

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

LR TRUST, derivatively on behalf of  
SUNTRUST BANKS, INC.,

Plaintiff,

v.

WILLIAM H. ROGERS, JR., PAUL R.  
GARCIA, M. DOUGLAS IVESTER,  
KYLE PRECHTL LEGG, DONNA S.  
MOREA, DAVID M. RATCLIFFE,  
FRANK P. SCRUGGS, JR., THOMAS  
R. WATJEN, DR. PHAIL WYNN, JR.,  
ROBERT M. BEALL, II, DAVID H.  
HUGHES, WILLIAM A.  
LINNENBRINGER, JEROME T.  
LIENHARD II,

Defendants,

and

SUNTRUST BANKS, INC., a Georgia  
corporation,

Nominal Defendant.

CIVIL ACTION NO.  
1:16-CV-04132-SCJ

**NOTICE OF PROPOSED SETTLEMENT**

**TO: ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS OF COMMON STOCK OF SUNTRUST BANKS, INC. (“SUNTRUST” OR THE “COMPANY”) AS OF JULY 24, 2018 (“CURRENT SUNTRUST SHAREHOLDERS”) (EXCLUDING DEFENDANTS) AND THEIR SUCCESSORS-IN-INTEREST.**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL OF SHAREHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY BE AFFECTED BY LEGAL PROCEEDINGS IN THIS ACTION.**

**PLEASE NOTE THAT THIS IS A DERIVATIVE ACTION BROUGHT BY A SHAREHOLDER FOR THE BENEFIT OF THE COMPANY, NOT A “CLASS ACTION,” AND NO INDIVIDUAL SHAREHOLDER HAS THE RIGHT TO BE COMPENSATED AS A RESULT OF THE SETTLEMENT OF THIS ACTION.**

YOU ARE HEREBY NOTIFIED, pursuant to an order of the United States District Court for the Northern District of Georgia (the “Court”) that a proposed Settlement<sup>1</sup> has been reached between and among the parties to a shareholder derivative action styled *LR Trust v. Rogers*, Civil Action No. 1:16-CV-04132-SCJ (the “Action”). The Agreement fully, finally, and forever resolves, discharges, and settles the Action and any claims that may or could arise out of the Plaintiff’s Demand or any other demand on the SunTrust Board of Directors arising out of the lending practices of SunTrust’s wholly-owned subsidiary, SunTrust Mortgage, Inc. (“STM”) or the underlying litigation or government investigations raised by the Demand and the Action. This Notice is not an expression of any opinion by the Court with respect to the truth of the allegations in the Action or the Demand or the merits of the claims or defenses asserted by or against any party. It is solely to notify you of the terms of the proposed Settlement, and your rights related thereto. The terms of the proposed Settlement of the Action are set forth in a Stipulation of Settlement and Release Agreement dated July 24, 2018 (the “Agreement” or “Settlement” or “Stipulation”). This summary should be read in conjunction with, and is qualified in its entirety by reference to, the text of the Agreement, which has been filed with the Court and is attached hereto.

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<sup>1</sup> All capitalized terms herein have the same meanings as set forth in the Agreement.

## **I. WHY THE COURT HAS ISSUED THIS NOTICE**

Your rights may be affected by the Settlement of the Action and the Demand. The parties to the Action and the Demand have agreed upon terms to settle those matters and have signed the Agreement setting forth the Settlement terms.

## **II. SUMMARY OF THE SHAREHOLDER MATTERS SUBJECT TO THE SETTLEMENT**

On September 26, 2014, the LR Trust, through its counsel, sent a demand letter (the “Demand”) to SunTrust’s Board of Directors requesting an investigation into the lending practices of SunTrust’s wholly-owned subsidiary, SunTrust Mortgage, Inc. (“STM”). In response to Plaintiff’s Demand, the independent members of SunTrust’s Board of Directors appointed Messrs. Scruggs, Ratcliffe, and Garcia to serve as a Demand Review Committee (“DRC”) and vested in them full, final, and binding authority to investigate, review, and analyze the claims raised in Plaintiff’s Demand and determine whether it was in the best interest of the Company to pursue any claim based on the matters raised therein. The DRC engaged well-qualified independent counsel, Cabaniss, Johnston, Gardner, Dumas & O’Neal LLP (“Cabaniss Johnston”), to assist in the review and investigation of the issues raised in Plaintiff’s Demand. Plaintiff, through its counsel, communicated with the DRC and provided its views as to the claims at issue and the information it believed to be relevant, and Plaintiff’s input was considered by the DRC.

