

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

JEFFERY CROSS and JUDITH ROSENBLATT,
on behalf of themselves and all others similarly
situated,

Plaintiffs,

v.

21st CENTURY HOLDING CO., EDWARD J.
LAWSON, MICHELE V. LAWSON, RONALD A.
RAYMOND, PATRICK D. DOYLE, JOSEPH A.
EPSTEIN, CARLA L. LEONARD, BRUCE
SIMBERG, GILFORD SECURITIES
INCORPORATED, BREAN MURRAY & CO.,
INC., FIRST OF MICHIGAN CORP., HOBBS
MELVILLE SECURITIES CORP., HOEFER &
ARNETT INC., ORMES CAPITAL MARKETS,
PENNSYLVANIA MERCHANT GROUP, PRIME
CHARTER LTD., REDWINE & COMPANY,
INC., SANDS BROTHERS & CO., and VAN
KASPER & CO.,

Defendants.

Civil Action No.
00 CIV 4333 (MBM)

**NOTICE OF CLASS ACTION, DISCLOSURE OF
PROPOSED SETTLEMENT TERMS, HEARING THEREON
AND RIGHT TO APPEAR, AND RELATED MATTERS**

TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK OF 21st CENTURY HOLDING COMPANY DURING THE PERIOD NOVEMBER 5, 1998 THROUGH AUGUST 13, 1999.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. IF YOU ARE A MEMBER OF THE CLASS DESCRIBED HEREAFTER, YOU MAY BE ENTITLED TO RECEIVE PAYMENTS PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED BELOW. TO CLAIM YOUR SHARE IN THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM FORM POSTMARKED NO LATER THAN SEPTEMBER 26, 2005.

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 Southern District of New York (the "Court"). The purpose of this Notice is to inform you of the pendency and proposed settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and this class action litigation.

The proposed settlement (the “Settlement”) creates a fund in the amount of \$525,000.00 in cash (the “21st Century Settlement Fund”) which will include interest that accrues on the fund prior to distribution. The Settlement is subject to approval of the Court and, if approved, will result in: (1) the payment of the 21st Century Settlement Fund, after certain deductions described below, to eligible members of the Class who file timely and valid Proofs of Claim and Release Forms (“Proof of Claim”); and (2) the dismissal of the litigation and the release of the Released Claims (as defined below).

Pursuant to an Order of the United States District Court for the Southern District of New York, dated February 3, 2005, a hearing will be held on July 26, 2005 before the Honorable Michael B. Mukasey, Chief United States District Judge, United States Courthouse, 500 Pearl Street, New York, New York, to consider: (1) whether the proposed Settlement should be approved by the Court as fair, reasonable, and adequate; (2) whether this litigation should be dismissed on the merits with prejudice as set forth in the Stipulation and Agreement of Settlement dated December 17, 2004, on file with the Court; (3) whether the proposed Plan of Allocation should be approved; (4) Plaintiffs’ application for awards to reimburse them for their reasonable costs and expenses, including lost wages, directly related to their representation of the Class; and (5) the application of Plaintiffs’ counsel for attorneys’ fees and the reimbursement of costs and expenses incurred in connection with this litigation together with interest thereon.

As used in this Notice, the term “Defendants” means 21st Century Holding Company, Inc., Edward J. Lawson, Michelle V. Lawson, Ronald A. Raymond, Patrick D. Doyle, Joseph A. Epstein, Carla L. Leonard, Bruce Simberg, Gilford Securities, Inc., Brean Murray & Company, Inc., First of Michigan Corporation, Hobbes Melville Securities Corporation, Hoefer & Arnett, Inc., Ormes Capital Markets, Pennsylvania Merchant Group, Prime Charter Ltd., Redwine & Company, Inc., Sands Brothers & Company, and Van Kasper & Company. The term “Plaintiffs” means Jeffery B. Cross and Judith Rosenblatt, on behalf of themselves and all others similarly situated.

SUMMARY OF THE SETTLEMENT

Recovery to the Class: The amount of the 21st Century Settlement Fund proposed to be distributed to the Class is \$525,000.00 in cash, plus interest, less the cost of notice to the Class and any amounts awarded by the Court for attorneys’ fees and the reimbursement of costs and expenses, expenses in the administration of the Settlement Fund, and service awards to the named Plaintiffs.

