

PROPOSED PLAN OF ALLOCATION

A. All defined terms contained and not otherwise defined herein shall have the same meanings as set forth in the Stipulation of Settlement dated January 18, 2007 (“Stipulation”).

B. The Net Settlement Fund will be allocated among Class Members in accordance with this Plan of Allocation, subject to the approval of the Court.

I. DEFINITIONS

As used herein, the following terms have the meanings set forth below:

1.1. “Authorized Claimant” means a Class Member who submits a valid Proof of Claim in accordance with paragraph 35 of the Stipulation, whether by (a) timely submitting a Proof of Claim that is not deemed deficient by the Claims Administrator; (b) timely submitting a Proof of Claim that is deemed deficient by the Claims Administrator and thereafter curing any deficiency within the time prescribed by the Claims Administrator; or (c) timely submitting a Proof of Claim that becomes the subject of a notice of rejection by the Claims Administrator and thereafter successfully contesting the rejection.

1.2. “AXP Claim” means a valid claim based on the purchase of an AXP Fund, during the Class Period, that was made through AEFA or for which AEFA was listed as the broker.

1.3. “Financial Advisory Claim” means a valid claim based on the payment of fees, during the Class Period, for Financial Advisory Services pursuant to a Financial Advisory Service Agreement.

1.4. “Preferred Fund Claim” means a valid claim based on the purchase of a Preferred Fund, during the Class Period, that was made through AEFA or for which AEFA was listed as the broker.

1.5. “SPS/WMS/SMA Claim” means a valid claim based on the payment of a wrap account fee, during the Class Period, in connection with an SPS, WMS and/or SMA account for services that included financial advice, financial planning, or other financial advisory services rendered in connection with the account.

II. ASSIGNMENT OF CREDITS TO CLAIMS

Allocation of the Net Settlement Fund among Authorized Claimants will be based on the numerical credits they receive for their claims. Credits will be assigned as follows.

2.1. An AXP Claim will receive a credit of 20, regardless of the dollar amount and number of AXP Fund purchases made during the Class Period by the Authorized Claimant submitting the claim. Only one AXP Claim may be made for all such purchases.

2.2. A Preferred Fund Claim will receive a credit of 50, regardless of the dollar amount and number of Preferred Fund purchases made during the Class Period by the Authorized Claimant submitting the claim. Only one Preferred Fund Claim may be made for all such purchases.

2.3. (a) A Financial Advisory Claim will receive a credit equal to the total dollar amount of the fee payments on which the claim is based, except that such fee payments made after March 31, 2004 will be credited at 50 cents on the dollar, in consideration of the additional disclosures available after that date. If, during the Class Period, the Authorized Claimant asserting the Financial Advisory Claim purchased any American Express proprietary product such as an AXP Fund, AXP annuity, or AXP life insurance policy, then the amount credited will be increased by 25 percent.

(b) The reduction for post-March 31, 2004 payments will be applied before the increase for purchases of American Express proprietary products. For example, if an Authorized Claimant submits a Financial Advisory Claim based on the payment of \$500 for a financial plan in June 2003, the claim would receive a credit of 500. If the Authorized Claimant also purchased an American Express proprietary product during the Class Period, the credit for the claim would be increased to 625 (i.e., increased by the amount of 25 percent of 500, or 125). If the claim is based on the payment of \$500 in June 2004, the claim would receive a credit of 250 (500 credited at 50 cents on the dollar). If the Authorized Claimant also purchased an American Express proprietary product during the Class Period, the credit for the claim would be increased to 312.5 (i.e., increased by the amount of 25 percent of 250, or 62.5).

2.4. (a) An SPS/WMS/SMA Claim will receive a credit equal to 25 percent of the total dollar amount of the fee payments on which the claim is based, as other services in addition to financial advice were provided with the SPS, WMS and/or SMA accounts, such as securities brokerage and account management, except that fee payments made after March 31, 2004 will be credited at 12.5 cents on the dollar, in consideration of the additional disclosures available after that date. If, during the Class Period, the Authorized Claimant asserting the

SPS/WMS/SMA Claim purchased any American Express proprietary product such as an AXP Fund, AXP annuity, or AXP life insurance policy, then the amount credited will be increased by 25 percent.

