

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA  
MIAMI DIVISION

IN RE PHYSICIAN CORPORATION OF  
AMERICA SECURITIES LITIGATION

Case No. 97-3678-CIV-JORDAN

THIS DOCUMENT RELATES TO:  
ALL ACTIONS

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION,  
HEARING ON PROPOSED SETTLEMENT AND ATTORNEYS' FEE PETITION  
AND RIGHT TO SHARE IN SETTLEMENT FUND**

**TO: ALL PERSONS AND ENTITIES WHO PURCHASED THE COMMON STOCK OF PHYSICIAN CORPORATION OF AMERICA ("PCA") DURING THE PERIOD BEGINNING ON MARCH 31, 1996 THROUGH AND INCLUDING MARCH 31, 1997 AND WHO RETAINED THAT STOCK THROUGH AT LEAST MARCH 31, 1997 (THE "CLASS PERIOD," THE "CLASS").**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THESE ACTIONS. IF YOU ARE A CLASS MEMBER, YOU ULTIMATELY MAY BE ENTITLED TO RECEIVE BENEFITS PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED HEREIN.**

**CLAIMS DEADLINE: CLAIMANTS MUST SUBMIT PROOFS OF CLAIM, ON THE FORM ACCOMPANYING THIS NOTICE, *POSTMARKED ON OR BEFORE DECEMBER 22, 2003.***

**EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE SUBMITTED *POSTMARKED ON OR BEFORE OCTOBER 28, 2003.***

**SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS IN ¶ 50 BELOW.**

**SUMMARY OF PROPOSED SETTLEMENT AND RELATED MATTERS**

**A. Purpose of This Notice**

1. This notice is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and Orders of the Court dated May 20, 2003 and July 25, 2003. The purpose of this Settlement Notice is to inform you that the Action, and the proposed Settlement, will affect all Class Members' rights. This Settlement Notice describes rights you may have under the proposed Settlement and what steps you may now take in relation to the Action. This Settlement Notice is not an expression of any opinion by the Court as to the merits of any claims or any defenses asserted by any party in the Action, or the fairness or adequacy of the proposed Settlement.

## **B. Statement of Plaintiff Recovery**

2. Pursuant to the proposed Settlement described herein, a Settlement Fund consisting of \$10.2 million in cash, plus accruing interest, has been established. Plaintiffs estimate that there were approximately 12,591,866 shares of PCA common stock included in the Class which may have been damaged as a result of the alleged wrongdoing described at ¶¶ 12-19 below. Plaintiffs estimate that the average recovery per damaged share of PCA common stock under the proposed Settlement is \$0.81 per damaged share before deduction of Court-awarded attorneys' fees and expenses. Depending on the number of PCA securities purchased by Class Members who submit claims, when such Class Members purchased their securities, and whether those securities were held or sold, and, if sold, when the securities were sold, an individual class member may receive more or less than the average amounts.

3. Under the relevant securities laws, a claimant's recoverable damages are limited to the losses attributable to the alleged securities law violations. Losses which resulted from factors other than an alleged securities law violation are not recoverable from the Settlement Fund. For purposes of the proposed Settlement herein, a Class Member's distribution from the Net Settlement Fund will be governed by the proposed Plan of Allocation described below at ¶¶ 32-39, or such other Plan of Allocation as may be approved by the Court.

## **C. Statement of Potential Outcome of Case**

4. The parties disagree on both liability and damages and do not agree on the average amount of damages per security that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (a) the appropriate economic model for determining the amount by which any PCA securities were allegedly artificially inflated (if at all) during the relevant time periods; (b) the amount by which any PCA securities were allegedly artificially inflated (if at all) during the relevant time periods; (c) the effect of various market forces influencing the trading prices of the various PCA securities at various times during the relevant time periods; (d) the extent to which external factors influenced the trading prices of PCA securities at various times during the relevant time periods; (e) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading prices of the various PCA securities at various times during the relevant time periods; (f) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading prices of PCA securities at various times during the relevant time periods; and (g) whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws.

