

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

In re SOURCECORP SECURITIES
LITIGATION

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

CLASS ACTION

This Document Relates To:

ALL ACTIONS.

STIPULATION OF SETTLEMENT

This Stipulation of Settlement dated as of January 30, 2009 (the “Stipulation”), is made and entered into by and among the following Settling Parties (as defined further in ¶1.23 hereof), by and through their respective counsel of record in the above-captioned litigation: (i) the Named Plaintiff (on behalf of himself and each of the Class Members); and (ii) defendant Bill D. Deaton (“Deaton”). This Stipulation states all the terms of the settlement of the above-captioned litigation and is intended by the Settling Parties to fully, finally and forever resolve, release, discharge, dismiss and settle, with prejudice, the Released Claims (as defined in ¶1.19 hereof), upon and subject to the terms and conditions hereof.

I. 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 (as defined in ¶1.15 hereof) who purchased and/or acquired SOURCECORP, Inc. (“SOURCECORP” or the “Company”) securities on and between May 7, 2003 and October 27, 2004:¹

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);
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

¹ Plaintiffs later extended the “Class Period” alleged in the operative complaint to include from May 3, 2001 to October 27, 2004, inclusive.

Violation of the Federal Securities Laws filed October 28, 2005. The Complaint alleges claims for violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 (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

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. Brouda*, 125 S. Ct. 1627 (2005), Dale R. Templin was no longer an adequate Lead Plaintiff. Therefore, 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.

dismiss of 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.

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 back 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.*, 128 S. Ct. 761 (2008) (the "Reconsideration Motion"). The Reconsideration Motion argued that *Stoneridge* precluded Plaintiffs' 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. Plaintiffs opposed Deaton's Reconsideration Motion on February 25, 2008, and Deaton filed a reply on March 14, 2008. Deaton and Plaintiffs thereafter filed several notices of supplemental authority alerting the Court to subsequent decisions interpreting and applying *Stoneridge*.⁵

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

In or around April 2008, while the Reconsideration Motion was still 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. The parties attended mediation with the Honorable Diane Welsh (Ret.) 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.

II. NO ADMISSION OF WRONGDOING OR LIABILITY

Deaton maintains that he has meritorious defenses to each and all of the claims and contentions made by the Named Plaintiff in the Litigation. Deaton believes that Named Plaintiff has developed no evidence to date to support the claims and contentions made by the Named Plaintiff in this Litigation. This Stipulation 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 this Stipulation. Deaton also has taken into account the uncertainty and risks inherent in any litigation, especially in complex

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).

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 this Stipulation.

III. 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. 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 counsel for the Named Plaintiff 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 counsel for the Named Plaintiff 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. Named Plaintiff and counsel for the Named Plaintiff believe that the settlement set forth in this Stipulation confers substantial benefits upon the Class.

Based on their evaluation, counsel for the Named Plaintiff has determined that the settlement set forth in this Stipulation is fair, reasonable and in the best interests of the Named Plaintiff and the Class.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Named Plaintiff (for himself and on behalf of the Class Members) and Deaton, by and through their respective counsel or attorneys of record, that, subject to the occurrence of the events and

conditions set forth in ¶8.1 below, the Litigation, the Released Claims and all matters encompassed within the scope of any releases set forth herein, shall be finally and fully compromised, settled and released, and the Litigation shall be dismissed with prejudice and without costs (except as provided herein), as to all Settling Parties and all Released Persons, upon and subject to the terms and conditions of this Stipulation, as follows.

1. Definitions

As used in this Stipulation, the following terms have the meanings specified below:

1.1 “Authorized Claimant” means any Claimant whose claim for recovery has been allowed, in whole or in part, pursuant to the terms of this Stipulation.

1.2 “Claimant” means any Class Member who files a Proof of Claim and Release in such form and manner, and within such time, as the Court shall prescribe.

1.3 “Claims Administrator” means Analytics, Inc.

1.4 “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, 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.

1.5 “Class Member” or “Member of the Class” means a Person who falls within the definition of the Class as set forth in ¶1.4 of this Stipulation.

1.6 “Class Period” means the period commencing on May 3, 2001 to October 27, 2004, inclusive.

1.7 “Deaton” and “Defendant” mean Bill D. Deaton.

1.8 “Effective Date” means the first date by which all of the events and conditions specified in ¶8.1 of this Stipulation have been met and have occurred.

1.9 “Escrow Agent” means Cohen Milstein Sellers & Toll PLLC or its designee.

1.10 “Final” means when the last of the following with respect to the Judgment approving this Stipulation, substantially in the form of Exhibit B hereto, shall occur: (i) the expiration of two (2) business days after the time to file a motion to alter or amend the Judgment under Federal Rule of Civil Procedure 59(e) has passed without any such motion having been filed; (ii) the expiration of two (2) business days after the time in which to appeal the entry of the Judgment has passed without any appeal having been taken (which date shall be deemed to be thirty-two (32) days following the entry of the Judgment, unless the date to take such an appeal shall have been extended by Court order or otherwise, or unless the thirty-second (32nd) day falls on a weekend or a Court holiday, in which case the date for purposes of this Stipulation shall be deemed to be the next business day after such thirty-second (32nd) day; and (iii) if such motion to alter or amend is filed or if an appeal is taken, two (2) business days after an order is entered conclusively determining any and all such motions and/or appeals in such a manner as to permit the consummation of the settlement substantially in accordance with the terms and conditions of this Stipulation, and such order is no longer subject to further appeal or review, whether by affirmance, lapse of time or otherwise. For purposes of this paragraph, an “appeal”

shall include any petition for a writ of certiorari or other writ that may be filed in connection with approval or disapproval of this settlement, but shall not include any appeal which concerns only the issue of attorneys' fees and reimbursement of costs and disbursements awarded to Lead Counsel or any Plan of Allocation of the Settlement Fund, as hereinafter defined.

1.11 "Judgment" means the judgment and order of dismissal with prejudice to be entered by the Court, substantially in the form attached hereto as Exhibit B.

1.12 "Lead Counsel" means Cohen Milstein Sellers & Toll PLLC, 1100 New York Avenue, N.W., West, Suite 500, Washington, D.C. 20005, Telephone (202) 408-4600.

1.13 "Named Plaintiff" means George Reichl.

1.14 "Notice" means (a) the Notice of Pendency and Proposed Settlement of Class Action and (b) the Summary Notice, substantially in the forms attached as Exhibits A-1 and A-3 hereto.

1.15 "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.

1.16 "Plaintiffs" means all plaintiffs who have personally appeared in the Litigation through counsel.

1.17 "Plaintiffs' Counsel" means all counsel who have appeared for any of the Plaintiffs in the Litigation, including, but not limited to, Lead Counsel.

1.18 “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment from the Settlement Fund of expenses of notice and administration of the settlement, Taxes and Tax Expenses, and such attorneys’ fees, expenses and interest as may be awarded by the Court. Any Plan of Allocation is not part of this Stipulation and Deaton and the Released Persons shall have no opinion, responsibility or liability with respect thereto. It is not a condition of this Stipulation that any particular Plan of Allocation be approved.

1.19 “Released Claims” shall collectively mean any and all manner of claims (including Unknown Claims as defined in ¶1.24 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 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)) and the Securities Act of 1933, 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.

1.20 “Released Persons” means (i) 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 listed in this 1.20(i) and (ii), 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, co-insurers, reinsurers, and associates, whether or not such Persons or entities were named, served with process or appeared in the Complaint.

1.21 “Settlement Fund” means the principal amount of three million dollars (\$3,000,000) in cash to be paid to the Escrow Agent pursuant to ¶2.1 of this Stipulation, plus interest thereon.

1.22 “Settled Defendant’s Claims” means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any

other law, rule or regulation, including both known claims and Unknown Claims (as defined herein), that have been or could have been asserted in the Litigation or any forum by Deaton, his successors or assigns against the Named Plaintiff, any of the Class Members or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Litigation.

1.23 “Settling Parties” means defendant Bill D. Deaton (on behalf of himself and the Released Persons) and the Named Plaintiff (on behalf of himself and the Class Members).

1.24 “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 this 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 this 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, expressly 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.