(b) The reduction for post-March 31, 2004 payments will be applied before the increase for purchases of American Express proprietary products. For example, if an Authorized Claimant submits an SPS/WMA/SMA Claim based on the payment of a \$1,000 wrap fee for an SPS account in June 2003 and the payment of a \$1,000 wrap fee for the account in June 2004, the claim would receive a credit of 250 for the June 2003 fee (25 percent of 1000) and 125 for the June 2004 fee (12.5 percent of 1000), for a total credit of 375. If the Authorized Claimant also purchased an American Express proprietary product during the Class Period, the credit for the claim would be increased to 468.75 (i.e., increased by the amount of 25 percent of 375, or 93.75).

III. ALLOCATION AND DISTRIBUTION OF NET SETTLEMENT FUND

3.1. **Priority for AXP Claims and Preferred Fund Claims.** Each AXP Claim and each Preferred Fund Claim will be allocated a payment from the Net Settlement Fund in the dollar amount of the credit assigned to the claim. Allocation of payments to AXP Claims will be made first, before allocation of payments to any other claims. Allocation of payments to Preferred Fund Claims will be made second, before allocation of payments to Financial Advisory Claims and SPS/WMA/SMA Claims.

3.2. **Maximum total amount payable for AXP Claims and Preferred Fund Claims.**

(a) The total dollar amount of payments allocated to AXP Claims will be the “AXP Allocation.” The total dollar amount of payments allocated to Preferred Fund Claims will be the “Preferred Fund Allocation.” The sum of the AXP Allocation and Preferred Fund Allocation will be the “Fund Claim Allocation.”

(b) Subject to subparagraph (c) below, if the Fund Claim Allocation would exceed 25 percent of the Net Settlement Fund if payments were allocated to all AXP Claims and Preferred Fund Claims in accordance with paragraph 3.1, then (i) the Preferred Fund Allocation will be reduced by the amount necessary to cause the Fund Claim Allocation to equal 25 percent of the Net Settlement Fund (“Necessary Reduction”); and (ii) the payment allocated to each Preferred Fund Claim will be reduced by an amount equal to the Necessary Reduction divided by the number of all valid Preferred Fund Claims.

(c) If, however, the reduction of the Preferred Fund Allocation provided for in subparagraph (b) above causes the payment allocated to each Preferred Fund Claim to be less than \$30, then the Preferred Fund Allocation will be set at the lesser of (i) the amount such that the Preferred Fund Allocation divided by the number of valid Preferred Fund Claims equals \$30; or (ii) the amount such that the sum of the Preferred Fund Allocation and AXP Allocation equals 30 percent of the Net Settlement Fund. In either case, the payment allocated to each Preferred Fund Claim will be the Preferred Fund Allocation divided by the number of valid Preferred Fund Claims.

3.3. **Allocation of payments to Financial Advisory Claims and SPS/WMS/SMA Claims.** The balance of the Net Settlement Fund remaining after deduction of the Fund Claim Allocation (“Remaining Balance”) will be allocated among all Financial Advisory Claims and SPS/WMS/SMA Claims as follows. The total of all credits assigned to all Financial Advisory Claims and SPS/WMS/SMA Claims will constitute the “Total Credit Value.” Each such claim will be allocated a payment from the Remaining Balance bearing the same proportion to the Remaining Balance that the claim credit bears to the Total Credit Value. The calculation of the payment is expressed mathematically thus:

$$\text{Claim payment} = \frac{(\text{Claim credit})}{(\text{Total Credit Value})} \times \text{Remaining Balance}$$

3.4. **Allocation and distribution of payments to Authorized Claimants.** Each Authorized Claimant will be allocated a payment from the Net Settlement Fund equal to the payment allocated to his or her valid claim in accordance with the foregoing provisions. If an Authorized Claimant has more than one valid claim, he or she will be allocated a payment equal to the total of the payments allocated to all of his or her valid claims. Subject to the approval of Plaintiffs’ Co-Lead Counsel and the Court, the Claims Administrator will send each Authorized Claimant, by first-class mail at the address reported by the Authorized Claimant to the Claims Administrator on the Proof of Claim or otherwise, a check drawn on the Settlement Account, payable to the Authorized Claimant in the amount of the payment allocated to the Authorized Claimant, and with an expiration date of 120 days after issuance.