

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

In re AMERICA SERVICE GROUP, et al.) Civil Action No. 3:06-cv-00323
_____))
) CLASS ACTION
This Document Relates To:) Judge Haynes
)
ALL ACTIONS.)
_____))

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS OR ENTITIES (AND THEIR BENEFICIARIES) WHO PURCHASED OR OTHERWISE ACQUIRED THE PUBLICLY TRADED SECURITIES OF AMERICA SERVICE GROUP INC. DURING THE PERIOD FROM SEPTEMBER 24, 2003 THROUGH AND INCLUDING MARCH 16, 2006, INCLUSIVE ("CLASS PERIOD")

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, AS DEFINED BELOW, YOUR RIGHTS WILL BE AFFECTED BY THE PROPOSED SETTLEMENT AND YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THE SETTLEMENT FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE, AS DESCRIBED MORE FULLY BELOW, POSTMARKED ON OR BEFORE AUGUST 16, 2010. IF YOU ARE A CLASS MEMBER AND DO NOT SUBMIT A TIMELY REQUEST FOR EXCLUSION, AS EXPLAINED FURTHER BELOW, YOU WILL BE BOUND BY THE RELEASES AND COVENANT NOT TO SUE, WHETHER OR NOT YOU SUBMIT A CLAIM.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Middle District of Tennessee, Nashville Division (the "Court"). The purpose of this Notice is to inform you of the proposed settlement (the "Settlement") of this class action litigation (the "Litigation"), pursuant to a Stipulation of Settlement (the "Stipulation") entered among the Lead Plaintiff and Defendants, and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement. The Settlement resolves the claims of the Class (defined further in §II(4) below) against America Service Group Inc. ("America Service Group" or the "Company"), Secure Pharmacy Plus, LLC, Michael Catalano, Michael W. Taylor, Enoch E. Hartman III, and Grant J. Bryson (referred to collectively as the "Defendants"). This Notice describes what steps you must take in relation to the Settlement.

SUMMARY

Statement of Plaintiffs' Recovery

The proposed Settlement creates a fund in the amount of \$10,500,000 in cash plus a minimum of 300,000 shares of America Service Group common stock and will include interest that accrues on the cash portion of the fund prior to distribution,¹ to be divided, after fees and expenses are paid, among all Class Members who send in a valid Proof of Claim and Release form ("Proof of Claim"). Based on Lead Counsel's estimate of the number of shares entitled to participate in the Settlement and the anticipated number of claims to be submitted by Class Members, the average distribution per share to Class Members who purchased or otherwise acquired publicly traded securities of America Service Group during the Class Period will be approximately \$1.47 in cash and stock before deduction of Court-awarded attorneys' fees and expenses. Your actual recovery from this fund will depend on a number of factors. First, recovery will be a proportion of the Settlement Fund determined by that claimant's Claim as compared to the total Claims of all Class Members who submit acceptable Proofs of Claim. Further, depending on the number of Claims submitted, the number and type of America Service Group securities that other claimants purchased and sold, the number and type of America Service Group securities you purchased and sold, the purchase and sales price paid, the timing of the purchases and sales, and the expense of administering the claims process, an

¹ America Service Group shall provide price protection for the Settlement Stock (as defined further in §II(26) below), as follows: If the price of America Service Group common stock is trading below \$14.65 per share on the date the Court enters the Order and Final Judgment, substantially in the form of Exhibit B to the Stipulation, America Service Group shall, within five (5) business days thereof, contribute to the Settlement Fund the cash amount representing the difference between \$4,395,000 and the value of the Settlement Stock based on the closing price on the date the Court enters the Order and Final Judgment.

individual Class Member may receive more or less than the average distribution per share. See the Plan of Allocation on page 6 below for a more detailed description of how the Settlement proceeds will be allocated among Class Members.

