

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION

IN RE ENVOY CORPORATION  
SECURITIES LITIGATION

CASE NO. 3:98-0760  
Judge Nixon

**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 WHO PURCHASED THE COMMON STOCK OF ENVOY CORPORATION ("ENVOY") DURING THE PERIOD FROM FEBRUARY 12, 1997 THROUGH AUGUST 18, 1998, INCLUSIVE (THE "CLASS PERIOD").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS ACTION. 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 FEBRUARY 20, 2004.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS ON PAGE 8 HEREIN.

**SUMMARY OF SETTLEMENT AND RELATED MATTERS**

**I. Purpose of this Notice**

1. This notice of proposed settlement (the "Settlement Notice") is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court dated October 8, 2003. A notice of the pendency of this action as a class action dated January 10, 2003 (the "Notice of Pendency") was previously distributed. The purpose of this Settlement Notice is to inform you that this 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 take in relation to this 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 this Action, or the fairness or adequacy of the proposed Settlement.

**II. Statement of Plaintiff Recovery**

2. Pursuant to the Settlement described herein, a Settlement Fund consisting of \$11,000,000 in cash, plus interest, has been established. Plaintiffs estimate that there were approximately 11.9 million shares of Envoy common stock traded during the Class Period which may have been damaged as a result of the alleged wrongdoing described at ¶¶ 13-23 below. Plaintiffs estimate that the average recovery per damaged share of Envoy common stock under the Settlement is \$0.924 per damaged share before deduction of Court-awarded attorneys' fees and expenses. Depending on the number of shares purchased by Class Members who submit claims, when and for how much those shares were purchased, and whether those shares were held at the end of the Class Period or sold during the Class Period, and if sold, when and for how much they were sold, an individual Class Member may receive more or less than this average amount.

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 Settlement herein, a Class Member's distribution from the Net Settlement Fund will be governed by the proposed Plan of Allocation described below at ¶¶ 37-46, or such other Plan of Allocation as may be approved by the Court.

**III. Statement of Potential Outcome of Case**

4. The parties disagreed on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include the appropriate economic model for determining the amount by which Envoy common stock was allegedly artificially inflated (if at all) during the Class Period; the amount by which Envoy common stock was allegedly artificially inflated (if at all) during the Class Period; the effect of various market forces influencing the trading price of Envoy common stock at various times during the Class Period; the extent to which external factors,

such as general market and industry conditions, influenced the trading price of Envoy common stock at various times during the Class Period; the extent to which the various matters that plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Envoy common stock at various times during the Class Period; the extent to which the various allegedly adverse material facts that plaintiffs alleged were omitted influenced (if at all) the trading price of Envoy common stock at various times during the Class Period; and whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws.

5. Plaintiffs' Counsel recognize that there were risks that plaintiffs and the Class might not have prevailed on all their claims and that there were risks that the decline in the price of Envoy common stock could be attributed, in whole or in part, to other factors. Therefore, plaintiffs could have recovered nothing or substantially less than the amount of the Settlement.

6. For example, at the time the agreement in principle to settle the Action was reached, a motion by Defendants for summary judgment, or in the alternative, partial summary judgment, was pending before the Court. In this motion, Defendants presented what they termed "60 unrefuted and uncontradicted analysts' reports" that Defendants contended demonstrated that the market was unaffected by the accounting at issue in this lawsuit and Defendants asked the Court to rule as a matter of law that they did not perpetrate a "fraud on the market." Defendants also asked the Court to grant them partial summary judgment that the date of corrective disclosure for purposes of the damages limitations provisions of federal securities laws was November 16, 1998. In the event the Court were to grant Defendants' motion, any potential recovery by the plaintiffs could have been reduced to below the Settlement or even to zero.

7. The Defendants have denied and continue to deny that they are liable to the plaintiffs or the Class and have denied and continue to deny that plaintiffs or the Class have suffered any damages.

