

SETTLEMENT AGREEMENT

dated as of

March 13, 2008

by and among

HEALTH NET, INC., AND ITS SUBSIDIARIES AND AFFILIATES,

THE REPRESENTATIVE PLAINTIFFS,

AND CLASS COUNSEL

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SETTLEMENT AGREEMENT

This Settlement Agreement (the “**Agreement**”) is made and entered into as of the date set forth on the signature pages hereto by and among the Representative Plaintiffs (on behalf of themselves and each Class Member as defined in this Agreement), by and through their counsel of record in *McCoy v. Health Net, Inc., Health Net of the Northeast, Inc. and Health Net of New Jersey, Inc.*, pending in the United States District Court for the District of New Jersey at Civ. Action No. 03-1801 (the “**McCoy Action**”); *Wachtel v. Health Net, Inc., Health Net of the Northeast, Inc. and Health Net of New Jersey, Inc.*, pending in the United States District Court for the District of New Jersey at Civ. Action No. 01-4183 (the “**Wachtel Action**”); and *Scharfman v. Health Net, Inc., Health Net of the Northeast, Inc., Health Net of New York, Inc. and Health Net Life Insurance Co., Inc.*, pending in the United States District Court for the District of New Jersey at Civ. Action No. 05-301 (the “**Scharfman Action**”) and Health Net, Inc. and each of its Subsidiaries and Affiliates (the “**Company**”). The McCoy, Wachtel and Scharfman Actions are collectively referred to as the “**Actions**”. The Company, Representative Plaintiffs and Class Members as defined in this Agreement, are herein collectively referred to as the “**Parties**.” The Parties intend this Agreement to resolve, discharge and settle the Released Claims, fully, finally and forever, and all matters related to the Actions, according to the terms and conditions set forth below.

1. **Recitals**

WHEREAS, the Wachtel Action was initiated in New Jersey state court on July 23, 2001. The case was removed to the United States District Court for the District of New Jersey (the “**Court**”), and on December 4, 2001, Plaintiffs filed an amended complaint asserting claims on behalf of a class of members in small employer group insurance plans in New Jersey;

WHEREAS, the McCoy Action was filed on April 23, 2003, and asserts claims on behalf of a nationwide class;

WHEREAS, Plaintiffs in the Wachtel and McCoy Actions filed various amended complaints;

WHEREAS, by Order dated September 25, 2006, the Court certified the Wachtel and McCoy Actions to proceed as class actions;

WHEREAS, the Court defined the McCoy Class as “[a]ll persons in the United States who are, or were, from April 1, 1997 to August 31, 2004 subscribers or beneficiaries in any large or small employer plan, other than in a New Jersey small employer plan, who received medical services or supplies (including, *inter alia*, surgery, anesthesia, and the like) from an out-of-network provider and for whom Defendants made reimbursement determinations less than the providers’ actual charge” (“**McCoy Class**”);

WHEREAS, the Court defined the Wachtel Class as “[a]ll persons in the United States who are, or were, from July 1, 1995 to August 31, 2004 subscribers or beneficiaries of any New

Jersey small employer plan, who received medical services from an out-of-network provider and for whom Defendants made reimbursement determinations less than the providers' actual charge" ("**Wachtel Class**");

WHEREAS, the Scharfman Action was initiated on January 13, 2005, and Plaintiffs in the Scharfman Action filed an Amended Complaint on March 12, 2007, and a Second Amended Complaint on August 7, 2007. In the First Amended Complaint in the Scharfman Action, Plaintiffs asserted class action allegations on behalf of three classes. "The ERISA Class" was defined as "[a]ll persons in the United States who are, or were, from September 1, 2004 through the present members in any large or small employer plan insured or administered by Health Net, and subject to ERISA, who received medical services or supplies (including, *inter alia*, surgery, anesthesia, and the like) from an out-of-network provider and received reimbursement less than the provider's billed charge." "The Federal RICO Class" was defined as "[a]ll persons in the United States who are, or were, from September 1, 2004 through the present members in any large or small employer plan insured or administered by Health Net, who received medical services or supplies (including, *inter alia*, surgery, anesthesia, and the like) from an out-of-network provider and received reimbursement less than the provider's billed charge that was determined by Health Net, Guardian or a Third Party Vendor applying Health Net's ONET Claims Practices, including the use of Ingenix data." "The NJ RICO Class" was defined as "[a]ll persons in the United States who are, or were, from September 1, 2004 forward members in any large or small employer plan in New Jersey that is insured or administered by Health Net, who received medical services or supplies (including, *inter alia*, surgery, anesthesia, and the like) from an out-of-network provider and received reimbursement less than the provider's billed charge that was determined by Health Net, Guardian or a Third Party Vendor applying Health Net's ONET Claims Practices, including the use of Ingenix data";