Statement of Potential Outcome of Case

Lead Plaintiff and Defendants do not agree on liability or on the average amount of damages per share that would be recoverable if Lead Plaintiff was to have prevailed on each claim alleged. The issues on which the parties disagree include, but are not limited to, the following: (1) whether Defendants engaged in conduct that would give rise to any liability to the Class under the federal securities laws, or any other laws; (2) whether Defendants have valid defenses to any such claims of liability; (3) the appropriate economic model for determining the amount by which publicly traded securities of America Service Group were allegedly artificially inflated (if at all) during the Class Period; (4) the amount by which publicly traded securities of America Service Group were allegedly artificially inflated (if at all) during the Class Period; (5) the effect of various market forces influencing the trading price of publicly traded securities of America Service Group at various times during the Class Period; (6) the extent to which external factors, such as general market conditions, influenced the trading price of publicly traded securities of America Service Group at various times during the Class Period; (7) the extent to which the various matters that Lead Plaintiff alleged were materially false or misleading influenced (if at all) the trading price of publicly traded securities of America Service Group at various times during the Class Period; (8) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were omitted influenced (if at all) the trading price of publicly traded securities of America Service Group at various times during the Class Period; and (9) whether the statements made or facts allegedly omitted were materially misleading or otherwise actionable under the federal securities or other laws.

Lead Plaintiff believes that the proposed Settlement is a very good recovery 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 Lead Plaintiff would not have prevailed on any of its claims, in which case the Class would receive nothing. For example, Lead Plaintiff faced the possibility that the claims remaining in this case would have been dismissed at summary judgment or trial. Defendants deny that they are liable to Lead Plaintiff or the Class and deny that Lead Plaintiff or the Class has suffered any damages. Under relevant securities laws, a claimant's recoverable damages are limited to the losses attributed to the alleged violations. Losses that resulted from factors other than the alleged violations are not compensable under the federal securities laws.

This Notice is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in this Litigation or the fairness or adequacy of the proposed Settlement.

Statement of Attorneys' Fees and Expenses Sought

Plaintiffs' Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiff 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, Lead Counsel will apply to the Court for an award of attorneys' fees not to exceed 25% of the Settlement Fund plus expenses incurred in connection with the prosecution of this Litigation in an amount not to exceed \$550,000, both to be paid from the Settlement Fund. If the amount requested by Lead Counsel is approved by the Court, the average cost per share of such an award would be approximately \$0.42.

Lead Counsel will request that fees be awarded in cash and stock, in the same proportion as held by the Settlement Fund as a whole. Class Members are not personally liable for any such fees, expenses, or compensation. The fees requested by Lead Counsel would compensate Lead Counsel for its efforts in achieving the Settlement Fund for the benefit of the Class, and for its risk in undertaking this representation on a contingency basis. The fees requested are within the range of fees typically awarded to plaintiffs' counsel in litigation of this type. In addition, the Lead Plaintiff may seek reimbursement of its time and expenses incurred in representing the Class, in an amount not to exceed \$2,500.

Further Information

Further information regarding this Settlement and this Notice may be obtained by contacting representatives of Lead Counsel: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, California 92101, Telephone: 800/449-4900. Please do not call any representative of the Defendants or the Court.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing (the "Settlement Hearing") will be held on October 15, 2010, at 10:00 a.m., before the Honorable William J. Haynes, Jr., United States District Judge, at the United States District Courthouse, Middle District of Tennessee, Nashville Division, 801 Broadway, Nashville, Tennessee 37203. The purpose of the Settlement Hearing will be to determine: (1) whether the Settlement consisting of \$10,500,000 in cash, plus accrued interest, plus 300,000 shares of America Service

Group common stock, should be approved by the Court as fair, reasonable, and adequate to each of the Settling Parties (defined further in §II(27) below); (2) whether, thereafter, the Litigation should be dismissed with prejudice as set forth in the Stipulation; (3) whether the Plan of Allocation (defined further in §II(19) below) is fair, reasonable, and adequate and therefore should be approved; and (4) the reasonableness of the application of Lead Counsel for the payment of attorneys' fees and expenses and the reimbursement of expenses of Lead Plaintiff incurred in connection with this Litigation. The Court may reschedule or adjourn the Settlement Hearing without further notice to the Class.