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

8. Plaintiffs' Counsel intend to apply for fees of up to one-third (33⅓%) of the Gross Settlement Fund and for reimbursement of expenses incurred in connection with the prosecution of this Action in the approximate amount of \$975,000, 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 Class Members and any proceedings subsequent to the Settlement Fairness Hearing. The requested fees and expenses would amount to an average of \$0.39 per damaged share in total for fees and expenses. 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.

#### **V. Further Information**

9. Further information regarding the Action and this Settlement Notice may be obtained by contacting Plaintiffs' Co-Lead Counsel: Jeffrey A. Barrack, Esq., Barrack, Rodos & Bacine, 3300 Two Commerce Square, 2001 Market Street, Philadelphia, Pennsylvania 19103, Telephone: (215) 963-0600; or Richard H. Weiss, Esq., Milberg Weiss Bershad Hynes & Lerach LLP, One Pennsylvania Plaza, New York, New York 10119-0165, Telephone (212) 594-5300.

#### **VI. Reasons for the Settlement**

10. The principal reason for the Settlement is the substantial benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future. The Settlement was achieved after extensive pre-trial motion litigation, depositions, document discovery, and negotiations with the assistance of two experienced mediators. At the time of the Settlement, Defendants had marshaled an array of analysts' reports and expert reports that Defendants contend demonstrate as a matter of law that they committed no wrongdoing and no fraud on the market. Defendants further submit that the facts demonstrate no wrongdoing. Although plaintiffs assembled voluminous evidence and experts' reports to the contrary, at a contested trial, plaintiffs would risk that a jury might be persuaded by Defendants' arguments rather than plaintiffs'.

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

11. 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 Middle District of Tennessee, Nashville Division (the "Court") dated October 8, 2003, that a hearing will be held before the Honorable John T. Nixon in the United States Courthouse, 801 Broadway, Room 745, Nashville, Tennessee 37203, at 2:00 p.m., on December 17, 2003 (the "Settlement Fairness Hearing") to determine whether a proposed settlement (the "Settlement") of the above-captioned action (the "Action") as set forth in the Stipulation and Agreement of Settlement dated September 18, 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.

12. The Court, by Memorandum and Order dated April 5, 2002, certified a plaintiff Class consisting of all persons or entities who purchased Envoy stock during the period from February 12, 1997 through August 18, 1998, inclusive. Excluded from the Class are Defendants, the subsidiaries and affiliates of Envoy, members of the immediate family of any excluded person, any entity in which an excluded person has a controlling interest, and the legal representatives, affiliates, heirs, successors, predecessors in interest, and assigns of any Defendant. Additionally, if you previously submitted a request for exclusion in accordance with the requirements set forth in the Notice of Pendency, then you are excluded from the Class and may not submit a Proof of Claim herein.

### **BACKGROUND OF THE LITIGATION**

13. The Action is a consolidation of three lawsuits that were filed in this Court beginning on or about August 20, 1998:

*Castillo v. Envoy Corporation, et al.*, Case No. 3-98-0760;  
*Kinzbach v. Envoy Corporation, et al.*, Case No. 3-98-0766; and  
*Comport v. Envoy Corporation, et al.*, Case No. 3-98-0850.

14. By Order dated November 9, 1998, these separate lawsuits were consolidated before this Court.

15. By Order dated November 9, 1998, Robert Schneider, Mark W. Spates, James E. Jackson, Gil Castillo, Michael Chan, Thomas Comport, and Jeffrey Kinzbach were appointed Lead Plaintiffs and the law firms of Barrack, Rodos & Bacine and Milberg Weiss Bershad Hynes & Lerach LLP were appointed as Co-Lead Counsel.

16. A Consolidated Class Action Complaint (the "Consolidated Complaint") was filed in the Action on December 28, 1998. Defendants filed a motion to dismiss and for partial summary judgment on March 1, 1999. On September 15, 1999, the Court granted Defendants' motion and the Consolidated Complaint was dismissed without prejudice. Plaintiffs filed an Amended Consolidated Class Action Complaint (the "Amended Complaint") on November 23, 1999.

