

IN THE CIRCUIT COURT OF JEFFERSON COUNTY, ALABAMA

ISABEL J. GRIFFIN,) Civ. Action No. CV-98-00297
)
Plaintiff,)
)
vs.)
)
MEDPARTNERS, INC., et al.,)
)
Defendants.)

-----X
LINDA IDLEBIRD,) Civ. Action No. CV-98-02671
)
Plaintiff,)
)
vs.)
)
MEDPARTNERS, INC., et al.,)
)
Defendants.)

-----X
YURI BRONSTEIN, LEONARD JASPER, DAVID) Civ. Action No. CV-98-06364
MEASDAY, ROBERT OAKS, the DENVER EMPLOYEES)
RETIREMENT PLAN, ROY WELLAND, DORA PADILLA,)
and PATRICIA RANDOLPH,)
)
Plaintiffs,)
)
vs.)
)
MEDPARTNERS, INC., et al.,)
)
Defendants.)
-----X

**NOTICE OF PENDENCY OF CLASS ACTION,
PROPOSED SETTLEMENT THEREOF, SETTLEMENT HEARING
AND RIGHT TO SHARE IN SETTLEMENT FUND**

TO: ALL PERSONS WHO (i) PURCHASED MEDPARTNERS, INC. ("MEDPARTNERS") COMMON STOCK (INCLUDING, BUT NOT LIMITED TO, THROUGH OPEN MARKET TRANSACTIONS, MERGERS OR ACQUISITIONS IN WHICH MEDPARTNERS ISSUED COMMON STOCK, ACQUISITION THROUGH THE COMPANY'S EMPLOYEE STOCK PURCHASE PLAN ("ESPP"), AND ANY OTHER TYPE OF TRANSACTION IN WHICH A PERSON ACQUIRED ONE OR MORE SHARES OF MEDPARTNERS STOCK IN RETURN FOR CONSIDERATION) DURING THE PERIOD FROM OCTOBER 30, 1996 THROUGH JANUARY 7, 1998, INCLUSIVE (MEDPARTNERS EMPLOYEES WHO PURCHASED SHARES THROUGH THE ESPP IN JANUARY 1998 BEING DEEMED TO HAVE PURCHASED THEIR SHARES ON DECEMBER 31, 1997); (ii) PURCHASED CALL OPTION CONTRACTS ON MEDPARTNERS COMMON STOCK DURING THE PERIOD OCTOBER 30, 1996 THROUGH JANUARY 7, 1998, INCLUSIVE; (iii) SOLD PUT OPTION CONTRACTS ON MEDPARTNERS COMMON STOCK DURING THE PERIOD OCTOBER 30, 1996 THROUGH JANUARY 7, 1998, INCLUSIVE; (iv) PURCHASED MEDPARTNERS THRESHOLD APPRECIATION PRICE SECURITIES ("TAPS") IN THE SEPTEMBER 15, 1997 OFFERING OR THEREAFTER THROUGH JANUARY 7, 1998; OR (v) TENDERED SHARES OF TALBERT MEDICAL MANAGEMENT HOLDINGS CORPORATION TO MEDPARTNERS BETWEEN AUGUST 20, 1997 AND SEPTEMBER 19, 1997 ("THE SETTLEMENT CLASS").

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. IF YOU ARE A SETTLEMENT 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 AUGUST 24, 1999.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE FILED SO AS TO BE RECEIVED NO LATER THAN JUNE 25, 1999.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS ON PAGE 9 HEREIN.

HEARING DATE: JULY 9, 1999, 1:30 p.m.

SUMMARY AND RELATED MATTERS

This Notice is given pursuant to Rule 23 of the Alabama Rules of Civil Procedure and an Order of the Court dated May 3, 1999. The purpose of this Notice is to inform you that these actions identified in the caption of this Notice ("Actions") and the proposed Settlement in the amount of \$56,000,000 will affect all Settlement Class Members' rights. This Notice describes rights you may have under the proposed Settlement and what steps you may take in relation to the Actions. This 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 Actions, or the fairness or adequacy of the proposed Settlement.

The proposed Settlement described herein creates a fund in the amount of \$56,000,000 which has already been placed in escrow and is earning interest. A Settlement Class Member's distribution from the Settlement Fund will be governed by the Plan of Allocation, as approved by the Court. A detailed explanation of how each Settlement Class Member's claim will be calculated is set forth in the Plan of Allocation which appears at page 5 of this Notice.