Per Share Recovery under the Settlement: Based on estimates made by Plaintiffs’ damages expert concerning the amount of price inflation at differing times during the Class Period, volume of trading, and other relevant considerations and based on the expert’s experience regarding the rates at which Class members have filed claims in previous settlements, Plaintiffs believe that the average per share recovery to members of the Class, before the deduction of any Court-awarded attorneys’ fees and expenses, could range between \$.89 and \$1.17 per share, depending on the number of such Class members who file valid Proofs of Claim. Please be advised that the foregoing average per share recovery is an estimate only.

Potential Outcome of the Case if Plaintiffs Prevailed to Final Judgment after Trial: Plaintiffs and Defendants disagree as to the average amount of damages per share that would be recoverable if Plaintiffs prevailed to final judgment after trial on each claim asserted in this litigation. Plaintiffs believe, based upon expert analysis, that if they prevailed on each claim, the average amount of potential damages per share for members of the Class who held through the end of the Class Period can be reasonably estimated at \$1.15 per share, and the average amount of potential damages per share for members of the Class who sold prior to the end of the Class Period can be reasonably estimated at \$1.10 per share (all such amounts before deducting fees and expenses of the litigation, including attorneys’ fees).

Defendants have asserted, based upon expert analysis, that there were no damages to any members of the Class as a result of the August 13, 1999 restatement of 21st Century Holding Company’s financial statements, and that Plaintiffs’ expert analysis is unreliable and would be inadmissible in evidence at any trial of this action.

Reasons for Settlement: The parties believe that the Settlement is in their respective best interests, particularly considering the immediate recovery to the Class and the uncertainty and risk of the outcome of further litigation. Plaintiffs believe that the Settlement is fair, reasonable, and adequate to the members of the Class. Plaintiffs and their counsel have reached this conclusion after investigating and considering, among other things, the strengths and weaknesses of Plaintiffs' claims against Defendants. Plaintiffs' Counsel have conducted a thorough factual and legal investigation and analysis of Plaintiffs' claims, as described more completely below. Counsel for Plaintiffs recognize and acknowledge the risks of litigation described below as well as the expense, length, and uncertainties of continued proceedings necessary to prosecute this litigation through trial and all appeals. Counsel for Plaintiffs believe that the Settlement confers substantial benefits to members of the Class.

Attorneys' Fees and Costs Sought: In compensation for their time and risk in prosecuting this litigation on a contingent fee basis, Plaintiffs' counsel intend to apply to the Court for an award of attorneys' fees in an amount not to exceed 20% of the 21st Century Settlement Fund, plus interest accruing on the 21st Century Settlement Fund. The requested fee is less than one-third of the aggregate value of the time spent by Plaintiffs' counsel on this matter at their regular hourly rates. Plaintiffs' counsel also intend to seek reimbursement of their expenses and costs to prosecute this case in an amount not to exceed \$120,000, and the reasonable costs and expenses incurred by each of the named Plaintiffs (including lost wages) directly relating to the representation of the Class in an amount not to exceed \$2,000 each.

Identification of Lawyers' Representatives: The following Plaintiffs' counsel are available to answer questions in writing from members of the Class about any matter contained in this Notice: Allen D. Black, Fine, Kaplan and Black, 1845 Walnut Street, Philadelphia, Pennsylvania 19103 (Lead Counsel) or Robert J. Axelrod and Susan J. Weiswasser, Pomerantz Haudek Block Grossman & Gross LLP, 100 Park Avenue, New York, New York 10017 (Local Counsel).

I. COMMENCEMENT OF THE LITIGATION AND NATURE OF THE ACTION

On June 12, 2000 Plaintiffs Jeffery Cross and Nancy Cross filed this action against Defendants alleging that Defendants made false and misleading statements about 21st Century's financial condition in the prospectus distributed in connection with 21st Century's Initial Public Offering which took place on November 5, 1998. Plaintiffs alleged that defendants statements constituted violations of Section 11 of the Securities Act of 1933, and that the statements also violated section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. More particularly, plaintiffs alleged that the financial statements included in the prospectus did not properly or adequately disclose how the company recognized commission income from the sale of insurance policies. Defendants have denied and continue vigorously to deny all such allegations.

