

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF LOS ANGELES**

SHEILA BAKER, Individually and on Behalf of  
All Others Similarly Situated,

Plaintiff,

vs.

JOSEPH E. MCADAMS, LLOYD MCADAMS,  
JOE E. DAVIS, ROBERT C. DAVIS, MARK S.  
MARON, and DOMINIQUE MIELLE,

Defendants.

Lead Case No. **21STCV07569**

Consolidated with cases 21STCV07571 and  
21STCV08413

Assigned to the Hon. Carolyn B. Kuhl, Dept.  
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**NOTICE OF PENDENCY OF CLASS**

**ACTION, PROPOSED SETTLEMENT,**

**SETTLEMENT HEARING AND RIGHT  
TO APPEAR**

Action Filed: February 24, 2021

**NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENT, SETTLEMENT  
HEARING AND RIGHT TO APPEAR**

TO: RECORD AND BENEFICIAL HOLDERS OF ANWORTH MORTGAGE ASSET CORPORATION ("ANWORTH") COMMON STOCK FROM DECEMBER 6, 2020 THROUGH AND INCLUDING MARCH 19, 2021, THE DATE OF THE CONSUMMATION OF ANWORTH'S MERGER WITH AFFILIATES OF READY CAPITAL CORPORATION (THE "MERGER"), INCLUDING ANY AND ALL OF THEIR RESPECTIVE SUCCESSORS-IN-INTEREST, SUCCESSORS, PREDECESSORS-IN-INTEREST, PREDECESSORS, REPRESENTATIVES, TRUSTEES, EXECUTORS, ADMINISTRATORS, ESTATES, HEIRS, ASSIGNS AND TRANSFEREES, IMMEDIATE AND REMOTE, AND ANY PERSON OR ENTITY ACTING FOR OR ON BEHALF OF, OR CLAIMING UNDER, ANY OF THEM, AND EACH OF THEM, TOGETHER WITH THEIR PREDECESSORS-IN-INTEREST, PREDECESSORS, SUCCESSORS-IN-INTEREST, SUCCESSORS, AND ASSIGNS (THE "CLASS").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THE PARTIES TO A SHAREHOLDER CLASS ACTION SUIT CONCERNING THE MERGER HAVE AGREED TO A PROPOSED SETTLEMENT AND YOU MAY BE ENTITLED TO COMPENSATION. YOUR RIGHTS WILL BE AFFECTED BY THE LEGAL PROCEEDINGS IN THIS LITIGATION AND THE PROPOSED SETTLEMENT. IF THE COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE FOREVER BARRED FROM

CONTESTING THE FAIRNESS, REASONABLENESS AND ADEQUACY OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE SETTLED CLAIMS (DEFINED HEREIN).

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

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT</b>	
<b>Do Nothing</b>	You will get a payment.
<b>Exclude Yourself</b>	Get no payment. This is the only option that allows you to ever bring a lawsuit against Defendants concerning the legal claims at issue in this case.
<b>Object to the Settlement and/or Attorneys' Fees and Expenses</b>	Write to the Court about why you don't like the Settlement, Plan of Allocation, or the requested attorneys' fees and expenses or incentive award.
<b>Go to a Hearing</b>	Ask to speak in Court about the fairness of the Settlement.

## **I. PURPOSE OF NOTICE**

Pursuant to an Order of the Superior Court of California for Los Angeles County (the "Court") dated June 30, 2023, and further pursuant to California Code of Civil Procedure ("CCP") Section 382, this Notice is to inform you of (i) the Court's determination to provisionally certify the above-captioned action ("Action") pursuant to CCP § 382, (ii) the proposed settlement of the Action (the "Settlement") as provided for in a Amended Stipulation and Agreement of Settlement, Compromise, and Release (the "Stipulation") dated as of June 15, 2023, and (iii) your right to participate in a hearing to be held on November 14, 2023 at 10:30 a.m., before the Court at Department 12 of the Superior Court of the State of California, County of Los Angeles, located at 312 North Spring Street, Los Angeles, CA 90012 (the "Settlement Hearing") to determine whether the Court should finally certify the Action pursuant to CCP § 382, approve the Settlement as fair, reasonable, adequate and in the best interests of the Class, including the releases provided therein, and consider the attorneys' fees and expenses to be paid to Co-Lead Counsel.

This Notice describes the rights you may have in the Action and pursuant to the Stipulation and what steps you may take, but are not required to take, in relation to the Settlement.

If the Court approves the Settlement, the parties will ask the Court at the Settlement Hearing to enter an Order and Final Judgment in accordance with the terms of the Stipulation.

**THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT. IT IS BASED ON STATEMENTS OF THE PARTIES AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES RAISED BY ANY OF THE PARTIES.**

## **II. BACKGROUND**

Anworth Mortgage Asset Corporation ("Anworth" or the "Company") was a Maryland corporation, headquartered in California. Anworth was a specialty finance mortgage company. On December 6, 2020, Anworth entered into a definitive merger agreement, pursuant to which, on March 19, 2021, Anworth was acquired by Ready Capital Corporation (the "Merger") and Anworth's shareholders received \$0.61 in cash (the "Cash Consideration") and 0.1688 shares of Ready Capital common stock (the "Exchange Ratio" and, together with the Cash Consideration, the "Merger Consideration") for each share of Anworth common stock that they owned.

This litigation challenged the fairness of the Merger and Merger Consideration, alleging that the Merger was the product of a conflicted and flawed sales process and that resulted in Anworth's minority shareholders receiving an inadequate price for their Anworth stock.

On February 24, 2021, this action was filed in the Los Angeles County Superior Court of the State of

California (the “Court”), by Plaintiff Shelia Baker, a stockholder of Anworth alleging, among other things, that the Defendants had breached fiduciary duties to the Company’s stockholders in connection with the then-proposed Merger. Also on February 24, 2021 and March 2, 2021, Plaintiffs Merle W. Bundick and Benjamin Gigli, respectively, filed substantially similar complaints in connection with the then-proposed Merger.<sup>1</sup>

On May 26, 2021, all three cases were consolidated into the present action (the “Action”), and Monteverde & Associates PC and Kahn Swick & Foti, LLC were appointed as Co-Lead Counsel for the putative class (collectively referred to as “Co-Lead Counsel”). On June 15, 2021, Plaintiffs filed a Consolidated Class Action Complaint alleging breaches of fiduciary duty and violations of Md. Corps. & Ass’ns Code§ 2-405.1 (the “Consolidated Complaint”).

On August 13, 2021, Defendants filed a demurrer to the Consolidated Complaint. On December 2, 2021, following full briefing by the parties, the Court found in favor of the Plaintiffs, overruling the Defendants’ demurrer, holding that Plaintiffs had adequately stated a claim for breach of fiduciary duty.

Thereafter, the parties engaged in a dispute regarding the scope of discovery. Once that dispute was resolved, the parties engaged in significant written discovery and document productions.

On October 3, 2022, Co-Lead Counsel and Defendants’ Counsel participated in a full-day mediation session before Michelle Yoshida of Phillips ADR in an effort to resolve the Action. Before the Mediation, the parties exchanged mediation statements and exhibits, which addressed both liability and damages. The Mediation did not lead to resolution of the Action, and the parties continued to engage in discovery. During that time, the Settling Parties continued to engage in arm’s-length negotiations about the potential resolution of the Action. After extensive, arm’s-length negotiations, the Settling Parties reached an agreement in principle on December 23, 2022 to settle the Action for \$3,000,000 in cash, subject to approval by the Court.

### **III. REASONS FOR THE SETTLEMENT**

Plaintiffs believe that they brought the claims in good faith and continue to believe that such claims have legal merit, but believe that the Settlement allows the Company’s former minority shareholders to receive additional compensation for their Anworth shares while eliminating further litigation and delay of payment. Plaintiffs also believe that their efforts in prosecuting the Action have resulted in a significant benefit for Anworth’s former stockholders which, under the circumstances, is fair, reasonable, and adequate.

Defendants have denied, and continue to deny, all allegations of wrongdoing, fault, liability, or damage to Plaintiffs or the Class, and deny that the merger process was conflicted or the price was inadequate. Defendants deny they engaged in any wrongdoing, deny that they acted improperly in any way, believe that they acted properly at all times, and maintain that they have committed no disclosure violations or any other breach of duty whatsoever in connection with the Merger or any public disclosures, but wish to settle solely because it will eliminate the uncertainty, distraction, burden, and expense of further litigation.

### **IV. CLASS ACTION DETERMINATION**

The Court has certified, for settlement purpose only, the following class (the “Class”): “The putative class of former Anworth stockholders who held Anworth common stock from December 6, 2020 (the date of the Merger) through and including on March 19, 2021 (the date upon which Anworth’s Merger with Ready Capital was consummated), as well as purchasers of Anworth stock during the period from December 6, 2020 through March 19, 2021 who still held Anworth stock as of March 19, 2021.”