Further information regarding the Actions and this Notice may be obtained by contacting Plaintiffs' Settlement Counsel: J. GUSTY YEAROUT, ESQ., YEAROUT, MYERS & TRAYLOR, P.C., 800 Shades Creek Parkway, Suite 500, Birmingham, AL 35209; STEVEN E. CAULEY, ESQ., LAW OFFICES OF STEVEN E. CAULEY, P.A., Suite 218, Cypress Plaza, 2200 N. Rodney Parham Road, Little Rock, Arkansas 72212; NEIL L. SELINGER, ESQ., LOWEY DANNENBERG BEMPORAD & SELINGER, P.C., The Gateway, One North Lexington Avenue, White Plains, New York 10601; ROGER W. KIRBY, ESQ., KIRBY, McINERNEY & SQUIRE, LLP, 830 Third Avenue, New York, New York 10022; or KEITH F. PARK, ESQ., MILBERG WEISS BERSHAD HYNES & LERACH LLP, 600 West Broadway, 1800 One American Plaza, San Diego, California 92101-5050.

NOTICE OF THE SETTLEMENT HEARING

NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Alabama Rules of Civil Procedure and an Order of the Circuit Court of Jefferson County, Alabama (the "Court") dated May 3, 1999, that a hearing will be held at the Jefferson County Courthouse, Room 660, 716 North 21st Street, Birmingham, Alabama, at 1:30 p.m., on July 9, 1999 (the "Settlement Hearing") to determine whether a proposed settlement (the "Settlement") of the above-captioned actions (the "Actions") as set forth in the Stipulation of Settlement dated as of January 15, 1999 (the "Stipulation"), is fair, reasonable and adequate, and to consider the application of class counsel for attorneys' fees and reimbursement of expenses.

The Court, by Order dated May 3, 1999, has provisionally certified the Settlement Class consisting of the following classes: (i) all Persons who purchased MedPartners common stock (including but not limited to, through open market transactions, mergers or acquisitions in which MedPartners issued common stock, conversion to common stock, exchange for common stock, exercise of stock rights, acquisition pursuant to the Company's ESPP, and any other type of transaction (whether public or private) in which a Person acquired one or more shares (whether freely tradable, restricted or otherwise) of MedPartners stock in return for consideration), purchased call option contracts on MedPartners common stock, or sold put option contracts on MedPartners common stock, during the period from October 30, 1996 through January 7, 1998, inclusive (MedPartners' employees who purchased shares through the ESPP in January 1998 being deemed to have purchased their shares on December 31, 1997) (the "Common Stock and Options Class"); (ii) all Persons who purchased MedPartners' TAPS in the September 15, 1997 offering or thereafter through January 7, 1998, inclusive (the "TAPS Class"); or (iii) all Persons who tendered shares of Talbert Medical Management Holdings Corporation ("Talbert") pursuant to MedPartners' tender offer, between August 20, 1997 and September 19, 1997 (the "Tender Offer Class"). Excluded from the Settlement Class are Defendants, members of their immediate families, and any entity in which any Defendant has a controlling interest, and the legal representatives, heirs, successors or assigns of any such excluded party.

"Person" means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives or assigns.

THE ACTIONS

The complaints filed in the Actions allege that the Defendants engaged in a fraudulent scheme and deceptive course of conduct that injured purchasers of MedPartners common stock and TAPS, as well as purchasers and sellers of call options and put options on MedPartners common stock. The complaints allege that the Defendants made or caused to be made, over an extended period of time, a series of materially false, misleading, and misleadingly incomplete public statements, including but not limited to in the registration statement for the TAPS offering, other public filings, and press releases, about the current and expected future performance and condition of MedPartners. Among other things, the misstated or concealed information alleged related to: the current state of MedPartners' assets, liabilities, and earnings; the prospects for MedPartners' business and earnings in the future; the adequacy of accounting treatments and practices, including the sufficiency of reserves established by MedPartners to cover certain costs of doing business; and the status of MedPartners' acquisitions and the success of their integration into the Company; all with the alleged result that the prices of MedPartners securities were inflated during the period. Based on the alleged misstatements and omissions, the complaints charge violation of the Alabama Securities Act, the federal Securities Act of 1933, common law fraud, fraud by suppression, and negligent misrepresentation, and in the case of those who purchased through the ESPP, also breach of contract and breach of fiduciary duty. On January 7, 1998, MedPartners announced that it had maintained insufficient reserves, needed to take substantial accounting charges, and anticipated recording losses for the fourth quarter and full year of 1997, all of which allegedly caused the market price of MedPartners' securities to decline precipitously. The complaints in the Actions further allege that plaintiffs and the other members of the Settlement Class who purchased MedPartners common stock, call options or TAPS, or sold MedPartners put options, suffered substantial damages by reason of Defendants' course of conduct, materially false statements and omissions of material facts, and the alleged wrongful inflation in the price of MedPartners securities that, according to the complaints, resulted from that conduct.