II. DEFINITIONS USED IN THIS NOTICE

1. "America Service Group" or the "Company" mean America Service Group Inc.
2. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation and who submits a valid Proof of Claim form to the Claims Administrator.
3. "Claims Administrator" means the firm of Gilardi & Co. LLC located in San Rafael, California.
4. "Class" means all persons or entities (and their beneficiaries) who purchased or otherwise acquired the publicly traded securities of America Service Group between September 24, 2003 and March 16, 2006, inclusive. Excluded from the Class is anyone named as a Defendant in this action; members of the immediate family of any such Defendant; any entity in which any such Defendant or family member has or had a controlling interest; the former and current officers and directors of America Service Group; or the legal affiliates, representatives, controlling persons, predecessors-in-interest, heirs, assigns, or any other successors-in-interest of any such excluded party. Also excluded from the Class are those persons who timely and validly request exclusion from the Class pursuant to this Notice.
5. "Class Member" or "Class Members" mean any Person who falls within the definition of the Class as set forth in ¶4 above.
6. "Class Period" means the period commencing on September 24, 2003 and ending on March 16, 2006, inclusive.
7. "Defendants" means America Service Group, Secure Pharmacy Plus, LLC, Michael Catalano, Michael W. Taylor, Enoch E. Hartman III, and Grant J. Bryson.
8. "Effective Date" means the first date by which all of the events and conditions specified in ¶7.1 of the Stipulation have been met and have occurred.
9. "Escrow Agent" means Robbins Geller Rudman & Dowd LLP or its successor(s).
10. "Final" means when the last of the following with respect to the Order and Final Judgment shall occur: (i) the expiration of three (3) business days after the time for the filing of any motion to alter or amend the Order and Final Judgment under Federal Rule of Civil Procedure 59(e) without any such motion having been filed; (ii) the expiration of three (3) business days after the time for the filing or noticing of any appeal from the Order and Final Judgment without any appeal having been filed; and (iii) if such motion to alter or amend is filed or if an appeal is filed or noticed, then three (3) business days after either (a) the Order and Final Judgment has been finally affirmed, the time for a petition for writ of certiorari to review the Order and Final Judgment has expired or, if certiorari is granted, the judgment following review pursuant to that grant has been finally affirmed; or (b) any appeal from the Order and Final Judgment or any proceeding on certiorari to review the Order and Final Judgment has been finally dismissed. For purposes of this paragraph, an "appeal" shall not include any appeal that concerns only the issue of attorneys' fees and expenses or the Plan of Allocation of the Settlement Fund. Any proceeding or order, or any appeal or petition for a writ of certiorari pertaining solely to any plan of distribution and/or application for attorneys' fees, costs, or expenses, shall not in any way delay or preclude the Order and Final Judgment from becoming Final.
11. "Lead Counsel" means Robbins Geller Rudman & Dowd LLP or its successor(s).
12. "Lead Plaintiff" means MARTA/ATU Local 732 Employees Retirement Plan.
13. "Liaison Counsel" means Barrett, Johnston & Parsley or its successor(s).
14. "Notice Order" means the order described in ¶3.1 of the Stipulation.
15. "Order and Final Judgment" means the judgment to be rendered by the Court, substantially in the form attached to the Stipulation as Exhibit B.
16. "Person" means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, limited liability company, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business

or legal entity and all of their respective spouses, heirs, beneficiaries, executors, administrators, predecessors, successors, representatives, or assignees.

17. "Plaintiffs" means all of the plaintiffs that have appeared in the Litigation.

18. "Plaintiffs' Counsel" means any counsel who have appeared for any of the Plaintiffs in the Litigation.

19. "Plan of Allocation" means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys' fees, costs, expenses, and interest as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation, and Defendants and their Related Parties shall have no responsibility or liability with respect thereto.

20. "Related Parties" means, with respect to each Defendant, the immediate family members, heirs, executors, administrators, successors, assigns, present and former employees, officers, directors, general partners, limited partners, attorneys, assigns, legal representatives, insurers, reinsurers, and agents of each of them, and any person or entity which is or was related to or affiliated with any Defendant or in which any Defendant has or had a controlling interest, and the present and former parents, subsidiaries, divisions, affiliates, predecessors, successors, general partners, limited partners, employees, officers, directors, attorneys, assigns, legal representatives, insurers, reinsurers, and agents of each of them.