WHEREAS, in the Second Amended Complaint in the Scharfman Action, Plaintiffs assert class allegations on behalf of two classes. The "ERISA Class" is defined as it was in the First Amended Complaint. "The RICO Class" is defined as "[a]ll persons in the United States who are, or were, from September 1, 2004 through the present members in any large or small plan insured or administered by Health Net, who received medical services or supplies (including, *inter alia*, surgery, anesthesia, and the like) from an out-of-network provider and received reimbursement less than the provider's billed charge that was determined by Health Net, Guardian or a Third Party Vendor applying Health Net's ONET Claims Practices, including the use of Ingenix data." The RICO Class includes individual members. The two classes, as will be certified by the Court, are referred to hereinafter collectively as "**the Scharfman Classes**";

WHEREAS, these Actions, as set forth more specifically in the respective complaints, challenge the way that the Company pays claims when members of the Company's health insurance plans receive Covered ONET Services or Supplies from ONET Providers. The Actions claim that the Company provided inadequate reimbursement to its members for Covered ONET Services and Supplies. The Actions challenge the quantity and quality of the information the Company provides about how it will pay for Covered ONET Services and Supplies, how the Company has explained adverse benefit determinations and how it has decided appeals and grievances from members who disagreed with the Company's decisions;

WHEREAS, the Company denies the material factual allegations and legal claims asserted in the complaints and amended complaints in the Actions (“**the Complaints**”), including without limitation any and all charges of wrongdoing or liability arising out of any of the conduct, statements, acts or omissions alleged in the Complaints, including without limitation the allegations: (1) that the Representative Plaintiffs and/or other Class Members have suffered damages; (2) that the Company improperly underpaid subscribers for services provided by ONET Providers; (3) that the Company did not provide adequate information regarding how it pays for Covered ONET Services or Supplies; and (4) that the Company did not properly explain members’ adverse benefit determinations and how it decided appeals and grievances from members who disagreed with the Company’s decisions;

WHEREAS, the Company has asserted a number of defenses to the claims set forth in the Complaints that the Company believes are meritorious; nonetheless, the Company has a desire to improve the manner in which it conducts business with Class Members and has concluded that further proceedings of the Actions would be protracted and expensive, and that it is desirable that the Actions be fully and finally settled in the manner and upon the terms and conditions set forth in this Agreement (the “**Settlement**”);

WHEREAS, the Representative Plaintiffs believe that the claims asserted in the Actions have merit; however, the Representative Plaintiffs and Class Counsel recognize and acknowledge the expense and length of continued proceedings that would be necessary to prosecute the Actions against the Company through trial and appeals;

WHEREAS, Class Counsel also have taken into account the uncertain outcome and the risk of any class action, especially in complex actions such as the Actions, as well as the difficulties and delays inherent in such Actions, and Class Counsel and the Representative Plaintiffs believe that the Settlement set forth in this Agreement confers substantial benefits upon the Class Members;

