, Royalty Management, Levy, Neil N. Hasson, Stanley Fleishman, Errol

Glasser, and Regency (collectively, excluding Regency, the “Defendants”) as defendants in the Complaint.

On November 8, 2004, the Court dismissed all of the claims in the Complaint, except for plaintiffs’ claim for breach of fiduciary duties relating to the Aggregate Sale.

On October 14, 2005, the Court dismissed plaintiffs’ claim relating to the Aggregate Sale without prejudice and invited plaintiffs to file an amended complaint.

On January 30, 2006, plaintiffs filed an amended complaint alleging breach of fiduciary duties in connection the Recapitalization and the Aggregate Sale and aiding and abetting breach of fiduciary duties in connection with the Recapitalization (the “Amended Complaint”).

On May 26, 2006, the Court held that all of plaintiffs’ claims in the Amended Complaint were derivative in nature and dismissed the Amended Complaint.

Plaintiffs appealed the Court’s May 26, 2006 holding to the Delaware Supreme Court. On April 16, 2007, the Delaware Supreme Court issued its opinion holding that plaintiffs’ claims of breach of fiduciary duty and aiding and abetting breach of fiduciary duties in connection with the Recapitalization were direct (and derivative) in nature and reversing the Court’s decision to dismiss those claims. The case was remanded to the Court for further proceedings.

Beginning in June 2007, the parties entered into negotiations with a view toward the settlement of the Class Action. On January 16, 2008, after months of arm’s-length negotiations, the parties reached an agreement in principle to settle the Class Action.

Plaintiffs and their counsel have conducted discovery in the Class Action, reviewed the discovery taken in the Nebraska Action, and investigated the events, transactions,

and circumstances relevant to the Class Action. In negotiating and evaluating the settlement provided for by this Stipulation, plaintiffs and their counsel considered, among other things, the theories of liability available to plaintiffs, the results of discovery obtained to date in this Class Action and in the Nebraska Action, and the likelihood that the evidence adduced in discovery would support the theories of liability that plaintiffs are able to pursue.

Plaintiffs and their counsel have determined that a settlement of the Class Action on the terms reflected in this Stipulation is fair, reasonable, adequate, and in the best interests of the members of the purported class.

Defendants, to avoid the uncertainty, distraction, burden and expense of further litigation, and without admitting the validity of any allegations made in the Class Action, or any liability with respect thereto, have concluded that it is desirable that the claims against them be settled on the terms reflected in this Stipulation.

Defendants maintain that they have neither committed a breach of duty in connection with the claims asserted by plaintiffs in the Amended Complaint nor aided and abetted any breach of duty.

III. THE SETTLEMENT

As a result of negotiations between the attorneys for the parties in the Class Action, in return for dismissing this Class Action and granting a release to Defendants, Regency agreed to deposit the sum of \$3,000,000.00, along with the amount of interest that would have accrued on the sum of \$3,000,000.00 from the date of Court approval or May 1, 2008, whichever occurs sooner, until the Effective Date at an interest rate equal to the interest rate paid on U.S. Treasury 2-year bonds as of the date of Court approval (the "Settlement Fund"), into an interest-bearing account designated by Morris, Nichols, Arsht & Tunnell LLP (together with Husch Blackwell Sanders LLP, "Class Counsel") for the benefit of the Class. This payment will be

made pursuant to Regency's contractual obligation to indemnify its former directors, an obligation which arises only if the former directors acted in good faith and in a manner they reasonably believed was in or not opposed to the best interests of Regency with respect to the transactions challenged in the Class Action.

Class Counsel shall serve as escrow agent for the Settlement Fund. Interest on the Settlement Fund shall accrue for the benefit of the Class and become part of the Settlement Fund. The Settlement Fund will be administered through notice to the Class and submission of claims by Class members. Class Counsel's Court approved award of fees and expenses, if any, the reasonable expenses of administering the Settlement Fund, and plaintiffs' costs and expenses incurred in pursuing this Class Action and the Nebraska Action (approximately \$300,000 for previously paid legal fees and \$50,000 for previously paid expenses) will be deducted from the Settlement Fund and the remainder of the Settlement Fund will be distributed prorata (based on the number of Regency shares owned on October 17, 2002, the time of the Recapitalization) to those Class members who submit valid claims.