2. The Settlement

a. The Settlement Fund

2.1 (a) The principal amount of \$3,000,000 in cash plus any interest thereon shall constitute the Settlement Fund. The Settlement Fund is to be transferred to the Escrow Agent within five (5) business days following receipt by Deaton's counsel of the Order preliminarily approving the settlement (the "funding date"). Interest on the Settlement Fund will begin accruing on the funding date and will be for the sole benefit of the Class. If the Settlement Fund

is not deposited in the escrow account by the funding date, Deaton will pay interest on the full amount of the Settlement Fund at the applicable rate for the escrow account until the Settlement Fund is deposited. Deaton shall pay such interest, if any, within five (5) business days of the date on which the Settlement Fund is deposited. Payment of the Settlement Fund, as set forth in ¶1.21, completely satisfies all payment obligations of Deaton under this Stipulation. In no event shall Deaton or any other Released Person have any obligation to make any other payment to or for the benefit of Plaintiffs; Plaintiffs' Counsel; the Class or any Class Member; counsel for any Class Member, or any Plaintiff's or Class Member's experts, consultants, agents or representatives; or the Claims Administrator under this Stipulation.

(b) Notwithstanding any other provision of this Stipulation, including the foregoing ¶2.1(a), Deaton's obligation to pay the Settlement Fund (plus interest, if applicable) is wholly contingent upon Deaton's insurance carrier making its agreed-upon contribution to the funding of this settlement pursuant to the terms of a written agreement entered into between Deaton and his insurance carrier. If, within forty-five (45) days of the funding date, Deaton has not received that contribution, Deaton shall provide written notice thereof to counsel for the Named Plaintiff and to the Court, whereupon (i) this Stipulation shall be terminated and the settlement terms described herein shall have no effect, and (ii) the Settling Parties and Released Persons shall be restored, without prejudice, to their respective positions in the Litigation as of September 25, 2008 in accordance with ¶8.5, except that the parties may agree to reasonable and necessary extensions of the foregoing forty-five (45) day period with the Court's approval.

b. The Escrow Agent

2.2 The Escrow Agent will invest the Settlement Fund, deposited pursuant to ¶2.1, in instruments backed by the full faith and credit of the United States Government or fully insured

by the United States Government or an agency thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments at their then-current market rates. The Escrow Agent shall bear all risks or liabilities related to investment of the Settlement Fund.

2.3 The Escrow Agent shall not disburse the Settlement Fund except as provided in this Stipulation, by an order of the Court, or with the written agreement of counsel for Deaton and Lead Counsel.

2.4 Subject to further order and/or directions as may be made by the Court, the Escrow Agent is authorized to execute such transactions on behalf of the Class Members as are consistent with the terms of this Stipulation.

2.5 All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to this Stipulation and/or further order(s) of the Court.

2.6 Upon receipt of the principal amount of the Settlement Fund, the Escrow Agent may establish a "Class Notice and Administration Fund," and may deposit up to \$150,000 from the Settlement Fund in it. That amount in the Class Notice and Administration Fund may be used prior to the Effective Date by the Escrow Agent to pay costs and expenses reasonably and actually incurred in connection with providing notice to the Class, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms and paying escrow fees and costs, if any. The Class Notice and Administration Fund may also be invested and earn interest as provided for in ¶2.2 of this Stipulation. Any unused portion of the Class Notice and Administration Fund shall be returned to the Settlement Fund.

c. Taxes

2.7 (a) Settling Parties and the Escrow Agent agree to treat the Settlement Fund as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. § 1.46813-1. In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out the provisions of this ¶2.7, including the “relation-back election” (as defined in Treas. Reg. § 1.46881) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur. Deaton shall have no obligations with respect thereto, other than execution of necessary documentation.

(b) For the purpose of §46813 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the “administrator” shall be the Escrow Agent. The Escrow Agent shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. §1.46813-2(k)). Such returns (as well as the election described in ¶2.7(a) hereof) shall be consistent with this ¶2.7 and in all events shall reflect that all Taxes (including any estimated Taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in ¶2.7(c) hereof. Deaton shall have no obligations with respect thereto, other than execution of necessary documentation.

(c) All (a) Taxes (including any estimated Taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments that may be imposed upon Deaton, the Released Persons or counsel for any of them with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund

does not qualify as a “qualified settlement fund” for federal or state income tax purposes (“Taxes”), and (b) expenses and costs incurred in connection with the operation and implementation of this ¶2.7 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this ¶2.7) (“Tax Expenses”), shall be paid out of the Settlement Fund; in all events, Deaton, the Released Persons and counsel for each of them shall have no liability or responsibility for the Taxes or the Tax Expenses or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. The Escrow Agent shall indemnify and hold Deaton, the Released Persons and counsel for each of them harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification) or other liabilities under this ¶2.7. Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be timely paid by the Escrow Agent out of the Settlement Fund without prior order from the Court; and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. § 1.468B-2(1)(2)); neither Deaton, the other Released Persons nor counsel for any of them are responsible nor shall they have any liability therefore or for any reporting requirements that may relate thereto. The Settling Parties hereto agree to cooperate with the Escrow Agent, each other and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this ¶2.7.

(d) For the purpose of this ¶2.7 and of ¶2.8, references to the Settlement Fund shall include both the Settlement Fund and the Class Notice and Administration Fund and shall also include any earnings thereon.

d. Termination of Settlement

2.8 In the event that this Stipulation is not approved, or is terminated, canceled or fails to become effective for any reason, including by vacation, modification or reversal on appeal or other review of the entry of the Judgment, the Settlement Fund less expenses actually incurred or due and owing pursuant to ¶2.6 and ¶2.7 shall be refunded to Deaton and/or his designees as described in ¶8.4 below.

3. Notice Order and Settlement Hearing

3.1 Promptly after execution of this Stipulation, Lead Counsel shall submit this Stipulation together with its Exhibits to the Court and shall apply for entry of an order (the “Notice Order”), substantially in the form of Exhibit A attached hereto, providing for, *inter alia*, the certification of a class for settlement purposes only, the preliminary approval of the settlement set forth in this Stipulation and approval for the mailing and publication of the “Notice,” substantially in the forms of Exhibits A-1 and A-3 hereto.

3.2 Lead Counsel shall request that, after Notice is given and the Claims Administrator provides the Settling Parties with an affidavit attesting to distribution of the Notice, the Court hold a hearing (the “Settlement Hearing”) and approve the settlement of the Litigation on the terms and conditions as set forth herein. At or after the Settlement Hearing, Lead Counsel also will request that the Court approve the proposed Plan of Allocation and the Fee and Expense Application.

3.3 At the Settlement Hearing, the Settling Parties shall jointly request entry of a Judgment, substantially in the form attached hereto as Exhibit B.

3.4 If this Stipulation is terminated, canceled or fails to become effective for any reason, including termination by Deaton as set forth in ¶2.1(b) or by vacation, modification or reversal on appeal or other review of the entry of the Judgment, or if the Effective Date for any reason does not occur, the certification of the Class shall automatically be vacated, without prejudice to any party's positions, *nunc pro tunc*. If this occurs, neither this Stipulation nor any order of this Court certifying the Class will be binding on any of the Settling Parties; Deaton may oppose and assert any and all objections to certification of any class or subclass sought by any party to the Litigation; and neither Named Plaintiff nor any member of the putative Class may or will use the fact of Deaton's execution of this Stipulation consenting to certification of a class for settlement purposes as a basis to argue that Deaton has in any way circumscribed or compromised his ability to oppose, for any reason, certification of a class other than for purposes of this settlement.

4. **Releases**

4.1 Upon the Effective Date, as defined in ¶1.8 hereof, the Named Plaintiff and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged all Released Claims (including Unknown Claims) and any and all claims arising out of, relating to or in connection with the settlement or resolution of the Litigation (other than claims to enforce rights and obligations under this Stipulation and the Judgment) against each and all of the Released Persons, whether or not such Class Member executes and delivers the Proof of Claim and Release.

4.2 Only those Class Members filing valid and timely Proof of Claim and Release forms shall be entitled to participate in the settlement and receive a distribution from the Settlement Fund. The Proof of Claim and Release to be executed by Class Members shall release all Released Claims (including Unknown Claims) against the Released Persons and shall be substantially in the form contained in Exhibit A-2 hereto. All Class Members shall be bound by the releases set forth in this §IV whether or not they submit a valid and timely Proof of Claim and Release and whether or not such Proof of Claim is accepted or rejected, in whole or in part.

4.3 Upon the Effective Date, as defined in ¶1.8 hereof, each of the Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally and forever released, relinquished and discharged Named Plaintiff, Lead Counsel, and any confidential witnesses referenced in the Litigation from all claims (including Unknown Claims) relating to, arising out of or in connection with the institution, prosecution, assertion, settlement or resolution of the Litigation or the Released Claims.

4.4 Deaton, on behalf of himself and his successors and assigns, shall release and forever discharge each and every of the Settled Defendant's Claims, and shall forever be enjoined from prosecuting the Settled Defendant's Claims.