5. Plaintiffs' Counsel considered that there were risks that Plaintiffs and the Class might not have prevailed on all their claims; that the decline in the price of PCA common stock could be attributed, in whole or in part, to other factors; or that the Class certification may have been reversed by the United States Court of Appeals for the Eleventh Circuit or vacated or modified by the District Court after further proceedings in the Action.

6. The Defendants vigorously deny that they are liable to the Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages. The Court has made no finding that Defendants engaged in any wrongdoing or wrongful conduct or otherwise acted improperly or in violation of any law or duty in any respect. Defendants assert that they have acted lawfully and with the utmost candor and honesty at all times.

#### **D. Statement of Attorneys' Fees and Costs Sought**

7. Plaintiffs' Counsel intend to apply for fees out of the Gross Settlement Fund not to exceed 33½% of the Gross Settlement Fund and for reimbursement of expenses incurred in connection with the prosecution of the Action not to exceed the approximate amount of \$1.25 million, of which approximately \$641,066 represents amounts paid or owing to experts and consultants, and \$34,835 represents amounts owed to the court reporting service utilized in this Action. The requested fees and expenses would amount to an average of \$0.37 per damaged share of PCA common stock. Plaintiffs' Counsel have expended considerable time and effort in the prosecution of this litigation on a contingent fee basis, and have advanced the expenses of the litigation, in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys' fees.

#### **E. Further Information**

8. Further information regarding the Action and this Settlement Notice may be obtained by contacting Plaintiffs' Co-Lead Counsel: Herbert E. Milstein, Esq., Daniel S. Sommers, Esq., or R. Joseph Barton, Esq., Cohen, Milstein, Hausfeld & Toll, P.L.L.C., 1100 New York Avenue, N.W., West Tower, Suite 500, Washington, D.C. 20005, Telephone (202) 408-4600, or Jules Brody, Esq., Stull, Stull & Brody, 6 East 45th Street, New York, NY 10017, Telephone (212) 687-7230.

#### **F. Reasons for the Proposed Settlement**

9. The principal reason for the proposed Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no or less recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

#### **NOTICE OF SETTLEMENT FAIRNESS HEARING**

10. NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of Florida, Miami Division (the "Court") dated September 9, 2003, that a hearing will be held before the Honorable Adalberto Jordan in the United States Courthouse, 301 N. Miami Avenue, Miami, FL 33128, at 10:00 a.m., on November 17, 2003 (the "Settlement Fairness Hearing") to determine whether a proposed Settlement (the "Settlement") of the above-captioned actions as set forth in the Stipulation and Agreement of Settlement dated August 25, 2003 (the "Stipulation"), is fair, reasonable and adequate and to consider the proposed Plan of Allocation for the Settlement proceeds and the application of Plaintiffs' Counsel for attorneys' fees and reimbursement of expenses.

11. The Court, by orders dated May 20, 2003 and July 25, 2003, has certified a Class consisting of:

All persons who purchased the common stock of Physician Corporation of America ("PCA") during the period beginning on March 31, 1996 through and including March 31, 1997 and who retained that stock through at least March 31, 1997. Excluded from the class are the defendants, their officers and directors, the subsidiaries, affiliates and entities they control and officers and directors of such subsidiaries, affiliates and entities, and members of the immediate families of the individual defendants.

## **BACKGROUND OF THE LITIGATION**

12. The initial complaints in this action were filed on November 19, 1997. On June 1, 1998, Plaintiffs filed a Consolidated and Amended Class Action Complaint (the “Complaint”). On August 7, 1998, Defendants moved to dismiss this Complaint. Defendants’ motion to dismiss the Complaint was denied on February 17, 1999. After the conclusion of discovery, Defendants filed a motion for summary judgment, which was denied by the Court on July 24, 2002.

13. The Class alleges that Defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and that the Individual Defendants violated Section 20(a) of the Securities Exchange Act of 1934 by knowingly or recklessly making materially false and misleading statements regarding PCA’s business operations, deficits and liabilities. The Complaint also alleges that the price of PCA’s common stock was artificially inflated throughout the Class Period as a result of these false and misleading statements.