WHEREAS, during the pendency of the Actions, Health Net has expended significant resources improving its document preservation practices and continues to invest significant resources to ensure the adequacy of such practices. In particular, Health Net: (a) implemented a company-wide email archive system that became effective in February 2006 which captures all e-mails sent to or from Health Net’s e-mail system; (b) captures and retains electronically stored information (“**ESI**”) contained on any of Health Net’s employee’s e-mail box, home drive and common drive; (c) for purposes of any litigation matter, is able to make a non-forensic copy of relevant ESI accessible by any current Health Net employee identified as a key custodian that is contained in such employee’s e-mail box, home drive, local drive, common drive and any off-line media; (d) has designated an IT employee who is responsible as the point person for providing information to internal and external counsel regarding Health Net’s electronic systems, including its backup systems, for purposes of responding to any request for ESI arising from any litigation matter; (e) in connection with litigation matters, distributes periodic reminder notices regarding document preservation to its IT department, records management department and those employees likely to have relevant information as identified throughout the litigation in question; (f) in connection with litigation matters, distributes quarterly reminder notices to all applicable Health Net employees, the IT department and the records management department relating to

pending document preservation orders; (g) is compiling an inventory of all of Health Net's systems, applications and databases on a company-wide basis that contain ESI; (h) after the completion of the inventory of all of Health Net's systems set forth above, will review each electronic system containing ESI to ensure that Health Net is complying with all document preservation requirements; and (i) requires all of its employees annually to complete, and to certify the completion of, online training regarding Health Net's Records Management Policy, which includes document retention and document preservation obligations; and

WHEREAS, Health Net intends to institute, where possible, a maximum allowable amount ("MAA") methodology for determining the payment for Covered ONET Services or Supplies in place of a UCR methodology. The MAA will be based on a fee schedule that will be identified to members. Health Net's EOC's will be revised to describe the MAA methodology once it receives regulatory approval.

WHEREAS, Health Net intends to institute, where possible, a maximum allowable amount ("MAA") methodology for determining the payment for Covered ONET Services or Supplies in place of a UCR methodology. The MAA will be based on a fee schedule that will be identified to members. Health Net's EOC's will be revised to describe the MAA methodology once it receives regulatory approval.

The whereas clauses are not part of the consideration supporting the settlement, and the Parties have not requested Court approval of any recital contained in the whereas clauses.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Representative Plaintiffs (for themselves and all Class Members as defined in this Agreement), individually and by and through Class Counsel, and by the Company, all intending to be legally bound hereby, that, subject to the approval of the Court, the Actions and the Released Claims, as defined herein, shall be finally and fully resolved, compromised, discharged and settled under the following terms and conditions:

2. Definitions

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

"**Actions**" shall have the meaning assigned to that term in the preamble of this Agreement.

"**Affiliate**" means with respect to any Person, any other Person, controlling, controlled by or under common control with such first Person. The term "control" (including without limitation, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise.

"**Agreement**" shall have the meaning assigned to that term in the preamble of this Agreement together with all Exhibits attached to this Agreement.

“Allowable Amount” means the reimbursement amount for UCR charges determined by the Company for a Class Member’s Covered ONET Service or Supply.

“Authorized Claimant” shall mean a Class Member eligible to receive monetary benefits, pursuant to Section 9 of this Agreement, resulting from a UCR determination.

“Balance Bill” means an amount billed for a Covered ONET Service or Supply by an ONET Provider to a Class Member, in excess of an Allowable Amount greater than zero. Any deductible, co-insurance or co-payment obligation of the Class Member under the terms of the Class Member’s Plan, as well as services and supplies that are not Covered ONET Services or Supplies, are not included within the definition of a Balance Bill.

“Bar Order” shall have the meaning assigned to that term in Section 18.1 of this Agreement.

“Business Day” means Monday through Friday, excluding federal holidays.

“Business Practice Initiatives” shall have the meaning assigned to that term in Section 12.1 of this Agreement.

“Cash Settlement Fund” shall have the meaning assigned to that term in Section 10 of this Agreement.

“Claim Form Deadline” shall have the meaning assigned to that term in Section 7.2 of this Agreement.

“Claims Administrator” shall mean the firm agreed to by the Parties to administer the class and settlement notice and to administer the Plan of Allocation of the Cash Settlement Fund as set forth in this Agreement.

“Class” means any and all natural persons who are members of the Wachtel Class, McCoy Class or Scharfman Classes, collectively, as certified by the Court.

“Class Counsel” means those attorneys identified and set forth as such in Section 6.