4.5 The Parties to this Stipulation intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by the Class Members against the Released Parties with respect to the Released Claims. Accordingly, Named Plaintiff, on behalf of himself and the Class, and Defendant, agree not to assert in any forum that the Litigation was brought by Named Plaintiff or defended by Defendant in bad faith or without a reasonable basis. The Parties hereto shall assert no claims of any violation of Rule 11 of the Federal Rules of Civil Procedure relating to the prosecution, defense, or settlement of the Litigation. The Parties agree

that the amount paid and the other terms of this settlement were negotiated at arm's length in good faith by the Parties, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

5. Administration and Calculation of Claims, Final Awards and Supervision and Distribution of the Settlement Fund

5.1 The Court-appointed Claims Administrator, acting on behalf of the Class, and subject to such supervision and direction of the Court and Lead Counsel (as may be necessary or as circumstances may require), shall administer and calculate the claims submitted by Class Members and shall oversee distribution of the Net Settlement Fund (defined below) to Authorized Claimants.

5.2 The Settlement Fund shall be applied as follows:

(a) to pay all the expenses reasonably and actually incurred in connection with providing notice, identifying and locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund (defined below) to Authorized Claimants, processing Proof of Claim and Release forms and paying escrow fees and costs, if any;

(b) to pay the Taxes and Tax Expenses described in ¶2.7 hereof;

(c) to pay Lead Counsel's attorneys' fees and expenses with interest thereon (the "Fee and Expense Award"), if and to the extent allowed by the Court; and

(d) to distribute the balance of the Settlement Fund (the "Net Settlement Fund") to Authorized Claimants as allowed by this Stipulation, the Plan of Allocation or the Court.

5.4 For purposes of determining the extent, if any, to which a Class Member shall be entitled to be treated as an Authorized Claimant, the following conditions shall apply:

(a) Each Class Member shall be required to submit a Proof of Claim, supported by such documents as are designated therein, including proof of the transactions claimed and the losses incurred thereon, or such other documents or proof as the Claims Administrator, in its discretion, may deem acceptable;

(b) All Proofs of Claim must be submitted by the date specified in the Notice, unless such period is extended by Order of the Court. Any Class Member who fails to submit a Proof of Claim by such date shall be forever barred from receiving any payment pursuant to this Stipulation (unless, by Order of the Court, a later submitted Proof of Claim by such Class Member is approved), but shall in all other respects be bound by all of the terms of this Stipulation of Settlement, including the terms of the Judgment with prejudice to be entered in the Litigation and the releases and discharges provided for herein, and will be barred from bringing any action against the Released Parties concerning the Released Claims. Provided that it is received before the motion for the Class Distribution Order (defined below) is filed, a Proof of Claim shall be deemed to have been submitted when posted, if received with a postmark indicated on the envelope and if mailed by first-class mail and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator;

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, who shall determine in accordance with this Stipulation and the approved Plan of Allocation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph (e) below;

(d) Proofs of Claim that do not meet the submission requirements may be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall communicate

with the Claimant in order to attempt to remedy the curable deficiencies in the Proofs of Claim submitted. The Claims Administrator shall notify, in a timely fashion and in writing, each Claimant whose Proofs of Claim they propose to reject in whole or in part, setting forth the reasons therefor, and shall indicate in such notice that the Claimant whose claim is to be rejected has the right to a review by the Court if the Claimant so desires and complies with the requirements of subparagraph (e) below;

(e) If any Claimant whose claim has been rejected in whole or in part desires to contest such rejection, the Claimant must, within twenty (20) days after the date of mailing of the notice required in subparagraph (d) above, serve upon the Claims Administrator a notice and statement of reasons indicating the Claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court; and

(f) The administrative determinations of the Claims Administrator accepting and rejecting claims shall be presented to the Court, on notice to Deaton's Counsel, for approval by the Court in the Class Distribution Order (defined below).

(g) Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the Claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that Claimant's status as a Class Member and the validity and amount of the Claimant's claim. No discovery shall be allowed on the merits of the Litigation or Settlement in connection with processing of the Proofs of Claim.

5.3 Payment pursuant to this Stipulation shall be deemed final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment with prejudice to be entered in the Litigation and the releases and discharges provided for herein, and will be barred from bringing any action against the Released Parties concerning the Released Claims.

5.4 The Net Settlement Fund shall be distributed to the Authorized Claimants substantially in accordance with a Plan of Allocation described in the Notice and approved by the Court. The Net Settlement Fund shall be distributed to Authorized Claimants by the Claims Administrator only after the Effective Date and after: (i) all Claims have been processed, and all Claimants whose Claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to be heard concerning such rejection or disallowance; (ii) all objections with respect to all rejected or disallowed claims have been resolved by the Court, and all appeals therefrom have been resolved or the time therefor has expired; (iii) all matters with respect to attorneys' fees, costs, and disbursements have been resolved by the Court, all appeals therefrom have been resolved or the time therefor has expired; and (iv) all costs of administration have been paid. If there is any balance remaining in the Net Settlement Fund after six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise), Lead Counsel may reallocate such balance among Authorized Claimants in an equitable and economic fashion if economically feasible and reasonable. Thereafter, with Court approval, any balance which still remains in the Net Settlement Fund may be donated to an appropriate non-profit organization.

5.5 Neither Deaton nor the other Released Persons nor their respective counsel shall have any responsibility for, interest in (except as provided in ¶¶2.8, 6.2, 8.4, 8.5 and 8.6 hereof) or liability whatsoever with respect to the investment or distribution of the Settlement Fund, the Plan of Allocation, the determination, administration or calculation of claims, the payment or withholding of Taxes or any losses incurred in connection therewith. No Person shall have any claim of any kind against Deaton and/or the other Released Persons with respect to the matters set forth in this ¶5, and the Class Members and Lead Counsel hereby fully, finally and forever release, relinquish and discharge Deaton, the other Released Persons and their counsel from any and all liability arising from or with respect to the management, investment, costs, expenses, tax payments, administration, allocation, payment and distribution of the Settlement Fund.

5.6 Lead Counsel will apply to the Court, on notice to Defendants' Counsel, for an order (the "Class Distribution Order") approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the claims submitted herein and approving any fees and expenses not previously applied for, including the fees and expenses of the Claims Administrator, and, if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants.

5.7 No Person shall have any claim against Lead Counsel, Named Plaintiff or any claims administrator, or Deaton, the other Released Persons, or their respective counsel, based on the distributions made substantially in accordance with this Stipulation and the settlement contained herein, the Plan of Allocation, and further orders of the Court.

5.8 It is understood and agreed by the Settling Parties that any proposed Plan of Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an Authorized Claimant's claim set forth therein, is not a part of this Stipulation and is to be

considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the settlement set forth in this Stipulation, and any order or proceeding relating to the Plan of Allocation shall not operate to terminate or cancel this Stipulation or affect the releases set forth herein or the finality of the Court's Judgment approving this Stipulation and the settlement set forth herein, or any other orders entered pursuant to this Stipulation. Deaton shall also take no position regarding the Plan of Allocation.

5.9 All proceedings with respect to the administration, processing and determination of claims described by ¶5 of this Stipulation and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court.

6. Opt-Out Termination Right

Deaton may terminate this settlement if potential Class Members who in total hold that certain percentage specified in a Supplemental Agreement dated January 29, 2009 of the shares of SOURCECORP common stock purchased during the Class Period exclude themselves from the Class. In the event of a termination by Deaton, this Stipulation shall become null and void and of no further force and effect and the provisions of ¶8 shall apply. If Deaton elects to terminate this settlement pursuant to this paragraph, he must send written notice of such termination to Lead Counsel within five (5) business days after his receipt of notice that the last opt out is filed that would exceed the stated opt-out threshold, or the option is waived.

7. Attorneys' Fees and Expenses

7.1 Lead Counsel may submit to the Court for approval an application or applications (the "Fee and Expense Application") for distributions to Lead Counsel from the Settlement Fund for: (a) an award of attorneys' fees; plus (b) expenses, including the fees of any experts or

consultants, incurred in connection with prosecuting the Litigation, plus any interest on such attorneys' fees and expenses at the same rate and for the same periods as earned by the Settlement Fund (until paid) as may be awarded by the Court (the "Fee and Expense Award"). Lead Counsel reserves the right to make additional applications to the Court for fees and expenses incurred, provided, however, that any award of any such additional fees and expenses may be made and shall be paid only from the Settlement Fund, and in no event shall any Released Person have any obligation to pay or provide any funds to satisfy any such award, in whole or in part. It is not a condition of this Stipulation that any particular fees or expenses be awarded by the Court.

