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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

IN RE: WSB FINANCIAL GROUP  
SECURITIES LITIGATION

Master File No. C07-1747RAJ

**ORDER PRELIMINARILY APPROVING  
SETTLEMENT AND PROVIDING FOR  
NOTICE**

This matter came before the court on the parties’ stipulated motion for preliminary approval of a class action settlement (Dkt. # 73). The court held a teleconference with all parties on November 13, 2008 to discuss two concerns regarding the motion. At the teleconference, the parties agreed to two modifications. First, they agreed that paragraph four of their proposed form of class notice would be modified to clearly state that class counsel would not seek more than 25% of the net settlement as attorney fees. The previous form of notice appeared to leave open the possibility that class counsel could, if they choose, seek in excess of 25%. Second, the parties agreed to allow at least 90 days between entry of this order and the deadline for class members to opt out of the settlement agreement.

Subject to those two agreements, the court GRANTS the parties’ motion (Dkt. # 73) and preliminarily approves the parties’ settlement. The court sets March 27, 2009, at 9:00 a.m., as the date and time for a final settlement approval hearing. The remainder of this order uses the language of the parties’ proposed order granting their motion, modified only to include dates imposed by the court. The court expects class counsel to modify the complete notice and

1 summary notice, attached as Exhibits A-1 and A-3 to their previously filed stipulation of  
2 settlement (Dkt. # 73-2), to reflect the dates the court imposes herein as well as the two  
3 modifications described in the first paragraph of this order.

4 WHEREAS, Lead Plaintiff, the Police and Fire Retirement System of the City of Detroit,  
5 Defendant WSB Financial Group, Inc. (“WSB or the “Company ), and Defendants David K.  
6 Johnson, Mark Freeman, Richard N. Christopherson, James H. Lamb, Brian B. McLellan, Dean  
7 Reynolds, Donald H. Tucker, Louis J. Weir, and Larry C. Westfall (the “Individual  
8 Defendants ), have applied to the Court pursuant to Rule 23(e) of the Federal Rules of Civil  
9 Procedure for an order approving the settlement of the above-captioned litigation (the “Action )  
10 in accordance with the Stipulation of Settlement on file herein (the “Stipulation ), which,  
11 together with the Exhibits annexed thereto, sets forth the terms and conditions for a proposed  
12 settlement of the Action (the “Settlement ) and for dismissal of the Action with prejudice as  
13 against WSB, the Individual Defendants, and D.A. Davidson & Co. upon the terms and  
14 conditions set forth therein; and the Court having read and considered the Stipulation and the  
15 exhibits annexed thereto:

16 NOW, THEREFORE, IT IS HEREBY ORDERED:

17 1. This order (the “Notice Order ) hereby incorporates by reference the definitions  
18 in the Stipulation, and all terms used herein shall have the same meanings as set forth in the  
19 Stipulation. Any inconsistencies between the Stipulation and Notice of Settlement of Class  
20 Action will be controlled by the language of the Stipulation.

21 2. The Court hereby preliminarily approves the Stipulation and the Settlement  
22 described therein as being fair, just, reasonable and adequate to the Class, pending a final hearing  
23 on the Settlement.

24 **CLASS CERTIFICATION**

25 3. The Court hereby preliminarily approves, for settlement purposes only pursuant to  
26 Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, a Class defined as follows:

1 all persons and entities who purchased the common stock of WSB Financial  
2 pursuant to or traceable to the Company's Registration Statement issued in  
3 connection with WSB Financial's initial public offering and who were damaged  
4 thereby. Excluded from the Class are defendants, the officers and directors of the  
5 Company at all relevant times, members of their immediate families and their  
6 legal representatives, heirs, successors or assigns and any entity in which  
7 defendants have or had a controlling interest.

8 4. The Court finds, for the purposes of the Settlement only, that the prerequisites for  
9 a class action under Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure have been  
10 satisfied in that: (a) the number of Class Members is so numerous that joinder of all members  
11 thereof is impracticable; (b) there are questions of law and fact common to the Class; (c) the  
12 claims of the Lead Plaintiff are typical of the claims of the Class it seeks to represent; (d) Lead  
13 Plaintiff will fairly and adequately represent the interests of the Class; (e) the questions of law  
14 and fact common to the members of the Class predominate over any questions affecting only  
15 individual members of the Class; and (f) a class action is superior to other available methods for  
16 the fair and efficient adjudication of the controversy.

