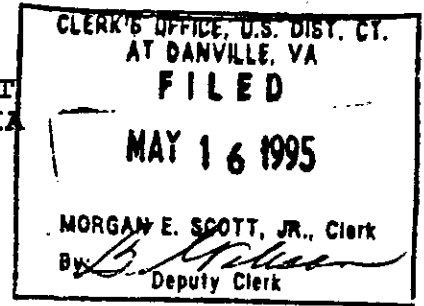


IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF VIRGINIA
DANVILLE DIVISION



COMMONWEALTH OF VIRGINIA,)
BY ITS ATTORNEY GENERAL,)
JAMES S. GILMORE, III,)
)
Plaintiff,)
)
v.)
)
PHYSICIANS GROUP, INC.,)
EDWIN J. HARVIE, JR., M.D.,)
LAWRENCE G. FEHRENBAKER, M.D.,)
ERIC N. DAVIDSON, M.D.,)
MILTON GREENBERG, M.D.,)
WILLIAM W. HENDERSON, IV, M.D.,)
DOUGLAS W. SHIFLETT, M.D.,)
and)
NOAH F. GIBSON, IV, M.D.,)
)
Defendants.)

Civil Action No. 95-0015-D

CONSENT FINAL JUDGMENT

Plaintiff, Commonwealth of Virginia, having filed its Complaint on April 26, 1995, and plaintiff and defendants, by their respective attorneys, having consented to the entry of this Consent Final Judgment without trial or adjudication of any issue of fact or law, and without this Consent Final Judgment constituting any evidence against or admission by any party with respect to any issue of fact or law, and upon consent of the parties, it is hereby

ORDERED as follows:

I.

This Court has jurisdiction over the subject matter of this action and over the parties consenting to this Consent Final

ENTERED

Judgment. The Complaint states a claim upon which relief may be granted against the Defendants under Section 1 of the Sherman Act, 15 U.S.C. § 1, and the Virginia Antitrust Act, Va. Code § 59.1-9.5.

II.

As used in this Consent Final Judgment:

(A) "Physician" means a doctor of medicine or osteopathy.

(B) "Participation agreement" means any agreement or contract, oral or written, directly between any physician and any third-party payor, that sets forth the terms, including compensation, under which a physician will provide covered services to covered persons.

(C) "Third-party payor" means any person or entity that reimburses for, purchases, or pays for health care services provided to any other person and includes, but is not limited to, health maintenance organizations, preferred provider organizations, health insurance companies, prepaid hospital, medical, or other health service plans such as Blue Shield and Blue Cross plans, government health benefits programs, administrators of self-insured health benefits programs, and employers or other entities providing self-insured health benefits programs.

(D) "Key Advantage" means the Key Advantage health insurance plan for employees of the Commonwealth of Virginia and their dependents administered by Trigon Blue Cross and Blue Shield and its predecessor, Blue Cross and Blue Shield of Virginia.

(E) "Integrated joint venture" means a joint arrangement to provide health care services in which all physicians participating in the venture who would otherwise be competitors (1) pool their capital to finance the venture, by themselves or together with others, and (2) share substantial risk of loss from their participation in the venture.

III.

This Consent Final Judgment shall apply to each of the Defendants and to each of the corporate Defendant's directors, officers, agents, employees, successors and assigns.

IV.

Defendants are enjoined for a period of five (5) years from, directly or indirectly:

(A) Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, express or implied, with any physicians or among any physicians, to discuss or collectively determine terms, conditions or requirements upon which any physician(s) will or will not deal with any third-party payor, or to discuss or collectively determine the fees which any physician(s) will charge to any third-party payor; and

(B) Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, express or implied, with any physicians or among any

physicians, to negotiate, deal, or refuse to deal with any third-party payor on collectively determined terms.

V.