7.2 The attorneys' fees and expenses, as awarded by the Court, shall be paid to Lead Counsel from the Settlement Fund, as ordered, immediately after the Court enters an order awarding such fees and expenses, if so ordered by the Court. Lead Counsel shall thereafter allocate the attorneys' fees amongst Plaintiffs' Counsel in a manner in which Lead Counsel in good faith believe reflects the contributions of such counsel to the prosecution and settlement of the Litigation. Deaton shall take no position on the allocation of attorneys' fees amongst Plaintiffs' counsel. In the event that the Effective Date does not occur, or the Judgment or the order making the Fee and Expense Award is reversed or modified, or this Stipulation is canceled or terminated for any other reason, and in the event that the Fee and Expense Award has been paid to any extent, then within twenty (20) business days from receiving notice from Deaton's counsel or from a court of appropriate jurisdiction, Plaintiffs' Counsel shall refund to the Settlement Fund the fees and expenses previously paid to them from the Settlement Fund plus interest thereon at the same rate as earned on the Settlement Fund in an amount consistent with such reversal or modification, and Lead Counsel shall identify all Plaintiffs' Counsel that were

paid fees and expenses from the Settlement Fund, provide the contact information for such Plaintiffs' Counsel, and identify the specific amount of fees and expenses paid to each from the Settlement Fund. Each such Plaintiffs' Counsel's law firm, as a condition of receiving such fees and expenses, on behalf of itself and each partner and/or shareholder of it, agrees (a) that each such law firm and its partners and/or shareholders shall be subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this ¶7.2, and (b) that the Court may, upon application of Deaton, summarily issue orders and take whatever other actions it deems appropriate, including, without limitation, issuing judgments and attachment orders and making appropriate findings of and/or sanctions for contempt, against such law firms should any such law firm fail timely to repay fees and expenses pursuant to this ¶7.2.

7.3 The procedure for and the allowance or disallowance by the Court of any applications by Lead Counsel for attorneys' fees and expenses, including the fees of experts and consultants, to be paid out of the Settlement Fund, are not part of the settlement set forth in this Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the settlement set forth in this Stipulation, and any order or proceeding relating to the Fee and Expense Application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Stipulation, or affect or delay the finality of the Judgment approving this Stipulation and the settlement of the Litigation set forth herein.

7.4 Deaton and the Released Persons shall have no responsibility for, and no liability whatsoever with respect to, any payment to Lead Counsel and/or any Plaintiffs' Counsel from the Settlement Fund.

7.5 Deaton and the other Released Persons shall have no responsibility for, and no liability whatsoever with respect to the allocation among Plaintiffs' Counsel, and/or any other Person who may assert some claim thereto, of any Fee and Expense Award that the Court may make in the Litigation, and Deaton and the other Released Persons take no position with respect to such matters. Deaton and the other Released Persons also shall take no position regarding any Plan of Allocation of settlement proceeds to settlement class members.

8. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

8.1 The Effective Date of this Stipulation shall be conditioned on the following:

(a) Deaton shall have timely made or caused to be made the contributions to the Settlement Fund, pursuant to ¶2.1 hereof;

(b) the Court shall have entered the Notice Order substantially in the form attached hereto as Exhibit A-3, as required by ¶3.1 hereof;

(c) the Court shall have entered the Judgment, or a judgment substantially in the form of Exhibit B attached hereto; and

(d) the Judgment shall have become Final, as defined in ¶1.10 hereof.

8.2 Upon the occurrence of all of the events referenced in ¶8.1 above, and except as otherwise set forth in this Stipulation, any and all remaining interest or right of Deaton in or to the Settlement Fund, if any, shall be absolutely and forever extinguished, and the releases herein shall be effective.

8.3 If all of the conditions specified in ¶8.1 hereof are not met, then this Stipulation shall be canceled and terminated subject to ¶8.5 hereof unless Lead Counsel and counsel for Deaton agree to proceed with this Stipulation.

8.4 Unless otherwise ordered by the Court, in the event this Stipulation shall be terminated or canceled or fail to become effective for any reason, within five (5) business days after written notification of such event is sent by counsel for Deaton or Lead Counsel to the Escrow Agent, the Settlement Fund (including earnings thereon), plus any amount then remaining in the Class Notice and Administration Fund (including earnings thereon), less expenses reasonably and actually incurred as described in ¶2.6 hereof, shall be refunded by the Escrow Agent to Deaton and/or his designees pursuant to written instructions from counsel for Deaton. At the request of counsel for Deaton, the Escrow Agent or its designee shall cooperate or apply for any tax refund owed to the Settlement Fund and pay the proceeds, after deduction of any fees or expenses reasonably incurred in connection with such application(s) for refund, pursuant to written instructions from counsel for Deaton.

8.5 In the event that this Stipulation is not approved by the Court or the settlement set forth in this Stipulation is terminated, canceled or otherwise fails to become effective for any reason, the Settling Parties and the Released Persons shall be restored, without prejudice, to their respective positions in the Litigation as of September 25, 2008. In such event, the terms and provisions of this Stipulation, with the exception of ¶¶1.1-1.24, 2.2, 2.8, 8.3-8.6, 9.4 and 9.5 hereof, shall have no further force and effect with respect to the Settling Parties or the Released Persons and shall not (nor shall any statements or documents in connection with the negotiation and drafting thereof or proceedings with respect thereto) be used in this Litigation or in any other proceeding for any purpose, and any judgment or order entered by the Court in accordance with the terms of this Stipulation shall be treated as vacated, *nunc pro tunc*. No order of the Court or modification or reversal on appeal of any order of the Court concerning the Plan of Allocation or

the amount of any attorneys' fees, expenses and interest awarded by the Court shall constitute grounds for cancellation or termination of this Stipulation.

8.6 If the Effective Date does not occur, or if this Stipulation is terminated, canceled, or otherwise fails to become effective pursuant to its terms, neither the Named Plaintiff nor his counsel shall have any obligation to repay any amounts actually and properly disbursed in accordance with ¶2.6 from the Class Notice and Administration Fund. In addition, any expenses already incurred and properly chargeable to the Class Notice and Administration Fund pursuant to ¶2.6 hereof at the time of such termination or cancellation, but which have not been paid, shall be paid by the Escrow Agent in accordance with the terms of this Stipulation prior to the balance of the Class Notice and Administration Fund being refunded in accordance with ¶8.4 hereof.

8.7 If a case is commenced in respect to Deaton under Title 11 of the United States Code (Bankruptcy) or a trustee, receiver or conservator is appointed under any similar law, and in the event of the entry of a final order of a court of competent jurisdiction determining the transfer of the Settlement Fund, or any portion thereof, by or on behalf of Deaton to be a preference, voidable transfer, fraudulent transfer or similar transaction and any portion thereof is required to be returned (and such amount is not promptly paid to the Escrow Agent by others), then the parties shall jointly move the Court to vacate and set aside the herein releases given by the Settling Parties and the Judgment entered in favor of Deaton, and the Settling Parties shall be restored, without prejudice, to their respective positions in the litigation as of September 25, 2008 in accordance with ¶8.5.

9. Miscellaneous Provisions

9.1 The Settling Parties (a) acknowledge that it is their intent to consummate the agreement set forth in this Stipulation; and (b) agree to cooperate to the extent reasonably

necessary to effectuate and implement all terms and conditions of this Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of this Stipulation.

9.2 Deaton warrants and represents that he is not “insolvent” within the meaning of 11 U.S.C. § 101(32), as of the time this Stipulation is executed and as of the time any payments were transferred or made as required by this Stipulation.

9.3 The Settling Parties intend this settlement to be a final and complete resolution of all disputes between them with respect to the Litigation. This Stipulation compromises claims which are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or defense. While retaining his right to deny that the claims advanced in the Litigation were meritorious, Deaton, in any statement made to any media representative (whether or not for attribution), will not contend that the Litigation was commenced and prosecuted in bad faith. The Final Judgment also will contain a finding that during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11. In all events, the Settling Parties shall refrain from any accusations of wrongful or actionable conduct by any party in this Litigation to date, and shall not otherwise suggest that the settlement constitutes an admission of any claim or defense alleged in this Litigation. The Settling Parties agree that the amount paid to the Settlement Fund and the other terms of the settlement were negotiated in good faith by the Settling Parties, and reflect a settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their right to rebut, in a manner that such Settling Party determines to be appropriate, any contention made in any public forum that the Litigation was brought or defended in bad faith or without a reasonable basis.

