

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE WORLDCOM, INC. : MASTER FILE NO
SECURITIES LITIGATION : 02 Civ. 3288 (DLC)

This Document Relates to: :

02 Civ. 3288 02 Civ. 4973 02 Civ. 8230 :
02 Civ. 3416 02 Civ. 4990 02 Civ. 8234 :
02 Civ. 3419 02 Civ. 5057 02 Civ. 9513 :
02 Civ. 3508 02 Civ. 5071 02 Civ. 9514 :
02 Civ. 3537 02 Civ. 5087 02 Civ. 9515 :
02 Civ. 3647 02 Civ. 5108 02 Civ. 9516 :
02 Civ. 3750 02 Civ. 5224 02 Civ. 9519 :
02 Civ. 3771 02 Civ. 5285 02 Civ. 9521 :
02 Civ. 4719 02 Civ. 8226 03 Civ. 2841 :
02 Civ. 4945 02 Civ. 8227 03 Civ. 3592 :
02 Civ. 4946 02 Civ. 8228 03 Civ. 6229 :
02 Civ. 4958 02 Civ. 8229 :

STIPULATION OF SETTLEMENT

This Stipulation of Settlement (the “Stipulation”) is entered into between (i) the Lead Plaintiff, Alan G. Hevesi, Comptroller of the State of New York, as Administrative Head of the New York State and Local Retirement Systems and as Trustee of the New York State Common Retirement Fund, and the Named Plaintiffs, Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc., and the Class (as defined in paragraph 1(c) below) (collectively, “Plaintiffs”), and (ii) Defendants James C. Allen, Judith Areen, Carl J. Aycock, Max E. Bobbitt, Clifford L. Alexander, Jr., Francesco Galesi, Stiles A. Kellett, Jr., Gordon S. Macklin, John A. Porter, The Estate of John W. Sidgmore, and Lawrence C. Tucker (collectively the “Settling Director Defendants,” and together with Plaintiffs, the

“Parties”), and (iii) the insurance companies (“Insurers”) listed in paragraph 1(l) below, by and through their undersigned attorneys.

This Stipulation states all of the terms of the Settlement, as defined below and as set forth herein, subject to the provisions of paragraph 46 below, and is intended by the Parties and the Insurers to fully and finally compromise, resolve, discharge and settle the Released Claims and the Released Insurance Claims, as defined herein, subject to the terms and conditions set forth below.

WHEREAS:

The Litigation

A. On April 30, 2002, and thereafter, the actions cited in the caption of this Stipulation were filed in, or transferred to, the United States District Court for the Southern District of New York (the “Court”) by and on behalf of persons who purchased or otherwise acquired publicly traded securities of WorldCom, Inc. (“WorldCom”).

B. On August 15, 2002, the Court appointed the New York State Common Retirement Fund (“Lead Plaintiff” or “NYSCRF”) as Lead Plaintiff in Master File No. 02 Civ. 3288 (DLC), to pursue claims of persons or entities who purchased or otherwise acquired publicly traded securities of WorldCom, including persons or entities who acquired shares of WorldCom common stock in the secondary market or in exchange for shares of acquired companies pursuant to a registration statement, and persons or entities who acquired publicly traded debt securities of WorldCom in the secondary market or pursuant to a registration statement, and who were injured thereby. The Court further approved the appointment of the law firms of Barrack Rodos & Bacine and Bernstein Litowitz Berger & Grossmann LLP to serve as Co-Lead Counsel (“Lead Counsel”) for Lead Plaintiff and the putative class.

C. On October 11, 2002, Lead Plaintiff and the Named Plaintiffs, as defined below, filed a Consolidated Class Action Complaint (“Complaint”), which charged, *inter alia*, the Settling

Director Defendants with violations of Sections 11 and 15 of the Securities Act of 1933 and Section 20(a) of the Securities Exchange Act of 1934, and also charged certain of the Settling Director Defendants with violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission. The claims asserted against the Settling Director Defendants are hereafter referred to as the “Action.” On December 13, 2002, the Settling Director Defendants filed a motion to dismiss the claims alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5, Section 20(a) of the Exchange Act, and Section 15 of the Securities Act.

D. On May 19, 2003, the Court issued an Order and Opinion that, *inter alia*, granted in part and denied in part the motion to dismiss filed by the Settling Director Defendants, and granted Plaintiffs permission to replead the dismissed claims.

E. On June 4, 2003, Plaintiffs filed a motion and supporting memorandum of law for certification of the Class sought in the Complaint.

F. On August 1, 2003, Plaintiffs filed the First Amended Class Action Complaint, which reasserted the claims under Section 10(b) and Rule 10b-5 against Settling Director Defendants Allen, Areen, Bobbitt, and Galesi that had been dismissed by the Court with leave to replead on May 19, 2003. On September 5, 2003, these defendants filed a motion to dismiss the reasserted claims.

G. After discovery and briefing by the Parties, on October 24, 2003, the Court granted the Plaintiffs’ motion for certification of a class and certified the above-captioned litigation (“Litigation”) to proceed as a class action on behalf of all purchasers or acquirers of publicly traded securities of WorldCom during the period from April 29, 1999 through and including June 25, 2002 (the “Class Period”). The Class includes all persons or entities who acquired shares of

WorldCom common stock in the secondary market or in exchange for shares of acquired companies pursuant to a registration statement, and all persons or entities who acquired debt securities of WorldCom in the secondary market or pursuant to a registration statement, and who were injured thereby. Excluded from the Class are: (i) defendants in the Action; (ii) members of the family of each individual defendant; (iii) any entity in which any defendant has a controlling interest; (iv) officers and directors of WorldCom and its subsidiaries and affiliates; and (iv) the legal representatives, heirs, successors or assigns of any such excluded party.

H. On December 1, 2003, the Court issued an Opinion and Order granting the motion to dismiss the claims against Settling Director Defendants Allen, Areen, Bobbitt, and Galesi alleging violations of Section 10(b) and Rule 10b-5.

I. On December 11, 2003, the Court ordered a Notice of Pendency of Class Action to be distributed to members of the Class. The Notice contained a deadline of February 20, 2004, for members of the Class to request to be excluded from the Class. By Order of February 3, 2004, the United States Court of Appeals for the Second Circuit (the "Court of Appeals") extended the date for members of the Class to request to be excluded until at least thirty days after the Court of Appeals decided a separate appeal involving certain individual plaintiff actions also pending before the Court of Appeals. That appeal was decided by a Court of Appeals decision of May 11, 2004.

J. Lead Counsel, assisted by certain other law firms approved by Lead Plaintiff to assist in the prosecution of the Action, have conducted an extensive investigation relating to the allegations of wrongdoing pertaining to each defendant in the Action, including the Settling Director Defendants, the alleged damages suffered by the Class, and the defenses asserted by the defendants in the Action, including the Settling Director Defendants. In connection therewith, Lead Counsel

reviewed millions of documents produced by non-party WorldCom, the Settling Director Defendants and other defendants and numerous non-parties, and have made additional inquiry as to pertinent facts, including through the taking of depositions and consultation with the Lead Plaintiff's experts and consultants.

K. As part of this investigation, Lead Counsel served interrogatories and document requests upon the defendants; reviewed and analyzed the defendants' responses to the interrogatories and document requests; reviewed and analyzed the report issued by the Special Investigation Committee appointed by WorldCom's Board of Directors as well as the reports issued by the Examiner appointed in the bankruptcy proceedings involving WorldCom; reviewed and analyzed millions of documents and emails produced by the defendants in this Action, including the Settling Director Defendants, as well as in response to other investigations conducted by the New York Attorney General, the Securities and Exchange Commission, and various congressional committees. Lead Counsel also conducted 70 depositions of witnesses with relevant knowledge. Lead Counsel also consulted extensively with experts retained to review and advise on the issues pertinent to Plaintiffs' claims against the Settling Director Defendants and other defendants in the Action, including the damages that Lead Plaintiff would seek to prove at a trial of the case.

