

COMMONWEALTH OF KENTUCKY
JEFFERSON CIRCUIT COURT
DIVISION 12

Case No. 08-CI-003527 (Consolidated with No. 08-CI-004236)

In Re HUMANA INC.)	Judge: Susan Schultz Gibson
DERIVATIVE LITIGATION)	
)	
_____)	
)	
This Document Relates To:)	
ALL ACTIONS)	
_____)	

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF
SHAREHOLDER DERIVATIVE ACTION

TO: ALL HOLDERS OF HUMANA INC. COMMON STOCK AS OF JUNE 25, 2010 ("CURRENT HUMANA SHAREHOLDERS"). PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT MAY AFFECT YOUR RIGHTS.

YOU ARE HEREBY NOTIFIED, pursuant to KRS 271B.7-400 and the Order Preliminarily Approving Derivative Settlement and Providing for Notice (the "Preliminary Order") of the Jefferson Circuit Court for the Commonwealth of Kentucky, Division 12 (the "Court"), that a proposed settlement agreement (the "Settlement") has been reached among and between Settling Plaintiff, derivatively on behalf of Humana, the Individual Defendants, and Humana in connection with the above captioned shareholder derivative action, *In re Humana Inc. Derivative Litigation*, Case No. 08-CI-003527.

This Derivative Action has been brought derivatively on behalf of Humana and alleges breaches of fiduciary duties, waste of corporate assets, and unjust enrichment by the Individual Defendants. The proposed Settlement, if approved by the Court, would fully, finally, and forever resolve the litigation upon the terms and subject to the conditions set forth in the Stipulation of Settlement (the "Stipulation") and summarized in this Notice.

A Settlement Hearing shall be held before this Court on 9/21, 2010 at 9:00 a.m. or as soon thereafter as counsel may be heard in the courtroom of the Honorable Susan Schultz Gibson, Circuit Judge, located in the Jefferson County Judicial Center, 700 W. Jefferson St., Louisville, Kentucky 40202 to determine: (i) whether the proposed Settlement of the Derivative Action, upon the terms set forth in the Stipulation, should be finally approved in all respects as fair, reasonable, and adequate to Humana and Current Humana Shareholders; (ii) whether the Final Judgment approving the Settlement should be entered; and (iii) whether the agreed to Fee and Expense Award to Settling Plaintiff's Counsel should be finally approved.

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 asserted in the Derivative Action or the merits of the claims or defenses asserted in the Derivative Action. This Notice is merely to inform you of the pendency and proposed Settlement and of your rights as a Current Humana Shareholder.

I. DEFINITIONS USED IN THIS NOTICE

1. "Current Humana Shareholders" means any Persons who owned Humana common stock as of the date of the execution of the Stipulation and who continue to hold their Humana common stock as of the date of the final settlement approval hearing, excluding the Individual Defendants, the officers and directors of Humana, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which Individual Defendants have or had a controlling interest.

2. "Defendants' Counsel" means collectively Greenebaum Doll & McDonald PLLC, 3500 National City Tower, 101 S. Fifth Street, Louisville, KY 40202, and Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, NY 10004.

3. "Defendants' Released Claims" means any and all claims, rights, or causes of action, liabilities, injunctive relief, or any other legal or equitable remedies, whether based on federal, state, local statutory or common law, or any other law, rule, or regulation (whether foreign or domestic) by Humana, or derivatively on behalf of Humana, that are alleged in the Derivative Action or that arise out of, in connection with, or relate to any of the acts, matters, allegations or transactions referred to in the Derivative Action, including, without limitation Unknown Claims (as defined in Section I, ¶18) against the Settling Plaintiff, Settling Plaintiff's Counsel, or Humana (except for any claims to enforce the Settlement).

4. "Derivative Action" means the shareholder derivative action pending in the Jefferson Circuit Court for the Commonwealth of Kentucky captioned *In re Humana Inc. Derivative Litigation*, Consolidated Case No. 08-CI-003527.

5. "Fee and Expense Award" means the agreed upon attorneys' fees and reimbursement of expenses that will be paid to Settling Plaintiff's Counsel, subject to Court approval, in recognition of the substantial benefits conferred on Humana by the implementation of the corporate governance reforms, described below (the "Corporate Governance Reforms"), in connection with the Derivative Action.