Claims have also been asserted in the Actions on behalf of the Tender Offer Class alleging that the tender offer materials contained misrepresentations and omissions concerning the nature of, and basis for, certain amounts of additional consideration allegedly made available to certain insiders of Talbert as part of the tender offer, such that this additional consideration, which according to the complaint was actually part of the per share payment to these individuals, was made to appear otherwise. Damages are sought under the Alabama Securities Act and for common law fraud, fraud by suppression and negligent misrepresentation, on the basis that the alleged misleading information wrongfully induced the tender of Talbert shares at the publicly stated price of \$63 per share, when the price should have been higher in light of the alleged consideration to insiders.

The Settling Defendants (as defined below) have denied all allegations of wrongdoing or liability in the Actions. In particular, the Settling Defendants deny that they engaged in a fraudulent scheme or deceptive course of conduct by knowingly, recklessly, or negligently misstating the Company's financial information or information relating to the tender offer for Talbert shares. The Settling Defendants contend that their actions were taken in good faith and in the best interests of the Company. The Stipulation and this Notice are 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 Settling Defendants of any fault or liability or damages whatsoever, and Settling Defendants do not concede any infirmity in the defenses which they have asserted or intended to assert in the Actions.

Prior to entering into the Stipulation, plaintiffs' counsel conducted an intensive investigation relating to the events and transactions underlying plaintiffs' claims. 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 Actions, they have considered the financial condition and business circumstances of MedPartners and the substantial risk of obtaining a significant recovery from the Company for the Settlement Class. Plaintiffs' counsel have also taken into account the substantial expense and length of time necessary to prosecute the litigation 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 Settlement 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 Settlement Class to settle the action on the terms described herein.

Plaintiffs and the Settling Defendants have now agreed to settle all aspects of the Actions, subject to approval of the Court.

Plaintiffs recognize 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 also recognize and considered the uncertain financial resources of the Defendants that might be available if plaintiffs were successful at trial as compared to the substantial present cash benefit that is being made available from this Settlement. Plaintiffs desire to settle the claims of the class against defendants on the terms and conditions described herein which provide substantial benefits to the Settlement Class.

The Settling Defendants, while continuing to deny all allegations of wrongdoing or liability whatsoever, desire to settle and terminate all existing or potential claims against them, without in any way acknowledging any fault or liability, and in order to limit further expense, inconvenience and distraction, to dispose of burdensome and protracted litigation, and to permit the operation of the Settling Defendants' businesses without distraction and diversion of executive personnel.

The amount of damages, if any, which plaintiffs could prove is also a matter of serious dispute, and the Settlement's use of a

formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by that formula. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Settlement Class, or as to 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. The Settlement herein is providing an immediate and substantial cash benefit and avoids the risks to plaintiffs and members of the Settlement Class that liability or damages might not have been proven at trial.

Also pending are certain other actions ("Other Class Actions") filed on behalf of asserted classes of Persons, each of whom is also a Member of the Settlement Class here. One such action, known as Lauriello v. MedPartners, Inc., et al., was filed in the Circuit Court for Jefferson County, Alabama, but was dismissed by the trial judge and is now on appeal to the Supreme Court of Alabama. Fourteen such actions were filed in the United States District Court for the Northern District of Alabama in Birmingham, and have been consolidated for unified handling in that court under the caption In re MedPartners, Inc. Securities Litigation. The claims in Lauriello and In re MedPartners are, collectively, brought on behalf of purchasers of MedPartners common stock, options and TAPS; they arise out of factual circumstances that are the subject of claims by such purchasers in the Actions, and they seek relief of the kind, and for classes of purchasers, that are fully encompassed by the Actions. In addition to MedPartners itself and officers and directors of MedPartners, several underwriters of the September 1997 TAPS public offering are named as defendants in In re MedPartners, and they have joined as parties to the Stipulation for purposes of this Settlement. A final such action, known as Padilla, et al. v. MedPartners, Inc., et al., is pending in the United States District Court for the Central District of California. It is brought on behalf of the same class of former shareholders of Talbert who compose the Tender Offer Class. It arises out of the same circumstances upon which the claims of the Tender Offer Class are based, and advances claims under federal securities law, asserting that certain Talbert shareholders improperly received or were entitled to receive a disproportionate portion of tender offer consideration. Specific provision has been made as part of the Settlement of the Actions for the dismissal of the appeal in Lauriello and the dismissal with prejudice of each of the remaining Other Class Actions, the intent being that all claims in the Other Class Actions be resolved and released through this proposed Settlement of the Actions.