17. By Memorandum Opinion and Order dated February 1, 2001, the Court denied in part Defendants' Motion to Dismiss the Amended Complaint as to Envoy Corporation and Kevin McNamara, formerly Envoy's Chief Financial Officer, and granted Defendants' Motion to Dismiss the Amended Complaint against Fred C. Goad and Jim D. Keever, who were co-Chief Executive Officers of Envoy.

18. In particular, Plaintiffs allege that Envoy improperly recorded large one-time write-offs to in-process research and development in connection with its acquisitions of National Electronic Information Corporation ("NEIC") in 1996, Diverse Software Solutions ("DSS") in 1997, and Healthcare Data Interchange Corporation ("HDIC") in 1997. For example, in connection with its purchase of NEIC, Envoy wrote off \$30 million — more than 30% of the purchase price — to in-process research and development. In connection with its purchase of DSS, Envoy wrote off \$3 million — more than 48% of the purchase price — to in-process research and development and in connection with its purchase of HDIC, Envoy wrote off \$35 million — more than 68% of the purchase price. Plaintiffs allege that the allocations of purchase price to, and one-time write-offs of, in-process research and development were excessive and allowed Defendants to avoid recurring expenses associated with the amortization of goodwill and thereby boost Envoy's reported earnings during the Class Period and, in turn, artificially inflate the price of Envoy common stock. For example, Plaintiffs allege that, by taking improperly large one-time write-offs, Defendants were able to understate Envoy's reported net losses for the fourth quarter of 1996 and the first, second, and fourth quarters of 1997 by a total of more than \$4 million and to overstate Envoy's reported net income for the first three quarters of 1998 by more than \$6.5 million. Following questions raised by the Securities and Exchange Commission (the "SEC") regarding the write-offs, in November 1998, Envoy restated and decreased the amounts of these write-offs by \$22 million (in the case of the NEIC acquisition), \$2.4 million (in the case of the DSS acquisition), and \$29 million (in the case of the HDIC acquisition).

19. Plaintiffs allege that the truth regarding Defendants' alleged improper allocations of purchase price to in-process research and development emerged when, on August 18, 1998 (the last day of the Class Period), Envoy disclosed that the SEC was investigating Envoy's valuation and amortization of purchased research and development costs in connection with recent acquisitions. The August 18, 1998 press release also stated that any significant changes to the amounts allocated or to the periods over which such amounts were amortized could have a material adverse impact on Envoy's reported operating results for 1996, 1997, the six months ending June 30, 1998, and beyond.

20. On August 18, 1998, the closing price of Envoy common stock declined from \$35.8125 per share (the previous day's closing price) to \$26.50 per share. The following day, August 19, the price of Envoy common stock declined to \$22.8125 per share.

21. Plaintiffs allege that Defendants' conduct violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the SEC and that investors who purchased Envoy common stock during the Class Period are entitled to money damages.

22. In their Answers, Defendants Envoy and McNamara deny all claims and wrongdoing asserted in the Amended Complaint and any liability arising out of the conduct alleged therein. In addition, Defendants have alleged certain affirmative defenses to the claims made in the Amended Complaint.

23. On March 3, 2003, Defendants filed a motion for summary judgment or, in the alternative, for partial summary judgment. That motion was pending at the time the Settlement proposed herein was reached.

### **BACKGROUND TO THE SETTLEMENT**

24. The Defendants (as defined below) have denied all averments of wrongdoing or liability in the Action and all other accusations of wrongdoing or violations of law. The Stipulation and the Settlement are not and shall not be construed or be deemed to be evidence or admissions or concessions 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.

25. Prior to entering into the Stipulation, Plaintiffs' Counsel conducted an investigation relating to the events and transactions underlying plaintiffs' claims and conducted extensive pretrial discovery on the merits, including, *inter alia*, analysis of thousands of pages of documents produced by Defendants and numerous non-parties, which included Envoy's auditors, evaluation consultants, and analysts, and numerous depositions throughout the United States, including Tennessee, Pennsylvania, New York, Georgia, California and Florida. Plaintiffs' Counsel also consulted with experts with respect to accounting, valuation, and damages issues. Plaintiffs' Counsel's decision to enter into this 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 Settlement described herein confers very substantial benefits upon the Class without the uncertainties, delays, and expense of further litigation. 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.

