

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In Re DVI, Inc. Securities Litigation	X ⋮ X	Case No. 2:03-CV-5336-LDD
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**NOTICE OF PENDENCY OF CLASS ACTION, HEARING ON PROPOSED
SETTLEMENT, PLAN OF ALLOCATION AND ATTORNEYS' FEES AND EXPENSES ("NOTICE")**

TO: All persons and entities who purchased or otherwise acquired the securities of DVI, Inc. (together with its operating subsidiaries "DVI") between August 10, 1999 and August 13, 2003, both dates inclusive (the "Settlement Class Period"), excluding those plaintiffs named in a related action titled *WM High Yield Fund, et al. v. O'Hanlon, et al., No. 04-CV-3423* (E.D. Pa.) (hereinafter referred to separately and interchangeably as the "Settlement Class," "Settlement Class Members," "Class Members," "Members of the Class," and "Members of the Settlement Class").

If you purchased or otherwise acquired any DVI securities (common stock and/or 9½% Senior Notes) during the Settlement Class Period and you lost money on the securities, you may be entitled to share in a settlement of \$4,500,000 cash received from a certain Defendant, Merrill Lynch & Co., Inc. ("Merrill Lynch"), in this Litigation.

To claim benefits that may be due to you, you must submit a Proof of Claim on the form attached to this Notice postmarked on or Before July 7, 2008.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. IF YOU ARE A SETTLEMENT CLASS MEMBER, YOU ULTIMATELY MAY BE ENTITLED TO RECEIVE BENEFITS PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED HEREIN.

CLAIMS DEADLINE: FOR THOSE MEMBERS OF THE CLASS WHO DID NOT SUBMIT A PROOF OF CLAIM FORM IN THE SETTLEMENT WITH DEFENDANTS ONCURE MEDICAL CORP., DOLPHIN MEDICAL, INC. AND PRESGAR IMAGING LC, APPROVED BY THE COURT ON NOVEMBER 17, 2006 (HEREINAFTER REFERRED TO AS THE "NOVEMBER 17, 2006 SETTLEMENT") OR IN THE SETTLEMENT WITH DEFENDANTS NATHAN SHAPIRO, WILLIAM GOLDBERG AND JOHN McHUGH, APPROVED BY THE COURT ON NOVEMBER 5, 2007 (HEREINAFTER REFERRED TO AS THE "NOVEMBER 5, 2007 SETTLEMENT"), YOU MUST SUBMIT A PROOF OF CLAIM, ON THE FORM ACCOMPANYING THIS NOTICE, POST-MARKED ON OR **BEFORE JULY 7, 2008**, TO BE ENTITLED TO RECOVERY IN THIS SETTLEMENT.

FOR THOSE MEMBERS OF THE CLASS WHO SUBMITTED A VALID PROOF OF CLAIM FORM IN THE NOVEMBER 17, 2006 SETTLEMENT OR IN THE NOVEMBER 5, 2007 SETTLEMENT, THAT PROOF OF CLAIM FORM WILL SERVE AS YOUR PROOF OF CLAIM FORM IN THIS SETTLEMENT AND YOU ARE AUTOMATICALLY ELIGIBLE FOR A RECOVERY IN THIS SETTLEMENT WITHOUT NEEDING TO SUBMIT ANOTHER PROOF OF CLAIM FORM.

FOR THOSE MEMBERS OF THE CLASS WHO DID NOT SUBMIT A VALID PROOF OF CLAIM FORM IN THE NOVEMBER 17, 2006 SETTLEMENT OR IN THE NOVEMBER 5, 2007 SETTLEMENT, SUBMITTING A PROOF OF CLAIM FORM IN THIS SETTLEMENT DOES NOT ENTITLE YOU TO RECOVERY IN THE NOVEMBER 17, 2006 SETTLEMENT OR IN THE NOVEMBER 5, 2007 SETTLEMENT.

I. PURPOSE OF THIS NOTICE

The purpose of this Notice is to inform you of this Litigation, as defined below, and the proposed Settlement that will affect all Settlement Class Members' rights. This Notice describes rights you may have under the proposed Settlement and what steps you may take in relation to this Litigation. This Notice is not an expression of any opinion by the Court as to the merits of any claims or any defenses asserted by any party in this Litigation, or the fairness or adequacy of the proposed Settlement.

You are receiving this Notice because you may have purchased an eligible security issued by DVI, Inc. during the Class Period.

The above captioned lawsuit is a class action lawsuit (the "Litigation") in which the Court has certified a Settlement Class, described more fully below.

The proposed Settlement creates a fund (the "Settlement Fund") in the amount of \$4,500,000 in cash (the "Settlement Amount") and will include interest that accrues on the fund prior to distribution.

By Order of the Court, this Notice is being sent to you in the belief that you may be a Member of the Class, to inform you as follows:

- THE COURT HAS CERTIFIED THE SETTLEMENT CLASS ON BEHALF OF THE CLASS DEFINED IN SECTION III BELOW.