PROVIDED THAT, nothing in Part IV shall prohibit the Defendants from:

(A) Forming or becoming an integrated joint venture and dealing with any third-party payor on collectively determined terms in that capacity. Activity specifically not prohibited in the context of such an integrated joint venture shall include, among other things, the following:

(1) Upon the request of a third-party payor, or as part of an integrated joint venture, performing utilization review or credentialing activities in connection with the provision of services by physicians who are members of the integrated joint venture to subscribers of the third-party payor;

(2) Upon the request of a third-party payor, participating with other physicians in bona fide utilization review, quality assurance, or credentialing activities in connection with the provision of physician services to subscribers of that third-party payor; and

(3) Upon the request of a third-party payor, providing information to that third-party payor on fees charged in individual cases by physicians who are members of the integrated joint venture;

(B) Providing information or views, individually or collectively with other physicians through either an integrated joint venture or through an entity described in Part VI, to any third-party payor concerning any issue, including reimbursement; and

(C) Collecting historical data concerning fees and charges for the purpose of providing such data to third-party payors.

VI.

FURTHER PROVIDED THAT nothing in Part IV shall prohibit individual physician members of PGI, including the Settling Physicians, who practice together as partners, shareholders, principals or employees in the same professional corporation, professional limited liability company, partnership or other bona fide group practice, from collectively engaging in activities otherwise prohibited by Part IV.

VII.

IT IS FURTHER ORDERED that:

(A) Defendants shall each file a written report with the Plaintiff within ninety (90) days after the date when the Consent Final Judgment becomes final, and, beginning on January 15, 1996, and continuing annually for three (3) years thereafter, and at such other times as the Plaintiff may by written notice to Defendants require, setting forth in detail the manner and form in which they have complied and are complying with the Consent Final Judgment.

(B) Defendants shall, for a period of five (5) years after the date when the Consent Final Judgment becomes final, maintain and make available to Plaintiff, for inspection and copying upon reasonable notice, records adequate to describe in detail any action taken in connection with the activities covered by Parts IV, V and VII of this Consent Final Judgment, including, but not limited to, all documents generated by the Defendants, or that come into any of the Defendants' possession, custody, or control, regardless of source, that discuss, refer or relate to any fee, term, condition, or requirement of any agreement, actual or proposed, with any third-party payor. Access to documents as set forth in this Paragraph shall be subject to any recognizable privilege.

(C) Within one (1) year of the anniversary date of the date this Consent Final Judgment becomes final, Defendant PGI, or if PGI should for any reason cease to exist, the Settling Physicians, shall hold, at its or their own expense, an antitrust compliance program. If held by PGI, the Settling Physicians and all other then current physician members of PGI shall be required by PGI to attend. If PGI ceases to exist and the compliance program is held by the Settling Physicians, only the Settling Physicians are required to attend. As the case may be, PGI or the Settling Physicians shall appoint a person, and any necessary successor, to coordinate compliance activities, and the antitrust compliance program shall be conducted by an experienced antitrust lawyer who is a member in good standing of the Virginia State Bar, on the

meaning and requirements of this Consent Final Judgment and the state and federal antitrust laws.

(D) Defendant PGI, or the Settling Physicians, as the case may be, shall maintain for inspection by Plaintiff a record of all persons in attendance at the compliance program required by Section VII(C).

(E) Defendant PGI shall distribute, by first-class mail, a copy of this Consent Final Judgment to each of its current members within thirty (30) days after the date when the Consent Final Judgment becomes final.

(F) Defendant PGI shall, for a period of five (5) years after the date when the Consent Final Judgment becomes final, provide each new PGI member with a copy of this Consent Final Judgment at the time the member is accepted into membership.

(G) Defendant PGI shall notify the Court and the Plaintiff, at least thirty (30) days prior to any proposed change to Defendant PGI which may affect compliance with this Consent Final Judgment, including, but not limited to, dissolution, merger, consolidation or other change in corporate structure.

VIII.

IT IS FURTHER ORDERED that:

(A) The Commonwealth shall have judgment against and recover from, and judgment shall be entered against, PGI and the Settling Physicians, jointly and severally, in the amount of One Hundred and Seventy Thousand Dollars and Zero Cents (\$170,000.00), to be

allocated as follows: (1) Twenty Thousand, Five Hundred and Thirty-Four Dollars and Zero Cents (\$20,534.00) to the Commonwealth for money damages; (2) Fifty Thousand Dollars and Zero Cents (\$50,000.00) to the Commonwealth for civil penalties; and (3) Ninety-Nine Thousand, Four Hundred and Sixty-Six Dollars and Zero Cents (\$99,466.00) to the Revolving Account of the Antitrust and Consumer Litigation Section of the Office of the Attorney General.