II. PRETRIAL PROCEEDINGS AND DISCOVERY IN THE LITIGATION

Plaintiffs, through their counsel, have conducted a thorough investigation of Plaintiffs' claims and the underlying events and transactions alleged in the Complaint, including: (1) inspection and analysis of thousands of pages of documents produced by Defendants; (2) inspection and analysis of voluminous documents produced by various non-parties; (3) oral depositions of 10 witnesses; (4) consultation with experts; (5) review of news reports, filings with the Securities and Exchange Commission ("SEC") and other publicly available information; and (6) research of the legal principles applicable to Plaintiffs' claims and the potential defenses to these claims. Moreover, Plaintiffs' counsel researched and drafted various pretrial motions, collectively expending nearly 1,100 hours to prosecute this action.

III. REASONS FOR ENTERING INTO THE SETTLEMENT

As a consequence of the above investigation and analyses of discovery, Plaintiffs' counsel have engaged in intensive arm's-length negotiations with counsel for Defendants with a view to achieving the substantial benefits for the Class provided by the Settlement Agreement. Although Plaintiffs believe their claims are meritorious and would prevail at trial, they recognize and acknowledge the expense, length, and uncertainties of continued proceedings necessary to prosecute this litigation through trial and all appeals. Counsel for Plaintiffs believe that the Settlement confers substantial benefits to members of the Class.

IV. DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

Defendants deny each and every allegation of wrongdoing alleged in the Amended Complaint, deny engaging in any wrongful or illegal activity, and deny that any person or entity has suffered any harm or damage as a result of Defendants' conduct. Without admitting any such wrongdoing or liability on their part, Defendants are willing to make the payment provided for by the Settlement Agreement and described below, provided that all of the Released Claims are settled and compromised, in order to avoid the continuing burden, expense, inconvenience, and distraction of continued litigation to Defendants in this action.

V. TERMS OF THE PROPOSED SETTLEMENT

Defendants will pay into an escrow account, pursuant to the terms of the Settlement Agreement, cash in the amount of \$525,000.00 which will earn interest for the benefit of the Class.

A portion of the above settlement proceeds will be used for certain administrative purposes, including the costs of printing and mailing this Notice, payment of fees to the escrow agent and the claims administrator, payment of any taxes assessed against the Settlement Fund, and costs associated with the processing of claims submitted. In addition, a portion of the Settlement Fund may be awarded by the Court to Plaintiffs' counsel as attorneys' fees and for reimbursement of costs and expenses, and to Plaintiffs as reimbursement for the reasonable costs and expenses, including lost wages, directly relating to their representation of the Class. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to members of the Class who submit a valid and timely Proof of Claim.

In exchange for the settlement consideration, Plaintiffs and the members of the Class will release all claims they may have relating in any way to the purchase or acquisition of 21st Century Holding Company securities during the Class Period against all of the defendants, the accounting firm of KPMG Peat Marwick LLP, its successors and affiliates and other KPMG entities (including KPMG LLP), and certain of its employees, and the law firm of Broad & Cassel and certain of its employees. Please refer to the Settlement Agreement for the complete terms of the releases to be given.

VI. PROPOSED PLAN OF ALLOCATION OF THE NET SETTLEMENT FUND

The Net Settlement Fund will be distributed to members of the Class who submit a valid and timely Proof of Claim ("Authorized Claimants") under the Plan of Allocation. The Net Settlement Fund will be allocated among all Authorized Claimants proportionately according to the amount an Authorized Claimant's claim bears to the aggregate claims of all Authorized Claimants. For purposes of determining the amount such an Authorized Claimant may recover under the Plan of Allocation, Plaintiffs' counsel have consulted with their damages experts who have prepared a table of estimated true value for the shares during each day of the Class Period. The amount of each Allowable Claim will be calculated by subtracting the estimated per-share true value on the day of purchase from the per-share purchase price paid by each Authorized Claimant. The Net Settlement Fund (after deducting fees and costs awarded by the Court) will be distributed among all Authorized Claimants in proportion to their share of the aggregate amount of Allowable Claims. Thus if an Authorized Claimant has 1% of the aggregate Allowable Claims, that claimant will receive 1% of the Net Settlement Fund.