14. Plaintiffs allege that during the Class Period, PCA was a managed health care company, which through various subsidiaries provided third party administrative services to self-insured workers’ compensation funds and directly underwrote workers’ compensation policies. By late 1994 and early 1995, significant changes were underway in the Florida workers’ compensation market, which PCA knew would adversely affect its business. To remain competitive, PCA acquired two funds.

15. Plaintiffs allege that Defendants were aware that the acquisition of these funds would result in significant liabilities and deficits for PCA which Defendants failed to disclose throughout the Class Period. Plaintiffs further allege that PCA, which needed the approval of the Florida Department of Insurance to acquire these funds, entered into a Consent Order which set forth PCA’s obligations as a result of these acquisitions.

16. Plaintiffs allege that at least by the beginning of the Class Period, Defendants knew of the gravity of PCA’s liabilities and that the deficits were continuously growing. During the Class Period, Plaintiffs allege that Defendants failed to make any disclosure of the growing liabilities and that one of PCA’s subsidiaries was potentially subject to receivership. Plaintiffs allege that Defendants unsuccessfully attempted to engage in an attempt to keep these liabilities from being disclosed on the financial statements of PCA.

17. Plaintiffs allege that by November 1996, PCA’s subsidiary entered into a Consent Order with the Florida Department of Insurance (“DOI”) which required: (a) that one of PCA’s subsidiaries be placed into administrative supervision because the assumption of the liabilities caused that subsidiary to be insolvent; and (b) that the PCA subsidiary could no longer write any insurance policies. This Consent Order, however, did not cancel any of the obligations imposed by the 1995 Consent Order.

18. Plaintiffs allege that the entry of the 1996 Consent Order necessitated that PCA disclose the existence, size and impact of these deficits on its business. Plaintiffs allege that Defendants made misleading disclosures regarding the Consent Order in November 1996: (a) by claiming the charge was “non-recurring” or “one time” despite the fact that there was a continuing trend of increasing deficits and that future charges were likely; (b) by waiting to disclose the existence of these deficits until Defendants could announce a potential merger; and (c) by failing to disclose the existence of the 1996 Consent Order and that the PCA subsidiary was compelled to enter the Consent Order, forced into administrative supervision and forbidden from writing future workers’ compensation business.

19. Plaintiffs allege that Defendants then made no disclosure for months. On February 20, 1997, Defendants announced an additional \$60 million charge, and then, later that day, they increased the charge by \$20 million, thereby making PCA's subsidiary under reserved by \$210 million. On February 26, 1997, Defendants announced that the DOI filed an order to show cause as to why P&C, a PCA subsidiary, should not be taken into rehabilitation. On March 18, 1997, Defendants announced year end results, including a total pre-tax loss of \$313 million, of which \$284.4 million was attributable to PCA's workers' compensation business.

### **BACKGROUND TO THE PROPOSED SETTLEMENT**

20. The Defendants (as defined below) have vigorously denied all averments of wrongdoing or liability in the Action and all other accusations of wrongdoing or violations of law, and deny liability of any kind to Plaintiffs or the Class. The Stipulation is not and shall not be construed, or be deemed to be, evidence or an admission or a concession on the part of any of the Defendants of any fault or liability or damages whatsoever, and Defendants do not concede any infirmity in the defenses which they have asserted or intended to assert in the Action.