- A SETTLEMENT OF THE LITIGATION HAS BEEN REACHED, SUBJECT TO COURT APPROVAL. THIS SETTLEMENT IS WITH ONLY A CERTAIN DEFENDANT, MERRILL LYNCH, AND THE LITIGATION IS CONTINUING AGAINST OTHER DEFENDANTS. THE TERMS OF THE SETTLEMENT ARE DESCRIBED IN SECTION IV BELOW.
- IF YOU MEET THE SETTLEMENT CLASS DEFINITION, YOU ARE A MEMBER OF THE CLASS AND YOU WILL BE BOUND BY THE SETTLEMENT AND THE RELEASES THAT ARE GIVEN PURSUANT THERETO, UNLESS YOU ACT TO EXCLUDE YOURSELF PURSUANT TO THE INSTRUCTIONS IN SECTION VI BELOW. IF YOU WISH TO REMAIN A MEMBER OF THE CLASS AND TO BE BOUND BY THE SETTLEMENT AND RELEASES, YOU DO NOT NEED TO TAKE ANY ACTION IN RESPONSE TO THIS NOTICE OTHER THAN WHAT IS OUTLINED IN SECTION VII BELOW TO ESTABLISH THE DOLLAR AMOUNT OF YOUR CLAIM.
- NO DETERMINATION HAS BEEN MADE ON THE MERITS OF THE CASE. ANY FINAL JUDGMENT WILL BIND ALL MEMBERS OF THE CLASS EXCEPT THOSE MEMBERS WHO ACT TO EXCLUDE THEMSELVES PURSUANT TO THE DEADLINES SET HEREIN.
- YOU MAY OBTAIN MORE DETAILED INFORMATION ABOUT THE LITIGATION BY ACCESSING THE COURT FILE.

Plaintiffs' Lead Counsel have not received any payment for their services in prosecuting the Litigation against Merrill Lynch on behalf of Plaintiffs 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, Plaintiffs' Lead Counsel will apply to the Court for attorneys' fees not to exceed 33⅓% of the Settlement Amount, or up to \$1,500,000.00, and reimbursement of out-of-pocket expenses not to exceed \$450,000.00, both of which shall be paid to Plaintiffs' Lead Counsel from the Settlement Fund with interest from the date such Settlement Fund was funded to the date of payment at the same interest rate that the Settlement Fund earns. The average cost per share and per note will vary depending on the number of shares and notes for which claims are filed.

II. A DESCRIPTION OF THE LAWSUIT AND STATUS OF THE PROCEEDINGS

The Third Amended Consolidated Class Action Complaint (the "Complaint"), filed on September 20, 2004, alleges that during the Class Period the Defendants prepared and disseminated to the investing public materially false and misleading information about DVI's financial condition and results of operations, and/or engaged in deceptive schemes to conceal DVI's dire financial position, in order to artificially inflate the prices of DVI's publicly-traded securities.

The culmination of this alleged misconduct resulted in DVI publicly disclosing its intention, on August 13, 2003, to petition for Chapter 11 Bankruptcy protection based on the "discovery of apparent improprieties in its prior dealings with lenders involving misrepresentations as to the amount and nature of collateral pledged to lenders." On August 25, 2003, DVI filed for bankruptcy protection and, thereafter, liquidated. In the bankruptcy proceedings, a Bankruptcy Court-appointed Examiner conducted an investigation of DVI's demise and on or about April 8, 2004, issued a 188-page report, which described numerous alleged misstatements related to DVI's revenue recognition and loan loss reserves, among other items.

In this case, the Complaint, which derives in part from the Examiner's findings and conclusions, alleges that Defendants' misconduct violated federal securities laws and damaged investors who purchased or otherwise acquired the artificially inflated securities during the Class Period.

This Litigation is pending against:

- (1) individuals and entities who allegedly intentionally or recklessly made materially false and misleading statements to the investing public regarding DVI, including DVI's Officers and Directors (Michael A. O'Hanlon ("O'Hanlon"), Steven R. Garfinkel ("Garfinkel"), John P. Boyle ("Boyle"), Gerald Cohn ("Cohn"), Harry T.J. Roberts ("Roberts")), its auditor, Deloitte & Touche, LLP, and one of its lenders and one of its underwriters in certain securitizations, Merrill Lynch & Co., Inc.; these claims were brought under Section 10(b) of the Securities & Exchange Act of 1934, 15 U.S.C. §78j(b), and Rule 10b-5(b), 17 C.F.R. §240.10b-5(b), promulgated by the Securities and Exchange Commission; as indicated herein, Plaintiffs have settled their claims against three other DVI officers and directors, Nathan Shapiro ("Shapiro"), William S. Goldberg ("Goldberg") and John E. McHugh ("McHugh"), pursuant to an order entered by the Court dated November 5, 2007, approving the terms of the settlement;
- (2) one "special relationship" entity—Radnet Management, Inc. ("Radnet"), who Plaintiffs allege was closely associated with DVI and participated in DVI's scheme of avoiding substantial loss recognition on delinquent loan and lease receivables; these claims were brought under Section 10(b) and Rule 10b-5(a) and (c); as indicated herein, Plaintiffs have settled their claims against three other special relationship entities, OnCure, Dolphin, and Presgar, pursuant to an order entered by the court dated November 17, 2006, approving the terms of the settlement;

- (3) individuals and entities who allegedly engaged in a scheme or device to conceal DVI's financial irregularities from the investing public, specifically Richard E. Miller, Anthony J. Turek, Terry Cady, and all individuals and entities in paragraph (1); as indicated herein, Plaintiffs have settled their claims against three other individuals, Shapiro, Goldberg and McHugh, pursuant to an order entered by the court dated November 5, 2007, approving the terms of the settlement; these claims were brought under Section 10(b) and Rule 10b-5(a) and (c); and
- (4) individuals and entities who allegedly knew or were recklessly indifferent to the fact that DVI's financial statements were materially false and had control over DVI, specifically including O'Hanlon, Garfinkel, Boyle, Cohn, Roberts, Miller, Turek, Cady (collectively, "the Individual Officer and Director Defendants"), as indicated herein, Plaintiffs have settled their claims against three other DVI Officers and Directors, Nathan Shapiro ("Shapiro"), William S. Goldberg ("Goldberg") and John E. McHugh ("McHugh"), pursuant to an order entered by the court dated November 5, 2007, approving the terms of the settlement; these claims were brought under Section 20(a) of the Securities & Exchange Act of 1934, 15 U.S.C. §78t(a).