“Class Member” means any natural person who is a member of the Class and who did not or does not in the future validly and timely Opt-Out, or who timely revokes a prior Opt-Out pursuant to Section 7.1 of this Agreement.

“CMS” means the Centers for Medicare & Medicaid Services.

“Company” shall have the meaning assigned to that term in the preamble to this Agreement.

“**Complaint**” and “**Complaints**” shall have the meaning assigned to those terms in the recitals of this Agreement.

“**Conclusion Date**” shall have the meaning assigned to that term in Section 12.3 of this Agreement.

“**Confirmation of Discharge**” shall have the meaning assigned that term in Section 9.9 of this Agreement.

“**Court**” shall have the meaning assigned to that term in the recitals of this Agreement.

“**Covered ONET Service or Supply**” means those health care services and supplies for which a Class Member is entitled to receive coverage under the terms and conditions of his or her Plan when delivered outside of the Class Member’s participating provider network as such network is defined under the terms and conditions of such Class Member’s Plan.

“**Day**” or “**Date**”, except where otherwise defined, refers to the calendar day, unless the calendar day is a Saturday, Sunday or holiday, in which case the Day or Date shall mean the next Business Day after such calendar day.

“**DOBI**” shall have the meaning assigned to that term in Section 10.1 of this Agreement.

“**Effective Date**” shall have the meaning assigned to that term in Section 18.4 of this Agreement.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

“**Escrow Agent**” shall have the meaning assigned to that term in Section 10 of this Agreement.

“**Escrow Agreement**” shall have the meaning assigned to that term in Section 10 of this Agreement.

“**Evidence of Coverage**” or “**EOC**” means any Evidence of Coverage, Certificate of Coverage or any similar comprehensive disclosure document setting forth a Class Member’s health care benefits that is intended to satisfy a statutory or regulatory requirement to provide a disclosure statement under the insurance or managed care laws of the applicable jurisdiction.

“**Execution Date**” means the later of: (i) the date on which the signature of the Company has been delivered to Class Counsel; and (ii) the date on which the signatures of all Representative Plaintiffs and Class Counsel have been delivered to the Company.

“**Final Prove-Up Settlement Fund Report**” shall have the meaning assigned that term in Section 9.10 of this Settlement Agreement.

“Final Order and Judgment” means the order and form of judgment approving this Agreement and dismissing the Company with prejudice, in each of the Actions, in the form attached hereto as Exhibit 1.

“Health Net” shall mean Health Net of the Northeast, Inc., Health Net of Connecticut, Inc., Health Net of New York, Inc., Health Net of New Jersey, Inc., Health Net of Arizona, Inc., Health Net of California, Inc., Health Net Health Plan of Oregon, Inc., Health Net Life Insurance Company, and Managed Health Network, Inc.

“INET Provider” shall mean a provider of health care services and supplies that participates as a member of a Class Member’s participating provider network as such network is defined under the terms and conditions of such Class Member’s Plan.

“Mailed Notice” means the form of notice attached hereto as Exhibit 2.

“McCoy Action” shall have the meaning assigned to that term in the preamble of this Agreement.

“McCoy Class” shall have the meaning assigned to that term in the recitals of this Agreement.

“Nonconforming Business Practice Initiatives” shall have the meaning assigned to that term in Section 12.2 of this Agreement.

“Notice Date” shall have the meaning assigned to that term in Section 7.1 of this Agreement.

“Objection Date” shall have the meaning assigned to that term in Section 7 of this Agreement.

“ONET Benefit” shall mean the coverage provided for Covered ONET Services or Supplies under the terms and conditions of a Class Member’s Plan.

“ONET Provider” or **“Out-of-Network Provider”** shall mean a provider of health care services and supplies that does not participate as a member of a Class Member’s participating provider network as such network is defined under the terms and conditions of such Class Member’s Plan.

“Opt-Out” shall have the meaning assigned to that term in Section 7.1 of this Agreement.

“Opt-Out Deadline” shall have the meaning assigned to that term in Section 7.1 of this Agreement.

“Parties” shall have the meaning assigned to that term in the preamble of this Agreement.