### **V. THE SETTLEMENT**

Plaintiffs’ maximum recovery of damages at trial would be \$5.6 million, approximately \$0.05 per share. In consideration for the Settlement and entry of the Judgment and the releases provided herein, Defendants agree to provide the Class additional compensation of \$3,000,000 (the “Settlement Amount”). Any attorneys’ fees, incentive

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<sup>1</sup> In each case, Plaintiffs Baker, Bundick, and Gigli included Joe E. Davis, a former director of Anworth, as a named defendant, and Joe E. Davis remained a defendant in the Action until Plaintiffs dismissed Joe E. Davis on January 6, 2022, following his death.

awards, costs, expenses (including notice and administrative expenses) or other Court-approved deductions shall be paid out of — and shall not be in addition to — the Settlement Amount.

The Settlement Amount minus Court-approved deductions (the “Net Settlement Amount”) will be distributed to all members of the Class who owned Anworth common stock from December 6, 2020 (the date of the Merger) through and including on March 19, 2021 (the date upon which Anworth’s Merger with Ready Capital was consummated) (“Eligible Class Members”) on a pro rata basis, based on the number of outstanding Anworth shares owned by each such Eligible Class Member at that time. There were approximately 97,439,332 outstanding shares owned by Eligible Class Members at the time of the Merger. Accordingly, the expected payment, assuming the Court approves Co-Lead Counsel’s request for attorneys’ fees in the amount not to exceed one third of the Settlement Amount, will be approximately \$0.02 per share, but may vary based upon the amount of other Court-approved deductions and costs.

Inquiries or comments about the Settlement may be directed to the attention of Counsel for Plaintiffs as follows:

MONTEVERDE & ASSOCIATES PC  
Juan E. Monteverde  
The Empire State Building  
350 Fifth Avenue, Suite 4405  
New York, NY 10118  
Tel: (212) 971-1341  
Fax: (212) 202-7880

## **VI. SETTLEMENT HEARING**

The Court has scheduled a Settlement Hearing which will be held on November 14, 2023 at Department 12 of the Superior Court of the State of California, County of Los Angeles, located at 312 North Spring Street, Los Angeles, CA 90012 at 10:30 a.m., in the Court at to:

- (a) whether the Settlement should be approved by the Court as fair, reasonable, and adequate;
- (b) whether the Judgment attached as Exhibit D to the Stipulation should be entered in all material respects;
- (c) whether the proposed plan of distribution should be approved; and
- (d) whether the Court should approve the award of Co-Lead Counsel’s attorneys’ fees and expenses (i.e., the “Fee and Expense Award”).

The Court has reserved the right to adjourn the Settlement Hearing or any adjournment thereof, including the consideration of an award of attorneys’ fees, without further notice of any kind other than oral announcement at the Settlement Hearing or any adjournment thereof.

The Court has also reserved the right to approve the Settlement at or after the Settlement Hearing with such modification(s) as may be consented to by the Parties to the Stipulation and without further notice to the Class.

## **VII. RIGHT TO APPEAR AND OBJECT**

If you are a member of the Class, you may object to the terms of the Settlement. Whether or not you object to the terms of the Settlement, you may also object to the requested attorneys’ fees and expenses, the awards to Plaintiffs and/or the plan of distribution. In order for any objection to be considered, you must file a written statement, accompanied by proof of Class membership, with the Court, and send a copy to Co-Lead Counsel **such that it is received by October 24, 2023**. The Court’s address is Clerk of the Court, Superior Court of the State of California, County of Los Angeles, 312 North Spring Street, Los Angeles, CA 90012, and copies of all such papers served upon the following: Juan E. Monteverde, Esquire, Monteverde & Associates PC, 350 Fifth Avenue, Suite 4405, New York, NY 10118. Persons who object in writing to the Settlement, the plan of distribution, the Fee and Expense Application and desire to present evidence at the Settlement Hearing must include in their written objections copies of any exhibits they intend to introduce into evidence at the Settlement Hearing. If an objector

hires an attorney to represent him, her, or it for the purposes of making an objection, the attorney must both effect service of a notice of appearance on counsel listed above and file it with the Court by no later than twenty-one calendar days prior to the Settlement Hearing. A member of the Class who files a written objection does not have to appear at the Settlement Hearing for the Court to consider his, her or its objection. Any objector may attend the Settlement hearing and make an objection whether he or she files a written objection or not. Any member of the Class who does not make his, her, or its objection in writing in the manner provided above, or appear in person to make an objection, shall be deemed to have waived such objection and shall be foreclosed from making any objection to the fairness or adequacy of the Settlement set forth in the Stipulation, to the plan of distribution, and to the award of attorneys' fees and expenses to Co-Lead Counsel and Plaintiffs for their representation of the Class, unless the Court orders otherwise.