On or about November 1, 2004, each of the aforementioned named Defendants, as well as Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited ("CIBC"), the trustee of certain trusts for the benefit of certain Pritzker family members and against whom Plaintiffs filed a Section 20(a) claim, filed motions to dismiss the Complaint. On May 31, 2005, the Court granted in part and denied in part Defendants' Motions to Dismiss. Specifically, the Court denied all motions to dismiss except as to CIBC, claims under Rule 10b-5(b) asserted against Defendants Turek, Cady and Miller, and the claims under Rule 10b-5(a) and (c) against OnCure for purchasers who bought prior to July 30, 1999. The Court, on February 16, 2006, denied Defendants' motions for reconsideration and for certification for interlocutory appeal of the Court's May 31, 2005 decision.

Plaintiffs, on September 30, 2005, amended the Complaint to add Section 20(a) claims against Thomas Pritzker, the Pritzker Organization LLC and certain unnamed Pritzker family members (collectively, the "Pritzker Defendants") as controlling parties. In addition, Plaintiffs, on April 7, 2006, added Section 10(b) and Rule 10b-5(a) and (c) claims against DVI's former lead legal counsel, Clifford Chance LLP and Clifford Chance (US) LLP.

The Court's denial, in part, of Defendants' motions to dismiss Plaintiffs' Complaint only addressed the sufficiency of Plaintiffs' pleadings and did not determine the merits of Plaintiffs' claims.

Defendant Merrill Lynch, which acted as one of several underwriters in several "securitization" transactions and was also one of several lenders to DVI, denies that it engaged in any wrongdoing, denies that it violated Sections 10(b) and 20(a), and Rule 10b-5 promulgated thereunder by the SEC, and denies that the Complaint sets forth a valid claim against it.

Merrill Lynch, in order to resolve this Litigation, has agreed to settlement terms with Plaintiffs. Any final judgment made by the Court will be binding on all Settlement Class Members as to Merrill Lynch excepting only those Settlement Class Members who exclude themselves as provided herein.

III. THE SETTLEMENT CLASS

The Court has certified the Settlement Class as consisting of all persons or entities, other than defendants in the Litigation, who purchased or otherwise acquired the DVI securities (its common stock and 9% Senior Notes) between August 10, 1999 and August 13, 2003, both dates inclusive. Excluded from this Settlement Class are plaintiffs named in a related action titled *WM High Yield Fund, et al. v. O'Hanlon et al.*, No. 04-CV-3423 (E.D. Pa.), and those who timely and validly request exclusion from the Class pursuant to this Notice.

Lead Plaintiff/Class Representative. The Court appointed Kenneth Grossman, the Cedar Street Fund and the Cedar Street Offshore Fund (collectively, "Cedar Street Group") as Lead Plaintiffs in the Litigation pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. §78u-4 & 772-1 ("PSLRA"). The Court has also certified, for settlement purposes, the Cedar Street Group as Class representatives.

Lead Counsel/Class Counsel. The Court has appointed the law firm of Krislov & Associates, Ltd., 20 N. Wacker Drive, Chicago, IL 60606, (312) 606-0500 to serve as Lead Counsel. The Court has also certified, for purposes of the settlement class, Krislov & Associates, Ltd. as Settlement Class Counsel.

IV. THE SETTLEMENT

A. Reasons The Parties Settled

On December 31, 2007, Lead Plaintiffs, by their counsel, signed a Stipulation of Settlement (the "Stipulation") with Merrill Lynch. The Stipulation provides for settlement of this Litigation as only against Defendant Merrill Lynch (the "Settlement"), and does not constitute settlements of any claims by Lead Plaintiffs or the Class against any other Defendants named or who may be named in the Litigation in the future.

Merrill Lynch was lead or co-lead underwriter in certain DVI “securitization” transactions, and was also a lender to DVI. Merrill Lynch was alleged to have issued materially false and misleading statements relating to DVI, to have engaged in a scheme or device to conceal DVI’s financial irregularities from the investing public and to have participated in devices in furtherance of an overall scheme to defraud DVI investors.

Merrill Lynch vigorously denies all allegations of wrongdoing, fault, liability or damage to Lead Plaintiffs or the Settlement Class, denies that it engaged in any wrongdoing, denies that it participated in, or was aware of, any unlawful or improper conduct on the part of DVI or its management, denies that it made, or participated in the making of, any false or misleading statements, denies that it committed any violation of law, denies that it acted improperly in any way and believes that it acted properly at all times. Merrill Lynch recognizes, however, the uncertainty and risk inherent in any litigation, especially complex securities litigation, and the difficulties and substantial expense and length of time necessary to defend this Litigation through trial and any appeal. Solely to eliminate the burden and expense of further litigation and the risk of a judgment at trial, Merrill Lynch wishes to settle the litigation against it on the terms and conditions stated in the Stipulation, and to put the claims alleged in this Litigation to rest finally and forever.

Based on the investigations of Lead Counsel, Lead Plaintiffs have concluded that the terms and conditions of the Settlement are fair, reasonable and adequate to the Settlement Class’ interests, and have agreed to settle the claims raised in the Litigation as against Merrill Lynch pursuant to the terms and provisions of the Stipulation. The Lead Plaintiffs made this decision after considering (a) the substantial benefits that the Class will receive from the Settlement, (b) the attendant risks of litigation, and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of the Stipulation. From the perspective of the Lead Plaintiffs, the principal reason for the Settlement is the substantial monetary benefits to be provided to the Settlement Class now. These benefits must be compared to the risk that recovery might not be achieved after a contested trial and likely appeal—possibly years into the future. Assuming the Lead Plaintiffs won at trial, they anticipated that Merrill Lynch would have appealed the verdict which would have created further uncertainty and delay. From the perspective of Merrill Lynch, the principal reasons for the Settlement are to settle and terminate all existing or potential claims against it, and to eliminate the risk of a judgment against it, without in any way acknowledging any fault or liability, in order to eliminate the burden and expense of further litigation and possible appeals.