Following its extensive, thorough, and independent investigation assisted by its well-qualified independent counsel, Cabaniss Johnston, the DRC determined that it was not in SunTrust’s best interest to bring or pursue any litigation or other action based on Plaintiff’s Demand. On November 11, 2015, the DRC notified Plaintiff’s counsel of its determination. On January 8, 2016, upon Plaintiff’s execution of an appropriate confidentiality agreement, the DRC provided Plaintiff with a copy of their 176-page report, together with the exhibits thereto, related to the DRC’s independent investigation and findings.

On November 3, 2016, Plaintiff filed a Verified Shareholder Derivative Complaint (the “Complaint”) in the Northern District of Georgia, captioned *LR Trust v. Rogers, et al.*, Civil Action No. 1:16-CV-04132-SCJ. The Complaint alleged claims on behalf of SunTrust against the Individual Defendants for breach of fiduciary duties, gross mismanagement, and unjust enrichment. Plaintiff sought on

behalf of SunTrust, among other things, monetary damages and certain corporate governance reforms.

On February 15, 2017, the Individual Defendants and the Company (collectively, the “Defendants”), filed Motions to Dismiss the Complaint for failure to state a claim under Federal Rules of Civil Procedure 12(b)(6) and 23.1. The Company also sought dismissal under O.C.G.A. § 14-2-744. Plaintiff opposed the Motions to Dismiss.

On September 19, 2017, the Court granted Defendants’ Motions to Dismiss and held that the derivative proceeding was subject to dismissal under O.C.G.A. § 14-2-744 (the “Dismissal Order”). The Court entered a judgment dismissing with prejudice all claims considered and recommended for dismissal by the DRC. The Court dismissed without prejudice those claims that had been deferred by the DRC.

On October 16, 2017, Plaintiff filed its Notice of Appeal to the United States Court of Appeals for the Eleventh Circuit.

On November 15, 2017, pursuant to Fed. R. App. P. 33 and 11th Cir. R. 33-1, the Eleventh Circuit directed the parties to participate in a mediation with one of the Eleventh Circuit’s experienced mediators, Clifford Altekruze, through the Kinnard Mediation Center. Over the course of six months, the parties held multiple negotiation sessions with the assistance of Mr. Altekruze and, ultimately, the Parties reached an agreement on the principal terms of Settlement. Thereafter, over the course of two months, the parties separately negotiated, with the assistance of Mr. Altekruze, the amount to be paid to Plaintiff’s counsel for their fees and reimbursement of expenses, subject to Court approval (the “Fee and Expense Award”).

### **III. TERMS OF THE PROPOSED SETTLEMENT**

The principal terms, conditions, and other matters that are part of the Settlement are subject to approval by the Court and a number of other conditions. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the text of the Agreement, which has been filed with the Court and may be viewed via the investor relations section of the Company’s website and at [www.weisslawllp.com/suntrust-banks-inc-settlement/](http://www.weisslawllp.com/suntrust-banks-inc-settlement/). As set forth therein, SunTrust acknowledges that the investigation by the DRC, which thoroughly

reviewed the corporate governance and internal control changes made by SunTrust during the relevant time period, and with which Plaintiff communicated, was valuable and beneficial to the Company. SunTrust further acknowledges that various enumerated personnel changes were valuable and beneficial to the Company. Finally, the terms of the Settlement include the Company's adoption and/or maintenance of the following corporate governance measures, through March 31, 2021, unless it is earlier determined by (a) the Board of Directors that the measure is no longer in the best interest of the Company; or (b) the Company that it reasonably believes that removal, modification, or alteration of the measures are necessary to ensure compliance with applicable law or regulation.

1. SunTrust will monitor and periodically assess its underwriting guidelines and whether those guidelines comply with applicable laws and regulations;

2. SunTrust will maintain the position of a chief compliance officer ("Chief Compliance Officer");

3. The Chief Compliance Officer will have substantial knowledge of, and experience with, ethics and compliance standards;

4. The Chief Compliance Officer shall provide to the Risk Committee a quarterly report summarizing material compliance issues, control lapses and/or related risk exposures identified by management, the status of remedial measures associated with such compliance issues, and training statistics, and, at least annually, shall review and/or approve the Company's compliance policies;

5. The Chief Compliance Officer will provide periodic reports of relevant material issues and related remedial steps to the Risk Committee, as necessary and appropriate;