26. 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 Class Members.

27. The Defendants, while continuing to 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.

28. The amount of damages, if any, that plaintiffs could prove was also a matter of serious dispute, and the 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. The Settlement herein provides an immediate and substantial cash benefit and avoids the risks that liability or damages might not have been proven at trial.

29. The Court has not determined the merits of the plaintiffs' claims or the defenses asserted 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 SETTLEMENT**

30. 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 into escrow for the benefit of plaintiffs and the Class \$11,000,000 (the "Cash Settlement Amount"), which has been earning interest for the benefit of the Class since July 18, 2003.

31. Pursuant to the Settlement, and on the Effective date, plaintiffs and other Class Members who have not previously timely excluded themselves therefrom, 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).

32. The "Defendants" include the following, each of whom will be released from all Settled Claims: Envoy Corporation ("Envoy"); and Kevin M. McNamara (Envoy's Senior Vice President and Chief Financial Officer from February 1996, and a Director of Envoy from July 1997 through the Class Period). In addition, the Settlement will release all Class Members' Settled Claims against the Defendants and their current and former predecessors, successors, parents, subsidiaries, affiliates and agents (including without limitation their attorneys, accountants, insurers, co-insurers, and re-insurers, and any past, present, or future officers, directors, and employees of Defendants and their predecessors, successors, parents, subsidiaries, affiliates, and agents) (collectively, the "Released Parties").

33. "Settled Claims" means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims (as defined below), that have been asserted in this Action by the Class Members or any of them against any of the Released Parties, or that could have been asserted in any forum by the Class Members or any of them against any of the Released Parties which arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Consolidated Complaint or the Amended Complaint and relate to the purchase of shares of the common stock of Envoy during the Class Period.

34. "Unknown Claims" means any and all Settled Claims which any plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Settled Defendants' Claims which any Defendant or Released Party does not know or suspect to exist in his or its favor at the time of the release of the plaintiffs, Class Members or their attorneys, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants' Claims, the parties stipulate and agree that upon the Effective Date, the plaintiffs and the Defendants shall expressly, and each Class Member shall be deemed to have, and by operation of the Final Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

35. If the Settlement is approved by the Court, all Settled Claims will be dismissed 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.

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

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

37. The \$11,000,000 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 Class Members who submit timely, acceptable Proofs of Claim ("Authorized Claimants").

38. 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." The Recognized Claim formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

39. The following proposed Plan of Allocation reflects the proposition that the price of Envoy common stock was inflated by reason of the allegedly false and misleading statements made by Defendants during the Class Period until August 18, 1998, when, upon the revelations made by Envoy, the price of Envoy common stock declined precipitously, reflecting the elimination of the artificial inflation that the Defendants' misrepresentations allegedly caused. Plaintiffs' damages expert opined that \$13.47 of the price decline following the company's revelations represented the elimination of artificial inflation in the price of Envoy common stock. For the 90 day period following August 17, 1998 the average price of Envoy common stock was \$25.21

40. For shares of Envoy common stock purchased during the Class Period "Recognized Claims" will be calculated for purposes of the Settlement as follows:

(a) If the shares purchased during the Class Period were sold on or before August 17, 1998, an Authorized Claimant's "Recognized Claim" from such shares shall mean 10%<sup>1</sup> of the difference, if a loss, between the purchase price (including commissions, etc.) and the sales proceeds received (net of commissions, etc.)

(b) If the shares purchased during the Class Period were sold during the period August 18, 1998 through and including November 13, 1998, an Authorized Claimant's "Recognized Claim" shall mean the **lesser of: (a)** \$13.47 per share, **or (b)** the purchase price (including commissions, etc.) less the sales proceeds received (net of commissions, etc.)

<sup>1</sup> This substantial discount reflects the difficulty that a claimant would face proving damages because of a potential offset of the inflation received on the sale.

(c) If the shares purchased during the Class Period were still held as of the close of trading on November 13, 1998, an Authorized Claimant's "Recognized Claim" shall mean the **lesser of: (a)** \$13.47 per share, **or (b)** the purchase price (including commissions, etc.) less \$25.21 per share.