“Person” means all persons and entities (including, without limitation, any and all natural persons, firms, corporations, Subsidiaries, Affiliates, members, shareholders, parents, directors, officers, employees, professional corporations, agents, administrators, executors, legal representatives, partners and partnerships, trustees, limited liability companies, joint ventures, Third Party Vendors, contracted agents, joint stock companies, unincorporated organizations, agencies, bodies, governments, political subdivisions, governmental agencies and authorities, associations, partnerships, limited liability partnerships, trusts, fiduciaries, and, in the case of Persons who were or are incapacitated or minors, their parents, natural and/or legal guardians, conservators, attorneys in fact, or other legal representatives, and their predecessors, heirs, administrators, executors, successors, and assigns).

“Plan” means a Class Member’s health care benefits as set forth in the Class Member’s applicable Evidence of Coverage.

“Plan of Allocation” shall have the meaning assigned to that term in Section 10.3 of this Agreement. The Plan of Allocation is not part of this Agreement.

“Preliminary Approval Date” means the date the Preliminary Approval Order is entered by the Court.

“Preliminary Approval Hearing” shall have the meaning assigned to that term in Section 5 of this Agreement.

“Preliminary Approval Order” means the preliminary approval order, substantially in the form attached hereto as Exhibit 3.

“Proof of Claim Form” means the form attached hereto as Exhibit 2 that eligible Class Members must submit to participate in the Cash Settlement Fund referenced in Section 10 of this Agreement or the Prove-Up Settlement Fund referenced in Section 9 of this Agreement.

“Prove-Up Settlement Fund” shall have the meaning assigned to that term in Section 9 of this Agreement.

“Prove-Up Settlement Fund Deadline” shall have the meaning assigned to that term in Section 9.9 of this Agreement.

“Published Notice” means the form of notice attached hereto as Exhibit 2.

“Released Claims” means and includes any and all claims, demands, requests for payments, requests for benefits, requests for costs and expenses, requests for attorneys’ fees, requests for punitive damages, requests for equitable relief or requests for relief of any kind or nature whatsoever that have been or could have been asserted by or on behalf of any or all members of the Class against the Released Persons, or any of them, and which concern, arise out of or relate to: (a) any of the facts, acts, claims, allegations, events, transactions, occurrences, courses of conduct, representations, omissions, circumstances or other matters alleged or referred

to or which could have been alleged or referred to in the Actions, whether any such claim was or could have been asserted by any member of the Class on his or her own behalf or on behalf of other Persons, or (b) the Business Practice Initiatives that are the subject of Section 12.1 of this Agreement. This includes, without limitation and as to Released Persons only, any aspect of any claim submitted by or on behalf of any member of the Class to the Company related to Covered ONET Services or Supplies for which the check payment date in the Company's claims systems is on or before July 31, 2007, or based upon any agreement between the Company and any member of the Class or other Person, or any allegation that the Company has conspired with, aided and abetted, contributed to the actions of, or otherwise acted in concert with Ingenix, Guardian, any Third Party Vendor or any other Person with regard to any of the facts, acts, events, transactions, occurrences, courses of conduct, representations, omissions, circumstances or other matters referred to, or which could have been referred to, in the Complaints in the Scharfman Action, or with regard to the Company's liability for any other demands for payment submitted by or on behalf of any member of the Class to Ingenix, Guardian, Third Party Vendor or any other Person.

"Released Parties" or "Released Persons" means:

(a) The Company and any and all of its respective officers, directors, shareholders, employees, agents, administrators, executors, legal representatives, representatives, insurers and attorneys, together with each such individual's or entity's predecessors and successors;

(b) With respect to each former Subsidiary or Affiliate of the Company, and any and all of their respective officers, directors, shareholders, employees, agents, administrators, executors, legal representatives, joint ventures (including, without limitation, Guardian Life Insurance Co.), representatives, insurers and attorneys, together with each such individual's or entity's predecessors and successors, as to Released Claims that: (i) occurred prior to the time the Subsidiary or Affiliate (and other individuals or entities listed above) ceased to be affiliated with the Company; or (ii) are covered by any agreement (of indemnification or otherwise) by the Company to assume liabilities; and

(c) Entities listed on Exhibit 7 to this Agreement. Such entities are expressly not "Released Persons" as to services performed for, on behalf of or under contract with any entity other than the Released Parties identified in subparagraphs (a) and (b) above.