6. "Final" means the expiration of all times to seek appeal or other review of the Judgment, or if any appeal or other review of such Judgment is filed and not dismissed, after

such Judgment is upheld on appeal in all material respects and is no longer subject to appeal, reargument, or review by writ of certiorari or otherwise.

7. "Humana" or the "Company" means nominal defendant Humana Inc.

8. "Individual Defendants" means collectively, Michael B. McCallister, Arthur P. Hipwell, James E. Murray, James H. Bloem, David A. Jones, Jr., W. Ann Reynolds, Kurt J. Hilzinger, Frank A. D'Amelio, W. Roy Dunbar, James J. O'Brien, and William J. McDonald.

9. "Judgment" means the Proposed Final Judgment and Order of Dismissal With Prejudice to be rendered by the Court, substantially in the form of Exhibit D attached to the Stipulation.

10. "Parties" means collectively, Settling Plaintiff, the Individual Defendants, and Humana.

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

12. "Related Persons" means each of the Individual Defendants' past or present subsidiaries, parents, successors and predecessors, insurers, officers, directors, agents, employees, attorneys, advisors, investment advisors, auditors, accountants, and any firm, trust, corporation, officer, director, or other individual or entity in which any Individual Defendant or Humana has a controlling interest, and the legal representatives, heirs, successors in interest, or assigns of any Individual Defendant.

13. "Released Claims" means any and all claims, rights or causes of action, liabilities, injunctive relief, or any other legal or equitable remedies, whether based on federal, state, local statutory or common law or any other law, rule or regulation (whether foreign or domestic) by Humana, or derivatively on behalf of Humana, that are alleged in the Derivative Action or that arise out of, in connection with, or relate to any of the acts, matters allegations or transactions referred to in the Derivative Action, including, without limitation Unknown Claims

(as defined in Section I, ¶18) against the Individual Defendants and their related Released Parties (except for any claims to enforce the Settlement).

14. "Released Parties" means collectively each of the Individual Defendants and each of their Related Persons.

15. "Settlement Hearing" means the hearing on final approval of the proposed settlement contemplated by the Stipulation, made upon noticed motion of the Parties, at which time the Parties will seek entry of the Judgment.

16. "Settling Plaintiff" means Christine Del Gaizo, individually and derivatively on behalf of Humana.

17. "Settling Plaintiffs Counsel" means collectively Parry Deering Futscher & Sparks, PSC, 411 Garrard Street, PO Box 2618, Covington, KY 41012, Robbins Umeda LLP, 600 B Street, Suite 1900, San Diego, CA 92101, and the Law Offices of Alfred G. Yates, Jr. 429 Forbes Avenue, Pittsburgh, PA 15219.

18. "Unknown Claims" means any claim that any Party does not know or suspect exists in his, her, or its favor at the time of the Settlement including, without limitation, those claims which, if known, might have affected the decision to enter into, or not object to, this Settlement. The Parties expressly waive, relinquish, and release any and all provisions, rights, and benefits conferred by or under California Civil Code Section 1542 ("§1542") or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to §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.

II. PLAINTIFF'S CLAIMS AND THE BENEFITS OF SETTLEMENT

Settling Plaintiff believes the claims asserted in the Derivative Action have merit. Nonetheless, Settling Plaintiff and Settling Plaintiff's Counsel recognize and acknowledge the expense and length of time that would be required to prosecute the Derivative Action through trial and appeal. Settling Plaintiff and Settling Plaintiff's Counsel have also taken into account

the uncertain outcome and the risks of litigating the Derivative Action, as well as the difficulties and delays inherent in such litigation. Settling Plaintiff's Counsel are mindful of the inherent problems of proof and possible defenses to the claims asserted in such actions. Based on their review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, Settling Plaintiff's Counsel believe the Settlement set forth herein confers substantial benefits upon, and is in the best interests of, Humana and its shareholders. The Settlement provides for additional management oversight and review of the Company's policies and processes related to its prescription drug program, including actuarial analysis, pricing models, and enrollment forecasts. The Settlement also expands the Company's insider trading controls to include prohibitions on trading in derivatives of Humana's stock by its employees. Accordingly, Settling Plaintiff has agreed to settle the Derivative Action pursuant to the terms and provisions of the Stipulation after considering, *inter alia*, the substantial benefits that Humana will receive when weighed against the risks, expense, and duration of continued litigation.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The Individual Defendants have denied the allegations in the Derivative Action and continue to deny they have committed, threatened, or attempted to commit, any violations of law, or breached any duty owed to Settling Plaintiff, Humana, or its shareholders. Without admitting the validity or merit of any allegations made in the Derivative Action, or any liability with respect thereto, the Individual Defendants and Humana are entering into this Settlement because it will eliminate the uncertainty, distraction, disruption, burden, and expense of further litigation. Further, the Individual Defendants and Humana acknowledge that the settlement is fair, reasonable, adequate, and in the best interests of Humana and its shareholders.