21. "Released Claims" means any and all rights, debts, demands, claims (including "Unknown Claims" as defined in ¶28 below) or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory, common law, foreign law, or any other law, rule, or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class and/or individual in nature, including both known claims and unknown claims that relate to the purchase or acquisition of the securities of America Service Group during the Class Period and that (a) Lead Plaintiff or any member of the Class asserted, or could have asserted in this Litigation against any of the Released Persons; or (b) could have been asserted in this Litigation, or in any other action or forum by Lead Plaintiff and/or the Class Members or any of them against any of the Released Persons which arise out of, are based upon, or are in any way related, directly or indirectly, to the purchase or acquisition of America Service Group publicly traded securities during the Class Period, and to the facts, matters, allegations, transactions, events, disclosures, statements, acts or occurrences, representations or omissions involved, set forth, or referred to in the Complaint or that could have been alleged in the Complaint.

22. "Released Persons" means any and all of the Defendants and each and all of their Related Parties.

23. "Settlement" means the settlement of the Litigation as set forth in the Stipulation.

24. "Settled Defendants' Claims" means all claims, demands, losses, rights, and causes of action of any nature whatsoever, that have been or could have been asserted in the Litigation or any forum by the Released Persons or any of them or the successors and assigns of any of them against the Lead Plaintiff, Class Members, or Plaintiffs' Counsel, which arise out of or relate in any way to the institution, prosecution, assertion, settlement, or resolution of the Litigation (except for claims to enforce the Settlement); provided, however, that "Settled Defendants' Claims" shall not include any rights or claims of Defendants against their insurers, or their insurers' subsidiaries, predecessors, successors, assigns, affiliates, or representatives, under or related to any policies of insurance.

25. "Settlement Fund" means the principal amount of Ten Million Five Hundred Thousand Dollars (\$10,500,000.00), to be provided in cash, plus the Settlement Stock to be paid pursuant to ¶2.1 of the Stipulation, plus any interest that may accrue thereon as provided for in the Stipulation.

26. "Settlement Stock" means the freely tradable shares of America Service Group that will be issued and delivered in accordance with ¶2.1 of the Stipulation.

27. "Settling Parties" means, collectively, each of the Defendants and the Lead Plaintiff on behalf of itself and each of the Class Members.

28. "Unknown Claims" means any of the Released Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in such party's favor at the time of the release of the Released Persons which, if known by such party, might have affected such party's settlement with and release of the Released Persons, or might have affected such party's decision not to object to this Settlement. With respect to any and all Released Claims, upon the Effective Date, the Lead Plaintiff and

the Class Members shall expressly waive, and by operation of the Order and Final Judgment shall have expressly waived, the provisions, rights, and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Class Members, by operation of the Order and Final Judgment, shall have expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Class Members may hereafter discover facts in addition to or different from those which such party now knows or believes to be true with respect to the subject matter of the Released Claims, but the Class Members, upon the Effective Date, by operation of the Order and Final Judgment, shall have fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts.

III. THE LITIGATION

On and after April 6, 2006, the following actions were filed in the United States District Court for the Middle District of Tennessee, Nashville Division as class actions on behalf of persons who purchased the publicly traded securities of America Service Group: *Plumbers and Pipefitters Local 51 Pension Fund v. America Service Group, Inc., et al.*, Civil Action No. 3:06-cv-00323; *Beach v. America Service Group, Inc., et al.*, Civil Action No. 3:06-cv-00341; *Schwartz v. America Service Group, Inc., et al.*, Civil Action No. 3:06-cv-00337; and *Waggoner v. America Service Group, Inc., et al.*, Civil Action No. 3:06-cv-00443. By order of the Court, these four actions were consolidated and styled *In re America Service Group, et al.*, Civil Action No. 3:06-cv-00323. On August 29, 2006, plaintiff MARTA/ATU Local 732 Employees Retirement Plan was appointed Lead Plaintiff and its choice of counsel was approved by the Court.

The operative complaint in the Litigation is the Consolidated Amended Class Action Complaint for Violation of the Federal Securities Laws, filed on October 31, 2006 (the "Complaint"). The Complaint alleges claims for violation of §§10(b) and 20(a) of the Securities Exchange Act of 1934, and Securities and Exchange Commission Rule 10b-5 promulgated thereunder against Defendants.