## **VIII. RIGHT TO EXCLUDE YOURSELF FROM THE CLASS AND SETTLEMENT**

If you want to keep the right to sue or continue to sue Defendants on your own about the legal issues in this case, then you must take steps to get out of the Class and Settlement. This is called excluding yourself from, or "opting out" of, the Class and Settlement.

To exclude yourself from the Class and Settlement, you must write and send a letter to the Settlement Administrator by First-Class Mail stating that you want to be excluded from the Class and Settlement in this Action. Your letter must include your name, address, telephone number, and must also be signed by you. Your letter must also include the number of shares of Anworth common stock you held or owned from December 6, 2020 through and including on March 19, 2021, the date of the consummation of the Merger.

Your exclusion request must be **postmarked no later than twenty-one (21) calendar days prior to the Settlement Hearing, or by October 24, 2023, and sent to the Settlement Administrator at: Anworth Settlement, c/o RG/2 Claims Administration, P.O. Box 59479, Philadelphia, PA 19102-9479.**

You cannot exclude yourself by phone or by e-mail. If you make a proper request for exclusion, you will not receive your share of the Settlement Payment, you cannot object to the Settlement and you will not be legally bound by anything that happens in this lawsuit. However, if you do not timely and validly request exclusion from the Class and Settlement, you shall be deemed a member of the Class and be legally bound by the terms of the Settlement, Stipulation and Order and Final Judgment in this Action.

## **IX. ORDER AND FINAL JUDGMENT OF THE COURT**

If the Court determines that the Settlement, as provided for in the Stipulation is fair, reasonable, and adequate and in the best interests of the Class, the Parties shall jointly request that the Court enter an Order and Final Judgment. The Order and Final Judgment shall, among other things:

- (a) make final the Court's previous determination to certify provisionally the Action as a class action pursuant to CCP § 382;
- (b) determine that the requirements of the Court Rules and due process have been satisfied in connection with the Notice;
- (c) approve the Settlement as fair, reasonable, and adequate and in the best interests of the Class, including the releases contained therein;
- (d) authorize and direct the performance of the Settlement in accordance with its terms and conditions and reserve jurisdiction to supervise the consummation of the Settlement;
- (e) enter the Order and Final Judgment, as against any and all Defendants, and release the Released Defendant Parties and Released Plaintiff Parties (defined below) from the Released Claims (defined below);

and

- (f) subject to Court approval, award attorneys' fees and expenses to Co-Lead Counsel and/or any Plaintiffs' incentive award from the Settlement Amount.

## **X. RELEASES**

Upon the Effective Date of the Settlement (as defined in the Stipulation), the Released Plaintiff Parties (as defined in the Stipulation), Plaintiffs and all Class Members, on behalf of themselves and their legal representatives, heirs, executors, administrators, estates, predecessors, successors, predecessors-in-interest, successors-in-interest, and assigns, and any person or entity acting for or on behalf of, or claiming under, any of them, shall thereupon be deemed to have fully, finally and forever, released, settled and discharged the Released Defendant Parties (as defined in the Stipulation) from and with respect to every one of the Released Plaintiffs' Claims (as defined in the Stipulation), and shall thereupon be forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute or pursuing in any fashion any Released Plaintiffs' Claims against any of the Released Defendant Parties.

In addition, upon the Effective Date, each of Released Defendant Parties, on behalf of themselves and their legal representatives, heirs, executors, administrators, estates, predecessors, successors, predecessors-in-interest, successors-in-interest, and assigns, and any person or entity acting for or on behalf of, or claiming under, any of them, shall thereupon be deemed to have fully, finally and forever, released, settled and discharged the Released Plaintiff Parties from and with respect to every one of the Released Defendants' Claims (as defined in the Stipulation), and shall thereupon be forever barred and enjoined from commencing, instituting or prosecuting or pursuing in any fashion any of the Released Defendants' Claims against any of the Released Plaintiff Parties.