B. Releases Exchanged By The Parties

Pursuant to the Stipulation, if the Settlement is approved by the Court, all Settlement Class Members will be deemed to have released the following claims against Merrill Lynch and certain related parties (as more fully defined in the Stipulation):

all claims, rights, demands, suits, matters, issues or causes of action, whether known or unknown, asserted or unasserted, whether under state or federal law, including the federal securities laws, and whether directly, indirectly, derivatively, representatively or in any other capacity, arising out of any losses sustained by Class Members with respect to any transaction in or related to the DVI securities at issue here (but excluding any claims to enforce the terms of the Settlement).

Furthermore, upon the Effective Date of the Settlement, Lead Plaintiffs, all Settlement Class Members, and all other persons and entities whose claims are being released, shall be deemed to have, and shall have, expressly waived and relinquished, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principals of common law, which is similar, comparable or equivalent to § 1542 of the California Civil Code, 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.

This means that, upon Court approval, all Settlement Class Members will be permanently barred from asserting any known or unknown claims related to this Litigation against Merrill Lynch. In addition, if the Court approves the Settlement, Merrill Lynch will be precluded from suing the Lead Plaintiffs, Class Members, or Lead Counsel in connection with the Litigation.

C. The Settlement Benefits

Under the terms of the Stipulation, Merrill Lynch has paid \$4,500,000, which has been deposited into a settlement account on behalf of the Settlement Class (the “Settlement Fund”). The Settlement Fund will be distributed to eligible Settlement Class Members who send in valid Proof of Claim forms with the requested documentation, after payment of Court-approved legal fees, attorney and Lead Plaintiff expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the “Net Settlement Fund”).

D. Plan of Allocation

Your share of the Net Settlement Fund will depend upon: (a) the number of valid Proof of Claim forms that Settlement Class Members have submitted (the fewer the number of Settlement Class Members who choose to participate in the Settlement, the larger the recovery for each participant); (b) the number of shares of DVI common stock and/or DVI 9% Senior Notes you purchased during the Class Period; and (c) when you bought and sold them.

In order to recover damages, you must have suffered an actual monetary loss on the shares of DVI common stock and/or the units of DVI 9% Senior Notes that you purchased during the Class Period. For shares or units that you purchased and sold during the Class Period, the purchase price must have been greater than the sales price.

Recognized Loss Formula. The Net Settlement Fund shall be distributed to Authorized Claimants, which are those Settlement Class Members who file timely and valid claims. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon a formula which takes into account which type of security was purchased (DVI common stock or DVI 9% Senior Notes) and the amount of each security purchased, among other things (the "Recognized Loss Formula"). The Recognized Loss Formula, which provides each Authorized Claimant with his, her, or its "Recognized Loss," as defined below, is not intended to be an estimate of the amount which a Settlement Class Member would recover after trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss Formula is the basis upon which the Net Settlement Fund will be allocated to the Authorized Claimants.

The Recognized Loss Formula per DVI common share will be calculated as follows:

- (a) if Authorized Claimant purchased and sold DVI common stock at a loss during the period August 10, 1999 through the close of trading on August 13, 2003, an Authorized Claimant's "Recognized Loss" shall be the difference between the amount paid by the Authorized Claimant for his, her or its DVI common stock, excluding commissions, less the amount received after commissions from the sale of such stock;
- (b) if Authorized Claimant purchased DVI common stock during the period August 10, 1999 through the close of trading on August 13, 2003, and held those shares through the close of trading on August 13, 2003, an Authorized Claimant's "Recognized Loss" shall be the difference between the amount paid by the Authorized Claimant for his, her or its DVI common stock, excluding commissions, and \$0.12 per share, the 90-day average closing price of DVI's common stock after the Class Period.

The Recognized Loss Formula per DVI 9% Senior Notes will be calculated as follows:

- (a) if Authorized Claimant purchased and sold DVI 9% Senior Notes at a loss during the period August 10, 1999 through the close of trading on August 13, 2003, an Authorized Claimant's "Recognized Loss" shall be the difference between the amount paid by the Authorized Claimant for his, her or its DVI 9% Senior Notes, excluding commissions, less the amount received after commission from the sale of such notes;
- (b) if Authorized Claimant purchased DVI 9% Senior Notes during the period August 10, 1999 through the close of trading on August 13, 2003, and held those notes through the close of trading on August 13, 2003, an Authorized Claimant's "Recognized Loss" shall be the difference between the amount paid by the Authorized Claimant for his, her or its DVI 9% Senior Notes, excluding commissions, and \$20.82 per note, the 90-day average closing price of DVI's 9% Senior Notes after the Class Period.

Settlement Class Members who did not suffer a Recognized Loss, as calculated above, will not be entitled to participate in the Net Settlement Fund. In the event a Settlement Class Member has more than one purchase or sale of DVI common stock or DVI 9% Senior Notes, all purchases and sales of DVI securities shall be matched on a First In First Out ("FIFO") basis, including securities held as of the beginning of the Class Period. Any transactions resulting in a gain shall be excluded. The covering purchase of a short sale is not an eligible purchase.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.

V. CONSEQUENCES OF CLASS MEMBERSHIP AND CLASS MEMBERS' RIGHTS

For those Members of the Class who did not submit a valid Proof of Claim form in the November 17, 2006 Settlement or the November 5, 2007 Settlement, as described herein, and who wish to remain in the Settlement Class, you must file your Proof of Claim attached hereto by July 7, 2008.

For those Members of the Class who submitted a valid Proof of Claim form in the November 17, 2006 Settlement or the November 5, 2007 Settlement, and who wish to remain in the Settlement Class, your Proof of Claim form in the November 17, 2006 Settlement or the November 5, 2007 Settlement will serve as your Proof of Claim form in this Settlement and you are eligible to remain in the Settlement Class without needing to submit another Proof of Claim form.