On January 19, 2007, Defendants moved to dismiss the Complaint. By Order dated March 31, 2009, the Court granted in part and denied in part Defendants' motion to dismiss the Complaint. On April 14, 2009, Defendants moved to confirm the scope of the Court's March 31, 2009 Order. Lead Plaintiff filed a responsive brief on April 24, 2009, and Defendants sought and were granted leave to file a reply brief. By Order dated July 21, 2009, the Court granted Defendants' motion to confirm the scope of the Court's March 31, 2009 Order and issued an order clarifying its March 31, 2009 Order.

Lead Plaintiff subsequently served Defendants with discovery requests. The Court then held a status conference and approved the Settling Parties' proposal to exchange some core preliminary discovery to facilitate mediation. The Settling Parties subsequently exchanged this discovery.

On September 30, 2009, the Settling Parties held a mediation with the Honorable Edward A. Infante (Ret.). No agreement was reached, but negotiations continued. On February 9, 2010, Lead Plaintiff and Defendants again engaged in mediation with the Honorable Edward A. Infante (Ret.), during which Judge Infante made a mediator's proposal, which was, with some clarification, accepted by the Settling Parties. Following further negotiations, Lead Plaintiff and Defendants entered into the Stipulation on April 28, 2010.

IV. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT

Lead Plaintiff believes that the claims asserted in the Litigation have merit. Lead Counsel, however, recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and appeals. Lead Counsel also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Litigation, as well as the difficulties and delays inherent in such litigation. Lead Counsel also is mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Litigation. Lead Counsel believes that the Settlement set forth in the Stipulation confers substantial benefits upon the Class.

Based on its evaluation, Lead Counsel has determined that the Settlement set forth in the Stipulation is in the best interests of Lead Plaintiff and the Class.

V. THE DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims and contentions alleged by Lead Plaintiff in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied, *inter alia*, the allegations that Lead Plaintiff or the Class has suffered damage or that Lead Plaintiff or the Class was harmed by the conduct alleged in the Litigation.

The Stipulation shall in no event be construed or deemed to be evidence of an admission or concession on the part of any Defendant with respect to any claim or of any fault, liability, wrongdoing, or damage whatsoever, or any infirmity in the defenses that Defendants have asserted. Defendants' decision to settle the Litigation was based on the conclusion that further conduct of the Litigation would be protracted and expensive, that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation, the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation, and the determination that it is desirable and beneficial that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

VI. TERMS OF THE PROPOSED SETTLEMENT

The amount of \$10,500,000 has been transferred to an interest-bearing escrow account under the control of the Escrow Agent. This principal amount of \$10,500,000 in cash, plus any accrued interest, plus 300,000 shares of America Service Group common stock, plus any cash payment to represent the difference between \$4,395,000 and the value of the Settlement Stock based on the closing price of the common stock of America Service Group on the date the Court enters the Order and Final Judgment, shall constitute the Settlement Fund. A portion of the Settlement Fund will be used for certain administrative expenses, including, without limitation, the costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund, and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Lead Counsel as attorneys' fees and for expenses incurred in litigating the case, and to Lead Plaintiff for reimbursement of its expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proofs of Claim.

VII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants") under the Plan of Allocation described below. The Plan of Allocation provides that Authorized Claimants will be eligible to participate in the distribution of the Net Settlement Fund only if Authorized Claimants have a net loss on all transactions in publicly traded securities of America Service Group during the Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel conferred with its damage consultants. Please note, however, that the Plan of Allocation may not reflect an assessment of the damages that they believe could have been recovered by Class Members had Lead Plaintiff prevailed at trial.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's "Claim," as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Claim bears to the total of the Claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits shall be subtracted from the total of all losses from transactions in publicly traded securities of America Service Group during the Class Period to determine if a Class Member has a Claim. A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in publicly traded securities of America Service Group during the Class Period are subtracted from all losses.