The distribution of each Authorized Claimant will be rounded off to the nearest dollar, and no distribution will be made to any Authorized Claimant in an amount less than \$10. The Plan of Allocation may be modified only upon further order of the Court and may be so modified without further notice to members of the Class. Members of the Class who desire to be informed of any modification of the Plan of Allocation must request further notification by writing to the Claims Administrator at: 21st Century Securities Litigation, c/o Berdon Claims Administration LLC, P.O. Box 9014, Jericho, NY 11753-8914.

Defendants and their counsel take no position with respect to the Plan of Allocation and shall have no responsibility for its provisions, terms, or implementation. The Plan of Allocation may be altered or amended by Order of the Court for good cause shown, and is not a term of the proposed Settlement.

VII. APPLICATION FOR FEES, EXPENSES, AND AWARDS

If the proposed Settlement is finally approved, Plaintiffs' counsel intend to apply to the Court for an award of attorneys' fees not to exceed 20% of the Settlement Fund, plus interest accruing on the Settlement Fund. Plaintiffs' counsel also intend to seek reimbursement of their expenses and costs to prosecute this case in an amount not to exceed \$120,000. Plaintiffs' counsel have not received any payment for their services in conducting this litigation on behalf of Plaintiffs and the members of the Class, nor have counsel been reimbursed for their out-of-pocket expenses. The fee requested by Plaintiffs' counsel would compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis. Plaintiffs' counsel have agreed to allocate among themselves any attorneys' fee awarded. Plaintiffs' counsel believe their intended fee request to be fair and reasonable in light of what they believe to be an advantageous recovery obtained by the Class. The requested fee is less than one-third of the aggregate value of the time spent by Plaintiffs' counsel on this matter calculated at their regular hourly rates. The costs and expenses for which Plaintiffs' Counsel are seeking reimbursement, are the out of pocket expenditures actually and necessarily advanced by counsel for such things as expert witness fees, deposition reporters and transcripts, travel, document copying, computerized legal research, and the like.

In addition, Plaintiffs intend to apply to the Court for reimbursement for the reasonable costs and expenses incurred by each of the named Plaintiffs (including lost wages) directly relating to the representation of the Class in an amount not to exceed \$2,000 each.

VIII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Settlement Agreement. These events include, among other things: (1) entry of final judgment by the Court approving the Settlement Agreement; and (2) expiration of the time to appeal from the judgment. If, for any reason, any one of the conditions described in the Settlement Agreement is not met, the Settlement Agreement may be terminated, and if so, it will become null and void and the parties will be restored to their respective positions as of May 14, 2004.

IX. RIGHT TO BE EXCLUDED FROM THE CLASS

Each Class member has the right to request exclusion from the Class. If you request exclusion you will not receive any settlement payments, nor will you be bound by the Settlement described above or any other outcome of this litigation; and you will be free to file any claims you may desire on your own. If you wish to be excluded, you must submit a request for exclusion from the Class in writing postmarked on or before May 16, 2005, and addressed to: 21st Century Securities Litigation, c/o Berdon Claims Administration LLC, P.O. Box 9014, Jericho, NY 11753-8914. If you wish to remain a member of the Class and participate in the Settlement described above, you need do nothing. Unless you request exclusion **in writing**, you will automatically remain a member of the Class.

If Class members holding more than a specified percentage of the shares purchased during the Class Period request exclusion, the Defendants have the option to withdraw from the proposed Settlement. The trigger percentage is set forth in a Supplemental Agreement between counsel for Defendants and counsel for Plaintiffs.