Neither the Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred or attached to the Stipulation, nor any action taken to carry out the Stipulation is, may be construed as, or may be used as evidence of the validity of any of the Released Claims or an admission by or against the Individual Defendants of any fault, wrongdoing, or concession of liability whatsoever.

IV. THE PROPOSED SETTLEMENT

From February 2010 through May 2010, counsel for the Parties engaged in substantial negotiations and discussions regarding a possible settlement of the action. On March 23, 2010, after engaging in multiple arm's-length good-faith settlement discussions, the Settling Parties reached an agreement in principle to settle the Derivative Action. After further negotiations, the Parties executed the Stipulation. The terms and conditions of the Settlement are fully set forth in the Stipulation. The Stipulation has been filed with the Court and is also available for viewing on the websites of Humana (www.humana.com) and Robbins Umeda LLP (www.robbinsumeda.com). The following are the Corporate Governance Reforms agreed to by the Parties.

A. Corporate Governance Reforms

1. Humana shall designate an individual to be the Bid Development and Medicare Plan Benefit Manager ("BPM"). The Company may designate as the BPM an existing employee of the Company, who may retain his or her existing duties, in addition to serving as the BPM. The Company shall ensure that the BPM is well qualified and credentialed to carry out the responsibilities of the position. The BPM shall be responsible for at least the following:

(a) Ensuring that the Company continues to conduct its business in adherence with all applicable laws and regulations concerning the Company's bids for its proposed Prescription Drug Plans ("PDPs") that the Company submits to the Centers for Medicare and Medicaid Services ("CMS");

(b) Ensuring that the Company's applicable policies, procedures, and methods of determining actuarial analyses, pricing models, tier utilization, and enrollment forecasting that formulate the Company's expected average cost for the Medicare covered benefits for each PDP continue to be reviewed for effectiveness and efficiency at least annually by a qualified team of internal actuaries and by such external consultants as the Company may determine are needed; and

(c) Ensuring that the Company continue those policies, standards, and controls that assure that its policies, procedures, and methods of determining enrollment

forecasting, membership management and retention, co-payment pricing, and government plan pricing for each PDP are designed and used in a manner so as to be integrated with the Company's system of internal controls.

2. The BPM shall also:

(a) Ensure that the Company continues its process of certifying to CMS on an annual basis the soundness of the actuarial valuation of any PDP bid;

(b) Present the estimates that are utilized in the Company's actuarial analyses, pricing models, and tier utilization and enrollment forecasting to the Company's Chief Financial Officer ("CFO") on a timely basis for review as to process; and

(c) Ensure that the relevant actuaries and finance controllers meet on a regular basis to review and analyze PDP claims data and financial results for the purpose of providing particularized trend and benefit-use analysis and other relevant bid-determinant data.

3. The BPM will provide updates and reports concerning his or her duties as needed, but will provide updates and reports on all topics identified in Section A.1 at least annually to the Company's Chief Operating Officer and CFO.

4. The Company will expand its current prohibition on trading in derivatives of Humana stock to include all employees of the Company, rather than only officers.

B. Acknowledgments

Humana acknowledges that the prosecution of the Derivative Action was a material factor in the implementation of the Corporate Governance Reforms, which provide a substantial benefit to Humana and its shareholders.

C. Sunset Provision

Humana agrees to keep the Corporate Governance Reforms in effect for a period of four (4) years or for so long as the Company offers PDPs, whichever period is shorter.

V. DISMISSAL AND RELEASES

The full terms of the dismissal and release of claims are set forth in the Stipulation. The following is only a summary.