41. Transactions resulting in a gain shall not be included in the calculation of an Authorized Claimant's "Recognized Claim." In the event a Class Member has multiple purchases and sales of Envoy securities, Class Period sales shall be matched first to any shares held before the opening of the Class Period, and then against purchases made during the Class Period on a First-In, First-Out ("FIFO") basis. A purchase or sale of Envoy securities shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

42. Shares "transferred into", or "delivered into" or "received into" the claimant's account, shall **NOT** be considered as purchased shares unless claimant submits documents showing that the original purchase of the shares occurred during the Class Period.

43. The receipt or grant of a gift of Envoy stock during the Class Period shall not be deemed to be a purchase of Envoy stock during the Class Period. However, the recipient of Envoy stock as a gift or as a distribution from an estate shall be eligible to file a Proof of Claim form and participate in the Settlement to the extent the particular donor or decedent as the actual purchaser of Envoy stock would have been eligible, based upon the circumstances of such purchase within the Class Period; however, the donee and donor may not both claim with regard to the same Envoy stock. If both the donor and donee make such a claim, only the claim filed by the donee will be honored.

44. Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants.

45. Class Members who do not submit timely, acceptable Proofs of Claim will not share in the Settlement Proceeds. Class Members who do not submit an acceptable Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.

46. Checks will be distributed to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If any funds remain in the Net Settlement Fund by reason of un-cashed checks 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, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution, to Class Members who have cashed their checks and who would receive at least \$10.00 from such re-distribution. If after six (6) 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' Co-Lead Counsel.

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

47. The Court has certified this Action to proceed as a class action. If you purchased Envoy common stock during the period from February 12, 1997 through August 18, 1998, inclusive, and you are not excluded from the definition of the Class, and you did not previously submit a timely request for exclusion in accordance with the terms of the Notice of Pendency, then you are a Class Member. Class Members may object to the 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 ¶54 below.

#### **SUBMISSION AND PROCESSING OF PROOFS OF CLAIM**

48. 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 form and send it by first-class mail postmarked on or before February 20, 2004, addressed as follows:

In re Envoy Corporation Securities Litigation  
c/o Heffler, Radetich & Saitta, L.L.P.  
Claims Administrator  
Post Office Box 1050  
Philadelphia, PA 19105-1050

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

50. 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.

51. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Middle District of Tennessee, Nashville Division with respect to his, her or its Proof of Claim. The Court has reserved jurisdiction to allow, disallow, or adjust any claim on equitable grounds.

## SETTLEMENT FAIRNESS HEARING

52. At the Settlement Fairness Hearing, the Court will determine whether to finally approve this Settlement and dismiss the Action and the Settled 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' Co-Lead Counsel. If the Settlement is approved, the Court will also consider the application of Plaintiffs' Counsel for attorneys' fees and disbursements.

53. 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 Settlement, the Plan of Allocation, or the application for an award of attorneys' fees and reimbursement of expenses, provided, however, that in no event shall any person be heard in opposition to the Settlement, the 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 November 28, 2003, such person 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 simultaneously serves copies of such notice, proof, statement and documentation, 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:

Jeffrey A. Barrack, Esq.  
**BARRACK, RODOS & BACINE**  
3300 Two Commerce Square  
2001 Market Street  
Philadelphia, Pennsylvania 19103  
(215) 963-0600

Richard H. Weiss, Esq.  
**MILBERG WEISS BERSHAD HYNES & LERACH LLP**  
One Pennsylvania Plaza  
New York, New York 10119-0165  
(212) 594-5300

and upon Defendants' Counsel:

John C. Hayworth, Esq.  
**WALKER, BRYANT, TIPPS & MALONE**  
2300 One Nashville Place  
150 Fourth Avenue North  
Nashville, Tennessee 37219

Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the Settlement, the 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 Settlement, the 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.

## ATTORNEYS' FEES AND DISBURSEMENTS

54. 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 one-third (33⅓%) of the Gross Settlement Fund and for reimbursement of their expenses up to a maximum amount of \$975,000, 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 Class Members and any proceedings subsequent to the Settlement Fairness Hearing.