The sum of \$20,000 of the Settlement Fund shall be allocated for payment of the costs involved in connection with paying costs of processing, distributing the Settlement Fund to Class members, paying taxes and otherwise administering the Settlement, including but not limited to, the fees, costs, and expenses of Garden City Group, Inc., the claims administrator of the Settlement Fund (the "Administrative Costs"). If the Administrative Costs are less than \$20,000, then the difference between \$20,000 and the Administrative Costs shall be distributed to the Class. Any administrative costs greater than \$20,000 shall be paid from the Settlement Fund. The balance of the Settlement Fund remaining after payment of attorneys' fees, expenses, plaintiffs' costs and expenses, taxes, and Administrative Costs, as well as other deductions

approved by the Court, plus accrued interest (the “Net Settlement Fund”), will be distributed to the members of the Class who submit a valid proof of claim (attached below) and proof of ownership of Regency common stock on October 17, 2002, postmarked no later than April 16, 2009.

The distribution to each member of the Class who submits a timely and valid claim form and proof of ownership of Regency common stock on October 17, 2002 shall be the Net Settlement Fund multiplied by a fraction, (1) the numerator of which is the number of shares of Regency common stock for which the claimant can provide proof of ownership on October 17, 2002, and (2) the denominator of which is the total number of all such shares held by all Class members who submit timely and valid claim forms and proof of ownership.

IV. REASONS FOR THE SETTLEMENT

Plaintiffs and their counsel have conducted discovery in the Class Action, reviewed the discovery taken in the Nebraska Action, and investigated the events, transactions, and circumstances relevant to the Class Action. In negotiating and evaluating the settlement provided for by this Stipulation, plaintiffs and their counsel considered, among other things, the theories of liability available to plaintiffs, the results of discovery obtained to date in this Class Action and in the Nebraska Action, and the likelihood that the evidence adduced in discovery would support the theories of liability that plaintiffs are able to pursue.

Plaintiffs and their counsel have determined that a settlement of the Class Action on the terms reflected in this Stipulation is fair, reasonable, adequate, and in the best interests of the members of the purported class.

Defendants, to avoid the uncertainty, distraction, burden and expense of further litigation, and without admitting the validity of any allegations made in the Class Action, or any

liability with respect thereto, have concluded that it is desirable that the claims against them be settled on the terms reflected in this Stipulation.

Defendants maintain that they have committed no breach of duty whatsoever in connection with the claims asserted by plaintiffs in the Amended Complaint.

**V. CONCLUSIONS REGARDING
THE APPROPRIATENESS OF INDEMNIFICATION**

Regency's agreement to fund the Settlement by depositing \$3,000,000.00 into an interest-bearing account for the benefit of the Class was conditioned on a finding that the former directors were entitled to indemnification from Regency. The former directors are entitled to indemnity from Regency if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of Regency when they approved the transactions which remained at issue following the Delaware Supreme Court's reversal.

Regency engaged WolfBlock LLP to conduct an investigation and determine whether the former directors were entitled to indemnity from Regency. WolfBlock spent approximately three months compiling, reviewing and analyzing information before issuing its report on August 20, 2008. WolfBlock reviewed approximately 55,000 pages of documents produced by the parties and third-parties to the Class Action, reviewed thousands of pages of transcripts from depositions given in the Nebraska Action, interviewed some of the parties and third-parties and their counsel and researched relevant legal issues.

WolfBlock's August 20, 2008 report concluded that the former directors are entitled to indemnity from Regency. The Board reviewed WolfBlock's report, agreed with its conclusions and resolved to move forward with the Settlement, including the deposit of \$3,000,000.00 into an interest-bearing account for the benefit of the Class

VI. CLASS CERTIFICATION

The Court has preliminarily determined that the Class Action shall be maintained as a class action by the named plaintiffs as class representatives and by their counsel as Class Counsel, pursuant to Court of Chancery Rules 23(b)(1) and (b)(2), on behalf of the Class defined above. Questions or other inquiries about this Class Action or the proposed Settlement may be directed to the attention of Class Counsel by email at jmoffitt@mnat.com or hdixon@blackwellsanders.com or in writing to:

Jay N. Moffitt
MORRIS, NICHOLS, ARSHT & TUNNELL LLP
1201 N. Market Street
P.O. Box 1347
Wilmington, DE 19899
Telephone: (302) 658-9200