If you remain in the Settlement Class, then: (a) your interests in the Litigation will be represented by Lead Counsel for the Settlement Class, as identified in Section III above; (b) you will not have to pay any of Lead Counsel's attorneys' fees or expenses, except to the extent the Court may direct that such fees and expenses be paid out of any settlements or recoveries obtained for the Class (including the Settlement); (c) you may be entitled to share in the benefits of any settlements or recoveries obtained in the Litigation, and you will be bound by any such settlements (including the Settlement) and by any favorable or unfavorable judgments entered in the Litigation; (d) you will have the right to appear and be heard regarding Court approval of the Settlement and any future settlements, and any applications for payment of attorneys' fees and expenses; and (e) you will have the right to receive notice of and object to any settlements (including the Settlement).

If you elect to remain in the Settlement Class, you have the right to object to the Settlement in the manner set forth below. If your objection is rejected, you will be bound by the Settlement and the releases described herein, just as if you had not objected.

If you do not wish to have your interests represented by Lead Counsel for the purpose of appearing, objecting to, and/or otherwise being heard regarding the Settlement and/or any future settlements or applications for payment of attorneys' fees and expenses, you may enter a separate appearance through counsel of your choice, or personally, at your own expense.

In order for you to benefit from any future recoveries against other Defendants in the Litigation, should there be any, you should retain copies of all records pertaining to your ownership of, as well as all purchases and sales of, DVI common stock and DVI 9% Senior Notes during August 10, 1999 through August 13, 2003 inclusive.

VI. HOW TO EXCLUDE YOURSELF FROM THE CLASS

Under the law, you have the right to exclude yourself from the Settlement Class certified by the Court. You may exclude yourself from the Settlement Class if you wish to pursue a separate lawsuit against the Defendants, or for any reason at all. If you exclude yourself from the Settlement Class, you will not be entitled to participate in any recovery by such Settlement Class in the Litigation, and you will not be bound by the Settlement or any settlement in the Litigation, or by any favorable or unfavorable judgment in the Litigation.

If you do not wish to remain a Member of the Settlement Class, then you must timely request in writing to be excluded from the Settlement Class. Your request for exclusion must legibly set forth your name and address, and must include a statement that you wish to be excluded from the Settlement Class in the DVI, Inc. Securities Litigation. Your request for exclusion must be sent by United States mail, postmarked no later than April 10, 2008, to the Claims Administrator:

DVI, Inc. Securities Litigation
c/o Strategic Claims Services
Exclusions
Claims Administrator
600 N. Jackson Street, Suite 3
Media, PA 19063
www.strategicclaims.net
(610) 565-9202

If you request exclusion from the Settlement Class on behalf of any person, entity, or individual other than yourself (such as, for example, a trust, a minor, or a pension fund), you also must state the basis of your legal authority to make a request for exclusion on behalf of that person, entity, or other individual.

In order to ensure proper processing of your request for exclusion, please include with the request the Social Security Number or Taxpayer Identification Number of the person, entity, or individual requesting exclusion from the Settlement Class, as well as a list stating the DVI, Inc. securities purchased and/or sold during the Settlement Class Period, and the date or dates of each such purchase and sale.

VII. SUBMISSION AND PROCESSING OF PROOFS OF CLAIM

For those Members of the Settlement Class who did not submit a valid and timely Proof of Claim form in the November 17, 2006 Settlement or in the November 5, 2007 Settlement, as described herein, in order to be eligible to receive any distribution from this Settlement, you must complete and sign the accompanying Proof of Claim and Release form and send it by first class mail postmarked on or before July 7, 2008, addressed as follows:

DVI Inc. Securities Litigation
c/o Strategic Claims Services
Claims Administrator
600 N. Jackson Street, Suite 3
Media, PA 19063
www.strategicclaims.net
(610) 565-9202

If you do not timely submit a proper Proof of Claim form, you will not be entitled to any share of the Net Settlement Fund.

For those Members of the Settlement Class who submitted a valid and timely Proof of Claim form in the November 17, 2006 Settlement or the November 5, 2007 Settlement, that Proof of Claim form will serve as your Proof of Claim form in this Settlement and you are automatically eligible for recovery in this Settlement without needing to submit another Proof of Claim form.

Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania with respect to his, her or its Proof of Claim. The Court has reserved jurisdiction to allow, disallow, or adjust any claim on equitable grounds.

Nominees who purchased or acquired DVI common stock or DVI 9 $\frac{7}{8}$ % Senior Notes for the benefit of another person or entity during the Class Period are requested to send the Notice and the Proof of Claim to all such beneficial owners of those securities 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.

VIII. STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT

Lead Counsel has expended considerable time and effort in the prosecution of this litigation on a contingent fee basis, and has advanced substantial expenses for the litigation, in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. Plaintiffs' Lead Counsel intends to apply to the Court for an award of attorneys' fees in the amount of \$1,500,000, which represents 33 $\frac{1}{3}$ % of the Settlement Amount, and for reimbursement of expenses incurred in connection with the prosecution of this Litigation against Merrill Lynch of not more than \$450,000, both of which shall be paid to Plaintiffs' Lead Counsel from the Settlement Fund with interest from the date such Settlement Fund was funded to the date of payment at the same interest rate that the Settlement Fund earns. Merrill Lynch and its counsel do not oppose these requests. Lead Counsel, without further notice to the Settlement Class, may subsequently apply to the Court for expenses incurred in connection with administering and distributing the proceeds of the Settlement to the Settlement Class Members.