L. On November 7, 2002, Judge Cote ordered the commencement of settlement negotiations to be conducted under the supervision of Magistrate Judge Michael H. Dolinger (the "Settlement Judge"). In June 2003, Judge Cote directed that the Parties should continue settlement negotiations under the supervision of Magistrate Judge Dolinger. Pursuant to the Court's directives, Lead Plaintiff, the Named Plaintiffs and the Settling Director Defendants entered into extensive negotiations under the supervision of the Settlement Judge.

M. On July 1, 2004, Lead Plaintiff and the Named Plaintiffs entered into a stipulation of settlement with Citigroup, Inc., Citigroup Global Markets Inc. (f/k/a Salomon Smith Barney Inc.), Citigroup Global Markets Limited, and Jack Grubman (the “Citigroup Defendants”). The Court preliminarily approved the settlement with the Citigroup Defendants in an order dated July 16, 2004. The July 16, 2004 Order scheduled a fairness hearing for November 5, 2004, and set September 1, 2004 as the deadline for submission of requests to be excluded from the Class. The Court approved the settlement with the Citigroup Defendants on November 12, 2004. Appeals have been taken as to certain aspects of the Court's approval of that settlement.

N. Lead Plaintiff, the Named Plaintiffs and Lead Counsel and counsel for the Named Plaintiffs believe that the proceedings described above, together with the possibility that insurance policies providing settlement funds might not provide any coverage at all absent this settlement, provide an adequate and satisfactory basis for the settlement described herein.

O. All but one of the Insurers identified in paragraph 1(m) below assert they have rescinded the directors and officers liability insurance policies that they issued or bound to be issued to WorldCom for the policy period December 31, 2001 to December 31, 2002. The Settling Director Defendants and certain Non-Settling Individuals, as defined below, have contested the propriety of those Insurers’ rescission of such policies. That dispute, and/or the existence and/or extent of any coverage available under such policies, are at issue in the matters captioned Roberts v. Assoc. Elec. & Gas Ins. Servs. Ltd, et al., Case No. 04-CV-4089 (DLC) (S.D.N.Y.) (the “Roberts Action”); Continental Cas. Co. v. Bernard Ebbers, et al., Case No. 03-CV-7927 (VM) (S.D.N.Y.) (the “Continental Casualty Action”); Twin City Fire Insurance Co. v. Bernard Ebbers, et al., Case No. 03 CV 758 (S.D.N.Y.) (the “Twin City Action”); and SR International Business Ins. Co. v. MCI, Inc., et al., Case No. 04-CV-04567 (DLC) (S.D.N.Y.) (the “SRI Action”) (collectively, the

“Coverage Actions”). The Roberts Action and the SRI Action are pending as related actions before Judge Cote, and the appeals of stay orders entered by the bankruptcy court in the Continental Casualty Action and the Twin City Action are also pending before Judge Cote. Also pending in the Coverage Actions is a motion to dismiss filed by Starr Excess Liability Insurance International Limited (“Starr Excess”), one of the Insurers identified in paragraph 1(l) below.

P. As part of its plan of bankruptcy, WorldCom created a \$25 million indemnification fund for the reasonable legal expenses of eligible present and former directors, officers and employees (the “Indemnification Fund”), which was approved by United States Bankruptcy Judge Arthur J. Gonzalez on January 12, 2004. The Allocation Plan for the Indemnification Fund was approved by United States District Judge Jed S. Rakoff on December 21, 2004, and is to be administered by the Corporate Monitor for MCI, Richard C. Breeden. Under the terms of the Allocation Plan, the Corporate Monitor was given the discretion to lift the caps provided for therein “to the extent he believes it necessary to do so to ensure the fair treatment of all eligible persons,” Plan at ¶ 6, and permits the Corporate Monitor to take into account when raising the caps whether “the majority of former directors achieve a significant settlement in their civil litigations.” Plan at ¶ 10. Finally, the Allocation Plan provides that applicants to the Fund may not receive payment from the Fund and the Insurance Policies for the same costs. Plan at ¶ 15.

Q. The Corporate Monitor has agreed that payment of the Settling Director Defendants’ attorneys’ fees through December 31, 2004, submitted pursuant to the December 21, 2004 Order of Judge Rakoff, from the Indemnification Fund, subject to the Corporate Monitor’s review for reasonableness, shall begin promptly after entry of the Preliminary Approval Order. The Corporate Monitor has also agreed that, subject to his review for reasonableness, the Settling Director Defendants’ attorneys’ fees incurred in 2005 shall be paid reasonably promptly after the

2004 bills are processed. The Settling Director Defendants and the Corporate Monitor have agreed that the Settling Director Defendants are deemed to have satisfied the “good faith effort” requirement set forth in paragraph 15 of the December 21, 2004 Order of Judge Rakoff by obtaining the Insurers’ contributions to this Settlement as outlined in paragraphs 10 and 11 below.

Benefits of the Settlement to the Class

R. Lead Plaintiff, the Named Plaintiffs, Lead Counsel and counsel for the Named Plaintiffs believe that the Settlement provides an excellent monetary recovery for the Class Members, based on the claims asserted, the evidence developed and the damages that might be proven against, and recovered from, the Settling Director Defendants in the Action.

S. Lead Plaintiff, the Named Plaintiffs, Lead Counsel and counsel for the Named Plaintiffs further recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against the Settling Director Defendants through trial and appeals. They have also considered the uncertain outcome and the risk of any litigation, especially in complex litigation such as this Action, as well as the difficulties and delays inherent in any such litigation, including the ability to recover the claimed damages from individual defendants, the limited financial capabilities of the Settling Director Defendants, the risk that a court might rule in the Coverage Actions that the Insurers could disclaim coverage under the applicable D&O insurance policies, and the wasting nature of such policies. They are further mindful of the inherent problems of proof and possible defenses to the federal securities law violations asserted and therefore believe that it is desirable that the Released Claims, as defined below, be fully and finally compromised, settled and resolved with prejudice and enjoined as set forth herein. Based upon their evaluation, Lead Plaintiff, the Named Plaintiffs, Lead Counsel and counsel for the Named Plaintiffs have determined that the Settlement set forth in this Stipulation is fair, reasonable and

adequate and in the best interests of the Plaintiffs and the Class Members, and that it confers substantial benefits upon the Class Members.

T. The Settling Director Defendants deny that they have committed any act or omission giving rise to any liability and/or any violation of law, and state that they are entering into this Settlement solely to eliminate the uncertainties, burden and expense of further protracted litigation. The Parties further agree that neither the Stipulation, the Settlement, nor any of their terms, nor any press release or other statement or report by the Parties or by others concerning the Stipulation, the Settlement, or their terms, shall constitute an admission or finding of wrongful conduct, acts or omissions on the part of any Settling Director Releasee (defined in paragraph l(mm) below), or be admissible in any proceeding, including but not limited to arbitrations, for any purpose whatsoever, and that no Party or Insurer will offer such materials in any proceeding, other than a proceeding to enforce the terms of the Stipulation and/or Judgment.

NOW, THEREFORE, IT IS HEREBY STIPULATED, CONSENTED TO AND AGREED, by Lead Plaintiff and Named Plaintiffs, for themselves and on behalf of the Class Members, the Settling Director Defendants, and the Insurers, that subject to the approval of the Court, and the other conditions set forth herein, that the Action shall be settled, compromised and dismissed, on the merits and with prejudice, that prosecution of the Roberts Action shall be barred in accordance with paragraph 26 below, that the remaining Coverage Actions will be voluntarily dismissed, and that the Released Claims and the Released Insurance Claims shall be finally and fully compromised, settled and dismissed as to the Released Parties, in the manner and upon the terms and conditions hereafter set forth.