H. Dale Dixon, III
HUSCH BLACKWELL SANDERS LLP
1620 Dodge Street
Suite 2100
Omaha, NE 68102
Telephone: (402) 964-5028

VII. FAIRNESS HEARING

The Fairness Hearing will be held on March 16, 2009, at 10:30 a.m., before Chancellor Chandler, Court of Chancery of the State of Delaware in and for Sussex County, Court of Chancery Courthouse, 34 The Circle, Georgetown, Delaware, 19947. The purpose of the Fairness Hearing is to:

- (1) Determine whether the Settlement should be approved by the Court as fair, reasonable, adequate and in the best interests of the Class;
- (2) Determine whether the preliminary certification of the Class should be made final;

(3) Determine whether judgment should be entered pursuant to the Stipulation including, among other things, dismissing the Class Action with prejudice and extinguishing and releasing all Settled Claims (defined in part IX below);

(4) Rule on the application of Class Counsel in the Class Action for an award of attorneys' fees and reimbursement of expenses; and

(5) Rule on such other matters as the Court may deem appropriate.

The Court reserves the right to adjourn the Fairness Hearing or any adjournment thereof, including the consideration of the application for attorneys' fees and reimbursement of expenses, without further notice of any kind other than oral announcement at the Fairness Hearing or any adjournment thereof.

The Court reserves the right to approve the Settlement at or after the Fairness Hearing with such modifications as may be consented to by the parties to the Stipulation and without further notice to the Class.

Any member of the Class who objects to the Settlement, the Order and Final Judgment to be entered in the action, and/or the application for attorneys' fees and expenses, or who otherwise wishes to be heard, may appear in person or by his or her attorney (paid for at his or her own expense) at the Fairness Hearing and present evidence or argument that may be proper and relevant. No person other than Class Counsel and counsel for Defendants in the Class Action shall be heard, and no papers, briefs, pleadings or other documents submitted by any person shall be considered by the Court, unless, however, no later than twenty (20) days prior to the Fairness Hearing such person files with the Court and serves upon counsel listed below: (a) a written notice of intention to appear, (b) a statement of such person's objections to any matters before the Court, and (c) the grounds for the objections or the reasons that such

person desires to be heard, as well as all documents or writings such person desires the Court to consider. Such filings shall be served upon each of the following counsel:

Jay N. Moffitt
MORRIS, NICHOLS, ARSHT & TUNNELL
LLP
1201 N. Market Street
P.O. Box 1347
Wilmington, DE 19801
*Attorneys for Plaintiffs Edward E. Gatz and
Donald D. Graham*

Matt Neiderman
DUANE MORRIS LLP
1100 North Market Street, Suite 1200
Wilmington, DE 19801
*Attorneys for Defendants William R. Ponsoldt,
Sr., William R. Ponsoldt, Jr., Marc H.
Baldinger, Stephanie Carey and Martin J.
Craffey*

Brian C. Ralston
POTTER ANDERSON & CORROON LLP
Hercules Plaza 6th Floor
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Hercules Plaza, Sixth Floor
Wilmington, DE 19801
*Attorneys for Defendant Statesman Group,
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Richard P. Rollo
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Wilmington, DE 19801
*Attorneys for Defendants Royalty Holdings
L.L.C., Royalty Management, Inc., and
Laurence Levy*

Todd C. Schiltz
WOLFBLOCK LLP
Wilmington Trust Center, Suite 1001
1100 N. Market Street
Wilmington, De 19801
Attorneys for Regency Affiliates, Inc.

Any person who fails to object in the manner described above shall be deemed to have waived such objection and shall be forever barred from raising such objection in this or any other action or proceeding.

VIII. ORDER AND FINAL JUDGMENT OF THE COURT

If the Court determines that this Settlement is fair, reasonable, adequate and in the best interests of the Class, the parties will jointly move the Court for entry of the Order and Final Judgment. The Order and Final Judgment will, among other things:

(1) Approve the Settlement and all transactions preparatory or incident thereto as fair, reasonable, adequate and in the best interests of the Class, pursuant to Court of Chancery Rule 23(e);

(2) Grant final certification of the Class Action as a class action pursuant to Court of Chancery Rules 23(b)(1) and 23(b)(2);

(3) Authorize and direct performance of the Settlement in accordance with its terms and conditions;

(4) Settle, discharge, dismiss with prejudice all claims in this litigation, and release Defendants and any other Released Persons (defined below) from the Settled Claims (defined below); and

(5) Determine an award of attorneys' fees and reimbursement of expenses to Class Counsel as provided below.