THE COURT HAS NOT FINALLY DETERMINED THE MERITS OF THE PLAINTIFFS' CLAIMS OR THE DEFENSES THERETO. THIS 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

In full and complete settlement of the claims which have or could have been asserted on behalf of the Settlement Class in the Actions, and subject to the terms and conditions of the Stipulation, a principal amount of \$56,000,000 (plus certain interest already accumulated) has been paid on behalf of the Settling Defendants into an interest-bearing escrow account.

Pursuant to the Settlement, and on the date the Settlement becomes effective, members of the Settlement Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any Persons they represent, shall release and forever discharge, and shall be forever enjoined from prosecuting the Released Persons (defined below) with respect to each and every of the Released Claims (defined below).

The "Defendants," each of whom will be released by the Settlement Class from all claims relating to the allegations in the Actions, are as follows: MedPartners, TalMed Merger Corporation, Larry R. House, Mark L. Wagar, Harold O. Knight, Jr., Charles W. Newall III, Ted H. McCourtney, Walter T. Mullikin, M.D., Richard M. Scrushy, Larry D. Striplin, Jr., John S. McDonald, C.A. Lance Piccolo, Roger L. Headrick, Harry M. Jansen Kraemer, Jr., Michael D. Martin, Smith Barney, Inc., Merrill Lynch & Co., Credit Suisse First Boston, Montgomery Securities, Morgan Stanley Dean Witter, and Piper Jaffray Inc; the Settling Defendants are each of the Defendants with the exception of defendants Larry R. House, Mark L. Wagar, and Harold O. Knight, Jr. In addition, the Settlement will release the Settlement Class' claims against any and all of the Defendants and each of a Defendant's past or present directors, officers, employees, partners, principals, agents, underwriters, controlling shareholders, any entity in which Defendant and/or any member(s) of such Defendant's immediate family has or have a controlling interest, attorneys, banks, investment banks or investment bankers, personal or legal representatives, MedPartners' insurance carrier (National Union Fire Insurance Co.) and the insurance carrier's co-insurers and reinsurers, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, executors, administrators, associates, related or affiliated entities, any members of their immediate families, or any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of such Defendant's family (collectively, the "Released Persons").

"Released Claims" means and includes any and all claims or causes of action in law or equity, including Unknown Claims as defined below, suits, allegations, demands, rights, and liabilities of every nature and description whatsoever, whether foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued, suspected or unsuspected, fixed or contingent, liquidated or unliquidated, and whether derivative, individual, representative or in any other capacity, whether brought under common law, statute, rule, regulation or other source of legal obligation, whether federal, state or otherwise, and in whatever forum, arising out of, relating to, connected with, or based in whole or in part on, the purchase of MedPartners stock (including, but not limited to, through open market transactions, mergers or acquisitions in which MedPartners issued common stock, conversion to common stock, exchange for common stock, exercise of stock rights, acquisition pursuant to the ESPP, and any other type of

transaction (whether public or private) in which a Person acquired one or more shares of MedPartners stock (whether freely tradable, restricted or otherwise) in return for consideration) or TAPS, the purchase of call option contracts or the sale of put option contracts on MedPartners' common stock, or the tender of Talbert common shares, by the plaintiffs or the Settlement Class Members during the Settlement Class periods, and the facts, circumstances, transactions, events, occurrences, disclosures, statements, omissions, acts, failures to act or other matters which were or could have been alleged, raised or referred to in any of the Actions or the Other Class Actions, including, without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty or loyalty, fraud, misrepresentation (whether intentional, negligent or innocent), omission (whether intentional negligent or innocent), mismanagement, breach of warranty, breach of contract, breach of fiduciary duty, or violations of any state or federal statutes, rules or regulations or any other source of legal obligation of any kind or description, in whatever forum.

"Unknown Claims" means any Released Claims which any plaintiff or Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision to object to this Settlement. With respect to any and all Released Claims, the parties stipulate and agree that, when the Settlement becomes effective, each of the plaintiffs shall have expressly, and the Settlement Class Members shall be deemed to have, and by operation of the judgment shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights and benefits of §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.