Definitions

1. The following capitalized terms, used in this Stipulation, shall have the meanings specified below:

(a) “Authorized Claimant” means any Class Member who submits a claim that is allowed pursuant to the terms of this Stipulation.

(b) “Barred Persons” means (i) the Parties; (ii) all of the Non-Settling Defendants and the Non-Settling Entities/Individuals, (iii) any Person against whom Plaintiffs or any other Person(s) have asserted a claim based upon, arising out of or in any way relating to any of the events or transactions giving rise to the Action; (iv) all Persons who have made such claims or on whose behalf such claims have been made; (v) WorldCom; MCI, Inc. and each of their respective predecessors, successors, affiliates and/or assigns; (vi) any other Person who is, may be, or claims to be an Insured under any of the Insurance Policies or who otherwise claims to have an interest in any of the Insurance Policies, including any interest alleged to arise by reason of a claim against an Insured, and (vii) any Person who has actual or constructive notice of the Notice of Settlement of Class Action and Bar Order Notice, as identified in paragraph 3 below.

(c) “Class” means all persons who purchased or otherwise acquired publicly traded securities of WorldCom during the period between April 29, 1999 and June 25, 2002, inclusive, and who were injured thereby, excluding the defendants in the Action, members of the families of the individual defendants in the Action, any entity in which any defendant in the Action has a controlling interest, officers and directors of WorldCom and its subsidiaries and affiliates, and the legal representatives, heirs, successors or assigns of any such excluded party. *See In re WorldCom, Inc. Securities Litigation*, 219 F.R.D. 267, 174-54 & n.3 (S.D.N.Y. Oct. 24, 2003). The Class includes persons or entities who acquired shares of WorldCom common stock or acquired debt securities of Worldcom by any method, including but not limited to, pursuant to a registration statement, in the secondary market, in exchange for shares of acquired companies pursuant to a registration statement, or through the exercise of options including options acquired

pursuant to employee stock plans, and who were injured thereby. As used in this Paragraph 1(c), “any entity in which any defendant in the Action has a controlling interest” means any entity that itself had a proprietary (*i.e.*, for its own account) interest in WorldCom common stock or debt securities. In the event that any such entity beneficially owned WorldCom common stock or debt securities in a fiduciary capacity or otherwise held WorldCom common stock or debt securities on behalf of third party clients or any employee benefit plans that otherwise fall within the Class, such third party clients and employee benefit plans shall not be excluded from the Class, irrespective of the identity of the entity or person in whose name the WorldCom common stock or debt securities were beneficially owned or otherwise held. For example, WorldCom common stock or debt securities shall not be excluded from the Class to the extent held (i) in a registered or unregistered investment company (including a unit investment trust) for which an entity in which any defendant in the Action has a controlling interest serves as investment manager, investment adviser or depositor; or (ii) (a) in a life insurance company separate account, or (b) in a segment or subaccount of a life insurance company’s general account to the extent associated with insurance contracts under which the insurer’s obligation is determined by the investment return and/or market value of the assets held in such segment or subaccount. A defendant shall be deemed to have a “controlling interest” in an entity if such defendant has a beneficial ownership interest, directly or indirectly, in more than 50% of the total outstanding voting power of any class or classes of capital stock that entitle the holders thereof to vote in the election of members of the Board of Directors of such entity. “Beneficial ownership” shall have the meaning ascribed to such term under Rule 13d-3 of the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

(d) “Class Member” means a member of the Class, who did not submit a timely, signed request for exclusion, or if a request for exclusion was submitted, also submitted a timely signed request to revoke the prior request for exclusion.

(e) “Class Period” means the period beginning April 29, 1999 through June 25, 2002, inclusive.

(f) “WorldCom” means WorldCom, Inc., and its subsidiaries and predecessors.

(g) “Court” means the United States District Court for the Southern District of New York.

(h) “District Court Approval” means the entry of the Judgment.

(i) “Effective Date” or “Final Approval” means the first business day following the date the Judgment is finally affirmed on appeal and/or is no longer subject to appeal or certiorari, and the time for any petition for reargument, appeal, or review, by certiorari or otherwise, has expired, as further defined in paragraph 9 below.

(j) “Escrow Account” means the interest-bearing bank account referred to in paragraph 11 below and maintained by the Escrow Agent into which the Settlement Fund shall be deposited.

(k) “Escrow Agent” means Lead Counsel.

(l) “Insurers” means Continental Casualty Company (“Continental Casualty”), SR International Business Insurance Company (“SRI”), Twin City Fire Insurance Company (“Twin City”), Starr Excess Liability Insurance International Limited (“Starr Excess”), Associated Electric & Gas Insurance Services Limited (“AEGIS”), Gulf Insurance Company (“Gulf”), and National Union Fire Insurance Company of Pittsburgh, Pa. (“National Union”).

(m) “Insurance Policies” means Continental Casualty Excess Insurance Policy No. DOX169654380; SRI Excess Insurance Policy No. MP29075.1; Twin City Excess Financial Products Insurance Policy Bound to be Issued No. NDA 0134286-01; Starr Excess Directors, Officers and Corporate Liability Insurance Binder No. 6457920; AEGIS Directors, Officers and Corporate Liability Insurance Policy No. D2306A1A01; Gulf Directors, Officers and Corporate Liability Insurance Policy No. GA0349844; and National Union Excess Insurance Policy No. 874-92-44.

(n) “Judgment” means the judgment to be entered in the Action pursuant to paragraph 5 below, and containing the bar order provisions set forth in paragraph 26 below.

(o) “Lead Counsel” means the law firms of Barrack, Rodos & Bacine and Bernstein Litowitz Berger & Grossmann LLP.

(p) “Lead Plaintiff” means the New York State Common Retirement Fund.

(q) “Litigation” means the actions filed in or transferred to the Court on and after April 30, 2002, which were consolidated by Orders of the Court of August 15, 2002 and May 28, 2003, and includes the proceedings in the caption of this Stipulation within Master File No. 02 Civ. 3288 (DLC).

(r) “May 2000 Offering” means the issuance, on or about May 24, 2000, by WorldCom of approximately \$5 billion worth of debt securities as follows: \$1,500,000,000 Floating Rate Notes due November 26, 2001; \$1,000,000,000 worth of 7.875% Notes due May 15, 2003; \$1,250,000,000 worth of 8.000% Notes due May 15, 2006; and \$1,250,000,000 worth of 8.250% Notes due May 15, 2010, which were issued pursuant to a Form S-3 registration statement, dated April 12, 2000, an amended Form S-3 registration statement, dated May 11, 2000, a Form 424(B)(5) prospectus supplement, dated May 17, 2000, a Form 424(B)(5) prospectus supplement,

dated May 19, 2000, and a Form 424(B)(5) prospectus supplement, dated May 22, 2000 (collectively, the “May 2000 Registration Statement”).

(s) “May 2001 Offering” means the issuance, on or about May 9, 2001, by WorldCom of approximately \$12 billion worth of debt securities as follows: \$1,500,000,000 worth of 6.50% Notes due May 15, 2004; \$4,000,000,000 worth of 7.50% Notes due May 15, 2011; \$4,600,000,000 worth of 8.25% Notes due May 15, 2031; €1,250,000,000 worth of 6.75% Notes due May 15, 2008; and £500,000,000 worth of 7.25% Notes due May 15, 2008, which were issued pursuant to a Form S-3 Registration Statement dated May 9, 2001 and a Form 424(B)(5) Prospectus Supplement dated May 11, 2001 (collectively the “May 2001 Registration Statement”).