Upon the entry of the Judgment, Settling Plaintiff, Humana, and its shareholders, on behalf of themselves and each of their heirs, executors, administrators, insurers, predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, representatives, estates, trusts, trustees, trust beneficiaries, spouses, marital communities, immediate family members and assigns, shall be deemed to have—and by operation of a final judgment in the Derivative Action shall have—fully, finally, and forever released, waived, relinquished, discharged, and dismissed any and all Released Claims against any Released Parties, and shall forever be barred and enjoined from instituting, commencing, or prosecuting any and all Released Claims against any Released Parties.

Upon entry of the Judgment, the Individual Defendants, on behalf of themselves and each of their heirs, executors, administrators, insurers, predecessors, successors, parents, subsidiaries, affiliates, custodians, agents, representatives, estates, trusts, trustees, trust beneficiaries, spouses, marital communities, immediate family members and assigns, shall be deemed to have—and by operation of a final judgment in the Derivative Action shall have—fully, finally, and forever released, waived, relinquished, discharged, and dismissed any and all Defendants' Released Claims against Settling Plaintiff, Settling Plaintiff's Counsel, and Humana, and shall forever be barred and enjoined from instituting, commencing, or prosecuting any and all of Defendants' Released Claims, against Settling Plaintiff, Settling Plaintiff's Counsel, and Humana.

The Parties will seek entry of the Judgment by the Court, dismissing the Derivative Action with prejudice and barring any claims that have been brought in any court or forum by Humana, or any Humana shareholder on Humana's behalf, relating to or arising out of allegations in the complaints filed in this Derivative Action.

VI. THE FEE AND EXPENSE AWARD

In recognition of the substantial benefits conferred upon Humana through the implementation of the Corporate Governance Reforms, and subject to Court approval, Humana shall pay Settling Plaintiff's Counsel \$325,000 for their attorneys' fees and reimbursement of expenses. The Fee and Expense Award shall be paid within five (5) business days after the Judgment on final approval shall have become Final.

The Fee and Expense Award shall constitute the final and complete payment for Settling Plaintiff's Counsel's attorneys' fees and reimbursement of expenses that have been incurred or will be incurred in connection with the Derivative Action and the resolution of the claims asserted in the Derivative Action. If Humana fails to pay or direct their insurer to pay Settling Plaintiff's Counsel the Fee and Expense Award, or if the insurer fails to make such payment, Settling Plaintiff shall have the right to withdraw from the Settlement. In such event, the Stipulation shall be void in its entirety, and the status quo ante shall be restored.

VII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of all of the following events: (a) entry of the Notice Order; (b) final approval of the Settlement following notice to Current Humana Shareholders and the Settlement Hearing, pursuant to KRS §271B.7-400; (c) entry of the Judgment dismissing the Derivative Action with prejudice; (d) payment to Settling Plaintiff's Counsel of the Fee and Expense Award; and (e) the Judgment has become Final. If any of the conditions above are not met, the Stipulation and any Settlement documentation shall be null and void and of no force and effect, unless Settling Plaintiff's Counsel and Defendants' Counsel mutually agree in writing to proceed with the Stipulation. In the event that any of the conditions above are not met, the Parties shall be restored to their positions on the date immediately prior to the execution date of the Stipulation, and the Stipulation shall not be deemed to constitute an admission of fact by any Party, and neither the existence of the Stipulation nor its contents, shall be admissible in evidence or be referred to for any purposes in the Derivative Action or in any litigation or judicial proceeding. However, no order of the Court or modification or reversal on appeal of any order of the Court concerning the amount of any attorneys' fees, costs and expenses awarded by the Court to Settling Plaintiff's Counsel shall constitute grounds for cancellation or termination of the Stipulation.

VIII. THE SETTLEMENT HEARING AND RIGHTS AS CURRENT HUMANA SHAREHOLDERS

The Settlement Hearing shall be held before this Court on 7/21, 2010 at 9:00 a.m. or as soon thereafter as counsel may be heard in the courtroom of the Honorable Susan Schultz Gibson of the Jefferson Circuit Court for the Commonwealth of Kentucky, Jefferson County

Judicial Center, 700 W. Jefferson St., Louisville, Kentucky 40202 to determine: (i) whether the proposed Settlement of the Derivative Action, upon the terms set forth in the Stipulation, should be finally approved in all respects as fair, reasonable, and adequate to Humana and Current Humana Shareholders; (ii) whether the Final Order and Judgment approving the Settlement should be entered; and (iii) whether the agreed-to Fee and Expense Award to Settling Plaintiff's Counsel should be finally approved. The Settlement Hearing may be continued or adjourned from time to time by the Court at the Settlement Hearing or any continued or adjourned session thereof without further notice.