"Releasing Parties" (each a **"Releasing Party"**) means the Class Members (and, in the case of Class Members who were or are incapacitated or minors, their parents, natural and/or legal guardians, conservators, attorneys in fact, and/or other legal representatives), and their predecessors, heirs, administrators, executors, successors, and assigns.

"Representative Plaintiffs" means collectively Zev Wachtel and Linda Wachtel, individually and on behalf of their minor children, Tory, Jess and Brett Wachtel, Renee McCoy, and Stewart Scharfman.

"Scharfman Action" shall have the meaning assigned to that term in the preamble of this Agreement.

“**Scharfman Classes**” shall have the meaning assigned to that term in the recitals of this Agreement.

“**Settlement**” shall have the meaning assigned to that term in the recitals of this Agreement.

“**Settlement Account**” shall have the meaning assigned to that term in Section 10 of this Agreement.

“**Settlement Hearing**” means the hearing at which the Court shall consider and determine whether to enter the Final Order and Judgment substantially in the form set forth in Exhibit 1 hereto, and make such other orders as are contemplated by this Agreement.

“**Settlement Hearing Date**” shall have the meaning assigned to that term in Section 7.3 of this Agreement.

“**Subsidiary**” means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are, as of the Preliminary Approval Date, directly or indirectly owned by the Company.

“**Termination Date**” shall have the meaning assigned to that term in Section 18.6 of this Agreement.

“**Third Party Vendor**” means Persons with whom the Company from time to time contracts to perform services relating to the processing and payment of ONET Benefits based on UCR determinations. The term Third Party Vendor does not include Ingenix.

“**UCR**” means usual, customary and reasonable.

“**UCR Appeal Factors**” shall have the meaning assigned to that term in Section 12.8(h) of this Agreement.

“**Wachtel Action**” shall have the meaning assigned to that term in the preamble of this Agreement.

“**Wachtel Class**” shall have the meaning assigned to that term in the recitals of this Agreement.

3. Application of the Agreement

This Agreement applies to all of the Company’s group plans, and for the Scharfman RICO Class, the Company’s individual and family plans, as defined in the Classes (including, without limitation, routine group health insurance for federal, state or municipal employees), but does not

apply to Health Net's government products including, but not limited to, TriCare, Medicare, Medicaid and Medi-Cal programs.

The Parties acknowledge that Health Net, Inc. is the sole obligor for the payment of the Cash Settlement Fund set forth in Section 10 of this Agreement, the Prove-Up Settlement Fund set forth in Section 9 of this Agreement and the payment of costs set forth in Section 15 of this Agreement. Health Net, Inc. and the Class Members hereby release each of Health Net, Inc.'s Subsidiaries and Affiliates from any financial obligation under Sections 9, 10 and 15 of this Agreement.

4. Commitment to Support and Communications with Class Members

The Parties agree that it is in their best interests to consummate this Agreement and all the terms and conditions contained herein, to cooperate with each other and to take all actions reasonably necessary to obtain Court approval of this Agreement and entry of the orders of the Court that are required to implement its provisions. The Parties also agree to support this Agreement in accordance with and subject to the provisions of this Agreement.

The Parties agree that from the Notice Date until the Objection Date, the Company shall refer all Class Member inquiries concerning the Settlement to the Claims Administrator identified in the Mailed Notice and Published Notice; provided that the Company may communicate with employees of the Company who are also members of the Class consistent with the terms of this Agreement. From the Objection Date to the Termination Date, the Company shall only provide information concerning the Settlement to Class Members that is consistent with the terms of this Agreement. Nothing contained in this Section, however, shall prevent the Company from communicating with Class Members in the ordinary course of the Company's business.