Each of the plaintiffs have expressly, and the Settlement Class Members shall be deemed to have, and when the Settlement becomes effective shall have, 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 §1542 of the California Civil Code. Each plaintiff and each Settlement Class Member may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each plaintiff has and each Settlement Class Member shall be deemed to have, and by operation of the judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts.

If the Settlement is approved by the Court, a judgment will be entered pursuant to which all claims which have been or could have been asserted in the Actions will be dismissed with prejudice as to all Settlement Class Members and all Settlement Class Members shall be forever barred from prosecuting a class action or any other action of any kind or description raising any Released Claims against any Released Person.

PLAN OF ALLOCATION OF SETTLEMENT PROCEEDS

The \$56,000,000 settlement amount and 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 plaintiffs and Members of the Settlement Class who file acceptable Proofs of Claim and who otherwise have not previously released their claims ("Authorized Claimants") under the Plan of Allocation described below. For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Plaintiffs' Settlement Counsel have consulted with their damage consultants and the Plan of Allocation reflects an assessment of the damages that could have been recovered if plaintiffs were entirely successful in establishing liability.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits in transactions that qualify a Person as a Settlement Class Member shall be subtracted from the total of all losses in such transactions to determine if a Settlement Class Member has a claim. Only if a Settlement Class Member had a net loss, after all profits from transactions during the Settlement Class periods are subtracted from all losses, will such Settlement Class Member be eligible to receive a distribution from the Net Settlement Fund.

Pursuant to the Plan of Allocation, the Gross Settlement Fund shall be apportioned as follows, subject to proportionate addition of applicable interest and proportionate deduction of all taxes, approved costs, fees and expenses:

- (a) \$29,500,000 to the members of the Common Stock and Options Class;
- (b) \$25,000,000 to the members of the TAPS Class; and
- (c) \$1,500,000 to the members of the Tender Offer Class.

The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Claim." An Authorized Claimant's "Claim" shall be calculated as follows:

(A) **The Common Stock and Options Class:**

(1) Common Stock:

For shares of MedPartners common stock purchased between October 30, 1996 and January 7, 1998, inclusive, a Claim shall mean:

- (a) if the shares were purchased between May 6, 1997 and January 7, 1998 and were still owned at the close of business on January 7, 1998, the difference between the purchase price and \$10.40 per share;
- (b) if the shares were purchased between May 6, 1997 and January 7, 1998, and were sold at a loss between May 6, 1997 and January 7, 1998, 15% of the difference between the purchase price and the sales price received;
- (c) if the shares were purchased between October 30, 1996 and May 5, 1997, and were still owned at the close of business on January 7, 1998, 15% of the difference between the purchase price and \$10.40 per share;
- (d) if the shares were purchased between October 30, 1996 and May 5, 1997, and were sold at a loss between October 30, 1996 and January 7, 1998, 5% of the difference between the purchase price and the sales price received; and
- (e) for purposes of calculating an Authorized Claimant's Claim, MedPartners stock purchased by an employee of the Company pursuant to the ESPP in January 1998 shall be deemed to have been purchased on December 31, 1997 and still owned as of the close of business on January 7, 1998.

(2) Call Options:

If any call options were exercised to purchase common stock, the date of exercise will be the purchase date of the stock. Additionally, if an exercised call option was purchased between October 30, 1996 and January 7, 1998, the cost of the option shall be added to the cost of the exercised shares. For a call option which was not exercised, a Claim shall mean:

- (a) if the call option was purchased between May 6, 1997 and January 7, 1998, and still owned at the close of business on January 7, 1998, the difference between the purchase price and the closing price of the call option on January 7, 1998;
- (b) if the call option was purchased between May 6, 1997 and January 7, 1998 and sold at a loss (or expired) between May 6, 1997 and January 7, 1998, 15% of the difference between the purchase price and the sales price received (or \$0 if the call expired);
- (c) if the call option was purchased between October 30, 1996 and May 5, 1997 and was still owned at the close of business on January 7, 1998, 15% of the difference between the purchase price and the closing price of the call option on January 7, 1998;
- (d) if the call option was purchased between October 30, 1996 and May 5, 1997 and was sold at a loss (or expired) between October 30, 1996 and January 7, 1998, 5% of the difference between the purchase price and the sale price received (or \$0 if the call expired).