21. Prior to entering into the Stipulation, Plaintiffs' Counsel conducted an investigation relating to the events and transactions underlying Plaintiffs' claims and conducted pretrial discovery on the merits, including analysis of tens of thousands of pages of documents produced by Defendants, numerous non-parties and depositions of Defendants, and consultation with expert witnesses and consultants. In particular, at the time the proposed Settlement was reached, Plaintiffs' Counsel had the benefit of document discovery from Defendants, non-parties including actuarial firms, accounting firms and law firms which provided services to Defendants, and investment banks which followed and issued reports on PCA. Plaintiffs' Counsel reviewed these documents and organized them for use both for the taking of depositions and for presentation at trial. Plaintiffs' Counsel also took and analyzed the depositions of each of the Defendants, former employees of PCA and certain of its subsidiaries as well as the depositions of representatives from the non-party entities referenced above. In total, Plaintiffs' Counsel took eighteen separate depositions of fact witnesses. Plaintiffs' Counsel also retained the services of consultants to provide advice regarding actuarial, insurance and accounting issues. In addition, Plaintiffs' Counsel retained five expert witnesses to testify with respect to insurance, accounting and damages issues. Each of these experts prepared extensive reports which were submitted to Defendants. Defendants' counsel likewise retained expert witnesses who also prepared and exchanged their reports. Moreover, at the time this proposed Settlement was reached, Plaintiffs had commenced extensive trial preparations including, among other things, designations of deposition testimony to be used at trial and preparing a pretrial order and motions in *limine* to be filed with the Court. Accordingly, at the time the proposed Settlement was reached, Plaintiffs' Counsel had the benefit of full fact and expert discovery, understood the legal and factual defenses asserted by Defendants as a result of defeating Defendants' motion to dismiss the Complaint and Defendants' summary judgment motion, and in prevailing on Plaintiffs' motion for class certification which was vigorously opposed by Defendants, and were prepared to take the Action to trial. As a result, Plaintiffs' Counsel's decision to enter into this proposed Settlement was made with knowledge of the facts and circumstances underlying Plaintiffs' claims and the strengths and weaknesses of those claims. In determining to settle the Action, they have evaluated the extensive pre-trial investigation and discovery taken in the Action and taken into account the substantial expense and length of time necessary to prosecute the Action through trial, post-trial motions, and likely appeals, taking into consideration the significant uncertainties in predicting the outcome of this complex litigation. Counsel for

Plaintiffs believe that the proposed Settlement described herein confers very substantial benefits upon the Class. Based upon their consideration of all of these factors, Plaintiffs and their counsel have concluded that it is in the best interest of Plaintiffs and the Class to settle the Action on the terms described herein.

22. Plaintiffs recognized the uncertainty and the risk of the outcome of any litigation, especially complex litigation such as this, and the difficulties and risks inherent in the trial of such an action. Plaintiffs desired to settle the claims of the Class against Defendants on the terms and conditions described herein which provide substantial benefits to the Class. Plaintiffs' Counsel deem such settlement to be fair, reasonable and adequate, and in the best interests of the members of the Class.

23. Defendants, while continuing to vigorously deny all allegations of wrongdoing or liability whatsoever, desired to settle and terminate all existing or potential claims against them, without in any way acknowledging any fault or liability. Defendants consider it desirable that the Action be settled and dismissed because the proposed Settlement will: (a) halt the substantial expense, inconvenience, and distraction of continued litigation; and (b) finally put to rest and terminate the claims asserted in the Action.

24. The amount of damages, if any, that Plaintiffs could prove was also a matter of serious dispute, and the proposed Settlement's use of a Recognized Claim formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by the Recognized Claim formula. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Class, nor on the proper measure of any such damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, typically involving conflicting expert opinions. During the course of the Action, Defendants, in addition to denying any liability, disputed that Plaintiffs and the Class were damaged by any wrongful conduct on the part of Defendants. Defendants have also moved for permission to appeal the District Court's Class certification order. The proposed Settlement herein provides an immediate and substantial cash benefit and avoids the risks that liability or damages might not have been proven at trial.

25. The Court has not determined the merits of the Plaintiffs' claims or the defenses thereto. This Settlement Notice does not imply that there has been or would be any finding of violation of the law or that recovery could be had in any amount if the Action were not settled.

#### **TERMS OF THE PROPOSED SETTLEMENT**

26. In full and complete settlement of the Settled Claims (as defined below), and subject to the terms and conditions of the Stipulation, Defendants have paid ten million two-hundred thousand dollars (\$10,200,000) (the "Cash Settlement Amount") into escrow on behalf of Plaintiffs and the Class.

27. Pursuant to the proposed Settlement, and on the Effective Date, Plaintiffs and other members of the Class who do not exclude themselves from the class on behalf of themselves, their heirs, executors, administrators, successors and assigns shall release and forever discharge, and shall forever be enjoined from prosecuting, the Released Parties (defined below) with respect to each and every Settled Claim (defined below).