17 5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes  
18 of the Settlement only, Lead Plaintiff, the Police and Fire Retirement System of the City of  
19 Detroit, is certified as the Class Representative.

20 6. Prosecution of any action or claim that is subject to the release, dismissal, or bar  
21 order contemplated by the Settlement is hereby enjoined, pending further order of the Court.

22 **NOTICE**

23 7. Lead Plaintiff shall provide to members of the Class the Notice of Proposed  
24 Settlement of Class Action, including notice of the hearing on the proposed Settlement, the  
25 request for approval of the Plan of Allocation and Lead Counsel's application for an award of  
26 attorneys' fees and payment of expenses as follows:

27 a. No later than fourteen (14) days after entry of this Notice Order (the  
28 "Notice Date ), a copy of the Notice of: (1) Pendency of Class Action, and (2) Hearing on  
Proposed Settlement and Attorneys' Fee Petition and Right to Share in Net Settlement Fund (the  
"Notice ), and the Proof of Claim and Release (the "Claim Form ), annexed to the parties'

1 previously filed stipulation of settlement (Dkt. # 73-2) respectively as Exhibits A-1 and A-2,  
2 shall be mailed by first-class mail, postage prepaid, to all members of the Class at the address of  
3 each such Person as set forth in the records of WSB or its transfer agent, or who are identified by  
4 further reasonable efforts;

5           b.       A Summary Notice of Proposed Settlement, Settlement Fairness Hearing  
6 and Petition for Attorneys' Fees and Reimbursement of Litigation Expenses ("Summary  
7 Notice ), annexed to the parties' previously filed stipulation of settlement (Dkt. # 73-2) as  
8 Exhibit A-3, shall be published once in the national edition of *The Wall Street Journal* and  
9 further published electronically over the *PR Newswire* within two weeks after the mailing of the  
10 Notice; and

11           c.       The Notice, Summary Notice and Claim Form shall further be placed on  
12 the website maintained by the Claims Administrator, as approved herein by the Court.

13           8.       The Court approves the form of Notice and Summary Notice (together, the  
14 "Notices ) and Claim Form, and finds that the procedures established for publication, mailing  
15 and distribution of such Notices substantially in the manner and form set forth in paragraph 7 of  
16 this Order meet the requirements of Rule 23 of the Federal Rules of Civil Procedure and due  
17 process, and constitute the best notice practicable under the circumstances.

18           9.       To effectuate the provision of notice provided for in paragraph 7 hereof, and the  
19 collection, analysis and determination of Claim Forms submitted in accordance with the terms of  
20 the Notice, and other actions required by this Order, Lead Counsel is authorized to retain The  
21 Garden City Group, Inc., or such other similarly qualified entity as may be required, as Claims  
22 Administrator and may pay the reasonable and customary fees and costs associated with the  
23 review of claims and administration of the Settlement out of the Settlement Fund as appropriate,  
24 without further order of the Court.

25           10.      To further effectuate the provision of notice provided for in paragraph 7 hereof,  
26 the Claims Administrator shall lease and maintain a post office box of adequate size for the  
27 return of Claim Forms. All Notices to members of the Class shall designate said post office box

1 as the return address for the purposes designated in the Notices. The Claims Administrator shall  
2 be responsible for the receipt of all responses from members of the Class and, until further order  
3 of the Court, shall preserve all entries of appearance, Claim Forms, Requests for Exclusion and  
4 all other written communications from members of the Class, nominees or any other Person in  
5 response to the Notices. The costs of notification to the Class, including printing, mailing and  
6 publication of all required notices, shall be paid out of the Settlement Fund in accordance with  
7 the Stipulation.

8         11. Within five (5) business days from the Notice Date, WSB or its transfer agent  
9 shall provide the Claims Administrator with shareholder information available in the records of  
10 WSB or its transfer agent, providing the identity of all record holders of WSB common stock  
11 who purchased or otherwise acquired their WSB common stock pursuant to or traceable to the  
12 Company's Registration Statement issued in connection with WSB Financial's initial public  
13 offering. To the extent available in WSB's or its transfer agent's records, this information shall  
14 contain the names and addresses of all purchasers of WSB common stock, as reflected in WSB's  
15 or its transfer agent's records. Further, the information must be provided in an MS Excel version  
16 10 or 11 (preferred) or in ASCII fixed length field text files. Control characters such as Carriage  
17 Return/Line Feed should be appended to each line in the text files. WSB shall bear all costs or  
18 expenses associated with providing the Claims Administrator with the above-described  
19 shareholder information from its and its transfer agent's records.