(3) Put Options:

For any put options which were sold, and for which shares were "put" by the option holder during the Class Period, the date on which the shares were "put" to the claimant shall be the purchase date of the stock. Additionally, if the put options were sold during the Class Period, the sale price of the option shall be deducted from the purchase price of the shares. For a put option which was not exercised by the buyer of the put option during the Class Period (shares were not "put" to the seller of the option), a Claim shall mean:

- (a) if the put option was sold between May 6, 1997 and January 7, 1998 and remained uncovered at the close of business on January 7, 1998, the difference between the closing price of the put option on January 7, 1998 and the sale price;
- (b) if the put option was sold between May 6, 1997 and January 7, 1998 and purchased (to cover) at a loss between May 6, 1997, and January 7, 1998, 15% of the difference between the purchase price of the put option (to cover) and the sale price of the option;
- (c) if the put option was sold between October 30, 1996 and May 5, 1997 and remained uncovered at the close of business on January 7, 1998, 15% of the difference between the closing price of the put option on January 7, 1998 and the sale price;
- (d) if the put option was sold between October 30, 1996 and May 5, 1997 and was purchased (to cover) at a loss between October 30, 1996 and January 7, 1998, 5% of the difference between the purchase price of the option (to cover) and the sale price of the option.

(B) The TAPS Class: For Medpartners' TAPS purchased between September 15, 1997 and January 7, 1998, inclusive, Recognized Loss shall mean:

- (1) if the TAPS were still owned at the close of business on January 7, 1998, the difference between the purchase price (but in no event more than \$22.1875 per TAPS) and \$13.00 per TAPS;
- (2) if the TAPS were sold at a loss between September 15, 1997 and January 7, 1998, 15% of the difference between the

purchase price (but in no event more than \$22.1875 per TAPS) and the sales price received.

(C) The Tender Offer Class: For Talbert common shares tendered to MedPartners between August 20, 1997 and September 19, 1997, inclusive, Recognized Loss shall mean \$6.00 for each Talbert common share tendered.

For open market transactions or purchases in the TAPS public offering, the date of purchase or sale is the "trade" date as distinguished from the "settlement" date. For all other transactions, the date of purchase is the latest of the date of conversion, exchange or exercise, or the date on which all contractual conditions to a purchase were satisfied. All references to the purchase price paid include transaction fees and charges and brokerage commissions, if and to the extent applicable. All references to the sales price received are net of transaction fees and charges and brokerage commissions, if and to the extent applicable.

For Settlement Class Members with claims based on MedPartners stock or options or TAPS, who made multiple purchases or multiple sales of the same such security during the applicable Settlement Class Period, the earliest subsequent sale shall be matched with the earliest purchase and chronologically thereafter for purposes of the claim calculations.

In the interests of economy, no distribution shall be made on any Claim where the payment of an Authorized Claimant's pro rata share of the Net Settlement Fund is less than ten dollars (\$10.00).

The Court has reserved jurisdiction to allow, disallow, or adjust the Claim of any Settlement Class Member on equitable grounds.

Settlement Class Members who do not file acceptable Proofs of Claim will not share in the Settlement proceeds. Settlement Class Members who do not either file a request for exclusion or file acceptable Proofs of Claim will nevertheless be bound by the judgment and the Settlement. Settlement Class Members who file valid and timely requests for exclusion will not share in the Settlement proceeds and will not be bound by the judgment or the Settlement.

THE RIGHTS OF SETTLEMENT CLASS MEMBERS

The Court has certified this action to proceed as a class action. If you (i) purchased MedPartners common stock (including, but not limited to, through open market transactions, mergers and acquisitions in which MedPartners issued common stock, conversion to common stock, exchange for common stock, exercise of stock rights, acquisition pursuant to the ESPP, and any other type of transaction (whether public or private) in which a Person acquired one or more shares (whether freely tradable, restricted or otherwise) of MedPartners stock in return for consideration), or purchased call option contracts or sold put option contracts on MedPartners common stock during the period from October 30, 1996 through January 7, 1998 (MedPartners employees who purchased shares through the ESPP in January 1998 are deemed to have purchased their shares on December 31, 1997); (ii) purchased MedPartners TAPS during the period from September 15, 1997 through January 7, 1998; or (iii) tendered Talbert common shares to MedPartners between August 20, 1997 and September 19, 1997, then you are a Settlement Class Member. Settlement Class Members have the following options pursuant to Rule 23 of the Alabama Rules of Civil Procedure.

If you wish to remain a member of the Settlement Class you may share in the proceeds of the Settlement, provided that you submit an acceptable Proof of Claim. As a Settlement Class Member, you will be represented by the plaintiffs and their counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf on or before June 25, 1999, and must serve copies of such appearance on the attorneys listed below.