Should the Settlement be approved by the Court following the Settlement Hearing, the Court will enter Judgment dismissing the Derivative Action with prejudice and barring any claims that have been or might have been brought in any court or forum by Humana, or any Humana shareholder on Humana's behalf, relating to or arising out of allegations in the complaints filed in this Derivative Action.

Any Current Humana Shareholder may appear at the Settlement Hearing and be heard as to whether the proposed Settlement should be approved, *provided, however*, that no such person shall be heard unless, at least fourteen (14) days prior to the Settlement Hearing, such shareholder has: (1) filed with the Clerk of the Court a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of Humana capital stock through the date of the Settlement Hearing, including the number of shares of Humana capital stock and the date of purchase; and (c) any documentation in support of such objection; and (2) if a Current Humana Shareholder intends to appear and requests to be heard at the Settlement Hearing, such shareholder must have, in addition to the requirements of (1) above, filed with the Clerk of the Court: (a) a written notice of such shareholder's intention to appear; (b) a statement that indicates the basis for such appearance; and (c) the identities of any witnesses the shareholder intends to call at the Settlement Hearing and the subjects of their testimony. If a Current Humana Shareholder files a written objection and/or written notice of intent to appear, such shareholder must also simultaneously serve copies of such notice, proof, statement, and

documentation, together with copies of any other papers or briefs such shareholder files with the Court (either by hand delivery or by first class mail) upon each of the following:

ROBBINS UMEDA LLP
BRIAN J. ROBBINS
GEORGE C. AGUILAR
ASHLEY R. PALMER
600 B Street, Suite 1900
San Diego, CA 92101

Plaintiff's Counsel

FRIED, FRANK, HARRIS, SHRIVER
& JACOBSON LLP
WILLIAM G. MCGUINNESS
DAVID B. HENNES
One New York Plaza
New York, NY 10004

Defendants' Counsel

Unless otherwise ordered by the Court, any Current Humana Shareholder who does not make his, her, or its objection or opposition in the manner provided shall be deemed to have waived any and all objections and opposition, and shall be forever foreclosed from making any objection to the fairness, reasonableness, and adequacy of the proposed Settlement, and shall otherwise be bound by the Judgment to be entered and the releases to be given.

IX. EXAMINATION OF PAPERS AND INQUIRES

This Notice contains only a summary of the terms of the proposed Settlement. For a more detailed statement of the matters involved in this action, reference is made to the pleadings, to the Stipulation, and to other papers filed in this Derivative Action, which may be inspected at the Office of the Clerk for the Jefferson Circuit Court for the Commonwealth of Kentucky, Jefferson County Judicial Center, 700 W. Jefferson St., Louisville, Kentucky, 40202, during business hours of each business day. In addition, a copy of the Stipulation may be found at www.robbinsumeda.com and www.humana.com.

Inquiries regarding this action should be addressed as follows:

ROBBINS UMEDA LLP
BRIAN J. ROBBINS

GEORGE C. AGUILAR
ASHLEY R. PALMER
600 B Street, Suite 1900
San Diego, CA 92101
Facsimile: (619) 525-3991

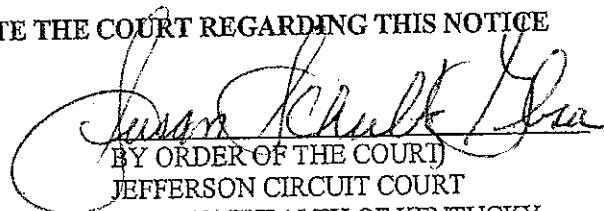
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Defendants' Counsel

PLEASE DO NOT CALL OR WRITE THE COURT REGARDING THIS NOTICE

Dated: 7/28/10, 2010


BY ORDER OF THE COURT
JEFFERSON CIRCUIT COURT
COMMONWEALTH OF KENTUCKY