5. Preliminary Approval of Settlement

Pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, the Parties shall submit this Agreement, together with the exhibits attached hereto, to the Court at a hearing (the "**Preliminary Approval Hearing**") for, among other things, its conditional certification of the Scharfman Classes for settlement purposes, preliminary approval of the Agreement and Plan of Notice, and scheduling of a Settlement Hearing. The Parties shall also apply to the Court for an Order of Preliminary Approval and Conditional Class Certification, in the form of attached hereto as Exhibit 3 ("**Preliminary Approval Order**").

5.1. For the sole purpose of implementation, approval and consummation of the Settlement, the Parties stipulate and agree that the Court may enter an order certifying the Scharfman Classes, appointing Stewart Scharfman, Zev and Linda Wachtel, and Renee McCoy, on behalf of each of the Scharfman Class members as the Scharfman Class Plaintiffs and appointing Wilentz, Goldman & Spitzer, P.A. and Pomerantz Haudek Block Grossman & Gross LLP as Settlement Class Co-Counsel.

5.2. Certification of the Scharfman Classes and appointment of Class representatives and Scharfman Class Co-Counsel by the Court shall be binding only with respect to the

Settlement set forth in this Agreement. In the event that this Agreement is terminated or that the Effective Date does not occur, the stipulated certification of the Settlement Classes and the appointment of Class Representatives and Scharfman Class Co-Counsel shall be vacated and the Scharfman Action shall proceed as though the Scharfman Classes had never been certified. Except to effectuate the Settlement, neither the Parties, their respective counsel, nor any member of the Scharfman Classes shall cite, present as evidence or legal precedent, rely upon, make reference to or otherwise make any use of this stipulated certification of the Scharfman Classes, in the Scharfman Action.

6. Notice to Class Members; Notice to Parties Pursuant to This Agreement

As soon as practicable after the Court has (a) entered the Preliminary Approval Order and (b) approved the Mailed Notice, the Published Notice and the Proof of Claim Form, notice to Class Members shall be disseminated in such form as the Court shall direct; provided that the forms of notice are substantially similar to the Mailed Notice, the Published Notice and the Proof of Claim Form that are attached hereto as Exhibit 2.

Health Net shall be solely responsible for providing the names and addresses of potential members of the Classes. Health Net, Inc. shall pay the reasonable cost of notice to Class Members, including without limitation, costs for the mailing of the Mailed Notice, in the form attached hereto as Exhibit 2. Payment by Health Net, Inc. of cost of the Mailed Notice shall be non-refundable and shall be in addition to the other agreements made herein. Health Net, Inc. shall pay for the cost to publish the Published Notice one time in the legal notices section in the publications used by Berdon Claims Administration LLC in publishing initial class notices in the McCoy and Wachtel Actions ("**Initial Notice Publications**"). The Parties have agreed that publication in the Initial Notice Publications is sufficient for the Scharfman Classes in compliance with the requirements of Fed. R. Civ. P. 23.

All notices to Class Counsel or the Parties (including without limitation any designations made by Class Counsel pursuant to this Agreement) required under this Agreement shall be sent by Certified Mail, return receipt requested or by hand delivery to the recipients designated in this Section. Timeliness of all submissions and notices shall be measured by the date of receipt, unless the addressee refuses or delays receipt, in which case it will be as of the date of mailing. The Persons designated to receive notices under this Agreement are as follows, unless notification of any change to such designation is given to each other Party hereto in writing pursuant to this Section:

Class Counsel (on behalf of themselves and on behalf of the Representative Plaintiffs and Class Members):

Barry M. Epstein, Esq.
Barbara G. Quackenbos, Esq.
Wilentz Goldman & Spitzer, P.A.
900 Woodbridge Center Drive
Woodbridge, NJ 07095

D. Brian Hufford, Esq.
Pomerantz Haudek Block Grossman & Gross LLP
445 Hutchinson Avenue, Suite 800
Columbus, OH 43235

Robert J. Axelrod, Esq.
Pomerantz Haudek Block Grossman & Gross LLP
100 Park Avenue
New York, NY 10017

Company:

Jay H. Calvert, Jr., Esq.
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103

James E. DelBello, Esq.
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103

7. Procedure for Final Approval

Following the dissemination of notice as described in Section 6, Representative Plaintiffs, Class Counsel and the Company shall seek the Court's final approval of this Agreement. Class Members shall have until the Objection Date to file, in the manner specified in the Mailed Notice, any objections or other response to this Agreement. The Parties agree to ask the Court to set the Objection Date for the date that is sixty (60) days after the Notice Date (the "**Objection Date**").