If you do not wish to remain a Member of the Settlement Class, you may exclude yourself from the Settlement Class by following the instructions below. Those who exclude themselves from the Settlement Class will **NOT** receive any share of the Settlement proceeds and will not be bound by the Settlement.

FILING AND PROCESSING PROOFS OF CLAIM

IN ORDER TO BE ELIGIBLE TO RECEIVE ANY DISTRIBUTION FROM THE SETTLEMENT FUND, YOU MUST COMPLETE AND SIGN THE ATTACHED PROOF OF CLAIM AND RELEASE FORM AND SEND IT BY PREPAID FIRST-CLASS MAIL POSTMARKED ON OR BEFORE AUGUST 24, 1999, ADDRESSED AS FOLLOWS:

Gilardi & Co. LLC
MedPartners Securities Litigation
P.O. Box 5100
Larkspur, CA 94977-5100

IF YOU DO NOT FILE A PROPER AND TIMELY PROOF OF CLAIM FORM, YOU WILL NOT BE ENTITLED TO ANY

SHARE OF THE SETTLEMENT FUND.

IF YOU ARE A SETTLEMENT CLASS MEMBER AND YOU DO NOT PROPERLY EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS, YOU WILL BE BOUND BY THE SETTLEMENT AND THE FINAL JUDGMENT OF THE COURT DISMISSING THE ACTIONS AND RELEASING CLAIMS AGAINST RELEASED PERSONS, EVEN IF YOU DO NOT FILE A PROOF OF CLAIM. IF YOU EXCLUDE YOURSELF, YOU WILL NOT BE BOUND BY THE JUDGMENT BUT YOU WILL NOT BE ENTITLED TO ANY SHARE OF THE SETTLEMENT FUND.

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

Each Claimant shall be deemed to have submitted to the jurisdiction of the Circuit Court of Jefferson County, Alabama with respect to his, her or its claim.

EXCLUSION FROM THE SETTLEMENT

Each Settlement Class Member shall be bound by all determinations and judgments in these Actions concerning the Settlement, whether favorable or unfavorable, unless such Person mails, by first-class mail, a written request for exclusion from the Settlement Class, postmarked no later than June 25, 1999, addressed to MedPartners Securities Litigation Exclusions, c/o Gilardi & Co., P.O. Box 5100, Larkspur, CA 94977-5100, with a copy to Richard Smith, Rives & Peterson, 1700 Financial Center, 505 North 20th Street, Birmingham, AL 35203-2602. No Person may exclude himself, herself or itself from the Settlement Class after that date. In order to be valid, each request for exclusion must legibly set forth your name and address and a statement that you wish to be excluded from the Settlement Class. If you request exclusion on behalf of any entity other than yourself (such as a trust or estate) please enclose evidence of your authority to act for such entity. You must provide with any request for exclusion your Social Security or Taxpayer Identification Number, the number of MedPartners common shares, call option contracts, or TAPS purchased, the date of each purchase, and the price paid therefor; the number of MedPartners put option contracts sold, the date of each sale, and the price received therefor; the number of MedPartners common shares or TAPS sold, the date of each sale, and the amount received therefor; the number of MedPartners common shares, option contracts, or TAPS still owned as of the close of trading on January 7, 1998; and/or the number of Talbert common shares tendered to MedPartners.

SETTLEMENT HEARING

At the Settlement Hearing, the Court will determine whether to finally approve this Settlement and dismiss the Actions and the claims of the Settlement Class. The Court reserves the right to approve the Settlement, with such modifications as may be agreed to by counsel for the parties to the Settlement consistent with such Settlement, without further notice to the Settlement Class. If the Settlement is approved, the Court will also be asked to approve the Plan of Allocation and to rule upon the application for attorneys' fees and for reimbursement of expenses. The Settlement Hearing may be adjourned from time to time by the Court, by announcement at the Settlement Hearing or at any adjournment thereof, without further written notice to the Settlement Class.