IX. NOTICE OF SETTLEMENT HEARING

A hearing on the proposed Settlement (the "Settlement Hearing") will be held on April 30, 2008 at 2:00 p.m. before the Honorable Legrome D. Davis in the U.S. District Court for the Eastern District of Pennsylvania, 601 Market Street, Room #6614, Philadelphia, Pennsylvania 19102. The purpose of the Settlement Hearing will be to determine: (1) whether the Settlement should be finally approved as fair, just and reasonable; (2) whether the Litigation should be dismissed with prejudice as against Merrill Lynch; and (3) to consider the proposed Plan of Allocation for the proceeds of the Settlement and the application of Lead Counsel for attorneys' fees and reimbursement of expenses.

Any member of the Settlement Class who has not requested exclusion may appear at the Settlement Hearing to show cause why the proposed Settlement should not be approved, why the Litigation should not be dismissed with prejudice as against Merrill Lynch, or why Lead Counsel should not be awarded attorneys' fees and reimbursement of expenses; provided, however, that no such person shall be heard, unless his, her or its objection

or opposition is made in writing and filed, together with copies of any and all supporting papers and briefs, with the Court no later than April 14, 2008, with copies sent to:

Attorneys for Lead Plaintiffs:

Clinton A. Krislov
Michael R. Karnuth
KRISLOV & ASSOCIATES, LTD.
Civic Opera Building
20 N. Wacker Dr., Suite 1350
Chicago, IL 60606

Attorneys for Merrill Lynch & Co., Inc.:

CADWALADER, WICKERSHAM &
TAFT, LLP
Gregory G. Ballard
One World Financial Center
New York, New York 10281

The Claims Administrator:

STRATEGIC CLAIMS SERVICES
600 N. Jackson Street, Suite 3
Media, PA 19063

Once an objection to the proposed Settlement is made, it cannot be withdrawn without the Court's approval. Unless otherwise ordered by the Court, any Member of the Class who does not make his, her, or its objection or opposition in the manner provided above shall be deemed to have waived all objections and opposition to the fairness, reasonableness and adequacy of the proposed Settlement.

X. MULTIPLE MAILINGS AND CHANGE OF ADDRESS

If you receive multiple copies of this Notice, it may be because you had multiple brokerage accounts, holdings or transactions in DVI, Inc. securities.

If this Notice was sent to a wrong address, or if your address changes in the future, please send prompt written notification of your correct address to the Claims Administrator at the address stated at the end of this Notice.

FOR MORE INFORMATION

This Notice contains only a summary of the Litigation and the terms of the proposed Settlement. Anyone interested in more detail regarding the Litigation is invited to: (1) visit the Office of the Clerk of the United States District Court for the Eastern District of Pennsylvania at 601 Market Street, Philadelphia, PA, during regular business hours, to inspect the Stipulation, the pleadings, and the other papers maintained there in Case No. 2:03-CV-05336-LDD; and/or (2) contact the Claims Administrator at the following address:

DVI Inc. Securities Litigation
c/o Strategic Claims Services
Claims Administrator
600 N. Jackson St., Suite 3
Media, PA 19063
www.strategicclaims.net
(610) 565-9202

ALL INQUIRIES CONCERNING THIS SETTLEMENT NOTICE OR THE PROOF OF CLAIM FORM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING AT THE ADDRESS INDICATED IMMEDIATELY ABOVE.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

Dated: February 28, 2008

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF PENNSYLVANIA

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In Re DVI, Inc. Securities Litigation	X ⋮ X	Case No. 2:03-CV-5336-LDD
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Must be Postmarked No Later Than July 7, 2008

**In re DVI, Inc. Securities Litigation
c/o Strategic Claims Services
Claims Administrator
600 N. Jackson Street, Suite 3
Media, PA 19063
(610) 565-9202
www.strategicclaims.net**

PROOF OF CLAIM AND RELEASE

I. GENERAL INSTRUCTIONS

If you did not submit a valid and timely Proof of Claim and Release form in the November 17, 2006 settlement or in the November 5, 2007 settlement, as described below, to recover as a Member of the Settlement Class based on your claims in the action titled *In re DVI, Inc. Securities Litigation*, 2:03-CV-05336-LDD (the "Litigation"), you must complete and, on page 5 hereof, sign this Proof of Claim and Release, and submit the requested documentation. If you fail to file or properly complete the Proof of Claim and Release, or fail to provide the required documentation, your claim may be rejected and you may be precluded from obtaining any recovery from the Net Settlement Fund created in connection with the proposed Settlement of the Litigation.

If you submitted a valid and timely Proof of Claim and Release form in the November 17, 2006 settlement or in the November 5, 2007 settlement, that Proof of Claim and Release form will serve as a proper Proof of Claim and Release form in this Settlement and you are eligible to recover in this Settlement without needing to submit another Proof of Claim form.

Submission of a timely and valid Proof of Claim and Release form in this Settlement or a timely and valid Claim and Release form in the November 17, 2006 settlement or in the November 5, 2007 settlement, however, does not assure that you will share in the proceeds of this Settlement. The Claims Administrator will review your Proof of Claim and supporting documentation to determine if you are entitled to a distribution.

If You Did Not Submit a Timely and Valid Proof of Claim and Release Form in the November 17, 2006 settlement or in the November 5, 2007 settlement, You Must Mail A Completed And Signed Proof Of Claim And Release, With Appropriate Documentation, Postmarked On Or Before July 7, 2008, Addressed As Follows:

In Re DVI, Inc. Securities Litigation
Claims Administrator
c/o Strategic Claims Services
600 N. Jackson Street, Suite 3
Media, PA 19063
www.strategicclaims.net
(610) 565-9202

If you are NOT a Member of the Settlement Class, as defined in the Notice of Pendency ("Notice"), DO NOT submit a Proof of Claim and Release form.