IX. RELEASES

Under the terms of the Settlement, all claims, demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, fees, expenses, costs, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, matured or unmatured, that have been, could have been, or in the future can or might be asserted in the Class Action, the Nebraska Action or in any court, tribunal or proceeding (including, but not limited to, any claims arising under federal or state law relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws or otherwise) by or on behalf of any member of the Class, whether individual, class, derivative, representative, legal, equitable or any other type or in any other capacity against Regency, the Defendants (or any one of them) or any of their respective families, parent entities, associates, affiliates, or subsidiaries and each and all of their respective

past, present or future officers, directors, stockholders, partners, members, representatives, employees, financial or investment advisors, consultants, accountants, attorneys, investment bankers, commercial bankers, engineers, advisors or agents, heirs, executors, trustees, beneficiaries, general or limited partners or partnerships, personal representatives, estates, administrators, predecessors, successors and assigns (collectively, the “Released Persons”), whether or not any such Released Persons were named, served with process or appeared in the Class Action or the Nebraska Action, which have arisen, could have arisen, arise now, or relate in any manner to the allegations, facts, events, transactions, matters, acts, occurrences, statements, representations, misrepresentations, omissions, or any other matter, thing or cause whatsoever, or any series thereof, embraced, involved or set forth in, or referred to or otherwise related, directly or indirectly, in any way to, the Class Action, the subject matter of the Class Action, the Nebraska Action, or the subject matter of the Nebraska Action, and including without limitation any claims in any way related to the Recapitalization, Aggregate, Aggregate Sale, Option, Special Committee, or the allegations in the Complaint or the Amended Complaint (the “Settled Claims”) are hereby completely, fully, finally, and forever compromised, settled, released, discharged, extinguished, and dismissed with prejudice, provided, however, that the Settled Claims shall not include the right of the plaintiffs or any members of the Class to enforce the terms of the settlement memorandum of understanding, the Settlement, or the Stipulation and its related settlement documents.

X. APPLICATION FOR ATTORNEYS’ FEES AND EXPENSES

In connection with the presentation of the Settlement for approval by the Court, Class Counsel intend to make an application to the Court for an award of attorneys’ fees in an amount not to exceed thirty-three percent (33%) of the Settlement Fund and for reimbursement of out-of-pocket expenses not to exceed \$115,000. You will not be required to pay any

attorneys' fees other than those the Court awards from the Settlement Fund regardless of whether the Court approves the Settlement or the Application for Attorneys' Fees.

XI. NOTICE TO PERSONS OR ENTITIES HOLDING OWNERSHIP ON BEHALF OF OTHERS

Brokerage firms, banks and/or other persons or entities who held shares of Regency common stock on October 17, 2002 for the benefit of others are requested to send this Notice promptly to all of their respective beneficial owners. If additional copies of the Notice are needed for forwarding to such beneficial owners, any requests for such additional copies may be made to:

Transfer Online, Inc.
317 SW Alder Street, 2nd Floor
Portland, OR 97204

In the alternative, record holders may forward the names and addresses of beneficial owners to Transfer Online, Inc. at the foregoing address, who will cause the Notice to be sent.

XII. SCOPE OF THIS NOTICE

This Notice is not all-inclusive. References in this Notice to the pleadings in the Class Action, the Stipulation, and other papers and proceedings are only summaries and do not purport to be comprehensive. For the full details of the facts and circumstances relating to the Class Action, the claims and defenses that have been asserted by the parties, and the terms and conditions of the Settlement, including a complete copy of the Stipulation, members of the Class are referred to the Court files in the Class Action. You or your attorney may examine the Court files during regular business hours at the offices of the Register in Chancery, Court of Chancery Courthouse, 34 The Circle, Georgetown, Delaware, 19947.

XIII. CLAIM FORM

IN ORDER TO RECEIVE A DISTRIBUTION FROM THE SETTLEMENT FUND IN THIS CLASS ACTION, YOU MUST FILL OUT THE CLAIM FORM ATTACHED HERETO AS EXHIBIT 1, ATTACH PROOF OF OWNERSHIP OF SHARES OF REGENCY COMMON STOCK ON OCTOBER 17, 2002, AND MAIL THE CLAIM FORM AND PROOF OF OWNERSHIP, POSTMARKED NO LATER THAN APRIL 16, 2009 TO THE FOLLOWING ADDRESS:

Edward E. Gatz, et al. v. William R. Ponsoldt, Sr., et al.
P.O. Box 9000 #6508
Merrick, NY 11566-9000

Date: December 24, 2008

Patricia G. Randolph
Register in Chancery