(t) “Named Plaintiffs” means Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc.

(u) “Net Settlement Fund” means the Settlement Fund less any taxes, attorneys’ fees, expert fees, costs and expenses approved by the Court.

(v) “Non-Settling Covered Person Fund” shall mean the fund described in paragraph 11 below.

(w) “Non-Settling Defendants,” for purposes of this Stipulation, means each and all of the Defendants, as identified in the Corrected First Amended Class Action Complaint filed by Lead Plaintiff on December 1, 2003, and not previously dismissed, other than the Settling Director Defendants.

(x) “Non-Settling Entities/Individuals” means each and all of the following: Bernard Ebbers, Scott Sullivan, David Myers, Buford Yates, Bert C. Roberts, Jr., and Arthur Andersen LLP.

(y) “Notice and Administration Fund” means the fund consisting of up to \$2 million as provided for in paragraph 10(a) below to be used by Lead Counsel to pay the costs of notifying Class Members, soliciting the filing of claims by Class Members, assisting them in making their claims, and otherwise administering, on behalf of the Class Members, the Settlement embodied in this Stipulation, as set forth in paragraph 10(a) below. The monies in this Fund are part of the Settlement Amount to be paid by the Insurers.

(z) “Offerings” means the May 2000 Offering and the May 2001 Offering.

(aa) “Parties” means Plaintiffs and the Settling Director Defendants.

(bb) “Person” means any individual, corporation, partnership, association, affiliate, joint stock company, estate, trust, unincorporated association, entity, government and any political subdivision thereof, or any other type of business or legal entity.

(cc) “Plaintiff Releasees” means the Lead Plaintiff, Named Plaintiffs and all other Class Members, and their respective present and former parents, subsidiaries, divisions and affiliates, the present and former employees, officers and directors of each of them, the present and former attorneys, accountants, insurers, and agents of each of them, and the predecessors, heirs, successors and assigns of each, and any person or entity in which any Plaintiff Releasee has or had a controlling interest or which is or was related to or affiliated with any Plaintiff Releasee.

(dd) “Plan of Allocation” means the plan for allocating the Net Settlement Fund between and among the members of the Class, as set forth in paragraph 13, below, and as approved by the Court.

(ee) “Released Claims” means:

(i) with respect to the Settling Director Releasees, the release by Lead Plaintiff, the Named Plaintiffs and all Class Members of all claims and causes of action of every nature and description, known and unknown, whether under federal, state, common or foreign law, whether brought directly or derivatively, based upon,

arising out of, or relating in any way to investments (including, but not limited to, purchases, sales, exercises, and decisions to hold) in securities issued by WorldCom, including without limitation all claims arising out of or relating to any disclosures, public filings, registration statements or other statements by WorldCom or the Settling Director Defendants, as well as all claims asserted by or that could have been asserted by Plaintiffs or any member of the Class in the Action against the Settling Director Releasees. Provided, however, that the “Released Claims” described in this paragraph do not operate to preclude any Class Member or Authorized Claimant from making any claim with respect to any funds made available as a result of the WorldCom bankruptcy, WorldCom’s settlement with the Securities and Exchange Commission, or any other regulatory agency fund.

(ii) with respect to Lead Plaintiff, the Named Plaintiffs, and all other Class Members, the release by the Settling Director Defendants of the Plaintiff Releasees, from any claims relating to the institution or prosecution of this Action.

(ff) “Preliminary Approval Order” means the Order that Lead Plaintiff and the Settling Director Defendants will seek from the Court, as described in paragraph 4 below. Entry of a “Preliminary Approval Order” shall constitute “Preliminary Approval” of the Settlement.

(gg) “Released Parties” means:

(i) with respect to the Settling Director Defendants, the Settling Director Releasees. The Settling Director Releasees shall include the Insurers who issued the Insurance Policies, are contributing to the Settlement Amount, and are signatories to this Stipulation. However, the term “Settling Director Releasees” shall not include any Non-Settling Defendant or Non-Settling Entity/Individual, as defined above.

(ii) with respect to Plaintiffs, the Plaintiff Releasees. However, the term “Plaintiff Releasees” shall not include any Non-Settling Entity/Individual, as defined above.

(hh) “Released Insurance Claims” means the release by each of the Parties of all claims, debts, demands, payments, rights, obligations, damages, losses, defense expenses, attorneys’ fees, liabilities, benefits, costs and causes of action, of whatever kind or character, whether statutory, contractual or common law, whether known or unknown, direct or derivative, accrued or not, past, present or future, that any of them has, had or may have under, in connection with, arising out of or in any way involving, directly or indirectly, any of the Insurance Policies or

the obligations any of the Insurers may have under or in connection with any of the Insurance Policies.

(ii) “Settlement” means the settlement of the Action between and among Lead Plaintiff and the Named Plaintiffs, on behalf of themselves and the Class, and the Settling Director Defendants, as set forth in this Stipulation, as well as the settlement of the Coverage Actions as between the signatories hereto who are parties therein.

(jj) “Settlement Amount” means a total amount of \$55.25 million, plus any interest earned pursuant to the terms of this Stipulation. The Settlement Amount shall consist of (1) a total payment of \$20.25 million to be paid by the Settling Director Defendants, (2) a total payment of \$35 million to be paid by the Insurers, and (3) any interest thereon earned pursuant to the terms of this Stipulation.

(kk) “Settlement Fund” means the sum of the Settlement Amount.

(ll) “Settlement Judge” means U.S. Magistrate Judge Michael H. Dolinger.

(mm) “Settling Director Releasees” means the Settling Director Defendants, and the family members, heirs, executors, administrators, successors, assigns, present and former attorneys, legal representatives, accountants, insurers, and agents of each of them, and any person or entity which is or was related to or affiliated with any Settling Director Releasee or in which any Settling Director Releasee has or had a controlling interest and the parents, subsidiaries, divisions, affiliates, predecessors, successors, present and former employees, officers and directors, attorneys, accountants, insurers, assigns, and agents of each of them.

(nn) “Supplemental Plan of Allocation” means the plan that Plaintiffs will submit to the Court at a later date and upon further notice to the Class which shall be utilized for

distribution of the Net Settlement Fund to Authorized Claimants in a manner consistent with the Plan of Allocation as set forth in paragraphs 13 and 14 herein, and as approved by the Court.

Submission of the Settlement to Court for Approval

2. Lead Plaintiff and the Settling Director Defendants shall promptly apply to the Court for preliminary approval of the Settlement. The Parties and their counsel shall use their best efforts to obtain final Court approval of the Settlement. The Settlement Fund, less the costs associated with notice to the class and administration of the Settlement, applicable taxes, attorneys' fees and reimbursement of expenses and experts' fees, as approved by the Court, shall constitute the Net Settlement Fund to be distributed in the manner set forth below.

3. The following documents to be agreed upon by the Parties and the Insurers shall be exhibits to this Stipulation and will be submitted to the Court for its consideration along with this Stipulation: [Proposed] Preliminary Approval Order (Exhibit A); and [Proposed] Judgment Approving Settlement and Dismissing Action (the "Judgment") (Exhibit B). The Parties anticipate that, if the Court grants preliminary approval, the Parties will thereafter submit for the Court's approval a proposed notice to Class members, summary notice, order approving the plan of allocation, and thereby seek final approval of the Settlement.