28. The "Defendants" include the following, each of whom will be released from all Settled Claims: (a) Physician Corporation of America, Inc.'s ("PCA"); (b) E. Stanley Kardatzke (former Chairman of the Board of Directors and Chief Executive Officer); (c) Peter E. Kilissanly (former President, Chief Operating Officer and a Director); (d) Clifford W. Donnelly (former Senior Vice President and Chief

Financial Officer); and (e) Jay M. Grobowsky (former Vice President of Finance) (Defendants Kardatzke, Kilissanly, Donnelly and Grobowsky are collectively referred to as the “Individual Defendants”). In addition, the Settlement will release all Class Members’ Settled Claims against any and all of the Defendants and Humana Inc. (“Humana”), their past or present subsidiaries, parents, successors and predecessors, officers, directors, agents, employees, attorneys, auditors, accountants, insurers and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant or Humana has a controlling interest or which is related to or affiliated with any of the Defendants or Humana, and the legal representatives, heirs, successors in interest or assigns of the Defendants or Humana (collectively, the “Released Parties”).

29. “Settled Claims” means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known claims and unknown claims, that have been or could have been asserted in any forum by any of the Class Members against any of the Released Parties which arise out of or relate in any way to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, referred to or that could have been asserted in the Complaint relating to the purchase of PCA common stock between March 31, 1996 and March 31, 1997.

30. If the proposed Settlement is approved by the Court, all Settled Claims will be dismissed on the merits and with prejudice as to all Class Members and all Class Members shall be forever barred from prosecuting a class action or any other action raising any Settled Claims against any Released Party.

31. The proposed Settlement will become effective at such time as an Order entered by the Court approving the proposed Settlement shall become final and not subject to appeal (the “Effective Date”).

**PROPOSED PLAN OF ALLOCATION OF SETTLEMENT  
PROCEEDS AMONG CLASS MEMBERS**

32. The \$10,200,000 Cash Settlement Amount and the interest earned thereon shall be the “Gross Settlement Fund.” The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the “Net Settlement Fund”) shall be distributed to members of the Class who file acceptable Proofs of Claim (“Authorized Claimants”). The Claims administrator shall determine each Authorized Claimant’s *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant’s “Recognized Claim” calculated as set forth below.

33. The following proposed Plan of Allocation is based on the proposition that the price of PCA common stock was inflated by \$5.27 per share from the beginning of the Class Period through February 20, 1997, and then \$1.26 per share from February 21, 1997 through February 25, 1997. These amounts of alleged artificial inflation in the purchase price of PCA common stock during the Class Period represent the maximum damage that will be recognized.

34. For the shares of PCA common stock purchased during the Class Period and retained through March 31, 1997, “Recognized Claims” will be calculated as follows:

- a. for the shares of PCA common stock purchased from March 31, 1996 through February 20, 1997, an Authorized Claimant’s Recognized Claim will be \$5.27 per share;
- b. for the shares of PCA common stock purchased from February 21, 1997 through February 25, 1997, an Authorized Claimant’s Recognized Claim will be \$1.26 per share;
- c. for the shares of PCA common stock purchased from February 26, 1997 through March 31, 1997, an Authorized Claimant’s Recognized Claim shall be zero. The purpose of this provision is to recognize that the price of PCA common stock was not artificially inflated during this time period.

35. In processing claims, the first-in, first-out basis (“FIFO”) will be applied to purchases and sales.

36. For the shares of PCA common stock that were originally sold short, the Recognized Claim shall be zero.

37. Class Members who do not file acceptable Proofs of Claim will not share in the Settlement proceeds. Class Members who do not submit either a valid request for exclusion or an acceptable Proof of Claim will nevertheless be bound by the Final Order and Judgment and the Settlement. No payment shall be made to any otherwise Authorized Claimant whose fixed *pro rata* share of the Net Settlement Fund would be \$10.00 or less based on the initial proration of the Net Settlement Fund to Authorized Claimants.

38. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the proposed Settlement. If any funds remain in the Net Settlement Fund by reason of uncashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members, who are entitled to participate in the distribution of the Net Settlement Fund, cash their distribution checks, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their distribution and who would receive at least \$10.00 from such re-distribution. If, after six months after such re-distribution, any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs’ Lead Counsel.

#### **RIGHTS OF CLASS MEMBERS**

39. The Court has certified this Action to proceed as a class action. If you purchased the common stock of PCA during the period beginning on March 31, 1996 through March 31, 1997, and retained that stock through at least March 31, 1997, and you are not excluded from the definition of the Class, and you do not submit a request for exclusion, then you are a Class Member. A Member of the Class will be bound by the proposed Settlement provided for in the Stipulation, in the event it is approved by the Court, and by any judgment or determination of the Court affecting the Class in the Action, unless such Class Member requests exclusion from the Class by following the instructions in ¶ 40 below. Class Members may object to the proposed Settlement or any of its terms, including the proposed Plan of Allocation or to Plaintiffs’ Counsel’s application for fees and expenses by following the instructions in ¶ 45 below.

#### **EXCLUSION FROM THE CLASS**

40. In order for a Member of the Class to exclude himself, herself, or itself from the Class, such member must mail by first-class mail a **written** request for exclusion from the Class, **postmarked no later than October 28, 2003**, to: Physician Corporation of America Securities Litigation, c/o Berdon Claims Administration LLC, P.O. Box 9014, Jericho, NY 11753-8914. **No person may exclude himself, herself or itself from the Class after that date.** In order to be valid, such request for exclusion must provide the following information: (a) the name, address and telephone number of the person seeking exclusion; (b) the title and case number of this action; (c) a statement requesting exclusion from the Class; (d) the number of shares of PCA common stock purchased and/or sold during the Class Period and the date(s) of each such purchase and sale; and (e) the name and address of the person in whose

name the stock is or was registered. The request must be signed by the person requesting exclusion. A request for exclusion shall not be effective unless it is made in the manner and within the time set forth in this paragraph. If a member of the Class properly requests to be excluded, such person will be excluded from the Class and will not receive any benefit provided for in the Stipulation in the event it is approved by the Court, meaning he/she/it will not receive any distribution from the Net Settlement Fund.

**SUBMISSION AND PROCESSING OF PROOFS OF CLAIM**

41. In order to be eligible to receive any distribution from the Settlement Fund, you must complete and sign the accompanying Proof of Claim and Release (“Proof of Claim”) and send it by first class mail **postmarked on or before December 22, 2003**, addressed as follows:

Physician Corporation of America Securities Litigation  
c/o Berdon Claims Administration LLC  
P.O. Box 9014  
Jericho, NY 11753-8914

42. If you do not submit a proper Proof of Claim, you will not be entitled to any share of the Settlement Fund.

43. All Proofs of Claim must be submitted by the date specified in this Settlement Notice unless such period is extended by Order of the Court.

44. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Southern District of Florida, Miami Division with respect to his, her or its Proof of Claim.

**SETTLEMENT FAIRNESS HEARING  
AND OBJECTIONS TO THE PROPOSED SETTLEMENT**

45. At the Settlement Fairness Hearing, the Court will determine whether to finally approve this proposed Settlement and dismiss the Action and the claims of the Class Members. The Court will also determine whether the Plan of Allocation for the Settlement proceeds is fair and reasonable. The Settlement Fairness Hearing may be adjourned from time to time by the Court without further written notice to the Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Plaintiffs’ Lead Counsel. If the proposed Settlement is approved, the Court will also consider the application of Plaintiffs’ Counsel for attorneys’ fees and reimbursement of expenses.