7.1. Opt-Out Timing and Rights

The Parties will jointly request the Court that the Mailed Notice and the Published Notice be disseminated no later than 30 days after the Preliminary Approval Date (the "**Notice Date**").

The Mailed Notice and the Published Notice shall provide that Class Members may request exclusion from the Class by providing notice, in the manner specified in those Notices, on or before a date set by the Court as the opt-out deadline. Representative Plaintiffs, Class Counsel and the Company agree to request the Court to set the opt-out deadline for the same date as the Objection Date (the "**Opt-Out Deadline**").

Class Members have the right to exclude themselves ("**Opt-Out**") from this Agreement and from the Class by timely submitting to the Claims Administrator a request to Opt-Out and otherwise complying with the agreed-upon Opt-Out procedures approved by the Court. The Mailed Notice will be mailed, *inter alia*, to members of the Wachtel and McCoy Classes who elected to opt-out

of those classes pursuant to the initial class notices in the McCoy and Wachtel Actions. Such members of the Class will be given the opportunity to participate in the Settlement if they choose to do so by revoking their Opt-Out request. Members of the Class who timely request to Opt-Out shall be excluded from this Agreement and from participation as Class Members. Any member of the Class who does not submit a request to Opt-Out by the Opt-Out Deadline, or who does not otherwise comply with the agreed-upon Opt-Out procedures approved by the Court, shall be a Class Member and be bound by the terms of this Agreement and the Final Order and Judgment.

All Class Members shall be deemed to have taken all actions necessary to withdraw and revoke any assignment to any Person of any Released Claims against the Released Parties. Such provision also shall be set forth in the Proof of Claim Form to be submitted by Class Members seeking reimbursement under this Agreement.

Any member of the Class who timely submits a request to Opt-Out, or who in the case of the Wachtel and McCoy Classes submitted a request to Opt-Out pursuant to the initial class notice in those Actions, shall have until the Opt-Out Deadline to deliver to Class Counsel and the Claims Administrator a written revocation of such member of the Class' request to Opt-Out. Such revocation option shall be contained in the Proof of Claim Form.

On each Friday after the Notice Date, the Claims Administrator shall provide to the Company: (a) a list in Machine-readable form of all Opt-Out requests received up to that date; and (b) to the extent not already provided, copies of the actual request to opt out filed by each Opt-Out. Within five (5) business days after the Opt-Out Deadline, the Claims Administrator shall furnish the Company with: (a) a complete list in machine-readable form of all Opt-Out requests (including, at a minimum, the name and address for each Opt-Out) filed by the Opt-Out Deadline and not timely revoked; (b) copies of the actual request to opt-out filed by each Opt-Out; (c) a statement of the total number of Mailed Notices mailed and the total number of opt-out requests received; and (d) a complete list in machine-readable form of all members of the Class that includes the data contained in all fields used to create the individualized notices to members of the Class.

Notwithstanding any other provisions in this Agreement, the Company reserves the right, in its sole and absolute discretion, to terminate this Agreement within thirty (30) days after receipt of the four categories of items to be furnished by the Claims Administrator set forth in the preceding paragraph of this Section 7.1 by delivering a notice of termination to Class Counsel, with a copy to the Court, prior to the commencement of the Settlement Hearing, if it determines that (a) the number of members of the Class who have validly and timely Opted-Out exceeds 1% of the number of members of the Class who were mailed the Mailed Notice, or (b) the aggregate billed minus Allowable Amount of the claims of members of the Class who have validly and timely Opted-Out exceeds \$20 million (\$20,000,000), after excluding the following categories of claim lines: non-final lines, duplicate lines within the data, duplicate claims, claims by non-ERISA and individual members (for the Wachtel and McCoy Classes but not for the Scharfman Classes), government products (as referenced in Section 3 of this Agreement), verified participating INET Providers and all claim lines with an allowed amount equal to zero dollars (\$0).

