

4. The Settling Defendants filed motions to dismiss the Action which have not yet been decided by the Court. The Settling Defendants, moreover, deny any wrongdoing or liability to the Plaintiffs. If the proposed Partial Settlement is not approved and the Motions to Dismiss are not granted, the Settling Defendants intend to assert various defenses to the Class Action Complaint, and to demand judgment on the merits dismissing the Action.

5. The Settling Defendants are entering into the proposed Partial Settlement to avoid the expense and inconvenience of protracted continued litigation. The Court has made no ruling on the validity of the Plaintiffs' claims or the Settling Defendants' defenses, and the proposed Partial Settlement does not constitute an admission of any wrongdoing whatsoever by Settling Defendants. The Court has not expressed, and is not expressing, any opinion about the accuracy of the Plaintiffs' allegations or the likelihood of success on the merits.

6. On March 23, 2004, the Court, solely for purposes of implementing the proposed Partial Settlement, and pursuant to Rule 23(b)(3) of the Federal Rules of Civil Procedure, certified a class consisting of all persons who, during the period from August 9, 1999 through April 19, 2000, inclusive (the "Class Period"), purchased the Series A Convertible Preferred Stock of Pixelon, Inc. (the "Class"). Excluded from the Class are the Pixelon Defendants, and the members of their immediate families, and the heirs, successors and assigns of any excluded person.

THE COURT HAS DIRECTED THAT NOTICE SHOULD BE GIVEN TO ALL CLASS MEMBERS TO INFORM THEM OF THE LAWSUIT AND THEIR RIGHTS. THE SENDING OF THIS NOTICE IS NOT AN EXPRESSION BY THE COURT OR THE LITIGANTS OF ANY OPINION AS TO THE MERITS OF ANY CLAIM OR DEFENSE OR THE LIKELIHOOD OF RECOVERY BY THE CLASS REPRESENTATIVES OR ANY OF THE MEMBERS OF THE CLASS. NOTICE IS BEING PROVIDED SO THAT ALL CLASS MEMBERS MAY MAKE A DECISION AS TO WHAT STEPS, IF ANY, THEY WISH TO TAKE AS THIS MATTER PROCEEDS. NOTICE IS BEING SENT TO YOU BECAUSE RECORDS INDICATE THAT YOU MAY BE A CLASS MEMBER.

III. DEFINITIONS USED IN THIS NOTICE

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

7. "Attorneys' Fees and Expenses" means the portion of the Settlement Amount approved by the Court for payment to Plaintiffs' Settlement Counsel, including attorneys' fees, costs, litigation expenses, fees and expenses of experts.

8. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation. Only those members of the Class filing valid and timely Proofs of Claim shall be entitled to receive any distributions from the Net Settlement Fund.

9. "Claims Administrator" means the firm of Heffler, Radetich & Saitta L.L.P., an independent firm retained by Plaintiffs' Settlement Counsel to process Proofs of Claim and to process payments.

10. "Class Members" or "Members of the Class" means all Persons who fall within the definition of the Class as set forth in paragraph 6 above.

11. "Class Period" means the period of time from August 9, 1999 through and including April 19, 2000.

12. "Class Representatives" means George M. Lawson, Maria Swift, William C. Dugdale, and H. Grant Hathaway.

13. "Effective Date" means the date on which the first date by which all of the events and conditions specified in paragraph 7 of the Stipulation have been met and have occurred and the Court's Final Judgment of Dismissal With Prejudice (the "Judgment") becomes final, which shall be deemed to be when either of the following has occurred: (a) if an appeal or review is not sought by any person from the Judgment, the day following the expiration of the time to appeal or petition from the Judgment; or (b) if an appeal or review is sought from the Judgment, the day after such Judgment is affirmed or the appeal or review is dismissed or denied and such Judgment is no longer subject to further judicial review.

14. "Escrow Account" means the interest-bearing account to be established and maintained by Plaintiffs' Settlement Counsel at Merrill Lynch, as to which Merrill G. Davidoff, Esquire, of Berger & Montague, P.C., is Escrow Agent for the purpose of holding all monies paid in this Settlement. At all times the Escrow Account shall be held in custodia legis, subject to the approval of the Court.