## FURTHER INFORMATION

55. 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 Middle District of Tennessee, Nashville Division, United States Courthouse, 801 Broadway, Nashville, Tennessee 37203, during regular business hours.

56. ALL INQUIRIES CONCERNING THIS SETTLEMENT NOTICE OR THE PROOF OF CLAIM FORM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING AT THE ADDRESS INDICATED IN PARAGRAPH 57 BELOW.

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

57. If you purchased common stock of Envoy during the period from February 12, 1997 through August 18, 1998, inclusive, for the beneficial interest of a person or entity 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 person or entity for whom or which you purchased such stock during such time period; or (b) request additional copies of this Settlement Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Settlement Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re Envoy Corporation Securities Litigation  
c/o Heffler, Radetich & Saitta, L.L.P.  
Claims Administrator  
P.O. Box 1050  
Philadelphia, PA 19105-1050  
(800) 528-7199

Dated: Nashville, Tennessee  
October 22, 2003

By Order of the Court  
CLERK OF THE COURT

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION

IN RE ENVOY CORPORATION  
SECURITIES LITIGATION

CASE NO. 3:98-0760  
Judge Nixon

**PROOF OF CLAIM AND RELEASE**

DEADLINE FOR SUBMISSION: **FEBRUARY 20, 2004.**

IF YOU PURCHASED THE COMMON STOCK OF ENVOY CORPORATION ("ENVOY") DURING THE PERIOD FROM FEBRUARY 12, 1997 THROUGH AUGUST 18, 1998, INCLUSIVE ("CLASS PERIOD"), AND HAVE NOT PREVIOUSLY FILED A TIMELY REQUEST FOR EXCLUSION FROM THE CLASS, YOU ARE A "CLASS MEMBER" AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS. (EXCLUDED FROM THE CLASS ARE DEFENDANTS, THE SUBSIDIARIES AND AFFILIATES OF ENVOY, MEMBERS OF THE IMMEDIATE FAMILY OF ANY EXCLUDED PERSON, ANY ENTITY IN WHICH AN EXCLUDED PERSON HAS A CONTROLLING INTEREST, AND THE LEGAL REPRESENTATIVES, AFFILIATES, HEIRS, SUCCESSORS, PREDECESSORS IN INTEREST, AND ASSIGNS OF ANY EXCLUDED PERSON, AND ANYONE WHO FILED A TIMELY REQUEST FOR EXCLUSION FROM THE CLASS.)

IF YOU ARE A CLASS MEMBER, YOU MUST COMPLETE AND SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS.

YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND RELEASE AND MAIL IT BY FIRST-CLASS MAIL, POSTMARKED NO LATER THAN **FEBRUARY 20, 2004** TO THE FOLLOWING ADDRESS:

Envoy Corporation Securities Litigation  
c/o Heffler, Radetich & Saitta L.L.P.  
Claims Administrator  
P.O. Box 1050  
Philadelphia, PA 19105-1050

YOUR FAILURE TO SUBMIT YOUR CLAIM BY FEBRUARY 20, 2004 WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOUR RECEIVING ANY MONEY IN CONNECTION WITH THE SETTLEMENT OF THIS LITIGATION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES OR THEIR COUNSEL AS ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR. SUBMISSION OF THIS PROOF OF CLAIM, HOWEVER, DOES NOT ASSURE THAT YOU WILL SHARE IN THE PROCEEDS OF THE SETTLEMENT OF THE ACTION.

**RELEASE OF CLAIMS**

1. I purchased the common stock of Envoy Corporation ("Envoy") during the period from February 12, 1997 through August 18, 1998, inclusive. (Do not submit this Proof of Claim if you did not purchase Envoy common stock during this period.)