46. At the Settlement Fairness Hearing, any Class Member who has not previously submitted a request for exclusion from the Class may appear in person or by counsel and be heard, to the extent allowed by the Court, in opposition to the fairness, reasonableness and adequacy of the proposed Settlement, the Plan of Allocation, or the application for an award of attorneys’ fees and reimbursement of expenses. However, in no event shall any person be heard in opposition to the proposed Settlement, the proposed Plan of Allocation, or Plaintiffs’ Counsel’s application for attorneys’ fees and expenses, and in no event shall any paper or brief submitted by any such person be accepted or considered by the Court, unless, on or before October 28, 2003, such person: (a) files with the Clerk of the Court notice of such person’s intention to appear, showing proof of such person’s membership in the Class, and providing a statement that indicates the basis for such opposition, along with any documentation in support of such objection; and (b) simultaneously serves copies of such notice, proof, statement and documen-

tation, together with copies of any other papers or briefs such person files with the Court, in person or by mail upon Plaintiffs' Co-Lead Counsel:

Herbert E. Milstein  
Daniel S. Sommers  
R. Joseph Barton  
COHEN, MILSTEIN, HAUSFELD  
& TOLL, P.L.L.C.  
1100 New York Avenue, N.W.  
West Tower, Suite 500  
Washington, DC 20005-3934

Jules Brody  
STULL, STULL & BRODY  
6 East 45th Street  
New York, NY 10017

and upon Defendants' Counsel:

Alexander R. Sussman  
FRIED, FRANK, HARRIS, SHRIVER & JACOBSON  
One New York Plaza  
New York, NY 10004

Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the proposed Settlement, the proposed Plan of Allocation, and/or the request for attorneys' fees are required to indicate in their written objection their intention to appear at the hearing. Persons who intend to object to the proposed Settlement, the proposed Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. **Class Members do not need to appear at the hearing or take any other action to indicate their approval of the proposed Settlement.**

#### **ATTORNEYS' FEES AND DISBURSEMENTS**

47. At the Settlement Fairness Hearing, or at such other time as the Court may direct, Plaintiffs' Counsel intend to apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not greater than 33 $\frac{1}{3}$ % of the Gross Settlement Fund and for reimbursement of their expenses up to a maximum amount of \$1.25 million, plus interest at the same rate as earned by the Settlement Fund. Plaintiffs' Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the Settlement proceeds to the members of the Class and any proceedings subsequent to the Settlement Fairness Hearing.

#### **FURTHER INFORMATION**

48. For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of Florida, Miami Division, United States Courthouse, 301 Miami Avenue, Miami, FL 33128, during regular business hours.

49. ALL INQUIRIES CONCERNING THIS SETTLEMENT NOTICE OR THE PROOF OF CLAIM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR AS INDICATED BELOW.

**SPECIAL NOTICE TO  
SECURITIES BROKERS AND OTHER NOMINEES**

50. If you purchased the common stock of PCA during the period beginning on March 31, 1996 through and including March 31, 1997 and retained that stock through at least March 31, 1997 for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS SETTLEMENT NOTICE, you either: (a) provide to the Claims Administrator the name and last known address of each beneficial owner for whom or which you so acted, **preferably on computer-generated mailing labels or, electronically, in MS Word or WordPerfect files (label size Avery® # 5162) or in an MS Excel data table setting forth: (i) title/registration, (ii) street address, and (iii) city/state/zip;** or (b) request additional copies of this Settlement Notice and the Proof of Claim, which will be provided to you free of charge, and, within seven (7) days of your receipt of the additional copies, mail the Settlement Notice and Proof of Claim form directly to the beneficial owners for whom you so acted and send a statement to the Claims Administrator confirming that the mailing was made as directed. After you have made such a mailing and have confirmed to the Claims Administrator that the mailing was made as directed, you are entitled to reimbursement from the Settlement Fund of the reasonable out-of-pocket expenses you actually incurred in connection with the research of records and the generating of labels or electronic files or the mailing of this Notice to beneficial owners, only after request and only after submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to:

Physician Corporation of America Securities Litigation  
c/o Berdon Claims Administration LLC  
P.O. Box 9014  
Jericho, NY 11753-8914  
Telephone: (800) 766-3330  
Fax: (516) 931-0810  
Website: [www.berdonllp.com/claims](http://www.berdonllp.com/claims)

Dated: Miami, Florida  
September 18, 2003

By Order of the Court  
United States District Court  
Southern District of Florida