20         12. Thirty (30) days before the date fixed by this Court for the Final Approval  
21 Hearing, Lead Counsel shall cause to be filed with the Clerk of this Court affidavits or  
22 declarations of the person or persons under whose general direction the mailing of the Notice and  
23 the publication of the Summary Notice shall have been made, showing that such mailing and  
24 publication have been made in accordance with this Order.

25         13. Nominees who purchased or otherwise acquired WSB common stock pursuant to  
26 or traceable to the Company's Registration Statement issued in connection with WSB Financial's  
27 initial public offering for beneficial owners who are Class Members are directed to: (a) request

1 within fourteen (14) days of receipt of the Notice additional copies of the Notice and the Claim  
2 Form from the Claims Administrator for such beneficial owners; or (b) send a list of the names  
3 and addresses of such beneficial owners to the Claims Administrator within fourteen (14) days  
4 after receipt of the Notice. If a nominee elects to send the Notice to beneficial owners, such  
5 nominee is directed to mail the Notice within fourteen (14) days of receipt of the copies of the  
6 Notice from the Claims Administrator, and upon such mailing, the nominee shall send a  
7 statement to the Claims Administrator confirming that the mailing was made as directed, and the  
8 nominee shall retain the list of names and addresses for use in connection with any possible  
9 future notice to the Class. Upon full compliance with this Notice Order, including the timely  
10 mailing of Notice to beneficial owners, such nominees may seek reimbursement of their  
11 reasonable expenses actually incurred in complying with this Notice Order by providing the  
12 Claims Administrator with proper documentation supporting the expenses for which  
13 reimbursement is sought and reflecting compliance with these instructions, including timely  
14 mailing of the Notice, if the nominee elected or elects to do so. Such properly documented  
15 expenses incurred by nominees in compliance with the terms of this Notice Order shall be paid  
16 from the Settlement Fund.

17 **HEARING: RIGHT TO BE HEARD**

18 14. There shall be a hearing on March 27, 2009 at 9:00 a.m. (the “Final Approval  
19 Hearing ) at which time the Court shall address the fairness, reasonableness and adequacy of the  
20 Settlement, the fairness and reasonableness of the Plan of Allocation, and Lead Counsel’s  
21 application for attorneys’ fees and payment of expenses. The Final Approval Hearing shall be  
22 held before the Honorable Richard A. Jones at the United States District Court for the Western  
23 District of Washington, 700 Stewart Street, Seattle, WA 98101.

24 15. Papers in support of the Settlement, the Plan of Allocation, and Lead Counsel’s  
25 application for attorneys’ fees and payment of expenses shall be submitted thirty (30) days prior  
26 to the Final Approval Hearing.

1           16. Any Member of the Class may appear at the Final Approval Hearing and show  
2 cause why the proposed Settlement embodied in the Stipulation should or should not be  
3 approved as fair, reasonable and adequate, or why the Judgment should or should not be entered  
4 thereon, and/or to present opposition to the Plan of Allocation or to the application of Lead  
5 Counsel for fees and reimbursement of litigation expenses. However, no Class Member or any  
6 other Person shall be heard or entitled to contest the approval of the terms and conditions of the  
7 Stipulation and the Settlement, or, if approved, the Judgment to be entered thereon approving the  
8 same, or the terms of the Plan of Allocation or the application by Lead Counsel for an award of  
9 attorneys' fees and reimbursement of litigation expenses unless that Class Member or Person (i)  
10 has served written objections, including the basis therefor, as well as copies of any papers and/or  
11 briefs in support of his, her or its position upon the following counsel for receipt no later than  
12 ninety (90) days from the date this Notice Order is signed:

13                   **BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP**

14                   **David R. Stickney**

15                   **Timothy DeLange**

16                   12481 High Bluff Drive, Suite 300

17                   San Diego, CA 92130

18                   *Attorneys for Lead Plaintiff the Police and Fire Retirement System of the City*  
19                   *of Detroit and the Class*