4. The Parties shall jointly apply to the Court for entry of the Preliminary Approval Order:

- (a) preliminarily approving the Settlement;
- (b) approving the deposit of the Settlement Fund, which shall be deemed to be held in *custodia legis*;
- (c) enjoining pending further order of the Court the prosecution of any action or claims that are subject to the releases, dismissals and bar orders contemplated by this Settlement;
- (d) enjoining pending further order of the Court the institution and/or prosecution of any action or claims by any Barred Person against the Insurers arising out of or related to any of

the Insurance Policies, including without limitation any claims for advancement of defense costs under the Insurance Policies notwithstanding any prior orders on that subject, provided however that nothing in the Judgment shall release the Released Claims of any Persons against the Settling Director Defendants who submitted a timely, signed request for exclusion and did not submit a timely, signed request to revoke the prior request for exclusion; and

(e) enjoining pending further order of the Court the institution and/or prosecution of any claims, cross claims or counterclaims that will ultimately be the subject of a bar order pursuant to this Stipulation, including claims for contribution and/or indemnity.

5. At the Fairness Hearing, the Parties shall jointly request entry of the Judgment:

(a) approving finally the Settlement as fair, reasonable and adequate, within the meaning of Rule 23 of the Federal Rules of Civil Procedure, and directing its consummation pursuant to its terms;

(b) confirming certification of the Class, and finding that each element for certification of the Class is met;

(c) directing that the claims of the Class Members against the Settling Director Defendants be dismissed without costs and with prejudice, and releasing, as against each of the Released Parties, the Released Claims;

(d) finding that the complaints filed by Lead Plaintiff and the Named Plaintiffs were filed on a good faith basis and that the Parties acted at all times in accordance with the Private Securities Litigation Reform Act and Rule 11 of the Federal Rules of Civil Procedure;

(e) permanently barring and enjoining the institution and prosecution, by Lead Plaintiff, the Named Plaintiffs and other Class Members, of any other action against the Settling Director Releasees in any court or other forum asserting any Released Claim;

(f) permanently barring and enjoining the institution and/or prosecution of any action or claims by any Barred Person against the Insurers arising out of or related to any of the Insurance Policies or the obligations of any Insurer under any of the Insurance Policies, including without limitation any claims for advancement of defense costs under the Insurance Policies notwithstanding any prior orders on that subject, provided however that nothing in the Judgment shall release the Released Claims of any Persons against the Settling Director Defendants who submitted a timely, signed request for exclusion and did not submit a timely, signed request to revoke the prior request for exclusion;

(g) dismissing the Action with prejudice as against the Settling Director Defendants and barring, as against the Settling Director Releasees, the Released Claims by the Lead Plaintiff, Named Plaintiffs and all Class Members;

(h) reserving jurisdiction over the Action, including all further proceedings concerning the administration, consummation and enforcement of this Settlement;

(i) permanently barring, enjoining and finally discharging all claims as provided for in paragraph 22 and 25 of this Stipulation; and

(j) containing such other and further provisions consistent with the terms of this Settlement to which the Parties hereto expressly consent in writing.

6. At the Fairness Hearing, Lead Plaintiff will also request entry of an Order, approving the Plan of Allocation. Any modification of the Plan of Allocation by the Court shall not affect the enforceability of the Stipulation, provide any of the Parties with the right to terminate the Settlement, impose an obligation on the Settling Director Defendants or the Insurers to increase the consideration paid in connection with the Settlement or affect or delay the effectiveness and finality of the Judgment and the release of the Released Claims and the Released Insurance

Claims. Finality of the Settlement shall not be conditioned on any ruling by the Court solely concerning the Plan of Allocation to be submitted by Lead Plaintiff to the Court. The Settling Director Defendants will take no position as to the Plan of Allocation.

7. Finality of the Settlement shall not be conditioned on any ruling by the Court solely concerning the Supplemental Plan of Allocation to be submitted by Lead Plaintiff to the Court at a later date. Any order or proceedings relating solely to a request for approval of the Supplemental Plan of Allocation, or any appeal from any order relating solely thereto or reversal or modification thereof, shall not operate to terminate the Settlement or affect or delay the effectiveness or finality of the Judgment, and the release of the Released Claims and the Released Insurance Claims.

8. At the Fairness Hearing, Lead Counsel may also request entry of an Order approving Lead Counsel's application for an award of attorneys' fees and expenses, consistent with the terms of the retainer agreement entered into between Lead Plaintiff and Lead Counsel and as set forth in the Notice to Class Members in connection with this Settlement and as posted on the website maintained by Lead Counsel, www.worldcomlitigation.com. Any award of attorneys' fees and expenses to Lead Counsel shall be paid exclusively from the Settlement Fund, and shall be payable as soon as five days after the Effective Date. In no event shall the Settling Director Defendants be obligated to pay for such attorneys' fees and expenses, other than by making the payment set forth in paragraph 10(b). The disposition of Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses is not a material term of this Stipulation and it is not a condition of this Stipulation that such application be granted. Any disapproval or modification of the application for an award of attorneys' fees or reimbursement of expenses by the Court shall not affect or delay the enforceability of the Stipulation or the release of Released Claims or Released Insurance Claims, provide any of the Parties with the right to terminate the Settlement, impose an

obligation on the Settling Director Defendants or the Insurers to increase the compensation paid in connection with the Settlement or affect or delay the effectiveness or finality of the Judgment and the release of the Released Claims or Released Insurance Claims.

Finality/Effective Date

9. Approval of this Stipulation, and the exhibits hereto, including the Judgment, by the Court (and all appellate courts in the event of appeals or certiorari proceedings), without material modification, shall be conditions to the effectiveness of this Stipulation, except that prior to the Effective Date the Insurers and the Settling Director Defendants shall fund the escrow accounts as provided in paragraphs 10(a) and 11, and paragraph 10(b) below, respectively. The obligations are also conditioned upon the Settling Director Defendants' total payment obligations not exceeding the amount set forth in paragraph 10(b) below and the Insurers' total payment or bonding obligations under or in connection with the Policies (including any obligation of any Insurer to advance defense costs) not exceeding the total payment amounts set forth in paragraph 10(a) and 11 below and as set forth in the Supplemental Stipulation, unless the Settling Parties and all Insurers agree otherwise.

Settlement Consideration

10. In full and complete settlement of the Released Claims and the Released Insurance Claims, the Settling Director Defendants and Insurers shall pay or cause to be paid to Lead Plaintiff, for the benefit of the Class, in settlement of the claims against them, the Settlement Amount as follows:

(a) The Insurers will cause to be paid, severally and not jointly, in accordance with their several interests, as set forth in a separate letter agreement among them to be held by counsel for Continental Casualty, the sum of \$35 million into the Escrow Account within ten (10) days

after entry of the Preliminary Approval Order. The Settling Director Defendants and the Insurers consent to the use by Lead Counsel of up to \$2 million of the said \$35 million, with the approval of Lead Plaintiffs, for reasonable out-of-pocket costs in connection with providing notice of the Settlement to the Class Members and for other administrative expenses (“Notice and Administration Fund”), provided the Court in the Hearing Order approves the use of up to \$2 million of the Settlement Amount for such purpose. Lead Counsel shall provide the Settling Director Defendants and the Insurers, upon request, appropriate documentation of all out-of-pocket costs incurred in connection with providing notice of the Settlement to the Class Members and for other administrative expenses. Any monies spent, or expenses incurred for payment, from the Notice and Administration Fund shall not be repaid to the Insurers in the event the Settlement is not approved.

(b) The Settling Director Defendants shall pay the sum of \$20.25 million into the Escrow Account no later than 60 days from entry of the Preliminary Order.

(c) Lead Counsel shall refund to the Settling Director Defendants and the Insurers the remaining balance of their respective several Settlement Amounts, net of Notice and Administration costs actually incurred as set forth in paragraph 16 hereof, including any interest actually earned, and including attorneys’ fees, within 5 days if the Settlement is overturned or materially modified on appeal or as a result of further proceedings on remand, or otherwise does not become effective.