2. By submitting this Proof of Claim, I state that I believe in good faith that I am a Class Member as defined above, and in the Notice of Pendency of Class Action dated January 10, 2003 (the "Notice"), or am acting for such person; that I am not a Defendant in the Action or anyone excluded from the Class; that I have read and understand the Settlement Notice; that I believe that I am entitled to receive a share of the Net Settlement Fund; that I elect to participate in the proposed Settlement described in the Settlement Notice; and that I have not filed a request for exclusion. If you are acting in a representative capacity on behalf of a Class Member (e.g., as an executor, administrator, trustee, or other representative), you must submit evidence of your current authority to act on behalf of that Class Member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.

3. I have set forth where requested below all relevant information with respect to each purchase of Envoy common stock during the Class Period, and each sale, if any, of such stock.

4. I have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements, relevant portions of my tax returns or other documents evidencing each purchase, sale or retention of Envoy common stock listed below in support of my claim. IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER OR TAX ADVISOR BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.

5. I understand that the information contained in this Proof of Claim is subject to such verification as the Court may direct, and I agree to cooperate in any such verification.

6. Upon the occurrence of the Effective Date (as defined in the Settlement Notice) my signature hereto will constitute a full and complete release, remise and discharge by me or, if I am submitting this Proof of Claim on behalf of a corporation, a partnership, estate or one or more other persons, by it, him, her or them, and by my, its, his, her or their heirs, executors, administrators, agents, successors and assigns, and any persons they represent, of each of the "Released Parties" of all "Settled Claims," as defined in the Notice. With respect to any and all Settled Claims, I expressly waive any and all rights or benefits that I may now have, or in the future may have, under any law relating to the release of unknown claims. I hereby warrant and represent that I have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any claim, right or matter released pursuant to this release, or any part or portion of such claim, right or matter.



**12. Substitute Form W-9.**

Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the beneficial owner(s). For most individuals, this is your Social Security number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your distribution may be reduced for backup withholding.

Social Security Number (for individuals)  —————	OR	Taxpayer Identification Number (for estates, trusts, corporations, etc.)  —————
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**13. Certification**

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.

I (We) certify that I am (we are) **NOT** subject to backup withholding under the provisions of Section 3406(a)(1)(c) of the Internal Revenue Code because: (a) I am (we are) exempt from backup withholding, or (b) I (we) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are **NOT** subject to backup withholding in the certification above and check here .

The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

**NOTE:** If you require Instructions for Completing Substitution W-9, please make a written request to us at: Envoy Corporation Securities Litigation, c/o Heffler, Radetich & Saitta L.L.P., Claims Administrator, P.O. Box 1050, Philadelphia, PA 19105. Please note that your accountant should also be able to provide you with the Instructions.

Signature of Claimant (If this claim is being made on behalf of Joint Claimants, then each must sign)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

Date: \_\_\_\_\_

THIS PROOF OF CLAIM MUST BE SUBMITTED NO LATER THAN FEBRUARY 20, 2004, AND MUST BE MAILED TO:

Envoy Corporation Securities Litigation  
c/o Heffler, Radetich & Saitta L.L.P.  
Claims Administrator  
P.O. Box 1050  
Philadelphia, PA 19105-1050

A Proof of Claim received by the Claims Administrator shall be deemed to have been submitted when posted, if mailed by February 20, 2004, and if a postmark is indicated on the envelope and it is mailed first-class, and addressed in accordance with the above instructions. In all other cases, a Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator.

If you wish to be assured that your Proof of Claim is actually received by the Claims Administrator then you should send it by certified mail, return receipt requested. No acknowledgment will be made as to the receipt of claim forms. You should be aware that it will take a significant amount of time to process fully all of the Proofs of Claim and to administer the Settlement. This work will be completed as promptly as time permits, given the need to investigate and tabulate each Proof of Claim. Please notify the Claims Administrator of any change of address.

Envoy Corporation Securities Litigation  
Claims Administrator  
P.O. Box 1050  
Philadelphia, PA 19105-1050

FIRST-CLASS MAIL  
U.S. POSTAGE  
PAID  
PERMIT NO. 2323  
PHILADELPHIA, PA

**ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME.**

**THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the above release and declaration.
2. Remember to attach copies of supporting documentation.
3. Do not send original or copies of stock certificates.
4. Keep a copy of your claim form for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.