At the Settlement Hearing, any Settlement Class Member who has not properly filed a Request for Exclusion from the Settlement Class may appear in person or by counsel and be heard to the extent allowed by the Court in support of or in opposition to the fairness, reasonableness and adequacy of the Settlement and proposed judgment, 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 judgment to be entered thereon, the Plan of Allocation or plaintiffs' 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 June 25, 1999, such Person (a) files with the Clerk of the Court, Jefferson County Courthouse, 716 North 21st Street, Birmingham, AL 35230, notice of such Person's intention to appear, together with 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, statement and documentation, together with copies of any other papers or briefs such Person files with the Court, in Person or by first class mail upon: J. GUSTY YEAROUT, ESQ., YEAROUT, MYERS AND TRAYLOR, P.C., 800 Shades Creek Parkway, Suite 500, Birmingham, AL 35209; STEVEN E. CAULEY, ESQ., LAW OFFICES OF STEVEN E. CAULEY, P.A., Suite 218, Cypress Plaza, 2200 N. Rodney Parham Road, Little Rock, AR 72212; NEIL L. SELINGER, ESQ., LOWEY DANNENBERG BEMPORAD & SELINGER, P.C., The Gateway, One North Lexington Avenue, White Plains, NY 10601; ROGER W. KIRBY, ESQ., KIRBY, McINERNEY & SQUIRE, LLP, 830 Third Avenue, New York, NY 10022; KEITH F. PARK, ESQ., MILBERG WEISS BERSHAD HYNES & LERACH LLP, 600 West Broadway, 1800 One American Plaza, San Diego, CA 92101-5050; RICHARD SMITH, ESQ., RIVES & PETERSON, 1700 Financial Center, 505 North 20th Street, Birmingham, AL 35203-2696; and N. LEE COOPER, ESQ., MAYNARD, COOPER & GALE, 2400 AmSouth/Harbert Plaza, 1901 Sixth Avenue North, Birmingham, AL 35203-2602. Attendance at the Settlement Hearing is not necessary in order for an objection to be considered by the Court, but Persons wishing to be heard orally must indicate in their objection their intention to appear at the Settlement Hearing. The filing of a Proof of Claim does not preclude a Settlement Class Member from presenting an objection to the Settlement, to the Plan of Allocation or to the request for attorneys' fees and expenses.

ATTORNEYS' FEES, COSTS AND EXPENSES OF PLAINTIFFS' ATTORNEYS

To date, plaintiffs' counsel have not received any payment for their services in prosecuting the Actions on behalf of the plaintiffs and the Members of the Settlement Class, nor have counsel been reimbursed for their out-of-pocket expenses. Counsel for the plaintiffs in the Actions will apply to the Court at the conclusion of the Settlement Hearing described above, for an award of attorneys' fees of up to thirty three and one-third percent (33-1/3%) of the Settlement Fund, plus interest at the same rate as earned by the Settlement Fund. In addition, plaintiffs' counsel will seek reimbursement of litigation expenses which were advanced in connection with the Actions, the Other Class Actions, and Lauriello, including expenses of experts, and a service award not to exceed \$10,000 for Class Representative Isabel J. Griffin to compensate her for her singular efforts in prosecuting the Actions. Such sums as may be granted by the Court will be paid from the Settlement Fund. Plaintiffs' counsel, without further notice to the Settlement 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 Settlement Class. Settlement Class Members are not personally liable for any fees or expenses awarded by the Court. Any court order regarding the attorneys' fee and expense application shall in no way disturb or affect the Settlement and/or any judgment entered thereon.

The fee requested by plaintiffs' counsel will compensate them for their efforts in obtaining the Settlement Fund for the benefit of the classes, and for their risk in undertaking this case on a contingent basis. If approved by the Court, the fee requested would be within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

FURTHER INFORMATION

For a more detailed statement of the matters involved in the Actions, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Actions, which may be inspected at the Office of the Clerk of the Circuit Court for Jefferson County, Alabama, Jefferson County Courthouse, 716 North 21st Street, Birmingham, Alabama, during regular business hours.

ALL INQUIRIES CONCERNING THIS NOTICE OR THE PROOF OF CLAIM FORM BY SETTLEMENT CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING. NO INQUIRIES SHOULD BE DIRECTED TO THE COURT.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you (i) purchased MedPartners common stock, purchased MedPartners call option contracts or sold MedPartners put option contracts, between October 30, 1996 and January 7, 1998, inclusive; (ii) purchased MedPartners TAPS between September 15, 1997 and January 7, 1998, inclusive; or (iii) tendered Talbert common shares to MedPartners between August 20, 1997 and September 19, 1997, inclusive, for the beneficial interest of a Person or organization other than yourself, the Court has directed that within seven days of your receipt of this Notice you either (a) provide to the Claims Administrator the name and last known address of each Person or organization for whom or which you purchased or held such securities during such time period or, alternatively (b) you request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven days mail the 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), you must, upon such mailing, 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:

Gilardi & Co. LLC
MedPartners Securities Litigation
P.O. Box 5100
Larkspur, CA 94977-5100

Dated: May 3, 1999

BY ORDER OF THE CIRCUIT COURT
OF JEFFERSON COUNTY, ALABAMA