Non-Settling Covered Person Reserve Fund

11. In addition to the Insurers’ contribution to the Settlement Amount defined in paragraph 10(a) hereof and in addition to the Insurers’ contribution to the Supplemental Stipulation, the Insurers also shall cause to be paid, severally and not jointly in accordance with the separate letter

agreement among the insurers, the amount of \$2 million into a separate escrow account (the “Non-Settling Covered Person Reserve Fund”) within ten business days of the entry of the Preliminary Hearing Order. In addition, the Settling Directors will contribute to the Non-Settling Covered Person Reserve Fund \$500,000 from the escrow fund created in connection with the Supplemental Stipulation. The Non-Settling Covered Person Reserve Fund shall be held in escrow for the benefit of any non-settling director defendant covered under the Insurance Policies. The Non-Settling Covered Person Reserve Fund shall be used only to: (1) pay the defense costs (including attorneys’ fees and expenses) of a non-settling defendant director incurred in 2005 that are not otherwise paid by the Insurance Policies or the Indemnification Fund (and also not deemed to be unreimbursable by the Indemnification Fund), which sources the non-settling director defendant must apply to first; and (2) settle legal actions against the former WorldCom Directors relating to the financial condition and disclosures of WorldCom, Inc. prior to that Company’s bankruptcy filing, other than the Litigation, provided that such settlement releases all former WorldCom director defendants named in that action and is entered into with the consent of such directors. If the funds contributed to the Non-Settling Covered Person Reserve Fund are not used for either of these two purposes, the funds will be added to the escrow account provided for in the Supplemental Stipulation and used as provided for in the Supplemental Stipulation. If the Settlement is overturned or materially modified on appeal or as a result of further proceedings on remand, or otherwise does not become effective, any remaining funds in the Non-Settling Covered Person Reserve Fund shall be returned Pro rata to the Insurers and the escrow account provided for in the Supplemental Stipulation.

12. The Settlement Fund and Non-Settling Covered Person Reserve Fund and all interest accruing thereon shall be deemed to be in the custody of the Court and will remain subject to the

jurisdiction of the Court until such time as it is distributed to Authorized Claimants. The Settlement Fund and Non-Settling Covered Person Reserve Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation § 1.468B-1, and the Parties and the Insurers hereto shall so treat it, and the Escrow Agent, as administrator of the Escrow Account within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall be responsible for filing tax returns for the Escrow Account and paying from the Escrow Account any taxes, including any interest or penalties thereon (the “Taxes”), owed with respect to the Escrow Account. In addition, the Escrow Agent and the Settling Director Defendants, as required, shall do all things that are necessary or advisable to carry out the provisions of this paragraph.

13. All Taxes arising with respect to the income earned by the Settlement Fund and Non-Settling Covered Person Reserve Fund, including any Taxes or Tax treatments that may be imposed upon the Settling Director Defendants or the Insurers with respect to any income earned by the Settlement Fund and Non-Settling Covered Person Reserve Fund for any period during which the Settlement Fund and Non-Settling Covered Person Reserve Fund do not qualify as a “qualified settlement fund” for Federal or state income tax purposes and any expenses and costs incurred in connection with the payment of Taxes pursuant to this paragraph (including without limitation, expenses of tax attorneys and/or accountants and mailing, administration and distribution costs and expenses relating to the filing or the failure to file all necessary or advisable tax returns (the “Tax Expenses”), shall be paid out of the Settlement Fund or Non-Settling Covered Person Reserve Fund, respectively. Neither the Settling Director Defendants nor the Insurers shall have any liability or responsibility for the Taxes or the Tax Expenses. Lead Counsel, or their agents, shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund and the distributions and payments therefrom, including,

without limitation, the tax returns described in Treas. Reg. § 1.468B-2(k), and to the extent applicable, Treas. Reg., § 1.468B-2(1). Such tax returns shall be consistent with the terms herein and in all events shall reflect that all Taxes on the income earned by the Settlement Fund and Non-Settling Covered Person Reserve Fund shall be paid out of the Settlement Fund or Non-Settling Covered Person Reserve Fund, respectively. Lead Counsel, or their agents, shall also timely pay Taxes and Tax Expenses out of the Settlement Fund, and are authorized to withdraw, without prior order of the Court, from the Escrow Account amounts necessary to pay Taxes and Tax Expenses. The Parties and the Insurers agree to cooperate with Lead Counsel, their agents, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this Stipulation. The Settling Director Defendants and the Insurers shall not have any responsibility or liability for the acts or omissions of Lead Counsel or their agents, as described herein.

14. Lead Plaintiff, with the concurrence of the Named Plaintiffs, have determined that the Net Settlement Fund shall be allocated to members of the Class according to a Plan of Allocation as follows: (i) 4.774% of the Net Settlement Fund to claims asserted under the Securities Act of 1933 (the “Securities Act”) by purchasers of debt securities issued in the May 2000 Offering; (ii) 15.226% of the Net Settlement Fund to claims asserted under the Securities Act by purchasers of debt securities issued in the May 2001 Offering; and (iii) 80% of the Net Settlement Fund to claims asserted under the Securities Exchange Act of 1934 (the “Exchange Act”) by class members who, during the Class Period, purchased WorldCom common stock and/or publicly-traded debt securities issued prior to the beginning of the Class Period.

15. The distribution of the Net Settlement Fund to Class members in each of the subparagraphs 13(i), 13(ii) and 13(iii) shall be subject to a further allocation plan (“Supplemental Plan

of Allocation”), which Lead Plaintiff shall propose, in its discretion, consistent with the Plan of Allocation as proposed herein and as approved by the Court, at a later point and subject to a further notice to Class Members. Any decision by the Court solely concerning the Supplemental Plan of Allocation shall not affect the validity or finality of this proposed Settlement or the releases of the Released Claims.

16. This is not a claims-made settlement. As of the Effective Date, the Settling Director Defendants and the Insurers shall not have any right to the return of the Settlement Fund or any portion thereof irrespective of the number of Proofs of Claim filed, the collective amount of losses of Authorized Claimants, the percentage of recovery of losses, or the amounts to be paid to Authorized Claimants from the Settlement Fund.

Notice and Administration Fund

17. The Notice and Administration Fund shall be used by Lead Counsel, with the approval of Lead Plaintiff, to pay the costs of notice, soliciting the filing of claims by Class Members, assisting them in making their claims, and otherwise administering the Settlement on behalf of the Class Members.

18. As of the Effective Date, any balance, including interest, then remaining in the Notice and Administration Fund, less expenses incurred but not yet paid, shall be deposited into the Settlement Fund. Thereafter, Lead Counsel shall have the right to use such portions of the Settlement Fund as are, in their exercise of reasonable judgment, necessary to carry out the purposes set forth in paragraph 16.

19. If the Effective Date does not occur, the balance of the Notice and Administration Fund which has not been expended pursuant to paragraph 16 above, including all accrued interest, shall be returned to the Insurers as set forth in paragraph 32, below. All monies already spent and expenses which have been incurred, but not yet spent, need not be repaid to the Insurers.

Releases and Bar Orders

20. The Released Claims against each and all of the Released Parties shall be released and dismissed with prejudice and on the merits, without costs to any party, upon entry of the Judgment. The Released Insurance Claims shall also be released upon entry of the Judgment. The releases described in this paragraph do not operate to preclude any Class Member or Authorized Claimant from making any claim with respect to any funds made available as a result of the WorldCom bankruptcy, WorldCom's settlement with the Securities and Exchange Commission, or any other regulatory agency fund. Moreover, nothing in this Stipulation shall: (1) release any claims asserted by the Class against any Non-Settling Entity/Individual, or (2) release the Released Claims of any Persons against the Settling Director Defendants who submitted a timely, signed request for exclusion and did not submit a timely, signed request to revoke the prior request for exclusion.