9.4 The Settling Parties agree that neither this Stipulation nor the settlement contained herein, nor the negotiation or drafting thereof, nor any act performed or document prepared pursuant to or in furtherance of this Stipulation or the settlement contained herein: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of Deaton or any other Released Persons, or of damages to any Plaintiff or Class Member; (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of Deaton in any civil, criminal or administrative proceeding in any court, arbitration, administrative agency or other tribunal; or (c) is admissible in any proceeding except an action to enforce or interpret the terms of this Stipulation, the settlement contained herein, the Judgment and any other orders of the Court or documents executed in connection with the performance of the agreements embodied herein.

9.5 All agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive this Stipulation.

9.6 All of the Exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

9.7 This Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

9.8 This Stipulation and the Exhibits attached hereto constitute the entire agreement among the Settling Parties hereto and no representations, warranties or inducements have been made to any Settling Party concerning this Stipulation or its Exhibits other than the representations, warranties and covenants contained and memorialized in such documents. It is understood by the Settling Parties that, except for the matters expressly represented herein, the facts or law with respect to which this Stipulation is entered into may turn out to be other than or

different from the facts now known to each Settling Party or believe by such Settling Party to be true; each Settling Party therefore expressly assumes the risk of the facts or law turning out to be so different, and agrees that this Stipulation shall be in all respects effective and not subject to termination by reason of such different facts or law. Except as otherwise provided herein, each party shall bear its own costs.

9.9 Lead Counsel, on behalf of the Class, are expressly authorized by the Named Plaintiff to take all appropriate action required or permitted to be taken by the Class pursuant to this Stipulation to effectuate its terms and also are expressly authorized to enter into any modifications or amendments to this Stipulation on behalf of the Class which they deem appropriate.

9.10 Each counsel or other Person executing this Stipulation or any of its Exhibits on behalf of any Settling Party hereto hereby warrants that such Person has the full authority to do so.

9.11 This Stipulation may be executed in one or more counterparts, but no Settling Party shall be bound hereby unless it has been executed by or on behalf of all Settling Parties hereto. All executed counterparts and each of them shall be deemed to be one and the same instrument.

9.12 This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties hereto. All Released Persons are third party beneficiaries of and shall be entitled to enforce the release of Released Claims as to them.

9.13 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of this Stipulation, and all Settling Parties hereto submit to the

jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in this Stipulation.

9.14 This Stipulation and the Exhibits attached hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in Washington, D.C., and the rights and obligations of the Settling Parties to this Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of Texas without giving effect to that State's choice-of-law principles.

9.15 This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of arm's-length negotiations between the Parties, and all Parties have contributed substantially and materially to the preparation of this Stipulation.

9.16. The headings and captions used in this Stipulation are for convenience only and shall not affect the rights and obligations set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this Stipulation to be executed, by their duly authorized attorneys, dated as of January 30, 2009.

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*ATTORNEYS FOR DEFENDANT BILL D.
DEATON*

EXHIBIT A

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

DALLAS DIVISION

In re SOURCECORP SECURITIES
LITIGATION

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

CLASS ACTION

This Document Relates To:

ALL ACTIONS.

**[PROPOSED] ORDER PRELIMINARILY APPROVING SETTLEMENT AND
PROVIDING FOR NOTICE**

WHEREAS, a consolidated class action is pending before the Court entitled *In re SOURCECORP, Inc. Securities Litigation*, Master File No. 3:04-cv-02351-N (the “Litigation”);

WHEREAS, the Court has received the Stipulation of Settlement dated as of January 30, 2009 (the “Stipulation”), that has been entered into by the Named Plaintiff and Defendant, and the Court has reviewed the Stipulation and its attached Exhibits;

WHEREAS, the parties having made application, pursuant to Federal Rule of Civil Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in accordance with the Stipulation that together with the Exhibits annexed thereto, sets forth the terms and conditions for a proposed settlement of the Litigation and for dismissal of the Litigation with prejudice upon the terms and conditions set forth therein; and the Court having read and considered the Stipulation and the Exhibits annexed thereto;

WHEREAS, the Stipulation provides for the conditional certification of a Class for the purposes of the settlement; and

WHEREAS, all defined terms contained herein shall have the same meanings as set forth in the Stipulation;

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court hereby certifies, for purposes of effectuating this settlement, a Class consisting of 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, excluding Defendant and any formerly named defendant, 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 and their immediate families. 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. For purposes of settlement only, Named Plaintiff George Reichl is: (a) appointed Lead Plaintiff pursuant to §21D(a)(3) of the Exchange Act; and (b) certified as a Class Representative pursuant to Rule 23 of the Federal Rules of Civil Procedure.

3. With respect to the Class, this Court finds and concludes that: (a) the Members of the Class are so numerous that joinder of all Class Members in the Litigation is impracticable; (b) there are questions of law and fact common to the Class which predominate over any individual questions; (c) the claims or defenses of the Named Plaintiff are typical of the claims or defenses of the Class; (d) the Named Plaintiff and his counsel have fairly and adequately represented and protected the interests of all Class Members; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering: (i) the interests of the Members of the Class in individually controlling the prosecution of separate actions, (ii) the extent and nature of any litigation concerning the controversy already commenced by Members of the Class, (iii) the desirability or undesirability of concentrating the litigation of these claims in this particular forum, and (iv) the difficulties likely to be encountered in the management of the class action.

4. The Court hereby preliminarily approves the Stipulation and the settlement set forth therein, subject to further consideration at the Settlement Hearing described below.

5. A hearing (the “Settlement Hearing”) shall be held before this Court on _____, 2009, at _____ .m., at the United States Courthouse, 1100 Commerce Street, Dallas, Texas 75242-1003, to determine whether the proposed settlement of the Litigation on the terms and conditions provided for in the Stipulation would be fair, just, reasonable and adequate to the Class and should be approved by the Court; whether a Judgment as provided in ¶1.11 of the Stipulation should be entered herein; whether the proposed Plan of Allocation should be approved; and to determine the amount of fees and expenses that should be awarded to Lead Counsel. The Court may adjourn the Settlement Hearing without further notice to Members of the Class.

6. The Court approves, as to form and content, the Notice of Pendency and Proposed Settlement of Class Action (the “Notice”), the Proof of Claim and Release form (the “Proof of Claim”), and Summary Notice for publication (“Summary Notice”) annexed as Exhibits A-1, A-2 and A-3 hereto, and finds that the mailing and distribution of the Notice and publishing of the Summary Notice substantially in the manner and form set forth in ¶¶7-8 of this Order meet the requirements of Federal Rule of Civil Procedure 23 and Due Process, and shall constitute the best notice practicable under the circumstances and shall provide due and sufficient notice to all Persons entitled thereto.

7. The certification of the Class shall be binding only with respect to the settlement of the Litigation. If, for any reason, the Stipulation is terminated, or the Effective Date for any reason does not occur, the certification of the Class shall automatically be vacated; the Litigation shall proceed as though the Class has never been certified; Defendant may assert all objections to class certification; and neither Named Plaintiff nor any member of the putative Class may or will use the fact of Defendant’s consent to certification of a class for settlement purposes as a basis to

argue that Defendant has in any way circumscribed or compromised his ability to oppose, for any reason, certification of a class other than for purposes of this settlement.

8. Lead Counsel is hereby authorized to retain the firm of Analytics, Inc. (“Claims Administrator”) to supervise and administer the notice procedure as well as the processing of claims as more fully set forth below:

(a) The Claims Administrator shall make reasonable efforts to identify all Persons who are Members of the Class, including beneficial owners whose SOURCECORP shares are held by banks, brokerage firms, or other nominees;

(b) Not later than _____, 2009 (the “Notice Date”), the Claims Administrator shall cause a copy of the Notice and the Proof of Claim, substantially in the forms annexed as Exhibits A-1 and A-2 hereto, to be mailed by first class mail to all Class Members who can be identified with reasonable effort;

(c) Not later than ten (10) days after the mailing of the Notice and the Proof of Claim, substantially in the forms annexed as Exhibit A-1 and A-2 hereto, the Claims Administrator shall cause the Summary Notice to be published once in *Investor’s Business Daily*; and

(d) At least seven (7) days prior to the Settlement Hearing, Lead Counsel shall cause to be served on Defendant’s counsel and filed with the Court proof, by affidavit or declaration, of such mailing and publication.

9. Nominees who purchased or acquired the common stock of SOURCECORP for the beneficial ownership of another Person during the Class Period shall send the Notice and the Proof of Claim to such beneficial owner of such SOURCECORP stock within ten (10) days after receipt thereof, or send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice and Proof of Claim to such beneficial owners. Lead Counsel shall, if requested, reimburse banks, brokerage houses or other nominees solely for their

reasonable out-of-pocket expenses incurred in providing notice to beneficial owners who are Class Members out of the Class Notice and Administration Fund, which expenses would not have been incurred except for the sending of such notice, subject to further order of this Court with respect to any dispute concerning such compensation.