If you are a Member of the Settlement Class and you do not timely request exclusion, you will be bound by the terms of any judgment entered in the Litigation, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE FORM.

II. DEFINITIONS

1. "Defendants" means Michael A. O'Hanlon ("O'Hanlon"), Steven R. Garfinkel ("Garfinkel"), John P. Boyle ("Boyle"), Gerald Cohn ("Cohn"), Harry T.J. Roberts ("Roberts"), Richard E. Miller ("Miller"), Anthony J. Turek ("Turek"), Terry Cady ("Cady"), Deloitte & Touche, LLP ("Deloitte"), Merrill Lynch & Co., Inc. ("Merrill Lynch"), Radnet Management, Inc. ("Radnet"), Thomas Pritzker, the Pritzker Organization LLC and certain unnamed Pritzker family members (collectively, the "Pritzker Defendants"), and Clifford Chance LLP and Clifford Chance US LLP (collectively, "Clifford Chance").

2. The “November 17, 2006 Settlement” means the settlement agreement in which Plaintiffs settled their claims against three former Defendants referred to as “special relationship” entities, OnCure Medical Corp., Dolphin Medical, Inc. and Presgar Imaging LC, pursuant to an order entered by the court dated November 17, 2006, approving the terms of the settlement.

3. The “November 5, 2007 Settlement” means the settlement agreement in which Plaintiffs settled their claims against three former Defendants who were certain former Directors of DVI, Nathan Shapiro (“Shapiro”), William S. Goldberg (“Goldberg”), and John E. McHugh (“McHugh”);

4. “Released Parties” means the settling defendant, Merrill Lynch & Co., Inc., and the other released parties as defined in the Stipulation.

5. All capitalized terms used in this Proof of Claim and Release are as defined in the Stipulation and Notice.

III. CLAIMANT IDENTIFICATION (How To Identify Yourself)

1. If you purchased DVI common stock and/or DVI 9% Senior Notes during the period of August 10, 1999 through August 13, 2003, inclusive, and the stock certificate(s) and/or note(s) are in your name, you are the beneficial owner as well as the record owner of the stock and note. If, however, the stock certificate(s) and/or note(s) are registered in the name of a third party, such as a nominee or brokerage firm, you are only the beneficial owner of the shares and/or notes, and the nominee or brokerage firm is the record holder.

2. This Claim Must Be Filed By The Actual Beneficial Purchaser, Or Legal Representative Of Such Beneficial Purchaser of the DVI common stock and/or DVI 9% Senior Notes, Upon Which These Claims Are Based.

3. All joint purchasers of DVI common stock and 9% Senior Notes must sign this Proof of Claim and Release. Executors, administrators, guardians, conservators and trustees must complete and sign this Proof of Claim and Release on behalf of Persons represented by them. A copy of proof of their authority must accompany this Proof of Claim and Release. Their titles or capacities must be stated. Failure to provide the foregoing information could delay verification of your Claim or result in rejection of the Claim.

IV. CLAIM FORM

1. Use Part VIII entitled “Schedule of Transactions in DVI common stock and 9% Senior Notes,” to supply all required information regarding your ownership of and transaction(s) in these DVI securities. If you need more space or additional schedules, attach separate sheets. In the attachment, you should give all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

2. On the schedules, provide all the requested information with respect to *all* of your purchases and *all* of your sales of DVI common stock and DVI 9% Senior Notes which took place beginning August 10, 1999 through August 13, 2003, inclusive. Failure to report all such transactions may result in the rejection of your claim.

3. List each transaction separately and in chronological order, by trade date, beginning with the earliest date. You must accurately provide the type of security purchased or sold, the month, day and year of each transaction you list, along with the quantity and selling price.

4. Any loans of DVI securities to Persons engaged in a “short sale” are not considered a sale.

5. You must attach photocopies of documentation of all your transactions in DVI securities. This includes broker confirmation slips, broker statements, relevant portions of federal or state tax returns, or other documentation. Failure to provide this documentation will delay verification of your claim and could result in rejection of your claim. Do not send original documents.

6. The Claims Administrator may request additional information as required to calculate your claim. In some cases, where the Claims Administrator cannot perform the calculation accurately or at a reasonable cost to the Settlement Class, the Claims Administrator may require the production of additional information. In certain exceptional cases, calculating a claim may require the hiring of an accounting expert at the claimant’s expense.

Notice Regarding Electronic Files: Certain claimants with a large number of transactions, such as institutional holders, may ask (or be asked) to submit claim information in an electronic format. The Claims Administrator will decide when electronic filing of information will be authorized. In these cases, all claimants **must** still submit a manually signed paper Proof of Claim and Release form. The Proof of Claim and Release form must list all the data and transactions, whether or not they are also submitted electronically. Only electronic files authorized by the Claims Administrator will be considered properly submitted. The Claims Administrator will issue a written acknowledgment of receipt and acceptance of electronically submitted data to the claimant.

V. SETTLEMENT CLASS MEMBER SUBMISSION TO THE JURISDICTION OF THE COURT

Each Class Member who signs and submits a Proof of Claim and Release agrees to the following:

I/(We) submit this Proof of Claim and Release under the terms of the Stipulation of Settlement described in the Notice. I/(we) also submit to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania. The Court has jurisdiction over my/(our) claim and the enforcement of the release granted. I/(we) acknowledge that I am/(we are) bound by the terms of any judgment in the Litigation. I/(we) agree to furnish additional information to the Claims Administrator to support this claim if necessary. I/(we) have not submitted any other claim covering the same acquisitions or sales of DVI common stock and/or DVI 9% Senior Notes. I/(we) know of no other Person having done so on my/(our) behalf.

VI. RELEASE

1. If you remain a Settlement Class Member, you release all claims against the Released Parties for the Released Claims. This means you give up all rights to sue concerning the Released Claims. Specifically, all Settlement Class Members and their representatives will be forever barred from any legal prosecution of the Released Claims against any of the Released Parties.

2. "Released Parties" means Defendant Merrill Lynch and each of its direct and indirect current and former parents, subsidiaries and affiliates, and each of their current and former heirs, executors, estates, administrators, predecessors, successors, assigns, stockholders, parents, subsidiaries, affiliates, associates, employees, insurers, directors, managing directors, officers, principals, partners, members, attorneys, accountants, agents, consultants, financial and other advisors, investment bankers, and any other representatives or agents of any of these persons and entities. Specifically excluded from this release are all named defendants in the Litigation other than Merrill Lynch.

3. "Released Claims" means all claims, demands, rights, liabilities and causes of action of any nature whatsoever, whether known or unknown, including, without limitation, any claims, whether direct, derivative, representative or in any other capacity, arising under federal, state, local, statutory or common law or any other law, rule or regulation, including the law of any jurisdiction within or outside of the United States, that Lead Plaintiffs and any or all members of the Settlement Class have, had, or may have against the Released Parties (as defined herein) based on, arising out of, or related to, directly or indirectly, purchases or other acquisitions of any of the securities of DVI, including common stock and debt securities, during the Settlement Class Period and all acts, facts, statements or omission that were or could have been alleged in the Litigation. This release does not and will not affect any claim asserted or to be asserted against named defendants in the Litigation other than Merrill Lynch.

4. Furthermore, upon the Effective Date of the Settlements, all persons and entities whose claims are being released shall be deemed to have, and shall have, expressly waived and relinquished, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principals of common law, which is similar, comparable or equivalent to § 1542 of the California Civil Code, 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. This means that, upon Court approval, all Settlement Class Members will be permanently barred from asserting any known or unknown claims related to this Litigation against Merrill Lynch. In addition, if the Court approves the Settlement, to the maximum extent permitted by law, the Court will permanently bar, enjoin and restrain (1) all claims against Merrill Lynch for indemnity or contribution or any other claim against Merrill Lynch arising out of the Litigation or otherwise where the injury to the claimant is the claimant's actual or threatened liability to the Class arising out of or related to any transactions with respect to the DVI securities, and (2) all claims by Merrill Lynch against any person for indemnity or contribution arising out of the Litigation or otherwise where the injury to the claimant is the claimant's actual or threatened liability to the Class arising out of or related to any transactions with respect to the DVI securities.

5. This release shall only be in force when the Court approves the Settlement and it becomes effective on the Effective Date (as defined in the Stipulation).

6. I/(We) guarantee that I (we) have not assigned or transferred (or purported to assign or transfer), voluntarily or involuntarily, any Released Claim or any other part or portion thereof.

7. I/(We) guarantee that I/(we) have included complete information about all of my/(our) purchases and sales of DVI securities, which occurred between August 10, 1999 and August 13, 2003, inclusive.

C. SALES: Below, please list all sales of DVI common stock and DVI 9½% Senior Notes Sold on or after August 10, 1999 to August 13, 2003 inclusive. (Must be documented).

I (We) made the following sales of DVI common stock and DVI 9½% Senior Notes between (and including) August 10, 1999 and August 13, 2003:

DVI Security Sold (Identify Common Stock or 9½% Senior Notes)	Sale (Trade) Date (List Chronologically) (Month / Day / Year)	Number of Shares of DVI Stock or 9½% Senior Notes Sold	Sales Price Per Share or Per Note	Total Proceeds (Excluding Commissions, Taxes, and Fees)
			\$	\$
			\$	\$
			\$	\$
			\$	\$

Please attach pages for additional transactions as necessary. Please sign and print or type your name on each additional sheet.

D. ENDING HOLDINGS:

1. At the close of trading on August 13, 2003, I/(we) owned _____ shares of DVI common stock (write none or zero ("0")), if no shares were owned on that date) (Must be documented).

2. At the close of trading on August 13, 2003, I/(we) owned _____ notes (\$1,000 face value) of DVI 9½% Senior Notes (write none or zero ("0")), if no notes were owned on that date) (Must be documented).

For each transaction and holding listed above, you must attach a legible copy of a broker's confirmation, monthly statement, correspondence, relevant portions of a tax return or other documentation confirming the above listed transaction(s) in DVI securities. Do not submit originals of such documents.

CERTIFICATION

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 ("IRS") that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the IRS has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the IRS that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the immediately preceding paragraph.

I (We) certify under penalty of perjury under the laws of the United States of America that the information included in this claim form (and any additional sheets) is true and correct, that this claim is being submitted by or on behalf of a Class Member, and that this is the only claim being made with respect to these DVI Securities, executed this _____ day of _____, 2008 in _____, (City) (State/Country)

Signature of Claimant

Signature of Joint Claimant, if any

(Type or Print Your Name Here)

(Type or Print Your Name Here)

Capacity of person(s) signing if other than in an individual capacity, e.g., Beneficial Owner, Executor, or Administrator

Capacity of person(s) signing if other than in an individual capacity, e.g., Beneficial Owner, Executor, or Administrator

This Proof Of Claim Must Be Postmarked No Later Than July 7, 2008 And Be Mailed To:

In re: DVI Inc. Securities Litigation
c/o Strategic Claims Services
600 N. Jackson Street, Suite 3
Media, PA 19063
www.strategicclaims.net

Reminder Checklist:

1. Please complete and sign the release and certification.
2. Remember to attach supporting documentation.
3. Do not send originals of stock certificates or other documents.
4. Keep a copy of your claim form for your records, including any attachments or supporting documents.
5. If you desire an acknowledgement of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.

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In re: DVI, Inc. Securities Litigation
c/o Strategic Claims Services
Claim Administrator
600 N. Jackson Street, Suite 3
Media, PA 19063

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