21. As of the Effective Date, Lead Plaintiff, Named Plaintiffs, all Class Members and their respective heirs, executors, administrators, successors and assigns, and any persons they represent, agree to release, and by operation of the Judgment shall have released, all Released Claims against the Settling Director Releasees.

22. As of the Effective Date, Lead Plaintiff, Named Plaintiffs, all Class Members and their respective heirs, executors, administrators, successors and assigns, and any persons they represent, will be forever barred and enjoined from commencing, instituting or prosecuting the Released Claims or any action or other proceeding against any of the Settling Director Releasees with respect to, based on, or arising from the Released Claims.

23. As of the Effective Date, the Settling Director Defendants agree to release, and by operation of the Judgment shall have released, all Released Claims against the Plaintiff Releasees, and will be forever barred and enjoined from commencing, instituting or prosecuting the Released

Claims or any action or other proceeding against any of the Settling Director Releasees with respect to, based on, or arising from the Released Claims.

24. As of the Effective Date, each of the Parties agrees to release, and by operation of the Judgment shall have released, all Released Insurance Claims against the Insurers.

25. Within five (5) business days of the Effective Date, Continental Casualty will voluntarily dismiss the Continental Casualty Action, Twin City will voluntarily dismiss the Twin City Action, and SRI will voluntarily dismiss the SRI Action.

26. The Judgment shall, as a condition for the Settlement, permanently bar, enjoin and restrain all of the other defendants in the Litigation, including Bernard Ebbers, Scott Sullivan, David Myers, Buford Yates, Bert C. Roberts, Jr., Arthur Andersen LLP, Citigroup Inc., Citigroup Global Markets Inc., formerly known as Salomon Smith Barney Inc., Citigroup Global Markets Limited, formerly known as Salomon Brothers International Limited, Jack B. Grubman, J.P. Morgan Chase & Co., J.P. Morgan Securities, Inc., J.P. Morgan Securities Ltd., Banc of America Securities LLC, Deutsche Bank Alex. Brown Inc. (formerly known as Deutsche Bank Securities Inc.), Chase Securities Inc., Lehman Brothers Inc., Blaylock & Partners, L.P., Credit Suisse First Boston Corp., Goldman, Sachs & Co., UBS Warburg LLC, ABN/AMRO Inc., Utendahl Capital Partners, L.P., Tokyo-Mitsubishi International plc, Westdeutsche Landesbank Girozentrale, BNP Paribas Securities Corp., Caboto Holding SIM S.p.A., Fleet Securities, Inc., Mizuho International plc (each individually and with any foreign affiliate through which May 2001 notes were distributed), and any other person or entity later named as a defendant in the Litigation, from (i) commencing, prosecuting, or asserting any claim for indemnity or contribution against the Settling Director Releasees (or any other claim against the Settling Director Releasees where the injury to the entity/individual is the entity's/individual's actual or threatened liability to the Plaintiffs), and

(ii) commencing, prosecuting or asserting any claim against the Insurers arising out of or related to the claims or allegations asserted by Plaintiffs in the Complaint, whether arising under state, federal or foreign law as claims, cross-claims, counterclaims, or third-party claims, whether asserted in the Complaint, in this Court, in any federal or state court, or in any other court, arbitration proceeding, administrative agency, or other forum in the United States or elsewhere. The judgment shall also permanently bar and enjoin the institution and/or prosecution of any action or claims by any Barred Person against the Insurers arising out of or related to any of the Insurance Policies or the obligations of any Insurer under any of the Insurance Policies. The Judgment shall further bar the Settling Director Defendants from commencing, prosecuting, or asserting any claim for indemnity or contribution against the other defendants in the Litigation (or any other claim against the other defendants where the injury to the Settling Director Defendant is the Settling Director Defendant's actual or threatened liability to the Plaintiffs).

27. The Judgment shall also provide that the Non-Settling Entities/Individuals shall be entitled to a judgment credit in an amount that is the greater of the total Settlement Amount paid by the Settling Director Defendants and the Insurers, as allocated to claims for which contribution would be sought, or, for each such claim, the proportionate share of the Settling Director Defendants' fault as determined at trial. In addition, any Non-Settling Director Defendant who is covered under the Insurance Policies shall also be entitled to an insurance credit equal to the amount of coverage, if any, the Court determines (based on jury findings as and if required by law) would have been available to such Non-Settling Defendant under the Insurance Policies but for the operation of the bar order in the Judgment.

Administration and Distribution of the Settlement Fund

28. Lead Counsel, through The Garden City Group, as the Court-appointed Notice and Claims Administrator (the "Administrator"), and subject to the supervision, direction and approval

of the Court, shall administer and calculate the Claims submitted by Class Members and shall oversee distribution of the Settlement Fund.

29. The Settlement Fund shall be applied as follows:

(a) To pay all costs and expenses incurred in connection with providing notice to Class Members, locating Class Members, soliciting claims, assisting with the filing of claims, administering and distributing the Settlement Fund to the Class, processing proofs of claim, processing requests for exclusion, escrow fees and costs.

(b) Subject to the approval and further order(s) of the Court, to pay to Lead Counsel the amount awarded by the Court as attorneys' fees, plus interest, and to pay Lead Counsel the amount awarded as costs and expenses, including fees of experts and consultants, plus interest. Lead Counsel may make payments of fees and expenses to counsel for other plaintiffs, from the approved fees and expenses, as Lead Plaintiff and Lead Counsel deem appropriate based on their relative contribution to the prosecution and resolution of the Litigation, and consistent with the terms of the retainer agreement entered into between Lead Plaintiff and Lead Counsel.

(c) To pay Taxes and Tax Expenses owed by the Settlement Fund.

(d) Subject to the approval and further order(s) of the Court, to distribute the balance of the Net Settlement Fund to Authorized Claimants as provided in the Supplemental Plan of Allocation, to be submitted to the Court for approval at a later date, or as otherwise ordered by the Court.

(e) The Settling Director Defendants and the Insurers shall bear no responsibility for the costs, fees or expenses described in this paragraph.

30. Prior to the distribution of the Net Settlement Fund, Lead Counsel shall present for the approval of the Court a final accounting of the receipts to and disbursements from the Settlement

Fund and the proposed distribution of the Net Settlement Fund to Authorized Claimants. No such distribution shall be made in the absence of an order approving the accounting and the proposed distribution.

31. Payment from the Settlement Fund made pursuant to and in the manner set forth above shall be deemed conclusive of compliance with this Stipulation as to all Authorized Claimants.

32. No Authorized Claimant shall have any claim against Lead Plaintiff, Named Plaintiffs, Lead Counsel, the Settling Director Defendants, the Insurers, the Administrator, or any of their counsel, based on the distributions made substantially in accordance with this Stipulation and/or orders of the Court.

Effect of Disapproval, Cancellation or Termination of Agreement

33. If the Court fails to enter the Hearing Order, does not enter the Judgment substantially in the form provided for herein, or enters the Judgment and appellate review is sought and on such review, the entry of Judgment is vacated, materially and adversely modified, or reversed, then this Stipulation shall be cancelled and terminated, unless all parties who are adversely affected thereby, in their sole discretion within thirty days from the date of the mailing of such ruling to such parties, provide written notice to all other parties hereto of their intent to proceed with the settlement under the terms of the Judgment as it may be modified by the Court. Such notice may be provided on behalf of Lead Plaintiff and the Class Members by Lead Counsel. Neither any Party nor any Insurer shall have any obligation whatsoever to proceed under any terms other than substantially in the form provided and agreed to herein, except to the extent provided for in paragraphs 6, 7 and 8, relating to the Plan of Allocation, Supplemental Plan of Allocation, and award of attorneys' fees. If any party hereto engages in a material breach of the terms hereof, any other party and any Insurer, provided that it is in substantial compliance with the terms of this Stipulation, may terminate this agreement on notice to the breaching party or sue for enforcement.