6. The minutes of the Risk Committee meetings shall reflect the fact that such updates and written reports were made, and the written reports and related documentation provided to the Risk Committee shall be maintained in accordance with relevant document retention provisions, including Federal Reserve Board rules regarding confidentiality, applicable to the Risk Committee minutes;

7. The Chief Compliance Officer shall have the authority: (a) to take or direct any necessary and appropriate corrective or remedial action, including notifying the SEC and the United States Department of Justice, if he or she finds that SunTrust is materially out-of-compliance with any laws or regulations under which the Company operates, and (b) to direct steps to maintain or implement effective internal compliance-related controls; and

8. The Chief Compliance Officer shall coordinate internal director education seminars regarding relevant compliance standards, procedures and enforcement activities, including related controls, and material updates or changes to key laws and regulations under which the Company operates.

#### **IV. DISMISSAL OF ACTION AND RELEASE OF CLAIMS**

The Agreement also provides for the entry of judgment dismissing the Action on the merits with prejudice and the full and final discharge and settlement of the Action and any claims that may or could arise out of the Plaintiff's Demand on the SunTrust Board of Directors arising out of the lending practices of STM or the underlying litigation or government investigations raised by the Demand and the Action, and certain additional releases as detailed in the Agreement.

#### **V. PLAINTIFF'S ATTORNEY FEES AND EXPENSES**

In recognition of the foregoing, and subject to Court approval, SunTrust agreed to pay or cause to be paid the Fee and Expense Award in the amount of \$585,000. To date, Plaintiff's Counsel have not received any payments for their efforts on behalf of SunTrust and its shareholders. Any fee awarded by the Court is designed to compensate Plaintiff's Counsel for the results achieved on behalf of the Company in response to the Action and the Demand, and the costs associated with development, prosecution, and settlement of the Action and the Demand. The Fee and Expense Award was separately negotiated with the help of the mediator and was the result of arm's-length negotiation between the Parties conducted after reaching the principal terms of Settlement.

#### **VI. REASONS FOR THE SETTLEMENT**

The Parties have determined that it is desirable and beneficial that the Action and the Demand, and all of their disputes related thereto, be fully and finally settled in the manner and upon the terms and conditions set forth in the Agreement.

### **A. Why Did the Shareholders Agree to Settle?**

Plaintiff believes that the claims asserted in the Action on behalf of SunTrust have merit. Plaintiff and Plaintiff's Counsel, however, recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action and/or any action arising out of the Demand. Plaintiff and Plaintiff's Counsel have also taken into account the uncertain outcome and the risk of continued litigation, especially in light of the Court's Dismissal Order and pending appeal, as well as the difficulties and delays inherent in such complex litigation. In consideration of the mediation that led to the settlement and after weighing the risks of continued litigation, Plaintiff and Plaintiff's Counsel have determined that it is in the best interests of SunTrust and its shareholders that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation, and that these terms and conditions are fair, reasonable, adequate, and confer substantial benefits to SunTrust and its shareholders.

### **B. Why Did the Defendants Agree to Settle?**

The Individual Defendants have denied, and continue to deny, each and all of the allegations made by the Plaintiff in the Action and the Demand and, furthermore, maintain that they have meritorious defenses. The Individual Defendants also have denied and continue to deny, among other allegations, the allegations that SunTrust or any of its shareholders were harmed in any way as a result of the conduct of the Individual Defendants alleged in the Action or the Demand. The Individual Defendants have further asserted and continue to assert that at all times they acted in good faith and in a manner they reasonably believed to be and that was in the best interests of SunTrust and its shareholders. Nonetheless, Defendants have concluded that further litigation may be protracted and expensive and that it is desirable that the Action and the Demand be fully and finally settled in the manner and upon the terms and conditions set forth in the Agreement. Defendants have, therefore, determined that it is desirable that the Action and the Demand be fully and finally settled in the manner and upon the terms and conditions set forth in the Agreement.

## **VII. SETTLEMENT HEARING**

On November 28, 2018, at 10:00 a.m., a hearing (the "Settlement Hearing") will be held at the United States District Court for the Northern District of Georgia, 2188 Richard B. Russell Federal Building and United States Courthouse, 75 Ted Turner

Drive SW, Atlanta, GA 30303-3309, Courtroom 1907, to (i) determine whether the proposed Settlement of the Action and the Demand on the terms and conditions provided for in the Agreement is fair, reasonable, and adequate and in the best interests of SunTrust and its shareholders; (ii) hear and rule on any objections to the proposed Settlement, the proposed Order and Final Judgment, and the proposed Fee and Expense Award; (iii) determine whether to approve the Fee and Expense Award; and (iv) determine whether the Court should enter the Order and Final Judgment, attached as Exhibit D to the Agreement, which would dismiss with prejudice the Action and release the Released Claims. If the Settlement is approved, you will be subject to and bound by the provisions of the Agreement, the releases contained therein, and by all orders, determinations, and judgments, including the Order and Final Judgment, concerning the Settlement, whether favorable or unfavorable to you or SunTrust.

Pending final determination of whether the Settlement should be approved, no SunTrust shareholder, either directly, representatively, derivatively, or in any other capacity, shall commence or prosecute against any of the Released Persons, an action or proceeding in any court, administrative agency, or other tribunal asserting any of the Released Claims.

### **VIII. RIGHT TO ATTEND FINAL HEARING**

You may enter an appearance in the Action, at your own expense, individually or through counsel of your choice. If you want to object at the Final Hearing, then you must first comply with the procedures for objecting, which are set forth below. The Court has the right to change the hearing dates or times without further notice. Thus, if you are planning to attend the Final Hearing, you should confirm the date and time before going to the Court. If you have no objection to the Settlement, you do not need to appear at the Settlement Hearing or take any other action.

### **IX. THE PROCEDURES FOR OBJECTING TO THE SETTLEMENT**

Any Current SunTrust Shareholder may object to the Settlement of the Action and the Demand, the proposed Order and Final Judgment, and/or the proposed Fee and Expense Award, and may also (but need not) appear in person or by his, her, or its attorney at the Settlement Hearing. To object, such shareholders must submit copies of: (a) a written statement identifying such person's or entity's name, address, and telephone number, and, if represented by counsel, the name, address, and telephone number of counsel; (b) proof of current ownership of SunTrust

common stock, including the number of shares of SunTrust common stock and the date or dates of purchase; (c) a written statement explaining the person's or entity's objection and the reasons for such objection; and (d) any documentation in support of such objection. Any objection should not exceed twenty-five (25) pages in length. If the shareholder wishes to appear at the Settlement Hearing, he, she, or it must also include a statement of intention to appear at the Settlement Hearing. Such materials must be filed with the Clerk of the United States District Court for the Northern District of Georgia and sent by first class mail to the following addresses and postmarked at least ten (10) calendar days before the Settlement Hearing:

WEISSLAW LLP  
David C. Katz  
1500 Broadway  
New York, NY 10036 -and-

LAW OFFICES OF DAVID A. BAIN LLC  
David A. Bain  
1050 Promenade II  
1230 Peachtree Street, NE  
Atlanta, GA 30309

*Counsel for Plaintiff*

TROUTMAN SANDERS LLP  
J. Timothy Mast  
600 Peachtree Street, Suite 3000  
Atlanta, GA 30308 -and-

CABANISS, JOHNSTON, GARDNER,  
DUMAS & O'NEAL LLP  
Crawford S. McGivaren, Jr.  
2001 Park Place North, Suite 700  
Birmingham, AL 35203

*Counsel for Defendants*

Any person or entity who fails to object in the manner described above shall be: (i) deemed to have waived any objection to the Settlement, Order and Final Judgment, and the Fee and Expense Award; (ii) barred from raising such objection in this Action or any other action or proceeding related thereto; and (iii) bound by the Order and Final Judgment and the releases of claims therein.

Current SunTrust Shareholders that have no objection to the Settlement, Order and Final Judgment, and/or Fee and Expense Award do not need to appear at the Settlement Hearing or take any other action.

**X. HOW TO OBTAIN ADDITIONAL INFORMATION**

This Notice summarizes the Agreement. It is not a complete statement of the events of the Action or the Demand, or the terms of the Settlement contained in the Agreement.

Inquiries about the Action, the Demand, or the Settlement may be made to Plaintiff's Counsel: David C. Katz, WeissLaw LLP, 1500 Broadway, New York, NY 10036, (212) 682-3025; or David A. Bain, Law Offices of David A. Bain LLC, 1050 Promenade II, 1230 Peachtree Street, NE, Atlanta, GA 30309, (404) 724-9990.

DATED: September 18, 2018                      BY ORDER OF THIS COURT  
UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA

**DO NOT CONTACT THE CLERK OF THE COURT**  
**REGARDING THIS NOTICE**