20                   **WILSON SONSINI GOODRICH & ROSATI**

21                   Barry M. Kaplan, Esq.

22                   Douglas W. Greene, Esq.

23                   701 Fifth Avenue, Suite 5100

24                   Seattle, WA 98104

25                   *Counsel for Defendants WSB Financial Group, Inc.,*  
26                   *Richard Christopherson, Veronica Colburn, Mark*  
27                   *Freeman, David Johnson, James Lamb, Brian McLellan,*  
28                   *Dean Reynolds, Robin Sellye, Brent Stenman, Donald*  
                      *Tucker, Louis Weir and Larry Westfall*

**DORSEY & WHITNEY LLP**

                      Curt Roy Hinehline, Esq.

                      James Howard, Esq.

                      1420 Fifth Avenue, Suite 3400

                      Seattle, WA 98101

*Counsel for Defendant D.A. Davidson & Co.*

1 and (ii) filed said objections, papers and briefs with the Clerk of the United States District Court  
2 for the Western District of Washington. Any Class Member or Person who does not make his,  
3 her or its objection in the manner provided for herein shall be deemed to have waived such  
4 objection and shall forever be foreclosed from making any objection to the fairness or adequacy  
5 of the Settlement as incorporated in the Stipulation, to the Plan of Allocation or to the application  
6 by Lead Counsel for an award of attorneys' fees and reimbursement of litigation expenses unless  
7 otherwise ordered by the Court. The manner in which a notice of objection should be prepared,  
8 filed and delivered shall be stated in the Notice.

9 17. In the event any Class Member timely and properly serves and files written  
10 objections, as set forth above pursuant to ¶16, all papers in reply to any objections shall be filed  
11 with the Court and served on Defendants' counsel at least fourteen (14) days prior to the Final  
12 Approval Hearing.

13 18. If approved, all Class Members will be bound by the proposed Settlement  
14 provided for in the Stipulation, and by any judgment or determination of the Court affecting  
15 Class Members, regardless of whether or not a Class Member submits a Claim Form.

16 19. The Court expressly reserves the right to adjourn or continue the Final Approval  
17 Hearing, or any adjournment or continuance thereof, without any further notice other than an  
18 announcement at the Final Approval Hearing or any adjournment or continuance thereof, and to  
19 approve the Stipulation with modification and without further notice to members of the Class.  
20 The Court retains jurisdiction of this Action to consider all further applications arising out of or  
21 connected with the proposed Settlement, and as otherwise warranted.

22 **CLAIMS PROCESS**

23 20. In order to be entitled to participate in the Settlement, a Class Member, as defined  
24 in the Stipulation, must complete and submit a Claim Form in accordance with the instructions  
25 contained therein. To be valid and accepted, Claim Forms submitted in connection with this  
26 Settlement must be postmarked no later than ninety (90) days from the date this Notice Order is  
27 signed.

1           21. Any Class Member who does not timely submit a valid Claim Form shall not be  
2 entitled to share in the Settlement Fund, except as specifically ordered by the Court, but  
3 nonetheless shall be barred and enjoined from asserting any of the Released Claims and shall be  
4 bound by any judgment or determination of the Court affecting the Class Members.

5           22. The Claim Form submitted by each Class Member must satisfy the following  
6 conditions: (i) it must be properly completed, signed and submitted in a timely manner in  
7 accordance with the provisions set forth in this paragraph; (ii) it must be accompanied by  
8 adequate supporting documentation for the transactions reported therein, in the form of broker  
9 confirmation slips, broker account statements, an authorized statement from the broker  
10 containing the transactional information found in a broker confirmation slip, or such other  
11 documentation as is deemed adequate by the Claims Administrator; (iii) if the person executing  
12 the Claim Form is acting in a representative capacity, a certification of his current authority to  
13 act on behalf of the Class Member must be included in the Claim Form; and (iv) the Claim Form  
14 must be complete and contain no material deletions or modifications of any of the printed matter  
15 contained therein and must be signed under penalty of perjury. As part of the Claim Form, each  
16 Class Member shall submit to the jurisdiction of the Court with respect to the claim submitted,  
17 and shall release (subject to effectuation of the Settlement) all Released Claims as provided in  
18 the Stipulation.