(B) PGI and the Settling Physicians shall make payment in the amount of One Hundred and Seventy Thousand Dollars and Zero Cents (\$170,000.00) to the Commonwealth by delivery of a certified or cashier's check to the Office of the Attorney General, made payable to the Treasurer of Virginia, within ten (10) days after entry of this Consent Final Judgment.

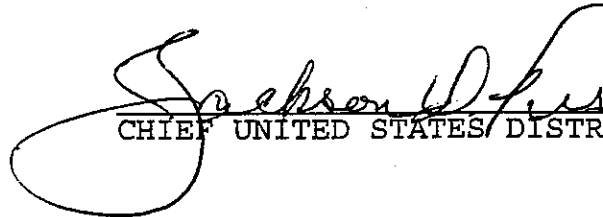
IX.

Nothing in this Consent Final Judgment shall bar the Commonwealth from seeking, or the Court from imposing, against Defendants PGI and/or the Settling Physicians, any other relief available under any applicable provision of law for violation of this Consent Final Judgment.

X.

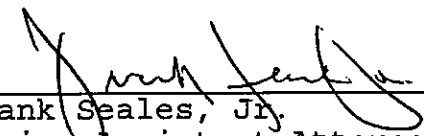
Upon agreement of counsel, this action is dismissed with prejudice, with leave granted to the Commonwealth, without payment

of fee, to reinstate it for enforcement of the provisions of this Consent Final Judgment.

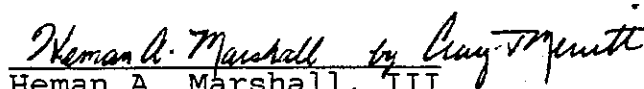

CHIEF UNITED STATES DISTRICT JUDGE


WE ASK FOR THIS:

COMMONWEALTH OF VIRGINIA

By: 
Frank Seales, Jr.
Senior Assistant Attorney
General and Chief
(VSB No. 30808)
David B. Irvin
(VSB No. 23927)
Assistant Attorney General
OFFICE OF THE ATTORNEY GENERAL
Antitrust and Consumer
Litigation Section
900 East Main Street
Richmond, Virginia 23219

PHYSICIANS GROUP, INC.,
LAWRENCE G. FEHRENBAKER, M.D.,
ERIC N. DAVIDSON, M.D.,
MILTON GREENBERG, M.D.,
DOUGLAS W. SHIFLETT, M.D.,
and
NOAH F. GIBSON, IV, M.D.

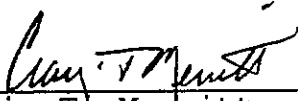
By: 
Heman A. Marshall, III
(VSB No. 14811)
Michael F. Urbanski
(VSB No. 20700)

A TRUE COPY, TESTE:
MARGARET E. SCOTT, JR., CLERK
BY: 
DEPUTY CLERK

Francis H. Casola
(VSB No. 29108)
WOODS, ROGERS & HAZLEGROVE, P.L.C.
First Union Tower, Suite 1400
10 South Jefferson Street
P.O. Box 14125
Roanoke, Virginia 24038-4125

EDWIN J. HARVIE, JR., M.D.

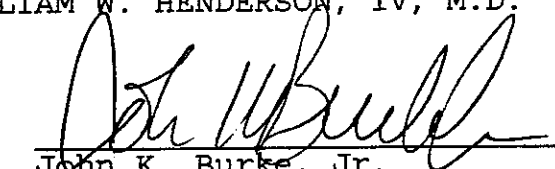
By:



Craig T. Merritt
(VSB No. 20281)
CHRISTIAN, BARTON, EPPS, BRENT & CHAPPELL
1200 Mutual Building
Richmond, Virginia 23219

WILLIAM W. HENDERSON, IV, M.D.

By:



John K. Burke, Jr.
(VSB No. 16798)
MAYS & VALENTINE
NationsBank Center
1111 East Main Street
P.O. Box 1122
Richmond, Virginia 23208-1122