CUSIP: 02364L109

September 24, 2003 – March 16, 2006

The allocation below is based on the following inflation per share amounts for Class Period common stock purchases and sales as well as the statutory PSLRA 90-day look back amount of \$13.38:

Inflation Period	Inflation Per Share
September 24, 2003 – October 27, 2003	\$13.92
October 28, 2003 – February 23, 2004	\$14.86
February 24, 2004 – July 26, 2004	\$16.25
July 27, 2004 – October 25, 2004	\$17.54
October 26, 2004 – February 6, 2005	\$14.98
February 7, 2005 – February 27, 2005	\$12.11
February 28, 2005	\$9.78
March 1, 2005 – July 26, 2005	\$7.82
July 27, 2005	\$9.65
July 28, 2005 – October 23, 2005	\$10.97
October 24, 2005 – March 15, 2006	\$5.68
March 16, 2006	\$0.00

COMMON STOCK

For shares of America Service Group common stock ***purchased or acquired on or between September 24, 2003 through March 16, 2006***, the recovery per share shall be as follows:

- a) If sold on or between September 24, 2003 through March 16, 2006, the recovery per share shall be the lesser of (i) the inflation per share at the time of purchase less the inflation per share at the time of sale; and (ii) the difference between the purchase price and the selling price.
- b) If retained at the end of March 16, 2006 and sold before June 13, 2006, the recovery per share shall be the lesser of (i) the inflation per share at the time of purchase; (ii) the difference between the purchase price and the selling price; and (iii) the difference between the purchase price per share and the average closing price per share up to the date of sale as set forth in the table below.
- c) If retained on June 13, 2006, or sold thereafter, the recovery per share shall be the lesser of (i) the inflation per share at the time of purchase; and (ii) the difference between the purchase price per share and \$13.38 per share.

CALL OPTIONS

A. For call options on America Service Group common stock ***purchased from September 24, 2003 through March 16, 2006***, and

- a) ***held*** at the end of October 25, 2004, February 6, 2005, February 27, 2005, February 28, 2005, October 23, 2005, and/or March 15, 2006, the claim per call option is the difference between the price paid for the call option contract less the proceeds received upon the settlement of the call option contract;
- b) ***not held*** at the end of October 25, 2004, February 6, 2005, February 27, 2005, February 28, 2005, October 23, 2005, and/or March 15, 2006, the claim per call option is \$0.

B. For call options on America Service Group common stock ***written from September 24, 2003 through March 16, 2006***, and

- a) ***held*** at the end of October 27, 2003, February 23, 2004, July 26, 2004, July 26, 2005, and/or July 27, 2005, the claim per call option is the difference between the price paid upon settlement of the call option contract less the initial proceeds received upon the sale of the call option contract;

b) **not held** at the end of October 27, 2003, February 23, 2004, July 26, 2004, July 26, 2005, and/or July 27, 2005, the claim per call option is \$0.

PUT OPTIONS

A. For put options on America Service Group common stock **written from September 24, 2003 through March 16, 2006**, and

a) **held** at the end of October 25, 2004, February 6, 2005, February 27, 2005, February 28, 2005, October 23, 2005, and/or March 15, 2006, the claim per put option is the difference between the price paid upon settlement of the put option contract less the initial proceeds received upon the sale of the put option contract;

b) **not held** at the end of October 25, 2004, February 6, 2005, February 27, 2005, February 28, 2005, October 23, 2005, and/or March 15, 2006, the claim per put option is \$0.

B. For put options on America Service Group common stock **purchased from September 24, 2003 through March 16, 2006**, and

a) **held** at the end of October 27, 2003, February 23, 2004, July 26, 2004, July 26, 2005, and/or July 27, 2005, the claim per put option is the difference between the price paid for the put option contract less the proceeds received upon the settlement of the put option contract;

b) **not held** at the end of October 27, 2003, February 23, 2004, July 26, 2004, July 26, 2005, and/or July 27, 2005, the claim per put option is \$0.

Note: In the case the option was exercised for America Service Group common stock, the amount paid, or proceeds received, upon the settlement of the option contract equals the intrinsic value of the option using America Service Group common stock's closing price on the date the option was exercised.

Note: The combined recovery for the put/call options shall not exceed 3% of the Net Settlement Fund.