19           23. In order to effectuate the provisions of paragraph 34 of the Stipulation, any  
20 request for exclusion forms must be submitted no later than ninety (90) days from the date this  
21 Notice Order is signed. Any Class Member who wishes to be excluded from the Class must  
22 provide his, her or its name, address, telephone number, transactions in WSB common stock  
23 pursuant to or traceable to the Company's Registration Statement issued in connection with  
24 WSB's initial public offering (including each date of acquisition, purchase and sale and each  
25 price and amount paid and/or received), and documentation verifying membership in the Class,  
26 including all purchases and sales of WSB common stock pursuant to or traceable to the  
27 Company's Registration Statement issued in connection with WSB's initial public offering.

1 Within ten (10) business days of receipt by Lead Counsel or the Claims Administrator of any  
2 request for exclusion, copies of all such forms shall be provided to counsel for WSB. Further,  
3 after the close of the opt-out period, counsel for the Settling Parties shall confer in good faith to  
4 perform the calculations provided for in paragraph 34 of the Stipulation.

5 24. Neither WSB, the Individual Defendants nor Defendants' Released Persons shall  
6 have any responsibility for the Plan of Allocation or Lead Counsel's application for an award of  
7 attorneys' fees and reimbursement of litigation expenses. The Plan of Allocation and Lead  
8 Counsel's application for an award of attorneys' fees and reimbursement of litigation expenses  
9 will be considered separately from the fairness, reasonableness and adequacy of the Settlement.  
10 At or after the Final Approval Hearing, the Court will determine whether Lead Counsel's  
11 proposed Plan of Allocation should be approved, and the amount of attorneys' fees and  
12 reimbursement of litigation expenses to be awarded to Lead Counsel. Any appeal from any  
13 orders relating to the Plan of Allocation or Lead Counsel's application for an award of attorneys'  
14 fees and reimbursement of litigation expenses, or reversal or modification thereof, shall not  
15 operate to terminate or cancel the Stipulation, or affect or delay the finality of Judgment  
16 approving the Stipulation and the settlement of the Action set forth therein.

17 25. No Person that is not a Class Member or Lead Counsel shall have any right to any  
18 portion of, or any rights in the distribution of, the Settlement Fund unless otherwise ordered by  
19 the Court or otherwise provided in the Stipulation.

20 26. All funds held in the Escrow Account shall be deemed and considered to be *in*  
21 *custodia legis* and shall remain subject to the jurisdiction of the Court until such time as such  
22 funds shall be distributed pursuant to the Stipulation and/or further order of the Court.

23 27. Lead Counsel or their agents are authorized and directed to prepare any tax  
24 returns required to be filed on behalf of the Settlement Fund, and to cause any taxes due and  
25 owing to be paid from the Settlement Fund without further order of the Court.

26 28. Lead Counsel may use the proceeds of the Settlement Fund to pay all reasonable  
27 costs and expenses in providing notice to the Class, locating Class Members, soliciting Class

1 claims, assisting with the filing of the claims, administering and distributing the Net Settlement  
2 Fund to the Members of the Class, processing Claim Forms, and paying escrow fees and costs.

3 29. Neither the Stipulation, nor any of its terms or provisions, nor any of the  
4 negotiations or proceedings connected with it, nor any act performed nor document executed  
5 pursuant to or in furtherance of it (a) is or may be deemed to be or may be used as an admission  
6 of, or evidence of, the validity of any Released Claim, or of any wrongdoing, fault, or liability of  
7 the Settling Parties or the Released Persons; or (b) is or may be deemed to be or may be used as  
8 an admission of, or evidence of, any wrongdoing, fault, or liability of any of the Settling Parties  
9 or the Released Persons in any civil, criminal or administrative proceeding in any court,  
10 administrative agency or other tribunal.

11 30. There shall be no distribution of any of the Settlement Amounts to any Class  
12 Member until a plan of allocation is finally approved and is affirmed on appeal or *certiorari* or is  
13 no longer subject to review by appeal or *certiorari* and the time for any petition for rehearing,  
14 appeal, or review, whether by *certiorari* or otherwise, has expired.

15 31. The Court shall retain continuing jurisdiction over the Settlement, as well as the  
16 administration thereof.

17 DATED this 21st day of November, 2008.

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19   
20 The Honorable Richard A. Jones  
21 United States District Judge  
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