X. THE FINAL SETTLEMENT HEARING

The Final Settlement Hearing will be held before the Honorable Michael B. Mukasey, Chief United States District Court Judge, United States Courthouse, 500 Pearl Street, New York, New York, on July 26, 2005. *The Final Settlement Hearing may be adjourned or continued from time to time by the Court without further notice to members of the Class.*

Any member of the Class who has not validly and timely requested to have been excluded, and who objects to any aspect of the Settlement, the Plan of Allocation, or plaintiffs' applications for attorneys' fees and expenses may appear in person or by counsel, at his or her own expense, and be heard at the Final Settlement Hearing. However, no person shall be heard, and no briefs or documents submitted by any such person will be considered by the Court unless, no later than 15 days prior to the Final Settlement Hearing: (1) a notice of the person's intention to appear; (2) a statement of such person's objections to any matter before the Court; and (3) the grounds for such objection or the reason for such person's request to appear and be heard and all papers or documents which such person desires the Court to consider, shall be filed by such person with the Clerk of the Court and, on or before such filing, shall be delivered by hand, overnight mail, or by certified mail, return-receipt requested, sufficient postage prepaid, upon the following counsel of record:

Robert J. Axelrod, Esq.
Susan J. Weiswasser, Esq.
POMERANTZ HAUDEK BLOCK
GROSSMAN & GROSS LLP
100 Park Avenue, 26th Floor
New York, New York 10017

Local Counsel for Plaintiffs

Dwayne E. Williams, Esq.
HOLLAND & KNIGHT LLP
701 Brickell Avenue
Suite 3000
Miami, Florida 33131

Attorneys for Defendants

XI. PROOF OF CLAIM AND RELEASE FORM

A Proof of Claim is enclosed with this Notice. *To be eligible to receive a cash distribution from the Net Settlement Fund you must timely complete, execute, and file the Proof of Claim.* You may receive more than one copy of the Proof of Claim, but you should submit only one such form.

The Proof of Claim must be completed in accordance with the instructions and must enclose all documents required. It must be submitted to the Court-appointed Claims Administrator at the following address **postmarked on or before September 26, 2005:**

21st Century Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914

A Proof of Claim will be deemed submitted when mailed, by first-class mail, sufficient postage prepaid, or if sent by other means, when actually received by the Claims Administrator.

Members of the Class who do not exclude themselves as provided in this Notice and who fail to submit a valid and timely Proof of Claim will nonetheless be bound by the Settlement if finally approved, and all orders and judgments entered by the Court in connection therewith.

The Proof of Claim provides for and requires the release of all Released Claims (as defined in the Settlement Agreement) by all members of the Class who file the Proof of Claim. The release will become effective upon the Court's entry of an Order and Final Judgment in this litigation, as set forth in paragraph 13(d) of the Settlement Agreement.

Each person or entity submitting a Proof of Claim thereby submits to the jurisdiction of the Court for purposes of this litigation and any proceedings relating to such Proof of Claim.

XII. EXAMINATION OF PAPERS AND ADDITIONAL INFORMATION

This Notice does not describe all the details of the Settlement Agreement. For full details of the matters discussed in this Notice, you may review the Stipulation and Settlement Agreement filed with the Court, as well as the public portion of the pleadings and other documents in this litigation, all of which may be inspected during business hours at the Clerk of the Court's Office, United States District Court, Southern District of New York, 500 Pearl Street, New York, New York 10007-1312.

Any questions you may have about the Settlement of this litigation may be directed in writing to: Allen D. Black, Fine, Kaplan and Black, 1845 Walnut Street, Philadelphia, Pennsylvania 19103 (Lead Counsel) or Robert J. Axelrod and Susan J. Weiswasser, Pomerantz Haudek Block Grossman & Gross LLP, 100 Park Avenue, 26th floor, New York, New York 10017 (Local Counsel).

XIII. SPECIAL NOTICE TO BROKERS AND OTHER NOMINEES

Brokerage firms, banks, financial institutions, and other nominees ("Nominees") who purchased 21st Century common stock in the name of the Nominees on behalf of beneficial owners of such securities who may be members of the Class are requested to provide the names and addresses of such beneficial owners to the Claims Administrator at:

21st Century Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, New York 11753-8914
Telephone: 800-766-3330
Fax: 516-931-0810
Website: www.berdonllp.com/claims

within seven days after you receive this Notice. Alternatively, it is requested that you obtain from the Claims Administrator additional copies of this Notice, which are available without charge upon request, mail said copies directly to the beneficial owners, and thereafter provide the Claims Administrator with written confirmation of such mailing.

**DO NOT CONTACT THE COURT CONCERNING
THE SETTLEMENT OR THIS NOTICE**

Dated: March 16, 2005

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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