10. Any Class Member may, upon request, be excluded from the settlement. Any such Person must submit to the Claims Administrator a request for exclusion (“Request for Exclusion”), postmarked no later than _____, 2009. A Request for Exclusion must state: (1) the caption of this Litigation, *In re SOURCECORP, Inc. Securities Litigation*, Case 3:04-cv-02351-N; (2) the name, address, and telephone number of the Person requesting exclusion; (3) the Person’s purchases, acquisitions, and sales of SOURCECORP common stock made during the Class Period, including the dates of purchase, acquisition or sale, the number of such shares, and the price paid or received per share for each such purchase, acquisition or sale; and (4) that the Person wishes to be excluded from the Class. All Persons who submit valid and timely Requests for Exclusion in the manner set forth in this paragraph shall have no rights under the Stipulation, shall not share in the distribution of the Settlement Fund, and shall not be bound by the Stipulation or the Final Judgment. A Request for Exclusion shall not be effective unless it provides the required information and is postmarked within the time stated above, or the Request for Exclusion is otherwise accepted by the Court.

11. All Members of the Class shall be bound by all determinations and judgments in the Litigation concerning the settlement, whether favorable or unfavorable to the Class.

12. Class Members who wish to participate in the settlement shall complete and submit Proof of Claim and Release forms in accordance with the instructions contained therein. Unless the Court orders otherwise, all Proof of Claim and Release forms must be submitted no

later than one hundred and five (105) days from the Notice Date. Any Class Member who does not timely submit a Proof of Claim within the time provided for, shall be barred from sharing in the distribution of the proceeds of the Settlement Fund, unless otherwise ordered by the Court.

13. Any Member of the Class may enter an appearance in the Litigation, at their own expense, individually or through counsel of their own choice. If they do not enter an appearance, they will be represented by Lead Counsel.

14. Pending resolution of these settlement proceedings, no other action now pending or hereafter filed arising out of all or any part of the subject matter of the Litigation shall be maintained as a class action or otherwise, and except as provided by this or further order of the Court, for good cause shown, all Class Members are hereby enjoined during the pendency of these settlement proceedings from filing or prosecuting any action against any Released Person with respect to any of the Released Claims.

15. Any Member of the Class may appear and show cause, why the proposed settlement of the Litigation should or should not be approved as fair, just, reasonable and adequate, why a judgment should or should not be entered thereon, why the Plan of Allocation should or should not be approved, or why attorneys' fees and expenses should or should not be awarded to Lead Counsel; provided, however, that no Class Member or any other Person shall be heard or entitled to contest the approval of the terms and conditions of the proposed settlement, or, if approved, the Judgment to be entered thereon approving the same, or the order approving the Plan of Allocation, or the attorneys' fees and expenses to be awarded to Lead Counsel, unless that Person has delivered by hand or sent by first class mail written objections and copies of any papers and briefs in support of the written objections such that they are received on or before _____, 2009, by Herbert E. Milstein, Cohen Milstein Sellers & Toll PLLC, 1100 New

York Avenue, N.W., Suite 500, West Tower, Washington, DC 20005; and John A. Valentine, Wilmer Cutler Pickering Hale and Dorr LLP, 1875 Pennsylvania Avenue, NW, Washington, DC 20006, and filed said objections, papers and briefs with the Clerk of the United States District Court for the Northern District of Texas, Dallas Division, on or before _____, 2009.

Any Member of the Class who does not make his, her or its objection in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation, to the Plan of Allocation, or to the award of attorneys' fees and expenses to Lead Counsel, unless otherwise ordered by the Court. Attendance at the Settlement Hearing is not necessary; however, persons wishing to be heard orally on their objections are required to indicate in their written objection their intention to appear at the hearing. Persons who attend and desire to present evidence at the Settlement 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 Hearing. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

16. The passage of title and ownership of the Settlement Fund to the Escrow Agent in accordance with the terms and obligations of the Stipulation is approved. No Person that is not a Class Member or counsel to the Named Plaintiff shall have any right to any portion of, or in the distribution of, the Settlement Fund unless otherwise ordered by the Court or otherwise provided in the Stipulation.

17. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such

time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

18. All papers in support of the settlement, the Plan of Allocation, and any application by Lead Counsel for attorneys' fees or expenses shall be filed and served at least ten (10) days prior to the Settlement Hearing.

19. Neither Defendant, nor any other Released Persons, nor their respective counsel shall have any responsibility for the Plan of Allocation or any application for attorneys' fees or expenses submitted by Lead Counsel, and such matters will be considered separately from the fairness, reasonableness and adequacy of the settlement. The procedure for the allowance or disallowance by the Court of any applications by any of the Lead Counsel for attorneys' fees and expenses, including fees of experts and consultants, to be paid out of the Settlement Fund are not part of the settlement as set forth in the Stipulation. Any order or proceeding relating to the fee and expense application submitted by Lead Counsel, or any appeal from or relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of Judgment approving the Stipulation and the settlement of the Litigation. The procedure for approving the Plan of Allocation is also not part of the settlement as set forth in the Stipulation. Any order or proceeding relating to the Plan of Allocation, or any appeal from or relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of Judgment approving the Stipulation and the settlement of the Litigation.

20. At or after the Settlement Hearing, the Court shall determine whether the Plan of Allocation proposed by Lead Counsel, and any application for attorneys' fees or expenses shall be approved.

21. All reasonable expenses incurred in identifying and notifying Class Members, as well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the event the settlement is not approved by the Court, or otherwise fails to become effective, neither the Plaintiffs nor any of their counsel shall have any obligation to repay any amounts actually and properly incurred or disbursed from the Class Notice and Administration Fund as provided by the Stipulation.

22. Neither the Stipulation nor the settlement contained therein, nor any act performed, statement made or document prepared, executed and/or entered pursuant to or in furtherance of the Stipulation or the settlement or the negotiation or drafting thereof: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any damage to Plaintiffs or the Class or any wrongdoing or liability of the Defendant or any other Released Person or the infirmity of any defense; or (ii) is, or may be deemed to be, or may be used as an admission or evidence of any fault or omission of, or damages caused by, Defendant or any other Released Persons in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal; or (iii) is admissible in any proceeding except in an action to enforce or interpret the terms of the Stipulation, the settlement (including releases of claims) contained therein, or any other documents executed in connection with the performance of the agreements embodied therein. Defendant and/or the Released Persons may file the Stipulation, the Judgment, and/or any document prepared pursuant to or in furtherance of the Stipulation or the settlement (including this Judgment) in any action for any purpose. All agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive the Stipulation.

23. If the settlement is terminated pursuant to ¶2.1(b) or ¶6 of the Stipulation, then the Stipulation, including any amendment(s) thereof, and this Preliminary Order certifying the Class and the Class Representatives for purposes of the settlement shall be null and void, of no further force or effect, and without prejudice to any party, and may not be introduced as evidence or referred to in any actions or proceedings by any person or entity, and each party shall be restored to his, her or its respective position as of September 25, 2008 in accordance with ¶8.5 of the Stipulation.

24. The Final Judgment will permanently bar and enjoin the Named Plaintiff and all Members of the Class from instituting or prosecuting, in any capacity, any action or proceeding that asserts any of the Released Claims against any Released Person.

25. The Court reserves the right to adjourn the date of the Settlement Hearing without further notice to the Members of the Class, and retains jurisdiction to consider all further applications arising out of or connected with the proposed settlement. 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.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE DAVID C. GODBEY
UNITED STATES DISTRICT JUDGE

EXHIBIT A-1

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

DALLAS DIVISION

In re SOURCECORP SECURITIES
LITIGATION

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

CLASS ACTION

This Document Relates To:

ALL ACTIONS.

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 _____, 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 _____, 2009, at ____ _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, 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, co-insurers, 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 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, 2004⁶:

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

⁶ 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.

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.⁷

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.⁸ 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.⁹ On

⁷ 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).

⁸ In November 2008, Cohen, Milstein, Hausfeld & Toll, P.L.L.C. changed its name to Cohen Milstein Sellers & Toll PLLC.

⁹ Due to the intervening United States Supreme Court’s decision *Dura Pharms., Inc. v. Brouda*, 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.

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 back 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.*, 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*.¹⁰

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.

¹⁰ 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).

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.¹¹ 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 if 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.