15. "Escrow Agent" means Berger & Montague, P.C.

16. "Gross Settlement Fund" means the Settlement Amount plus all interest earned thereon.

17. "Net Settlement Fund" means the Gross Settlement Fund, less: (i) Attorneys' Fees and Expenses; (ii) Notice and Administration Expenses; (iii) taxes; and (iv) other fees and expenses authorized by the Court.

18. "Notice and Administration Fund" means the interest-bearing account to be established and maintained by Plaintiffs' Settlement Counsel. The Notice and Administration Fund may be drawn upon by Plaintiffs' Settlement Counsel for Notice and Administration Expenses.

19. "Notice and Administration Expenses" means all expenses incurred (whether or not paid) in connection with the preparation, printing, mailing, and publication of the notice to the Class of the proposed Partial Settlement, and all expenses of settlement administration; provided, however, that none of these expenses shall be deemed to include attorneys' fees. All such expenses shall be paid from the Gross Settlement Fund.

20. "Person" means any individual, corporation, partnership, association, affiliate, joint stock company, trust, estate, unincorporated association, government and any political subdivision thereof, and any other type of legal or political entity.

21. "Plaintiffs' Counsel" means each law firm that represents a Plaintiff named in any action that was consolidated into Lawson, et al v. Advanced Equities, Inc., et al, Civil Action No. 3:00-CV-382.

22. "Plaintiffs' Settlement Counsel" means the law firms of Berger & Montague, P.C., Sales Tillman & Wallbaum, and J. Bruce Miller Law Group.

23. "Recognized Claims" means the market loss for each Authorized Claimant as defined in the Plan of Allocation, Section VI.

24. "Released Person" or "Released Persons" means any and all of the Settling Defendants and their respective present and former parents, subsidiaries, affiliates, divisions, and joint ventures, and its or their present and former officers, directors, employees, agents, representatives, attorneys, insurers, excess insurers, advisors, investment advisors, trustees, escrowees, auditors, accountants, spouses and immediate family members, and the predecessors, heirs, successors, and assigns of any of them, any Person or entity in which any Released Person has or had a controlling interest or which is or was related to or affiliated with any Released Person and any trust of which any Settling Defendant is the settlor or which is for the benefit of any Settling Defendant and/or member(s) of a Settling Defendant's family. Non-settling Defendants Kring & Brown, LLP and Shesky & Froelich, Ltd. are expressly excluded from the definition of Released Persons.

25. "Released Claims" shall mean all manner of actions, claims, demands, rights, duties, remedies, liabilities and causes of action of every nature and description whatsoever, known or unknown, suspected or unsuspected, contingent or non-contingent,

whether class, individual, or direct in nature, whether in law or in equity, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether based on events or actions occurring prior to or on the Effective Date (as defined above), including claims in any bankruptcy proceeding, which any of the Class Representatives or Class Members ever had, now have, or hereafter may have against any and all of the Released Persons by reason of, based upon, arising out of, or in connection with, directly or indirectly, any allegation, fact, occurrence, matter, representation, transaction or omission referred to, involved or set forth in, or which could have been referred to or asserted in the Complaint or any other pleading in the Action, or any public filing or statement of Pixelon, Advanced Equities or their officers and directors, whether known or unknown, to the Class Representatives, Class Members, Released Persons or any other party to the proposed Partial Settlement. Additionally, the Class Representatives and each Class Member expressly covenant not to pursue any derivative Claims against any Released Person.

26. "Settling Defendants' Counsel" means the law firms of Greenebaum Doll & McDonald PLLC; Boehl, Stopher & Graves; and Robinson & Wisbaum, Inc.

27. "Settlement" or "Partial Settlement" means the settlement contemplated by the Stipulation.

28. "Settlement Amount" is the sum of \$2,650,000.

29. "Settlement Hearing" means the hearing to be held by the Court to determine whether the proposed Partial Settlement should be approved as fair, reasonable and adequate, whether all Released Claims should be dismissed with prejudice, whether an order approving the Settlement should be entered thereon, whether the allocation of the Settlement Fund should be approved, and to award counsel fees and reimbursement of expenses to Plaintiffs' Settlement Counsel.

IV. THE DESCRIPTION OF THE PROPOSED PARTIAL SETTLEMENT

A. The Proposed Partial Settlement

In full settlement of the Released Claims, Settling Defendants have agreed to pay \$2,650,000. This sum has been placed in an interest-bearing escrow account. Of this amount, \$50,000.00 has been placed in a separate fund to defray costs of Settlement Notice and Administration.

A portion of the Gross Settlement Fund will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Gross Settlement Fund or the Net Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Gross Settlement Fund may be awarded by the Court to counsel for Plaintiffs as attorneys' fees and for reimbursement of out-of-pocket expenses. The Net Settlement Fund, comprised of the balance of the Gross Settlement Fund following the payment of administrative expenses, taxes, attorneys' fees and the reimbursement of expenses, will be distributed according to the Plan of Allocation, described below, to Class Members who submit valid and timely proof of claim forms.

B. Statement of Potential Outcome

Class Representatives and Settling Defendants do not agree on the average amount of damages per share that would be recoverable if Class Representatives were to have prevailed on each claim asserted. The issues on which the parties disagree include: (1) the appropriate economic model for determining the amount by which Pixelon Preferred Stock was allegedly artificially inflated during the Class Period; (2) the effect of various market forces influencing the trading price of Pixelon Preferred Stock at various times during the Class Period; (3) the extent to which external factors, such as general market conditions, influenced the trading price of Pixelon Preferred Stock at various times during the Class Period; (4) the extent to which the various matters that Class Representatives alleged were materially false or misleading (if at all) influenced (if at all) the trading price of Pixelon Preferred Stock at various times during the Class Period; and (5) to the extent that any Class Members were damaged by violations of the federal securities laws, whether any entity other than Settling Defendants (including but not limited to non-settling Defendants) may be partially or completely liable to the Class.

In determining to settle this Action, Class Representatives considered the substantial risk that they and Members of the Class might not have prevailed on any or all of their claims and that there were substantial risks that the decline in the price of Pixelon Preferred Stock could be attributed, in whole or in part, to factors other than the allegedly false and misleading statements and that therefore, Class Representatives could have recovered nothing or substantially less than this amount, as well as the risk that this Litigation might be dismissed on motions to dismiss or for summary judgment or at trial.

Settling Defendants deny that they are liable to the Plaintiffs and the Class.

C. Statement of Attorneys' Fees and Costs Sought

If the settlement is approved by the Court, Plaintiffs' Settlement Counsel will apply to the Court for attorneys' fees of up to 33% of the Gross Settlement Fund and reimbursement of out-of-pocket expenses, including fees and expenses of experts. If the maximum amount permitted by this Stipulation is requested and is approved by the Court, the average cost per share would be approximately \$0.055. The effect of an award of Attorneys' Fees and Expenses (defined below) on each Class Member will depend on his or her particular recovery in the Plan of Allocation, as detailed below.

The fee requested by Plaintiffs' Settlement Counsel would compensate them for their efforts in achieving the proposed Partial Settlement for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis. Plaintiffs' Settlement Counsel have determined that the fee requested is within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

D. Reasons for Settlement

Plaintiffs' Settlement Counsel believe that the proposed Partial Settlement is fair, reasonable, and adequate, and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that plaintiffs would not have prevailed on any of their claims, in which case the Class would receive nothing. For example, the Class faced the possibility that all or many of the claims in this case could have been dismissed upon a motion to dismiss, a motion for summary judgment, if any, after trial, or on appeal. In addition, the amount of damages recoverable by the Class was and is challenged by Settling Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Action gone to trial, Settling Defendants intended to assert that all or most of the losses of Class Members were caused by the action of parties other than Settling Defendants, or by non-actionable market factors. The decision to enter into this Settlement was made with knowledge of the facts and circumstances underlying Class Representatives' claims and the strengths and weaknesses of those claims. Plaintiffs' Settlement Counsel engaged in extensive and intensive arms-length

negotiations with counsel for Settling Defendants with respect to the Settlement and, in determining to settle the Litigation, Plaintiffs' Settlement Counsel have evaluated the likelihood of succeeding on the merits, damages, and issues of causation. Plaintiffs' Settlement Counsel believe that the proposed Partial Settlement is fair, reasonable and adequate to the members of the Class. They have reached this conclusion after investigating and considering, among other things, the strengths and weaknesses of Class Representatives' claims against Settling Defendants and the uncertainties inherent in this complex litigation, as well as the substantial benefit provided by the proposed Partial Settlement to the members of the Class.

V. YOUR SHARE OF THE SETTLEMENT FUND AMOUNT

If the proposed Partial Settlement becomes effective, Class Members will be entitled to share in the distribution of the proceeds of the Settlement Amount allocated to the Class, after payment of taxes, attorneys' fees, expenses, and expenses of the settlement administration, to the extent allowed by the Court.

Payments and distributions from the Net Settlement Fund on claims submitted by Class Members shall be made in accordance with a Plan of Allocation (the "Plan of Allocation") approved by the Court.

VI. PROPOSED PLAN OF ALLOCATION

The Settlement Fund, net of the costs of the notice and administration of the Settlement, taxes, and attorneys' fees and expenses as may be awarded by the Court, shall be distributed to Class Members who timely submit valid Proof of Claim forms.

The Net Settlement Fund will be allocated among all Authorized Claimants proportionately, on a *pro rata* basis, according to their Recognized Claim compared to the aggregate claims of all Authorized Claimants. For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Plaintiffs' Settlement Counsel have consulted with their damages expert, and Plaintiffs' Settlement Counsel have determined that the Plan of Allocation reflects an assessment of the damages that Plaintiffs' Settlement Counsel believe could have been recovered if Plaintiffs had been entirely successful in establishing liability against the Settling Defendants.

Because Class Members were damaged by different amounts, depending on when they purchased and/or acquired their Pixelon Preferred Stock, Plaintiffs' Counsel have determined that the Recognized Claims vary depending on the date of purchase and whether the shares were held until the end of the Class Period. Plaintiffs' Counsel have determined that Pixelon Preferred Stock was worthless as of April 19, 2000.

Pursuant to this analysis, the amount of each claim will be calculated as follows:

An Authorized Claimant's "Recognized Claim," will be calculated for purposes of the Settlement as follows:

1. For Pixelon Preferred shares purchased and sold during the Class Period, the "Recognized Claim" shall mean the purchase price (including commissions) less the sales proceeds received (net of commissions);
2. For Pixelon Preferred shares purchased during the Class Period and held through April 19, 2000, the "Recognized Claim" shall mean the purchase price (including commissions).

Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Fund based on his, her or its "Recognized Claim" as compared to the total "Recognized Claim" of all Authorized Claimants.

General Provisions

The distribution to each Class Member may be rounded to the nearest dollar. Only claims that result in payments of \$5 or more will be paid. The Plan of Allocation may be modified only upon further order of the Court and may be so modified without further notice to Class Members. Class Members who desire to be informed of any modification of the Plan of Allocation must request further notification by writing to the Claims Administrator at: Pixelon Securities Litigation, c/o Heffler, Radetich & Saitta L.L.P., Claims Administrator, P.O. Box 58788, Philadelphia, PA 19102-8788.

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date.

Transactions resulting in a gain shall be netted against other Recognized Claim amounts. In the event a Class Member has more than one purchase or sale of Pixelon securities, all purchase and sales shall be matched on a First-In/First-Out ("FIFO") basis.

"Short" sales of Pixelon's stock shall not be recognized for any amount of loss on the cover, purchase or closing transaction and no Recognized Claim will be computed for any such covering purchase or closing transaction.

Shares "transferred into", "delivered into" or "received into" the claimant's account, shall **NOT** be considered as purchased shares unless claimant submits documents supporting that the original purchase of the shares occurred during the Class Period. Also, shares purchased and subsequently "transferred out" or "delivered out" of claimant's account will **NOT** be considered part of claimant's claim, as the right to file for those shares belongs to the person or party receiving the shares.

The receipt or grant of a gift of Pixelon stock during the Class Period shall not be deemed to be a purchase of Pixelon stock during the Class Period. However, the recipient of Pixelon stock as a gift or as a distribution from an estate shall be eligible to file a Proof of Claim form and participate in the Settlement to the extent the particular donor or decedent as the actual purchaser of Pixelon stock would have been eligible, based upon the circumstances of such purchase within the Class Period; however, the donee and donor may not both claim with regard to the same Pixelon stock. If both the donor and donee make such a claim, only the claim filed by the donee will be honored.

Class Members who do not file acceptable Proofs of Claim, a copy of which is attached, will not share in the settlement proceeds. Class Members who either do not file a request for exclusion or file unacceptable Proofs of Claim will nevertheless be bound by the Judgment (defined below) and the proposed Partial Settlement.

The proposed Partial Settlement will become effective, if approved by the Court, after the Judgment entered by the Court becomes final. All persons within the Class who have not requested to be excluded will be released, and be forever barred from suing the Settling Defendants and other Released Persons (as defined above) from all Released Claims (as defined above). This release will bind all persons within the Class who do not request to be excluded, regardless of whether they seek and receive settlement funds.

The Settlement is also conditioned on the entry by the Court of a Bar Order barring certain claims for contribution and/or indemnity against the Settling Defendants and the Released Persons. The Bar Order may result in a reduction of any recovery which Plaintiffs and any Members of the Class may obtain against third parties.

This Notice is not intended to be a complete description of the Stipulation. The Stipulation contains the full and complete terms of the proposed Partial Settlement, and is available as set forth below.

VII. RIGHTS OF CLASS MEMBERS

If you fall within the definition of the Class, you will remain a Class Member unless you elect to be excluded from the Class. If you do not request to be excluded from the Class, you will be bound by any judgment entered with respect to the proposed Partial Settlement in the Action whether or not you file a Proof of Claim.

VIII. THE RIGHT TO EXCLUDE FROM THE PARTIAL SETTLEMENT AND THE CLASS ACTION

If you remain a Class Member, you may, at your own expense, enter an appearance in this lawsuit personally, or through a lawyer of your choice. If you do not enter an appearance, your interests will be represented by the Class Representatives through Plaintiffs' Settlement Counsel.

If you remain a Class Member you will not be asked to make any out-of-pocket payment for attorneys' fees or expenses. Plaintiffs' Settlement Counsel will file a petition with the Court for an award of appropriate attorneys' fees and expenses to be paid out of any recovery.

IF YOU DO NOT WISH TO REMAIN IN THE CLASS, YOU MUST REQUEST EXCLUSION IN THE MANNER AND BY THE DEADLINE SET FORTH BELOW.

If you exclude yourself from the Class: (1) you will not be entitled to share in any recovery that may be obtained for the Class from either Settling Defendants or any other Defendant; (2) you will not be bound by any judgment, whether favorable to the Class or not, that may be entered in this Action; and (3) you may pursue any claims you may have against Settling Defendants and any and all other Defendants with respect to the claims asserted on behalf of the Class.

If you do not wish to remain a Class Member, you must mail a written request for exclusion, postmarked no later than June 7, 2004, to: Pixelon Securities Litigation, c/o Heffler, Radetich & Saitta L.L.P., Claims Administrator, P.O. Box 58788, Philadelphia, PA 19102-8788. You must state the following information: (a) the full name, address and telephone number of the beneficial owner or the person or entity requesting exclusion; (b) the number and type of Pixelon Preferred Stock purchased or sold by the beneficial owner during the Class Period; and (c) the price and the date(s) on which said securities were purchased or sold. If the stock was acquired or sold by, or on behalf of, joint beneficial owners, all such owners should sign the request and provide such information. Any request for exclusion made by a representative on behalf of a Class Member must state the capacity in which the representative is acting.

IX. THE RIGHT TO OBJECT AND BE HEARD AT THE HEARING

Any Class Member who has not validly and timely requested to be excluded from the Class, and who objects to any aspect of the Settlement, the Plan of Allocation, or the application for attorneys' fees, costs, and reimbursement expenses, may appear and be heard at the Settlement Hearing. To object, you must file the following documents: a written statement setting forth the basis of your objections, any supporting memoranda or other papers, documentary proof of membership in the Class, and a written statement signed by the objector setting forth: (a) the name, address, and telephone number of the objector; and (b) the number or amount, and price of Pixelon Preferred Stock purchased or acquired by the objector during the Class Period and the date of each such transaction with proof thereof. Such objection must be served and filed so that it is received no later than June 17, 2004, by each of the following:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF KENTUCKY
Gene Snyder U.S. Courthouse
601 W. Broadway
Louisville, KY 40202

MERRILL G. DAVIDOFF, ESQ.
BERGER & MONTAGUE, P.C.
1622 Locust Street
Philadelphia, PA 19103-6365

J. BRUCE MILLER, ESQ.
J. BRUCE MILLER LAW GROUP
605 W. Main Street
Louisville, KY 40202

KENNETH L. SALES, ESQ.
SALES TILLMAN & WALLBAUM
1900 Waterfront Plaza
325 W. Main Street
Louisville, KY 40202

JANET P. JAKUBOWICZ, ESQUIRE
GREENEBAUM DOLL & McDONALD PLLC
3500 National City Tower
101 South Fifth Street
Louisville, KY 40202

ANGELA McNEAL HOYER, ESQUIRE
BOEHL STOPHER & GRAVES
2300 Aegon Center
400 West Market
Louisville, KY 40202

MICHAEL W. ROBINSON, ESQUIRE
ROBINSON & WISBAUM, INC.
361 Forrest Avenue, Suite 203
Laguna Beach, CA 92651

Counsel for Settling Defendants

Plaintiffs' Settlement Counsel for the Class

Class Members or their attorneys intending to appear at the Settlement Hearing must also deliver to counsel for the Class and counsel for the Settling Defendants and file with the Court, at the addresses specified above, no later than June 8, 2004, a Notice of Intention to Appear, setting forth the case number and the name, address and telephone number of the Class Member, and the name of the Class Member's attorney(s). Class Members who intend to object to this settlement and Plaintiffs' Settlement Counsel's application for an award of fees and expenses or the Plan of Allocation and who desire to present evidence at the Settlement Hearing must include in their written objection the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing.

The failure to file an objection in a timely manner, as described above, may bar the objector from being heard, absent relief from the Court, on any objections, including any objection to the fairness, reasonableness or adequacy of the proposed Partial Settlement, or to the entry of the judgments contemplated by the proposed Partial Settlement.

You may file an objection without having to appear at the Settlement Hearing. Class Members who approve of the proposed Partial Settlement do not need to appear at the Settlement Hearing to indicate their approval, although they must file a Proof of Claim to participate in the Settlement.

ANY CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED HEREIN WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION, AND SHALL BE FOREVER FORECLOSED FROM MAKING ANY OBJECTION TO THE PROPOSED PARTIAL SETTLEMENT.

X. DISMISSAL AND RELEASES

If the proposed Partial Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal (the "Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Settling Defendants.

The Judgment will provide that all Class Members who do not validly and timely request to be excluded from the Class shall be deemed to have, fully, finally, and forever, released, settled and discharged, in accordance with the terms of the Stipulation, the Released Persons from and with respect to the Released Claims, whether or not such Class Members execute and deliver a Proof of Claim and Release.

XI. CONDITIONS FOR SETTLEMENT

The proposed Partial Settlement shall be subject to the following conditions and, except as provided in paragraph 7 (seven) of the Stipulation, shall not be canceled and terminated unless:

1. The Court fails to enter the Preliminary Approval Order; or
2. The Court fails to enter the Judgment and Bar Order; or
3. The Effective Date shall not have occurred; or
4. More shares, represented by persons who would otherwise be Class Members, than allowed under the separate written agreement between Class Representatives and Settling Defendants have properly submitted timely requests for exclusion from the Class and the majority of Settling Defendants invoke the provisions of paragraph 7.3 of the Stipulation.

Upon occurrence of all of the events referenced above, each of the Class Representatives and Class Members, shall hereby have deemed to have, and by operation of the Judgment shall thereby be deemed to have, fully, finally, and forever, released, settled and discharged, in accordance with the terms of the Stipulation, the Released Persons (as defined above) from and with respect to the Released Claims (as defined above), whether or not such Class Members execute and deliver a Proof of Claim and Release.

XII. EFFECT OF DISAPPROVAL, CANCELLATION OR TERMINATION

If any of the foregoing conditions, as described in paragraph 7 of the Stipulation, are not satisfied, or if: (i) the Court does not enter the Judgment and Bar Order, or (ii) the Court enters the Judgment and Bar Order and appellate review is sought and on such review the Judgment or Bar Order is materially modified or reversed, or (iii) Settling Defendants exercise their right to withdraw from the Settlement under paragraph 7.3 of the Stipulation, then this proposed Partial Settlement shall be terminated unless Plaintiffs' Settlement Counsel, and Settling Defendants' Counsel, within ten (10) business days from the receipt of such ruling or written notice of such circumstances, agree in writing to proceed with the Stipulation. Such notice shall be provided on behalf of the parties to this Stipulation only by their counsel. Neither a modification nor a reversal on appeal of any amount of fees, costs, and expenses awarded by the Court to any of Plaintiffs' Settlement Counsel shall be deemed a material modification of the Judgment, the Bar Order or the Stipulation.

If either (a) the Effective Date does not occur, or (b) this Stipulation is canceled or terminated pursuant to its terms, or (c) the Settlement does not become final for any reason, then the Gross Settlement Fund (less any taxes, fees or charges and any Notice and Administration Expenses paid or owing with respect to the Gross Settlement Fund), plus any amount then remaining in the Notice and Administration Account, including both interest paid and accrued, shall be refunded to Settling Defendants by the Escrow Agent within seven (7) business days of such cancellation or termination.

If the Effective Date does not occur, or if the Stipulation is disapproved, canceled or terminated pursuant to its terms, all of the parties to this Stipulation shall be deemed to have reverted to their respective status prior to the execution of the Stipulation, and they shall proceed in all respects as if the Stipulation had not been executed and the related orders had not been entered, preserving in that event all of their respective claims and defenses in the Action.

XIII. NOTICE TO BANKS, BROKERS AND OTHER NOMINEES

Because the deadline for requesting exclusion is June 7, 2004, each bank, brokerage firm or other nominee who purchased Pixelon Preferred Stock during the Class Period for a beneficial owner ("Nominees") should, within ten (10) days of receipt of this Notice, provide a list of the names and addresses of such beneficial owners of the stock purchased or sold during the Class Period to the Pixelon Securities Litigation Claims Administrator at the address set forth below, who will then mail Notices to them:

Pixelon Securities Litigation
c/o Heffler, Radetich & Saitta L.L.P.
Claims Administrator
P.O. Box 58788
Philadelphia, PA 19102-8788

XIV. FURTHER INFORMATION AVAILABLE

This Notice is a summary of the Action and certain provisions of the proposed Partial Settlement, and is not intended , and should not be construed, as a complete statement of the proposed Partial Settlement or of the Action. For further information concerning the Action, you may refer to the pleadings and other papers, all of which may be inspected at the office of the Clerk of the Court, U.S. District Court for the Western District of Kentucky, 601 W. Broadway, Louisville, KY 40202, during normal business hours.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION. ANY INQUIRIES SHOULD BE DIRECTED TO THE PLAINTIFFS' SETTLEMENT COUNSEL.

CLERK OF THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

Dated: April 8, 2004

YOU MUST READ AND SIGN THE RELEASE BELOW

PART III. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I submit this Proof of Claim and Release under the terms of the Stipulation and Agreement of Settlement described in the Notice. I also submit to the jurisdiction of the United States District Court for the Western District of Kentucky with respect to my claim as a Class Member and for purposes of enforcing the release set forth herein. By submitting this Proof of Claim, I agreed to be bound by and subject to the terms of any judgments and orders of the Court that may be entered in the Action, and to furnish such additional information or proof to Plaintiffs' Settlement Counsel to support this claim if required to do so. I have not submitted any other claim covering the same purchases and/or acquisition of Pixelon Preferred Stock during the Class Period and know of no other Person having done so on my behalf.

PART IV. RELEASE

12. By signing this Proof of Claim and Release Form, and in consideration of the payment by the Settling Defendants of \$2,650,000.00 into the Settlement Fund pursuant to the Stipulation of Settlement, and for other valuable consideration, the receipt of which is hereby acknowledged, on behalf of myself, and on behalf of my heirs, executors, administrators, successors, custodians, representatives, assigns and all other persons who may claim by or through the undersigned, do hereby release, remise and forever discharge each Settling Defendants and their respective present and former parents, subsidiaries, affiliates, divisions, and joint ventures, and their respective present and former officers, directors, attorneys, agents, representatives, employees, insurers, excess insurers, advisors, investment advisors, trustees, escrowees, auditors, accountants, spouses and immediate family members, and the predecessors, heirs, successors, and assigns of any of them, and any person or entity in which any of the Settling Defendants has or had a controlling interest or which is or was related or affiliated with any Settling Defendants and any trust of which any Settling Defendant is the settlor or which is for the benefit of any Settling Defendant and/or member(s) of a Settling Defendant's family, of and from all manner of actions, claims, causes of action, allegations or rights whatsoever, whether known or unknown, whether suspected or unsuspected, whether contingent or non-contingent, whether class, individual, or direct in nature, whether in law or in equity, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether based on events or actions occurring prior to or on the Effective Date (as defined in the Notice and Stipulation of Settlement), including claims in any bankruptcy proceeding, which I ever had, now have, or hereafter may have by reason of, based upon, or arising out of or in connection with, directly or indirectly, any allegation, fact, occurrence, matter, representation, transaction, or omission referred to, involved or set forth in or which could have been set forth or asserted in the Complaint or any other pleading in the Action, or any public filing or statement of Pixelon, Advanced Equities or their officers and directors, whether known or unknown.

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

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

15. I (we) hereby warrant and represent that I (we) have included information about all of my (our) transactions in Pixelon Preferred Stock that occurred during the Class Period.

I affirm under the penalties of perjury that the foregoing statements are true, correct and complete.

DATED: _____

CLAIMANT'S SIGNATURE

(TYPE OR PRINT CLAIMANT'S NAME)

JOINT CLAIMANT'S SIGNATURE, IF ANY

(TYPE OR PRINT JOINT CLAIMANT'S NAME, IF ANY)

TITLE OR POSITION IF SIGNING IN REPRESENTATIVE
CAPACITY ON BEHALF OF THE CLASS MEMBER

SUBSTITUTE FORM W-9

Request for Taxpayer Identification Number (TIN) and Certification

PART I

Name: _____

Check appropriate box:

- Individual/Sole Proprietor Pension Plan Joint Owners Corporation
- Partnership Trust IRA Other_____

Enter taxpayer identification number below for the beneficial owner(s). For most individuals, this is your Social Security number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your distribution may be reduced for backup withholding.

Social Security Number (for individuals) _____	OR	Employer Identification Number (for estates, trusts, corporations, etc.) _____
--	----	--

PART II - FROM PAYEES EXEMPT FROM BACKUP WITHHOLDING

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

PART III CERTIFICATION

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

1. The number shown on this form is my correct Taxpayer Identification Number; and
2. I (We) certify that I am (we are) **NOT** subject to backup withholding under the provisions of Section 3406 (a)(1)(C) of the Internal Revenue Code because: (a) I am (we are) exempt from backup withholding; or (b) I (we) have not been notified by the Internal Revenue Service that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the 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, you must cross out the word **NOT** in item 2 above and check here .

NOTE: If you require instructions for completing Substitute W-9, please make a written request to us at: Pixelon Securities Litigation, c/o Heffler, Radetich & Saitta L.L.P., Claims Administrator, P.O. Box 58788, Philadelphia, PA 19102-8788. Please note that your accountant should also be able to provide you with the Instructions or you may retrieve them from www.irs.gov.

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

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

(State / Country)

 (Signature of person whose TIN appears above)

**ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE**

Reminder Checklist:

1. Please sign the release on page 9 and the Substitute W-9 on page 10.
2. Remember to attach copies of supporting documentation.
3. Do not send original or copies of stock certificates.
4. Keep a copy of your claim form for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.

Pixelon Securities Litigation
c/o Heffler, Radetich & Saitta L.L.P.
Claims Administrator
P.O. Box 58788
Philadelphia, PA 19102-8788

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