The foregoing releases extend to Released Plaintiffs' Claims and Released Defendants' Claims that the Settling Parties did not know or suspect to exist at the time of the release. Under the terms of the Stipulation and Settlement, the following definitions apply:

1. **"Released Plaintiff Parties"** means (i) Plaintiffs and all other Class Members; (ii) members of each individual Class Member's Immediate Family; (iii) all Class Members' past or present, current or former, direct or indirect, affiliates, associates, members, partners, limited partners, general partners, partnerships, limited partnerships, general partnerships, investment funds, investment advisors, investment managers, investors, shareholders, joint venturers, subsidiaries, parents, divisions, subdivisions, predecessors, successors, officers, directors, employees, agents, principals, owners, representatives, advisors, insurers and attorneys(including Co-Lead Counsel) of Plaintiffs and the Class Members and their respective affiliates; and (iv) the past or present, current or former, direct or indirect legal representatives, heirs, executors, trustees, beneficiaries, administrators, trusts, trustees, predecessors, successors, predecessors-in-interest, successors-in-interest and assigns of any of the foregoing.

2. **"Released Plaintiffs' Claims"** means any and all Claims that were asserted or could have been asserted by Plaintiffs in the Action on behalf of themselves and/or the Class, and any and all Claims, including Unknown Claims, that have been or could have been alleged based on the facts alleged in the Action by Plaintiffs against Released Defendant Parties in the Action and which relate to the sale of Anworth. The Released Plaintiffs' Claims shall not include claims to enforce the Stipulation or any part of it, and shall not include claims based on the conduct of any of the Settling Parties which occurs after the Effective Date.

3. **"Released Defendant Parties"** means Defendants, Joseph E. McAdams, Lloyd McAdams, Robert C. Davis, Mark S. Maron, and Dominique Mielle, as well as each of their respective past or present family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, control persons, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, affiliates, parents, subsidiaries, divisions, associated entities, stockholders, principals, officers, managers, directors, managing directors, members, managing members, managing agents, insurers, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys, personal or legal representatives, accountants, insurers, co-insurers, reinsurers, and associates.

4. **"Released Defendants' Claims"** means any and all Claims, including Unknown Claims, that have been or could have been asserted in the action, or in any court, tribunal, forum or proceeding, by the Released Defendant Parties or any of their respective successors and assigns against any of the Released Plaintiff Parties,

which arise out of or relate in any way to the institution, prosecution, settlement, or dismissal of either of the Action; provided, however, that as used herein the term “Released Defendants’ Claims” shall not include the right to enforce this Stipulation or any part of it, and shall not include Claims based on the conduct of any of the Settling Parties which occurs after the Effective Date.

#### **XI. CO-LEAD COUNSEL’S ATTORNEYS’ FEES AND EXPENSES AND INCENTIVE AWARDS**

Co-Lead Counsel intends to petition the Court for an award of attorneys’ fees and expenses incurred in connection with the Action not to exceed one third of the Settlement Fund plus reimbursement of expenses up to \$36,000 (the “Fee and Expense Application”), which shall be paid out of— and shall not be in addition to — the Settlement Amount. Further, Plaintiffs will seek an incentive award of \$1,000 for each, which shall be paid out of – and shall not be in addition to – the Settlement Amount. Defendants have agreed not to oppose such Fee and Expense Application or Incentive Awards.

#### **XII. NOTICE TO PERSONS OR ENTITIES HOLDING OWNERSHIP ON BEHALF OF OTHERS**

Brokerage firms, banks and/or other persons or entities who held shares of the common stock of Anworth from December 6, 2020 through and including March 19, 2021, the date of the consummation of the Merger, for the benefit of others are directed promptly to send this Notice 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 copies may be made to:

Anworth Settlement  
RG/2 Claims Administration, LLC  
P.O. Box 59479  
Philadelphia, PA 19102-9479  
Phone (866) 742-4955  
Fax: (215) 827-5551  
Email: info@rg2claims.com

#### **XIII. SCOPE OF THIS NOTICE**

This Notice is not all-inclusive. The references in this Notice to the pleadings in the Action, the Stipulation and other papers and proceedings are only summaries and do not purport to be comprehensive. A copy of the Stipulation is available at [www.rg2claims.com/anworth.html](http://www.rg2claims.com/anworth.html). For the further details of the Action, including the claims and defenses that have been asserted by the parties, members of the Class are referred to the Court files in the Action. You or your attorney may examine the Court files during regular business hours of each business day at the office of the Clerk of the Court, Superior Court of the State of California, County of Los Angeles, 312 North Spring Street, Los Angeles, CA 90012.

**DO NOT CALL THE COURT.**

BY ORDER OF THE SUPERIOR COURT OF  
CALIFORNIA FOR LOS ANGELES COUNTY FOR  
THE STATE OF CALIFORNIA

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Register in the Superior Court of California for Los  
Angeles County

Dated: June 30, 2023

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HONORABLE CAROLYN B. KUHL- JUDGE OF  
THE SUPERIOR COURT