¹¹ 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 times 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, 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
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 _____, 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 _____, 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
Claims Administrator c/o Analytics, Inc.
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 _____, 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 _____, 2009, by each of the following:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION
United States Courthouse
1100 Commerce Street, Room 1452
Dallas, Texas 75242

Counsel for Plaintiffs:

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

Counsel for Defendant:

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
Claims Administrator c/o Analytics, Inc.
P.O. Box 2003
Chanhassen, 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: _____

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

EXHIBIT A-2

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

DALLAS DIVISION

In re SOURCECORP SECURITIES
LITIGATION

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

CLASS ACTION

This Document Relates To:

ALL ACTIONS.

PROOF OF CLAIM AND RELEASE

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION
In re SOURCECORP, Inc. Securities Litigation,
Master File No. 3:04-cv-02351-N

PROOF OF CLAIM AND RELEASE
Must Be Postmarked No Later Than:
_____, 2009

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

Street Address

City

State or Province

Zip Code or Postal Code

Country

Social Security Number or
Taxpayer Identification Number

_____ Individual
_____ Corporation/Other

Telephone Number (work)

Telephone Number (home)

Record Owner's Name (if different from beneficial owner listed above)

Are you a current or former defendant in this action? _____

Were you an officer or director of either SOURCECORP, Inc. or Image Entry, Inc. during the Class Period? _____

Are you a family member of an individual who was an officer or director during the Class Period of either SOURCECORP, Inc. or Image Entry, Inc.? _____

PART II: SCHEDULE OF TRANSACTIONS IN SOURCECORP COMMON STOCK

- A. Number of shares of SOURCECORP common stock held at the beginning of trading on May 3, 2001: _____
- B. Purchases or acquisitions from May 3, 2001 – October 27, 2004, inclusive, of SOURCECORP common stock:

	Trade Date Month Day Year	Number of Shares Purchased or Acquired	Price Per Share	Total Purchase or Acquisition Price
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____

IMPORTANT: Identify by number listed above all purchases in which you covered a “short sale”: _____

- C. Sales from May 3, 2001 – October 27, 2004, inclusive, of SOURCECORP common stock:

	Trade Date Month Day Year	Number of Shares Sold	Price per Share	Total Sales Price
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____

- D. Number of shares of SOURCECORP common stock held at the close of trading on October 27, 2004:

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU MUST READ THE RELEASE AND SIGN ON PAGE 5.

V. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I submit this Proof of Claim and Release under the terms of the Stipulation. I also submit to the jurisdiction of the United States District Court for the Northern District of Texas with respect to my claim as a Class Member and for purposes of enforcing the release set forth herein and in the Stipulation. I further acknowledge that I am bound by and subject to the terms of any judgment that may be entered in the Litigation. I agree to furnish additional information (including transactions in other SOURCECORP securities, including options) to the Claims Administrator to support this claim if requested to do so. I have not submitted any other claim covering the same purchases or acquisitions of SOURCECORP common stock during the Class Period and know of no other person having done so on my behalf.

VI. RELEASE

1. I hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release and discharge from the Released Claims each and all of the "Released Persons," defined as (i) Defendant, (ii) any Person or entity which is, was or will be related to or affiliated with Defendant or in which Defendant has, had or will have a controlling interest, and (iii) as to each and all of the foregoing parties listed in this paragraph (i) and (ii), 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 Defendant's immediate family or any trust of which Defendant is the settlor or which is for the benefit of Defendant 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, co-insurers, reinsurers, and associates, whether or not such Persons or entities were named, served with process or appeared in the Complaint.

2. “Released Claims” shall collectively mean any and all manner of claims (including Unknown Claims as defined below), 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 (“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)) and the Securities Act of 1933, 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.

3. “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 as of the date of 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 the 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, expressly 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.

4. This release shall be of no force or effect unless and until the Court approves the Stipulation of Settlement and the Stipulation becomes effective on the Effective Date (as defined in the Stipulation).

5. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

6. I (We) hereby warrant and represent that I (we) have included information about all of my (our) transactions in SOURCECORP common stock which occurred during the Class Period as well as the number of shares of SOURCECORP common stock held by me (us) at the beginning of trading on May 3, 2001 and the close of trading on October 27, 2004.

SUBSTITUTE FORM W-9

Request for Taxpayer Identification Number (“TIN”) and Certification

PART I

NAME: _____

Check appropriate box:

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Individual/Sole Proprietor | <input type="checkbox"/> Pension Plan |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> IRA | <input type="checkbox"/> Trust |
| <input type="checkbox"/> Other | |

Enter TIN on appropriate line.

For individuals, this is your Social Security Number (“SSN”).

For sole proprietors, you must show your individual name, but you may also enter your business or “doing business as” name. You may enter either your SSN or your Employer Identification Number (“EIN”).

For other entities, it is your EIN.

or

____-____-____
Social Security Number

____-____-____
Employer Identification Number

PART II

For Payees Exempt from Backup Withholding

If you are exempt from backup withholding, enter your correct TIN in Part I and write “exempt” on the following line: _____.

PART III

Certification

UNDER THE PENALTY OF PERJURY, I (WE) CERTIFY THAT:

1. The number shown on this form is my correct TIN; and
2. 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 Internal Revenue Service that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the Internal Revenue Service has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, you must cross out Item 2 above.

SEE ENCLOSED FORM W-9 INSTRUCTIONS

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

I declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

Executed this _____ day of _____,
(Month / Year)
in _____, _____.
(City) (State / Country)

(Sign your name here)

(Type or print your name here)

(Capacity of person(s) signing,
e.g., Beneficial Purchaser, Acquirer,
Executor or Administrator)

**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 supporting documentation.
3. Do not send original stock certificates.
4. Keep a copy of your claim form and supporting documentation for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it by Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.

EXHIBIT A-3

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

DALLAS DIVISION

In re SOURCECORP SECURITIES
LITIGATION

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

CLASS ACTION

This Document Relates To:

ALL ACTIONS.

SUMMARY NOTICE

TO: ALL PERSONS WHO PURCHASED OR ACQUIRED SOURCECORP, INC. COMMON STOCK ON THE OPEN MARKET DURING THE PERIOD COMMENCING MAY 3, 2001 THROUGH OCTOBER 27, 2004, INCLUSIVE

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Northern District of Texas, Dallas Division, that a hearing will be held on _____, 2009, at _____.m., before the Honorable David C. Godbey at the United States Courthouse, 1100 Commerce Street, Dallas, Texas, for the purpose of determining: (1) whether the proposed settlement of the claims in the above-captioned action (the "Litigation") for the sum of \$3,000,000 in cash (plus accruing interest) should be approved by the Court as fair, just, reasonable and adequate; (2) whether, thereafter, the Litigation should be dismissed with prejudice as set forth in the Stipulation of Settlement dated as of January 30, 2009; (3) whether the Plan of Allocation is fair, just, reasonable and adequate and therefore should be approved; and (4) whether the application of Lead Counsel for the payment of attorneys' fees and expenses incurred in connection with the Litigation should be approved.

If you purchased or acquired SOURCECORP, Inc. common stock from May 3, 2001 through October 24, 2004, inclusive, your rights may be affected by the settlement of the Litigation. If you have not received a detailed Notice of Pendency and Proposed Settlement of Class Action and a copy of the Proof of Claim and Release form, you may obtain copies by writing to *IN RE SOURCECORP, Inc. Securities Litigation*, Claims Administrator, c/o Analytics, Inc., Claims Administrator c/o Analytics, Inc., P.O. Box 2003, Chanhassen, MN 55317-2003, or you can download it at www.sourcecorpsecuritiessettlement.com. If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release postmarked no later than _____, 2009, establishing that you are entitled to recovery. You will be bound by any judgment rendered in the Litigation whether or not you make a claim.

All Members of the Class who desire to exclude themselves from the Class must do so by submitting a request for exclusion postmarked no later than _____, 2009.

Any objection to the settlement, the Plan of Allocation or the request for attorneys' fees and expenses must be mailed or delivered such that it is received by each of the following no later than _____, 2009:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION
United States Courthouse
1100 Commerce Street, Room 1452
Dallas, TX 75242

Counsel for Plaintiffs:

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

Counsel for Defendant:

WILMER CUTLER PICKERING HALE
AND DORR LLP
JOHN A. VALENTINE
1875 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

**PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE
REGARDING THIS NOTICE.**

DATED: _____

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

EXHIBIT B

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

DALLAS DIVISION

In re SOURCECORP SECURITIES
LITIGATION

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

CLASS ACTION

This Document Relates To:

ALL ACTIONS.