Date	Closing Price	Average Closing Price
3/16/2006	\$13.95	\$13.95
3/17/2006	\$13.16	\$13.56
3/20/2006	\$12.99	\$13.37
3/21/2006	\$13.03	\$13.28
3/22/2006	\$12.98	\$13.22
3/23/2006	\$12.98	\$13.18
3/24/2006	\$13.01	\$13.16
3/27/2006	\$13.22	\$13.17
3/28/2006	\$13.40	\$13.19
3/29/2006	\$13.10	\$13.18
3/30/2006	\$12.99	\$13.16
3/31/2006	\$13.03	\$13.15
4/3/2006	\$12.76	\$13.12
4/4/2006	\$12.65	\$13.09
4/5/2006	\$13.05	\$13.09
4/6/2006	\$12.71	\$13.06
4/7/2006	\$12.91	\$13.05
4/10/2006	\$12.71	\$13.04
4/11/2006	\$12.79	\$13.02
4/12/2006	\$12.61	\$13.00
4/13/2006	\$12.72	\$12.99
4/17/2006	\$12.86	\$12.98
4/18/2006	\$12.99	\$12.98
4/19/2006	\$13.02	\$12.98
4/20/2006	\$12.85	\$12.98
4/21/2006	\$12.82	\$12.97

Date	Closing Price	Average Closing Price
4/24/2006	\$12.90	\$12.97
4/25/2006	\$12.98	\$12.97
4/26/2006	\$12.98	\$12.97
4/27/2006	\$13.15	\$12.98
4/28/2006	\$13.68	\$13.00
5/1/2006	\$12.91	\$13.00
5/2/2006	\$12.83	\$12.99
5/3/2006	\$13.00	\$12.99
5/4/2006	\$13.50	\$13.01
5/5/2006	\$13.66	\$13.02
5/8/2006	\$13.21	\$13.03
5/9/2006	\$12.98	\$13.03
5/10/2006	\$13.42	\$13.04
5/11/2006	\$13.33	\$13.05
5/12/2006	\$13.73	\$13.06
5/15/2006	\$13.29	\$13.07
5/16/2006	\$13.58	\$13.08
5/17/2006	\$13.57	\$13.09
5/18/2006	\$13.70	\$13.10
5/19/2006	\$13.78	\$13.12
5/22/2006	\$13.82	\$13.13
5/23/2006	\$13.75	\$13.15
5/24/2006	\$14.11	\$13.17
5/25/2006	\$14.14	\$13.19
5/26/2006	\$14.02	\$13.20
5/29/2006	\$13.85	\$13.21
5/30/2006	\$13.75	\$13.22
5/31/2006	\$13.70	\$13.23
6/1/2006	\$14.48	\$13.26
6/2/2006	\$14.58	\$13.28
6/5/2006	\$13.86	\$13.29
6/6/2006	\$13.73	\$13.30
6/7/2006	\$14.36	\$13.32
6/8/2006	\$13.81	\$13.32
6/9/2006	\$14.27	\$13.34
6/12/2006	\$14.52	\$13.36
6/13/2006	\$14.75	\$13.38

The date of purchase or sale is the “contract” or “trade” date as distinguished from the “settlement” date. The determination of the price paid per share and the price received per security shall be exclusive of all commissions, taxes, fees, and charges.

For Class Members who held publicly traded securities of America Service Group at the beginning of the Class Period or made multiple purchases or other acquisitions or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases, acquisitions, and sales for purposes of calculating a claim. Under the FIFO method, sales of shares during the Class Period will be matched, in chronological order, first against shares held at the beginning of the Class Period. The remaining sales of shares during the Class Period will then be matched, in chronological order, against shares purchased during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if such Class Member had a net loss, after all profits from transactions in publicly traded securities of America Service Group during the Class Period are subtracted from all losses. However, the proceeds from sales of securities which have been matched against securities held at the beginning of the Class Period will not be used in the calculation of such net loss. Such net loss shall be the Authorized

Claimants' Claim. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

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

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, Plaintiffs' Counsel, any claims administrator, or other person designated by Lead Counsel, based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. No person shall have any claim against Defendants or Defendants' counsel regarding distributions for any reason. All Class Members who fail to complete and file a valid and timely Proof of Claim shall be barred from participating in distributions from the Net Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any judgment entered and the releases given.

