

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re SOURCECORP SECURITIES)
LITIGATION)

This Document Relates To:)
ALL ACTIONS.)

Master File No. Case 3:04-cv-02351-N

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS WHO PURCHASED AND/OR ACQUIRED SOURCECORP, INC. COMMON STOCK FROM MAY 3, 2001 THROUGH OCTOBER 27, 2004, INCLUSIVE

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE POSTMARKED ON OR BEFORE JULY 20, 2009.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of Texas, Dallas Division (the "Court"). The purpose of this Notice is to inform you of the proposed settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. The proposed settlement would resolve the class action litigation pending in the Court as more fully described in Section III, below. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Litigation or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this Litigation.

The proposed settlement creates a fund in the amount of \$3,000,000 (the "Settlement Fund") and will include interest that accrues on the Settlement Fund prior to distribution. Based solely on Named Plaintiff's estimate of the number of shares entitled to participate in the settlement, if claims are filed for 100% of the eligible SOURCECORP, Inc. ("SOURCECORP" or the "Company") shares (which Plaintiffs do not expect to occur) the average distribution per share would be approximately \$0.33 before deduction of Court-approved fees and expenses. (Defendant contests all liability and damages and has not participated in the foregoing calculations.) However, your actual recovery from this fund will depend on a number of variables, including the number of Claimants, the number of shares you or they purchased or acquired or sold, the expense of administering the claims process, and the timing of your purchases, acquisitions and sales, if any.

Named Plaintiff and Defendant do not agree on issues of liability or the average amount of damages per share that would be recoverable if Named Plaintiff was to have prevailed on each claim asserted. The issues on which the parties disagree include, for example: (1) whether the statements made or facts allegedly omitted were false, material, made with scienter, or were otherwise actionable, or subject to defenses, under the federal securities laws; (2) the extent to which the various allegedly adverse material facts that Named Plaintiff alleged were omitted influenced (if at all) the trading price of SOURCECORP common stock at various times during the Class Period; (3) whether, and if so, the amount by which SOURCECORP common stock was allegedly artificially inflated (if at all) during the Class Period; (4) the effect of various market forces influencing the

trading price of SOURCECORP common stock at various times during the Class Period; (5) the extent to which external factors, such as general market conditions, influenced the trading price of SOURCECORP common stock at various times during the Class Period; and (6) the extent to which the various matters that Named Plaintiff alleges (and that Defendant disputes) were materially false or misleading influenced (if at all) the trading price of SOURCECORP common stock at various times during the Class Period.

The Named Plaintiff believes that the proposed settlement is a good recovery and is fair, reasonable, adequate, and in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that Named Plaintiff would not have prevailed on any of his claims, in which case the Class would receive nothing. In addition, the amount of damages recoverable by the Class was and is challenged by Defendant. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendant intended to assert that all or most of the losses of Class Members were caused by non-actionable market, industry or general economic factors. Defendant would also argue (and had argued) that his conduct was not a fraud upon SOURCECORP shareholders and that any alleged fraud was not “in connection with” the purchase or sale of SOURCECORP securities.

Lead Counsel has not received any payment for their services in conducting this Litigation on behalf of the Named Plaintiff and the Members of the Class, nor have they been reimbursed for their out-of-pocket expenditures. If the settlement is approved by the Court, Lead Counsel will apply to the Court for attorneys’ fees not to exceed 33% of the settlement proceeds, plus expenses not expected to exceed \$150,000, all to be paid from the settlement proceeds. There will also be additional fees incurred in managing and administering the settlement. If the amount requested by counsel is approved by the Court, the average cost per share would be approximately \$0.21.

For further information regarding this settlement you may contact: Herbert E. Milstein, Cohen Milstein Sellers & Toll PLLC, 1100 New York Ave., N.W., West Tower, Suite 500, Washington, D.C. 20005. You can also contact the Claims Administrator at 1-866-314-5812 or www.sourcecorpsecuritiessettlement.com. Please do not call any representative of SOURCECORP or Deaton.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on July 23, 2009, at 9:00 a.m., before the Honorable David C. Godbey, United States District Judge, at the United States Courthouse, 1100 Commerce Street, Dallas, Texas 75242-1003 (the “Settlement Hearing”). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement, including Defendant’s payment to the Class of \$3.0 million in cash (plus accruing interest, thereon) should be approved as fair, just, reasonable and adequate to the parties and the Class; (2) whether the Named Plaintiff’s proposed plan to distribute the settlement proceeds (the “Plan of Allocation”) is fair, just, reasonable, and adequate; (3) whether the application by Lead Counsel for an award of attorneys’ fees and expenses should be approved; and (4) whether the Litigation should be dismissed with prejudice and the Released Claims of the Named Plaintiff and the Class against the Defendant and others should be released and discharged, and further litigation thereon barred. The Court may adjourn or continue the Settlement Hearing without further notice to the Class.

II. DEFINITIONS USED IN THIS NOTICE

1. “Class” means all Persons who purchased or acquired SOURCECORP common stock from May 3, 2001 to October 27, 2004, inclusive, and whose transactions in SOURCECORP common stock during the Class Period resulted in a loss. Excluded from the Class are any and all current or former defendants to this action, namely Bill D. Deaton, Ed H. Bowman, Barry L. Edwards and members of their immediate families; Persons or entities in which any of them has a controlling interest or which are related to or

affiliated with any such Person; and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party. Also excluded are all officers and directors during the Class Period of any previously-named defendant in this action. Lastly, all Persons who timely and validly request exclusion from the Class pursuant to the Notice of Pendency and Proposed Settlement of Class Action to be sent to the Class are excluded from the Class.

2. “Deaton” and “Defendant” mean Bill D. Deaton
3. “Lead Counsel” means Cohen Milstein Sellers & Toll PLLC, 1100 New York Avenue, N.W., West Tower, Suite 500, Washington, D.C. 20005, Telephone (202) 408-4600.
4. “Named Plaintiff” means George Reichl.
5. “Person” means an individual, natural person, corporation, partnership, limited partnership, limited liability company, association, joint stock company, joint venture, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, any business or legal entity and their spouses, family members, heirs, predecessors, successors, representatives or assigns, shareholders, members, managing members, parents, subsidiaries, trustees, executors, administrators, estates, transferees, immediate and remote, affiliates, and agents.
6. “Plaintiffs’ Counsel” means all counsel who have appeared for any of the Plaintiffs in the Litigation, including, but not limited to, Lead Counsel.
7. “Released Claims” shall collectively mean any and all manner of claims (including Unknown Claims as defined in ¶ 9 hereof), debts, damages, demands, rights, liabilities, suits, matters, issues and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, including, without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, nondisclosure, breach of fiduciary duty or violations of any local, state, or federal or foreign statutes, rules or regulations or common law, including, but not limited to, all claims under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended by the Private Securities Litigation Reform Act of 1995 (inclusive of claims under Sections 10(b) and 20(a) (15 U.S.C. §§ 78j(b) and 78t(a)), Rule 10b-5 as promulgated by the Securities and Exchange Commission (17 C.F.R. § 240.10b-5)), by the Named Plaintiff and/or Class Members against any of the Released Persons arising out of, based upon or related to the purchase and/or acquisition of SOURCECORP common stock by the Named Plaintiff and/or by any Class Member during the Class Period and any of the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act which were, or could have been alleged, in the Litigation.
8. “Released Persons” means (i) defendant Bill D. Deaton, (ii) any Person or entity which is, was or will be related to or affiliated with Deaton or in which he has, had or will have a controlling interest, and (iii) as to each and all of the foregoing parties, each of their past or present directors, officers, employees, partners, controlling shareholders, auditors, banks or investment banks, personal or legal representatives, spouses, heirs, their respective past, present or future family members, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, related or affiliated entities, any members of Deaton’s immediate family or any trust of which he is the settlor or which is for his benefit and/or their respective foundations, agents, present and former employees, assigns, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, entities formed by them, corporations, parents, subsidiaries, divisions, assigns, affiliates, portfolio companies, associates, associated entities, present and former shareholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors and predecessors-in-interest, successors and successors-in-interest, assigns, financial or investment advisors, advisors, consultants,

investment bankers, investment funds, underwriters, lenders, commercial bankers, personal or legal representatives, accountants, attorneys, insurers, coinsurers, reinsurers, and associates, whether or not such Persons or entities were named, served with process or appeared in the Complaint.

9. “Unknown Claims” means any Released Claims which the Named Plaintiff and/or Class Members do not know or suspect to exist in his, her or its favor at the time of the Stipulation of Settlement dated as of January 30, 2008 (the “Stipulation”) and the release of the Released Persons which, if known by him, her or it, might have affected his, her or its decision to enter into this Stipulation (and its terms and conditions of settlement) with and release of the Released Persons, or might have affected his, her or its decision not to object to the Stipulation and this settlement or not to exclude himself, herself or itself from the Class. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Named Plaintiff shall expressly, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, waived the provisions, rights and benefits of California Civil Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR

Upon the Effective Date, the Named Plaintiff and each of the Class Members shall be deemed to have, and by operation of the 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 any other principle of federal or common law or international or foreign law, which is similar, comparable or equivalent to California Civil Code § 1542. The Named Plaintiff and Class Members may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of the Released Claims, but the Named Plaintiff shall expressly and each Class Member, upon the Effective Date, 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 (including Unknown 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, reckless, 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 against any and all Released Persons. The Named Plaintiff acknowledges, and the Class Members shall be deemed to have acknowledged, and by operation of the Judgment shall have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

III. THE LITIGATION

On and after November 1, 2004, the following actions were filed in the United States District Court for the Northern District of Texas, Dallas Division (the “Court”), as securities class actions on behalf of Persons who purchased and/or acquired SOURCECORP securities on and between May 7, 2003 and October 27, 2004¹:

1. *Bassin v. SOURCECORP, Inc., et al.*, Civil Action No. 3:04-CV-2351 (R);
2. *Delbosco v. SOURCECORP, Inc., et al.*, Civil Action No. 3:04-CV-2360 (D);

¹ Plaintiffs later extended the “Class Period” alleged in the operative complaint to include persons who purchased or acquired SOURCECORP securities from May 3, 2001 to October 27, 2004, inclusive.

3. *Jonco Investors LLC v. SOURCECORP, Inc., et al.*, Civil Action No. 3:04-CV- 2387 (M); and
4. *Reichl v. SOURCECORP, Inc., et al.*, Civil Action No. 3:04-CV-2528 (P).

On March 25, 2005, the Court consolidated the four actions under the following title and number: *In re SOURCECORP, Inc. Sec. Litig.*, 3:04-CV-2351 (N.D. Tex.) (the “Litigation”). The operative complaint (the “Complaint”) is the Second Amended Consolidated Complaint for Violation of the Federal Securities Laws filed October 28, 2005. The Complaint alleges claims for violations of §§10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder.²

On March 25, 2005, the Court issued an order appointing Dale R. Templin as Lead Plaintiff under §21D(a)(3)(B) of the Exchange Act and approved Lead Plaintiff’s selection of Cohen, Milstein, Hausfeld & Toll, P.L.L.C.³ as lead counsel pursuant to §21D(a)(3)(B)(v) of the Exchange Act and Claxton & Hill as liaison counsel.

The initial complaint filed in this action named SOURCECORP, Bowman, and Edwards as defendants. Then, on June 15, 2005, Lead Plaintiff Dale R. Templin filed the First Amended Consolidated Complaint (the “First Complaint”) which, in addition to naming the original defendants, also included claims against Deaton and Image Entry. On September 6, 2005, defendants filed two separate motions to dismiss. One motion to dismiss was filed on behalf of SOURCECORP, Bowman, Edwards, and Image Entry, while Deaton filed his own motion.⁴ On November 30, 2005, Plaintiffs responded to defendants’ motions to dismiss, and defendants filed replies on January 6, 2006.

On June 5, 2006, the Court issued an Order (the “Order”) denying Deaton’s motion to dismiss and granting the motion to dismiss filed by the remaining defendants. The motion to dismiss filed by SOURCECORP and its CEO and CFO was granted on the ground that the complaint did not meet the requirements for pleading the element of scienter. Image Entry’s motion to dismiss was granted on the ground that Deaton’s alleged conduct could not be imputed to Image Entry. Following an appeal by Plaintiffs, the Fifth Circuit upheld the Court’s Order dismissing the claims against SOURCECORP, Bowman, Edwards, and Image Entry with prejudice. *See Templin, et al. v. Sourcecorp Inc, et al.*, Case No. 06-11368, dated November 12, 2007. Therefore, the only remaining defendant in this action is Deaton.

On June 20, 2006, Deaton filed a Motion to Certify June 5, 2006 Order for §1292(b) Interlocutory Appeal (the “Motion for Interlocutory Appeal”), seeking interlocutory review of the Court’s denial of his motion to dismiss. The Court certified its dismissal order for purposes of interlocutory review. On December 29, 2006, the Fifth Circuit denied Deaton’s Petition for Permission to Appeal Pursuant to 28 U.S.C. 1292(b). *See Reichl v. Deaton*, Case No. 06-53 (5th Cir.). Deaton’s action was remanded to the Court for further proceedings.

On January 15, 2008, Deaton filed a Motion for Reconsideration of the Denial of His Motion to Dismiss In Light of the Supreme Court’s Decision in *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc.*,

² The Complaint named the following individuals and entities as defendants: (1) SOURCECORP; (2) Ed H. Bowman (SOURCECORP’s Chief Executive Officer); (3) Barry L. Edwards (SOURCECORP’s Chief Financial Officer); (4) Image Entry, Inc. (SOURCECORP’s wholly-owned subsidiary) (“Image Entry”); and (5) Bill D. Deaton (Image Entry’s founder and its President until approximately September 2004).

³ In November 2008, Cohen, Milstein, Hausfeld & Toll, P.L.L.C. changed its name to Cohen Milstein Sellers & Toll PLLC.

⁴ Due to the intervening United States Supreme Court’s decision *Dura Pharms., Inc. v. Broudo*, 125 S. Ct. 1627 (2005), Dale R. Templin was no longer an adequate Lead Plaintiff. On October 28, 2005, George Reichl filed a Motion to Join the Consolidated Action As a Named Plaintiff. Mr. Reichl also moved to amend the First Complaint for the sole purpose of adding himself as a Named Plaintiff. The Court granted Reichl’s motions on June 5, 2006.

128 S. Ct. 761 (2008) (the “Reconsideration Motion”). The Reconsideration Motion argued that *Stoneridge* precluded Named Plaintiff’s Section 10(b) and Rule 10b-5 claim against him because, as an officer of a SOURCECORP subsidiary, he made none of the allegedly false or misleading statements on which Plaintiffs allegedly relied in purchasing SOURCECORP securities. Named Plaintiff opposed Deaton’s Reconsideration Motion on February 25, 2008, and Deaton filed a reply on March 14, 2008. Deaton and Named Plaintiff thereafter filed several notices of supplemental authority alerting the Court to subsequent decisions interpreting and applying *Stoneridge*.⁵

In or around April 2008, while the Reconsideration Motion was pending, the Settling Parties agreed to resume settlement discussions. To assist in that effort, the parties engaged the Honorable Diane Welsh (Ret.) to serve as a mediator. Judge Welsh is a retired U.S. Magistrate Judge for the Eastern District of Pennsylvania and has also served on the Alternative Dispute Resolution Committee for that court. The parties attended mediation with the Hon. Diane Welsh on September 12, 2008, but were unable to reach settlement at that time. Thereafter, the Settling Parties continued their settlement negotiations. On or about September 25, 2008, the Settling Parties reached an agreement-in-principle to settle the Litigation. On October 27, 2008, the Settling Parties executed a memorandum of understanding (the “Memorandum of Understanding”) setting forth the principal terms of the settlement, subject to the drafting and execution of this Stipulation. The terms of this Stipulation are the product of arm’s-length settlement negotiations.

IV. CLAIMS OF THE NAMED PLAINTIFF AND BENEFITS OF SETTLEMENT

The Named Plaintiff believes that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims.⁶ However, Named Plaintiff and counsel for the Named Plaintiff recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Deaton through trial and appeals. Named Plaintiff and Lead Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Litigation, as well as the difficulties and delays inherent in such litigation. Named Plaintiff and Lead Counsel also are mindful of the inherent problems of proof and possible defenses to the claims asserted in the Litigation and the fact that there exists a possibility that the Class could receive nothing, or less than the settlement amount, even if they were to prevail at trial. Furthermore, in determining whether the settlement was in the best interests of the Class, Named Plaintiff and Lead Counsel took into consideration several additional issues, including the fact that all but one defendant had been dismissed from the Litigation – including the two corporate defendants. Thus, if Deaton’s Reconsideration Motion was granted, the Class would likely be without recourse. Similarly, because the two corporate defendants were dismissed from the Litigation – a decision that was affirmed by the United States Court of Appeals for the Fifth Circuit – there were also substantial concerns regarding Deaton’s ability to pay a larger judgment had one been entered against him after trial. This is especially true given Deaton’s inability to self-fund a meaningful settlement and the illiquid nature of his current investments. Likewise, because the two corporate defendants had been dismissed from the Litigation, there was also significant concern about the insurance carrier funding a settlement in this action. Therefore, Named Plaintiff and counsel for the Named Plaintiff believe that the settlement set forth in this Stipulation is fair, reasonable, and confers substantial benefits upon the Class.

⁵ On March 27, 2008, Harold M. Liberman, through Lead Counsel, filed a Motion to Amend the Operative Complaint to Join the Litigation as a Named Plaintiff. Deaton opposed the Motion to Amend on the ground that amending the complaint would be futile in light of the Supreme Court’s decision in *Stoneridge*. The Motion to Amend was still pending when the Settling Parties entered into the Memorandum of Understanding (defined below).

⁶ In drafting the Complaint, Lead Counsel hired a private investigator who interviewed several witnesses to the alleged wrongs at SOURCECORP, including many former employees of the Company. The Complaint mentions and describes no fewer than six of these “confidential witnesses.”

V. NO ADMISSION OF WRONGDOING OR LIABILITY BY DEATON

Deaton maintains that he has meritorious defenses to each and all of the claims and contentions made by Named Plaintiff in the Litigation. This Settlement shall in no event be construed as or deemed to be evidence or an admission or concession by Deaton with respect to any claim of any fault or liability or wrongdoing or damage whatsoever.

Nonetheless, Deaton has concluded that further litigation would be protracted, burdensome and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Deaton also has taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. Deaton has, therefore, determined that it is desirable and beneficial to him that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

VI. TERMS OF THE PROPOSED SETTLEMENT

Deaton has paid or caused to be paid into an escrow account, pursuant to the terms of the Stipulation, cash in the amount of \$3.0 million which has been earning and will continue to earn interest for the benefit of the Class.

A portion of the settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Lead Counsel as attorneys' fees and expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proof of Claim and Release forms.

VII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim and Release forms ("Authorized Claimants") under the Plan of Allocation proposed by Named Plaintiff. For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel has consulted with their damage consultants and they have developed the Plan of Allocation, which they believe reflects an assessment of the damages that they believe could have been recovered had Named Plaintiff prevailed at trial. Defendant has had, and shall have, no involvement or responsibility for the terms or application of the Plan of Allocation described herein. The Court may approve the settlement and Stipulation, even if it does not approve the Plan of Allocation of the settlement proceeds.

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. If, however, as expected, 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 – i.e., the Class member's *pro rata* share of the settlement. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The Plan of Allocation was developed based on event study analyses adjusted to reflect the outcome of discovery and the terms of the settlement. It is estimated that a total of 9.6 million shares have been damaged as a result of the claims set forth in the Complaint. However, some portion of these damaged shares (estimated to be at least 0.6 million shares) may not be entitled to recover damages as a result of the loss limitations set forth below.

Rule 10b-5 claims shall be available for all persons that purchased or acquired SOURCECORP common shares on or after May 4, 2001, and on or before October 26, 2004, and sold their shares on or after October 27, 2004, or have continued to hold their shares. Damages per share shall be determined based on the inflation in the share price at the date of purchase minus the inflation in share price at the date of sale. Inflation in the share price shall be determined by the price paid or received in each transaction multiplied by the inflation percentage applicable to the transaction date as set forth in Table 1. Table 1 is adjusted to reflect that portion of the declines in the share price of SOURCECORP shares that can be explained by identified events that revealed corrective information and reflect the assumed liability as determined by an event study by Named Plaintiff’s damages expert in consultation with Lead Counsel.

Table 1: Inflation as a Percentage of the Share Price During the Rule 10b-5 Class Period

Begin Date	End Date	Inflation Percent	Avg. Closing Price per Share	Avg. Value per Share	Avg. Inflation per Share
4-May-01	9-May-01	7.6%	36.55	33.78	2.77
10-May-01	20-Feb-02	9.8%	35.74	32.22	3.52
21-Feb-02	6-Aug-02	12.9%	26.68	23.23	3.44
7-Aug-02	19-Feb-03	16.9%	19.44	16.15	3.29
20-Feb-03	7-May-03	18.9%	14.65	11.88	2.78
8-May-03	18-Feb-04	36.6%	23.78	15.08	8.70
19-Feb-04	6-May-04	38.3%	26.61	16.43	10.18
7-May-04	5-Aug-04	33.5%	25.32	16.85	8.47
6-Aug-04	26-Oct-04	31.3%	22.50	15.46	7.04
27-Oct-04	18-Jan-05	4.5%	17.62	16.84	0.79
19-Jan-05	Current	0.0%	17.55	17.55	-

Damages per share shall be further limited by the PSLRA by the following limitations: (i) if a share was sold prior to January 24, 2005, then damages per share shall not exceed the difference between the purchase price and the selling price; (ii) if a share was sold on or between October 27, 2004 and January 24, 2005, then damages per share shall not exceed the purchase price minus the average closing price on the date of sale as set forth in Table 2; and, (iii) if a share was not sold before January 24, 2005, then damages per share shall not exceed the purchase price per share minus \$17.62.

Table 2: Average Closing Prices for the 90 Days After the Class Period

Sale Date	Closing Price per Share	Avg. Closing Price per Share
10/27/2004	16.25	16.25
10/28/2004	17.09	16.67
10/29/2004	16.78	16.71
11/1/2004	16.90	16.76
11/2/2004	17.01	16.81
11/3/2004	17.09	16.85
11/4/2004	17.09	16.89
11/5/2004	16.94	16.89
11/8/2004	16.89	16.89
11/9/2004	17.00	16.90
11/10/2004	17.21	16.93
11/11/2004	17.14	16.95
11/12/2004	17.36	16.98
11/15/2004	17.28	17.00
11/16/2004	16.97	17.00
11/17/2004	17.26	17.02
11/18/2004	17.00	17.02
11/19/2004	16.68	17.00

Sale Date	Closing Price per Share	Avg. Closing Price per Share
11/22/2004	16.49	16.97
11/23/2004	16.28	16.94
11/24/2004	16.40	16.91
11/26/2004	16.13	16.87
11/29/2004	17.00	16.88
11/30/2004	16.63	16.87
12/1/2004	17.00	16.87
12/2/2004	17.02	16.88
12/3/2004	16.86	16.88
12/6/2004	17.44	16.90
12/7/2004	17.45	16.92
12/8/2004	17.48	16.94
12/9/2004	17.69	16.96
12/10/2004	17.47	16.98
12/13/2004	17.50	16.99
12/14/2004	17.50	17.01
12/15/2004	17.07	17.01
12/16/2004	17.07	17.01
12/17/2004	17.44	17.02
12/20/2004	17.74	17.04
12/21/2004	18.15	17.07
12/22/2004	18.71	17.11
12/23/2004	18.86	17.15
12/27/2004	18.39	17.18
12/28/2004	19.63	17.24
12/29/2004	19.22	17.29
12/30/2004	18.98	17.32
12/31/2004	19.11	17.36
1/3/2005	18.63	17.39
1/4/2005	18.45	17.41
1/5/2005	18.77	17.44
1/6/2005	19.00	17.47
1/7/2005	18.68	17.49
1/10/2005	18.55	17.51
1/11/2005	18.43	17.53
1/12/2005	18.40	17.55
1/13/2005	18.57	17.57
1/14/2005	19.15	17.59
1/18/2005	19.20	17.62
1/19/2005	18.13	17.63
1/20/2005	17.45	17.63
1/21/2005	17.37	17.62
1/24/2005	17.23	17.62

For Class Members who held shares at the beginning of the Class Period, or who made multiple purchases, acquisitions or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases and sales for purposes of calculating a claim. Under the FIFO method, shares sold during the Class Period will be matched first against shares held at the beginning of the Class Period. The sale of any remaining shares during the Class Period will then be matched in chronological order against shares purchased during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in SOURCECORP common stock during the Class Period are subtracted from all losses.

VIII. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT

On March 23, 2009, the Court certified a Class for settlement purposes only. The Judgment, defined in Section XI below, will finally certify the Class.

IX. PARTICIPATION IN THE CLASS

If you fall within the definition of the Class, you will be bound by any judgment entered with respect to the settlement in the Litigation and any release of your claims pursuant thereto, whether or not you file a Proof of Claim and Release. In addition, if you are a member of the Class, you will automatically be represented by Lead Counsel. If you choose, however, you may enter an appearance individually or through your own counsel at your own expense.

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim and Release must be postmarked on or before July 20, 2009, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim and Release, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment, including the release of claims.

X. EXCLUSION FROM THE CLASS

You may request to be excluded from the Class. To do so, you must mail a written request to:

In re SOURCECORP, Inc. Securities Litigation EXCLUSIONS
c/o Analytics, Inc., Claims Administrator
P.O. Box 2003
Chanhassen, MN 55317-2003

The request for exclusion must state: (1) your name, address, and telephone number; (2) all of your purchases, acquisitions and sales of SOURCECORP common stock made during the Class Period, including the dates of purchase, acquisition or sale, the number of SOURCECORP shares and price paid or received per share for each such purchase, acquisition or sale; and (3) that you wish to be excluded from the Class. **TO BE VALID, A REQUEST FOR EXCLUSION MUST STATE ALL OF THE FOREGOING INFORMATION; AND YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE June 23, 2009.** If you submit a valid and timely request for exclusion, you shall have no rights under the settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Judgment.

XI. DISMISSAL AND RELEASES

If the proposed settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (“Judgment”). The Judgment will dismiss the Released Claims with prejudice as to Defendant.

The Judgment will provide that all Class Members who do not validly and timely request to be excluded from the Class shall be deemed to have released and forever discharged, and be barred from prosecuting, all Released Claims (to the extent Members of the Class have such claims) against all Released Persons.

The Court may approve the settlement with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the Class.

XII. APPLICATION FOR FEES, EXPENSES AND AWARDS

At the Settlement Hearing, Lead Counsel will request the Court to award attorneys' fees not to exceed 33% of the Settlement Fund, plus expenses not expected to exceed \$150,000, which were incurred in connection with the Litigation, plus interest thereon. There will also likely be additional administrative fees incurred in managing the settlement. Class Members are not personally liable for any such fees, expenses or compensation.

To date, Lead Counsel has not received any payment for the time and services in conducting this Litigation on behalf of Named Plaintiff and the Members of the Class, nor has counsel been reimbursed for their out-of-pocket expenses. The fee to be awarded by the Court to Lead Counsel would compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis. Lead Counsel believes the fee requested is within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

XIII. CONDITIONS FOR SETTLEMENT

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment, or affirmance of the Judgment upon any such appeal. The Settling Parties have also entered into a confidential Supplemental Agreement which gives Deaton the ability to terminate the settlement if a certain aggregate number of shares of SOURCECORP common stock purchased during the Class Period by potential Class Members who would otherwise be entitled to participate as members of the Class, but who validly request exclusion, equals or exceeds a particular percentage. If, for any reason, any one of the conditions described in the Stipulation are not met, the Stipulation might be terminated by any of the parties; and, if terminated, the Stipulation will become null and void, and the parties to the Stipulation will be restored, without prejudice, to their respective positions as of September 25, 2008.

XIV. THE RIGHT TO BE HEARD AT THE HEARING

Any Class Member who has not validly and timely requested to be excluded from the Class, and who objects to any aspect of the settlement, the Plan of Allocation, or the application for attorneys' fees and expenses, may appear and be heard at the Settlement Hearing. Any such person must submit a written notice of objection such that it is received on or before June 23, 2009, by each of the following:

CLERK OF THE COURT	<i>Counsel for Plaintiffs:</i>	<i>Counsel for Defendant:</i>
UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS DALLAS DIVISION United States Courthouse 1100 Commerce Street, Room 1452 Dallas, Texas 75242	COHEN MILSTEIN SELLERS & TOLL PLLC HERBERT E. MILSTEIN 1100 New York Avenue, N.W. Suite 500, West Tower Washington, DC 20005	WILMER HALE LLP JOHN VALENTINE 1875 Pennsylvania Avenue, N.W. Washington, D.C. 20006

The notice of objection must demonstrate the objecting person's membership in the Class, including the number of shares of SOURCECORP common stock purchased or acquired and sold during the Class Period, and contain a statement of the reasons for objection and the name of any counsel who may be representing such person. Only Members of the Class who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

XV. SPECIAL NOTICE TO NOMINEES

If you hold or held any SOURCECORP common stock purchased or acquired during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim and Release by first class mail to all such persons; or (2) provide a list of the names and addresses of such persons to the Claims Administrator:

In re SOURCECORP, Inc. Securities Litigation
c/o Analytics, Inc., Claims Administrator
P.O. Box 2003
Chanhasen, MN 55317-2003

If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for, or advancement of, reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and Release and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim and Release, upon submission of appropriate documentation to the Claims Administrator.

XVI. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation or the Litigation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court and the record of the Litigation, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, Northern District of Texas, Dallas Division, 1100 Commerce Street, Dallas, Texas.

If you have any questions about the settlement of the Litigation, you may contact Lead Counsel:

Herbert E. Milstein
COHEN MILSTEIN SELLERS & TOLL PLLC
1100 New York Avenue, N.W.
West Tower, Suite 500
Washington, DC 20005

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: MARCH 23, 2009

**BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**