**[PROPOSED] FINAL JUDGMENT AND ORDER OF DISMISSAL
WITH PREJUDICE**

This matter came before the Court for hearing pursuant to the Order of this Court, dated _____, 2009, on the application of the Parties for approval of the settlement set forth in the Stipulation of Settlement dated as of January 30, 2009 (the “Stipulation”), the Plan of Allocation and the award of attorneys’ fees and expenses. Due and adequate notice having been given of the settlement, the Plan of Allocation, and the award of attorneys’ fees and expenses, as required in said Order, and the Court having considered all papers filed and proceedings had herein and otherwise being fully informed in the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all terms used herein shall have the same meanings as set forth in the Stipulation.
2. This Court has jurisdiction over the subject matter of the Litigation and over all Parties to the Litigation, including all Members of the Class.
3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court hereby certifies, for purposes of effectuating this settlement only, a Class consisting of 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, excluding Deaton and any formerly named defendant, 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 and their immediate families. Lastly, all Persons (identified in Exhibit 1 attached hereto) who timely and

validly requested exclusion from the Class pursuant to the Notice of Pendency and Proposed Settlement of Class Action are excluded from the Class.

4. With respect to the Class, this Court finds and concludes that: (a) the Members of the Class are so numerous that joinder of all Class Members in the Litigation is impracticable; (b) there are questions of law and fact common to the Class which predominate over any individual questions; (c) the claims or defenses of the Named Plaintiff are typical of the claims or defenses of the Class; (d) the Named Plaintiff and his counsel have fairly and adequately represented and protected the interests of all of the Class Members; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering: (i) the interests of the Members of the Class in individually controlling the prosecution of the separate actions, (ii) the extent and nature of any litigation concerning the controversy already commenced by Members of the Class, (iii) the desirability or undesirability of concentrating the litigation of these claims in this particular forum, and (iv) the difficulties likely to be encountered in the management of the class action.

5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court hereby finally certifies Named Plaintiff George Reichl as a Class Representative.

6. Except as to any individual claims of those Persons (identified in Exhibit 1 attached hereto) who have validly and timely requested exclusion from the Class, this Litigation and all of the Released Claims, are dismissed with prejudice as to all Released Persons. The Parties are to bear their own costs, except as otherwise provided in the Stipulation.

7. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court hereby approves the settlement set forth in the Stipulation and finds that said settlement is, in all respects, fair, reasonable and adequate to, and is in the best interests of, the Named Plaintiff, the

Class and each of the Class Members, especially in light of the benefits to the Members of the Class, the complexity, expense and possible duration of further litigation, the investigation conducted, and the risk, uncertainty and difficulty of establishing liability, causation and damages. This Court further finds that the settlement set forth in the Stipulation is the result of arm's-length negotiations between experienced counsel representing the interests of the Named Plaintiff, the Class Members and the Defendant. Accordingly, the settlement embodied in the Stipulation is hereby approved and shall be consummated in accordance with the terms and provisions of the Stipulation.

8. Upon the Effective Date hereof, the Named Plaintiff and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged all Released Claims (including Unknown Claims) and any and all claims arising out of, relating to or in connection with the settlement or resolution of the Litigation (other than claims to enforce rights and obligations under the Stipulation and this Judgment) against each and all of the Released Persons, whether or not such Plaintiff or Class Member executes and delivers a Proof of Claim and Release.

9. Upon the Effective Date hereof, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of Plaintiffs, Plaintiffs' counsel and any confidential witness referenced in the Litigation from all claims (including Unknown Claims) relating to, arising out of, or in connection with, the institution, prosecution, assertion, settlement or resolution of the Litigation or the Released Claims other than claims to enforce rights and obligations under the Stipulation and this Judgment.

10. All Plaintiffs and Class Members are hereby forever barred and enjoined from instituting and/or prosecuting any other action against the Released Persons in any court asserting any Released Claims.

11. Consistent with 15 U.S.C. §78u-4(f)(7)(A), any similar provision of law of the United States or any state or territory of the United States, and any and all other applicable contribution statutes or doctrines: (a) all Persons are hereby permanently barred, restrained, and enjoined from commencing, prosecuting, or asserting against Defendant any claims (including, without limitation, claims for contribution, indemnity, and/or equitable indemnity) based upon, arising from, and/or in any way connected with or relating to the Released Claims, and (b) all Persons are hereby permanently barred, restrained, and enjoined from commencing, prosecuting, or asserting any such claims or seeking discovery related to any such claims against Defendant in any litigation. Any obligation or liability with respect to any such claims are hereby fully, finally, and forever-discharged, extinguished, and unenforceable.

12. The Notice of Pendency and Proposed Settlement of Class Action given to the Class, including the individual notice by mail to all Members of the Class who could be identified through reasonable efforts, was the best notice practicable under the circumstances and provided due and sufficient notice to all persons and entities entitled thereto. The form and method of notifying the Class of the pendency of the action as a class action and of the terms and conditions of the proposed settlement met the requirements of Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7) as amended by the Private Securities Litigation Reform Act of 1995, Due Process, the Local Civil Rules of the United States District Court for the Northern District of Texas, and any other applicable law.

13. The Plan of Allocation is approved as fair and reasonable, and Lead Counsel and the Claims Administrator are directed to administer the Settlement Fund in accordance with the terms and provisions provided in the Stipulation.

14. Lead Counsel is hereby awarded attorneys' fees of ___% of the Settlement Fund and reimbursement of expenses in the amount of \$_____. The attorneys' fees and expenses shall be paid to Lead Counsel from the Settlement Fund with interest from the date such Settlement Fund was funded to the date of payment at the same net rate that the Settlement Fund earns. The award of attorneys' fees shall be allocated among Plaintiffs' Counsel in a fashion which, in the opinion of Lead Counsel, fairly compensates Plaintiffs' Counsel for their respective contributions in the prosecution of the Litigation.

15. In making this award of attorneys' fees and reimbursement of expenses to be paid from the Settlement Fund, the Court has considered and found that:

- a. the settlement has created a fund of \$3,000,000 in cash, plus interest thereon, and that numerous Class Members who submit acceptable Proofs of Claim will benefit therefrom;
- b. Over _____ copies of the Notice were disseminated to putative Class Members indicating that Lead Counsel was moving for attorneys' fees in the amount of up to 33% of the Settlement Fund and for reimbursement of expenses in an amount not expected to exceed \$150,000 and [_____] objections were filed against the terms of the proposed settlement, the Plan of Allocation, or the ceiling on the fees and expenses requested by Lead Counsel contained in the Notice;

- c. This Litigation involved numerous difficult issues related to liability, causation, and damages;
- d. Lead Counsel achieved this settlement with skill, perseverance, and diligent advocacy for the Class;
- e. Had Lead Counsel not achieved the settlement there would remain a significant risk that Plaintiffs and the Class may have recovered less or nothing from the Defendant;
- f. Lead Counsel has devoted over _____ hours, with a lodestar value of \$_____, to achieve the settlement; and
- g. Lead Counsel pursued this Litigation on a contingent basis; and
- h. This settlement was negotiated at arm's-length, and no evidence of fraud or collusion has been presented.

16. Neither the Stipulation nor the settlement contained therein, nor any act performed, statement made or document prepared, executed and/or entered pursuant to or in furtherance of the Stipulation or the settlement or the negotiation or drafting thereof: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any damage to Plaintiffs or the Class or any wrongdoing or liability of Defendant or any Released Person or the infirmity of any defense; or (ii) is, may be deemed to be, or may be used as an admission or evidence of any fault or omission of, or damages caused by, Defendant or any Released Persons in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal; or (c) is admissible in any proceeding except in an action to enforce or interpret the terms of the Stipulation, the settlement (including releases of claims) contained therein, or any other documents executed in connection with the performance of the agreements embodied therein. Defendant and/or the other Released Persons may file the Stipulation, this Judgment, and/or any document prepared pursuant to or in furtherance of the Stipulation or the settlement (including this Judgment) in any action for any purpose. All

agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive the Stipulation.

17. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing and exclusive jurisdiction with respect to: (a) the consummation, administration, supervision, interpretation, implementation, construction and/or enforcement of the terms of the Stipulation, this Judgment, and any award or distribution of the Settlement Fund, including interest earned thereon; (b) disposition of the Settlement Fund; (c) hearing and determining any further applications for attorneys' fees, interest and expenses in the Litigation; and (d) the Settling Parties hereto and Members of the Class, for the purpose of construing, enforcing and administering the Stipulation and/or this Judgment.

18. The Court finds that during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11.

19. In the event that the settlement does not become effective in accordance with the terms of the Stipulation, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Stipulation and shall be vacated and, in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation.

20. There is no just reason for delay in the entry of this Order and Final Judgment and immediate entry by the Clerk of the Court is expressly directed pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

IT IS SO ORDERED.

DATED: _____

HONORABLE DAVID C. GODBEY
UNITED STATES DISTRICT JUDGE