34. In the event this Stipulation is terminated or cancelled or fails to become effective for any reason, then within ten (10) business days after written notice is sent by Lead Counsel or counsel for the Settling Director Defendants or counsel for any of the Insurers to all Parties hereto, the balance of the Notice and Administration Fund, less any funds paid or expenses incurred but not yet paid, and any and all cash deposited by the Settling Director Defendants and/or the Insurers, or any of them, into the Escrow Account pursuant to paragraph 10 hereof, shall be refunded to the Settling Director Defendants and their Insurers, including interest accrued. In such event, the Parties to this Stipulation shall be deemed to have reverted *nunc pro tunc* to their respective status in the Action, and, with respect to positions regarding rescission or other policy defenses, as set forth in the Coverage Actions or elsewhere, as of the date and time immediately before the execution of this Stipulation and they shall proceed in all respects as if this Stipulation and related orders had not been executed and without prejudice in any way from the negotiation, fact or terms of this Settlement. In such event, nothing herein shall be deemed a waiver of any of the Insurers' rescission, and/or coverage defenses.

Miscellaneous Provisions

35. All of the Exhibits referred to herein to be agreed to by the Parties and Insurers shall be incorporated by reference as though fully set forth herein.

36. The Settling Director Defendants have provided certain financial affidavits and financial disclosures to Lead Plaintiffs. The financial affidavits and financial disclosures have been designated and maintained as confidential, shall remain confidential, and shall be returned to Counsel for the Settling Director Defendants, together with all copies thereof, within 30 days after the Effective Date.

37. The Settling Director Defendants represent that each Settling Director Defendant will contribute to the Settlement Amount. Unless expressly agreed by the Parties based upon unique

circumstances, the payment made by each Settling Director Defendant will equal or exceed the compensation he or she received for service as a WorldCom board member since January 1, 1999. The amount of the contribution of each Settling Director Defendant is confidential and will not be disclosed to Lead Plaintiff or any other person, except that Simpson Thacher & Bartlett LLP, counsel for the Settling Director Defendants, shall retain this information and it shall be disclosed to Judge Cote if the Court determines that it is necessary to permit the calculation of the judgment credit, as defined in paragraph 27 above. If this information is disclosed to the Court pursuant to this paragraph, the Parties agree that it shall be designated as Confidential and non-public.

38. It is expressly understood that the Lead Plaintiff's agreement to accept the Settling Director Defendants' contribution to the Settlement Amount is based on the understanding that the cumulative net worth of the Settling Director Defendants' individual assets (excluding the Settling Director Defendants' primary residence, retirement accounts, joint marital assets and other assets that are not available to satisfy a judgment), was as stated on as of the dates of the financial statements previously provided to Lead Plaintiff and that as of the date of the Stipulation of Settlement the approximate cumulative net worth of the Settling Director Defendants has not materially increased.

39. Plaintiffs and the Settling Director Defendants agree to apply jointly to the Court, in seeking preliminary approval of the Settlement, for severance of the claims against the Settling Director Defendants in the Action from the claims against the Non-Settling Entities/Individuals. Any trial of the claims against the Settling Director Defendants in this Action shall commence no earlier than four months after such non-approval or termination; and, in all events, any trial of any claims, cross claims or third party claims against the Settling Director Defendants shall not be scheduled until at least four months after the completion of the trial of the claims asserted against

the Non-Settling Entities/Individuals. The Settling Director Defendants agree, however, to use their best efforts to cooperate fully with Lead Plaintiff's ongoing litigation of the Action.

40. This Stipulation may be amended or modified only by a written instrument signed by counsel for all parties hereto or their successors-in-interest.

41. Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (i) is or may be deemed to be or may be used or offered as an admission or evidence of the validity of any Released Claim or of any wrongdoing or liability of the Settling Director Defendants or the Insurers; or (ii) is or may be deemed to be or may be used or offered as an admission or evidence of any fault or omission of the Settling Director Defendants or the Insurers in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal, other than in such proceedings as may be necessary to consummate or enforce the Stipulation, the Settlement or the Judgment.

42. The Parties intend the Settlement to be, *inter alia*, a final and complete resolution of all disputes asserted or which could be asserted by the Class Members against the Released Parties with respect to the Released Claims. Accordingly, all Parties agree not to assert any claim under Rule 11 of the Federal Rules of Civil Procedure or any similar law, rule or regulation, against any Party with respect to alleging that the Action was brought or conducted in bad faith or without a reasonable basis. The Parties and the Insurers agree that the amount paid and the other terms of the Settlement were negotiated at arm's length and in good faith by the Parties and the Insurers, and reflect a settlement that was reached voluntarily based upon adequate information and sufficient discovery and after consultation with experienced legal counsel, and under the supervision of the Settlement Judge.

43. The Parties and the Insurers agree that the Settlement set forth herein constitutes a fair, reasonable and adequate resolution of the claims that Plaintiffs asserted against the Settling Director Defendants and of the Coverage Actions, and that it promotes the public interest. The Parties and the Insurers further agree that unless ordered by the Court, they will not publicize, disseminate, refer to, or otherwise distribute to any third party any information regarding the negotiations between the Parties and/or the Insurers, or any information or documents they have obtained from the other side in connection with the Litigation, whether the information was obtained through document or other written discovery, or through depositions, or otherwise.

44. To the extent permitted by law, all agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive this Stipulation.

45. The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

46. This Stipulation and the contemplated exhibits constitute the entire agreement among the Parties and the Insurers (other than the Supplemental Stipulation executed in connection with this Stipulation), and no representations, warranties or inducements have been made to any party concerning this Stipulation or its exhibits, other than the representations, warranties and covenants contained and memorialized in such documents.

47. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument provided that counsel for the parties to this Stipulation shall exchange among themselves original signed counterparts.

48. The parties hereto and their respective counsel of record agree that they will use their best efforts to obtain all necessary approvals of the Court required by this Stipulation.

49. Each counsel signing this Stipulation represents that such counsel has authority to sign this Stipulation on behalf of his clients.

50. This Stipulation shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto, including any and all Released Parties and any corporation, partnership, or other entity into or with which any party hereto may merge, consolidate or reorganize.

51. Notices required by this Stipulation shall be submitted either by any form of overnight mail or in person to:

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52. Except for attorney notes, pleadings, other Court submissions and transcripts of depositions, Plaintiffs agree to return to the Settling Director Defendants, at the Settling Director Defendants' option, all discovery obtained from the Settling Director Defendants within thirty (30) days after all the claims in the above-captioned litigation against all Defendants have either been settled, tried to final judgment, or otherwise resolved.

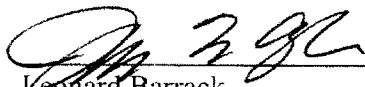
53. This Stipulation shall be governed by and construed in accordance with the laws of the State of New York, without regard to choice of law principles, to the extent that federal law does not apply. Any action based on this Stipulation or to enforce any of its terms shall be venued in the United States District Court for the Southern District of New York, which shall retain jurisdiction over all such disputes. All parties to this Stipulation shall be subject to the jurisdiction

of the United States District Court for the Southern District of New York for all purposes related to this Stipulation.

54. Neither by executing this Stipulation or any documents attendant hereto, nor by agreeing to the provisions of paragraph 53 does Starr Excess waive its jurisdictional defenses set forth in its motion to dismiss the Roberts Action or otherwise.

Dated: March 18, 2005

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