VIII. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT

On May 3, 2010, for settlement purposes only, the Court certified the Class, as defined above.

IX. PARTICIPATION IN THE CLASS

If you fall within the definition of the Class set forth above, you are a Class Member unless you elect to be excluded from the Class pursuant to this Notice. If you do not request to be excluded from the Class, you will be bound by any judgment entered with respect to the Settlement in the Litigation against Defendants regardless of whether you file a Proof of Claim.

If you are a Class Member, you need do nothing other than timely file a Proof of Claim if you wish to participate in the distribution of the Net Settlement Fund. Your interests will be represented by Lead Counsel. If you choose, you may enter an appearance individually or through your own counsel at your own expense.

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim must be postmarked on or before August 16, 2010, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Order and Final Judgment.

X. EXCLUSION FROM THE CLASS

You may request to be excluded from the Class. To do so, you must mail a written request stating that you wish to be excluded from the Class to:

America Service Group Securities Litigation
c/o Gilardi & Co. LLC
Claims Administrator
P.O. Box 8040
San Rafael, CA 94912-8040

The request for exclusion must be signed and must state: (1) your name, address, and telephone number; and (2) all purchases, acquisitions, and sales of publicly traded securities of America Service Group made during the Class Period, including the dates of each purchase, acquisition, or sale; the prices paid for each purchase, acquisition, or sale; and the number of shares purchased, acquired, or sold. YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE JULY 2, 2010. If you submit a valid and timely request for exclusion, you shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Order and Final Judgment.

XI. DISMISSAL AND RELEASES

If the proposed Settlement is approved, the Court will enter the Order and Final Judgment which will dismiss the Released Claims with prejudice as to all Defendants.

The Order and Final Judgment will provide that all Class Members who have not previously validly and timely requested to be excluded from the Class shall be deemed to have released and forever discharged all Released Claims (to the extent members of the Class have such claims) against all Released Persons.

XII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Order and Final Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Order and Final Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the Settling Parties will be restored to their respective positions in the Litigation immediately prior to the execution of the Stipulation.

XIII. THE RIGHT TO 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 and expenses or reimbursement of Lead Plaintiff's expenses, may appear and be heard at the Settlement Hearing. Any such Person must file a written notice of objection with the Clerk of Court at the address below no later than September 1, 2010:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION
801 Broadway
Nashville, TN 37203

and copies received by the following counsel no later than September 1, 2010:

Counsel for Plaintiffs:

ELLEN GUSIKOFF STEWART
ROBBINS GELLER RUDMAN
& DOWD LLP
655 West Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

B. WARREN POPE
KING & SPALDING LLP
1180 Peachtree Street, N.E.
Atlanta, GA 30309

D. ALEXANDER FARDON
HARWELL HOWARD HYNE GABBERT
& MANNER, P.C.
315 Deaderick Street, Suite 1800
Nashville, TN 37238

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number and type of shares of America Service Group publicly traded securities purchased, acquired, and sold during the Class Period; the dates of each purchase, acquisition, and sale; the prices paid for each purchase, acquisition, or sale; and contain a statement of the reasons why you object to the proposed Settlement or any part of it. Only Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

XIV. SPECIAL NOTICE TO NOMINEES

If you hold or held any publicly traded securities of America Service Group during the Class Period for the beneficial interest of a person or entity other than yourself, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first-class mail to all such persons or entities; or (2) send a list of the names and addresses of such persons or entities to the Claims Administrator at:

America Service Group Securities Litigation
c/o Gilardi & Co. LLC
Claims Administrator
P.O. Box 8040
San Rafael, CA 94912-8040

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, upon submission of appropriate documentation to the Claims Administrator, you may obtain reimbursement for, or advancement of, reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim.

XV. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, Middle District of Tennessee, Nashville Division, 801 Broadway, Nashville, Tennessee 37203.

If you have any questions about the Settlement of the Litigation, you may contact a representative of Lead Counsel: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, Telephone: 800/449-4900.

PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

DATED: May 3, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION