

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE WORLDCOM, INC. SECURITIES	X	MASTER FILE
LITIGATION	:	02 Civ. 3288 (DLC)
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**NOTICE OF PROPOSED SETTLEMENTS OF CLASS ACTION
WITH SETTLING DEFENDANTS AND BAR ORDER NOTICE**

TO: All persons or entities who purchased or acquired publicly traded securities of WorldCom, Inc. ("WorldCom") during the period from April 29, 1999 through and including June 25, 2002 (the "Class Period"), and who were injured thereby; and

All persons or entities that may now or hereafter have claims against the Insurance Companies that issued directors and officers liability insurance policies to WorldCom for the policy period December 31, 2001 to December 31, 2002.

INTRODUCTION

On November 12, 2004, United States District Judge Denise Cote granted final approval to a \$2,575,000,000 settlement between (a) Lead Plaintiff Alan G. Hevesi, Comptroller of the State of New York and the sole Trustee of the New York State Common Retirement Fund, and Additional Named Plaintiffs, on behalf of the Class, and (b) Defendants Citigroup, Inc., Salomon Smith Barney, Inc. now d/b/a Citigroup Global Markets Inc., Salomon Brothers International Ltd. now d/b/a Citigroup Global Markets Ltd, and Jack B. Grubman (the "Citigroup Defendants") (the "Citigroup Settlement").

In addition to the Citigroup Settlement, Lead Plaintiff and Additional Named Plaintiffs have now achieved settlements with all remaining defendants against whom the WorldCom securities class action (the "Litigation") was not stayed (the "Settling Defendants"). These recent settlements occurred from March 3, 2005 to March 21, 2005, within weeks and days prior to the start of the class action trial on March 23, 2005, and in the case of Arthur Andersen LLP ("Andersen"), on April 22, 2005, after nearly five weeks of trial, and just days before closing arguments in the trial were to take place.

The combined amount of the settlements with all of the Settling Defendants (the "Settlements") is \$3,553,056,840. The total amount recovered for the benefit of the Class, including the Citigroup Settlement, is \$6,128,056,840, plus interest.

In prior Court Notices, the Court had set March 4, 2005 as the deadline for submission of a proof of claim form. Pursuant to Order of June 14, 2005, the Court has extended the deadline for Class Members to file a proof of claim form, which is required in order for a Class Member to participate in the distribution of the funds recovered for the benefit of the Class. The proof of claim form was included with the notice provided to Class Members in connection with the Citigroup Settlement. **IF YOU ALREADY SUBMITTED A PROOF OF CLAIM FORM, THERE IS NO NEED FOR YOU TO SUBMIT ANOTHER ONE.** If you are a Class Member, and you wish to receive monies from the recoveries that Lead Plaintiff has obtained for the Class, but have not yet submitted a proof of claim form, you must properly fill out and submit a proof of claim form by August 26, 2005. THE COURT HAS ORDERED THAT, EXCEPT FOR GOOD CAUSE SHOWN, THERE SHALL BE NO FURTHER EXTENSION OF THE PROOF OF CLAIM SUBMISSION DEADLINE. Claim forms may be obtained from the Claims Administrator, identified in paragraph 56 below, or may be downloaded from the website established by Lead Counsel for this Litigation, www.worldcomlitigation.com.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO THE PROPOSED SETTLEMENTS OF THIS CLASS ACTION AND, IF YOU ARE A CLASS MEMBER, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENTS.

STATEMENT OF PLAINTIFFS' RECOVERY: Lead Plaintiff and the Additional Named Plaintiffs, Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc. (together, "Plaintiffs"), have entered into proposed settlements with each of the remaining Defendants against whom the Litigation was not stayed.

The Settlements, together with the Citigroup Settlement, will create a total settlement fund (the "Settlement Fund") of Six Billion, One Hundred Twenty Eight Million, Fifty Six Thousand, Eight Hundred Forty Dollars (\$6,128,056,840) in cash, plus interest. The average recovery per security will depend on when Class Members purchased and sold publicly traded securities of WorldCom, including common stock and publicly traded debt securities. The allocation of the Settlement Fund is more fully described below in paragraphs 27 through 33. According to Lead Plaintiff, each share of WorldCom common stock, and each WorldCom publicly traded debt security, purchased or acquired during the Class Period was affected, to varying degrees, by the alleged federal securities law violations. The Plaintiffs' damages consultant calculates that, of the 2.96 billion shares outstanding, approximately 2.49 billion shares of WorldCom common stock were capable of being traded during the Class Period. Further, there were

approximately \$15.3 billion worth of bonds issued by WorldCom in the May 2000 and May 2001 bond offerings that were still outstanding at the end of the Class Period.

The average recovery per common share is \$0.56, calculated based on the amount of the total Settlement Fund (including the Citigroup Settlement) allocated to the claims asserted on behalf of the Class under the Securities Exchange Act of 1934, the number of shares of WorldCom common stock that were capable of being traded as described in this section, and the estimated number of shares held by persons who timely opted out of the Class. The average recovery per \$1000 face amount of the bonds issued in May 2000 and May 2001 is \$426.66, calculated based on the amount of the Settlement Fund (including the Citigroup Settlement) allocated to the claims of purchasers of those bonds, the total amount of bonds issued by WorldCom in May 2000 and May 2001 and still outstanding at the end of the Class Period, and the estimated amount of bonds held by persons who timely opted out of the Class. Some Class Members may recover more or less than these amounts depending on, among other factors, when their shares and bonds were purchased or sold, or if they received a distribution from WorldCom's bankruptcy proceedings.

STATEMENT OF POTENTIAL OUTCOME: The Parties to this Litigation disagree on both liability and damages and do not agree on the average amount of damages per share or bond that would be recoverable if Plaintiffs prevailed on each claim alleged against the Settling Defendants. The issues on which the Parties disagree include: (a) whether the statements made or facts allegedly omitted were materially false or misleading, or otherwise actionable under the federal securities laws; (b) the appropriate economic models for determining the amounts by which WorldCom common stock and bonds were artificially inflated (if at all) during the Class Period; (c) the amounts by which WorldCom common stock and bonds were artificially inflated (if at all) during the Class Period; (d) the extent to which external factors, such as general market and industry conditions, influenced the trading prices of WorldCom common stock and bonds at various times during the Class Period; (e) the extent to which each of the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading prices of WorldCom common stock and bonds at various times during the Class Period; (f) whether the Settling Defendants conducted appropriate due diligence in connection with the May 2000 and May 2001 bond offerings; (g) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading prices of WorldCom common stock and bonds during the Class Period; and (h) whether the Settling Director Defendants, as outside directors of WorldCom, are properly considered "control persons" for actions taken by WorldCom executives.

For purchasers of bonds issued by WorldCom in the offerings of May 2000 and May 2001 (the "Offerings"), Plaintiffs estimate that, if Class Members prevailed on all of their claims against the Settling Defendants, the overall damages could be approximately \$10.6 billion, plus interest. That amount would have been reduced, however, by approximately \$1.4 billion, at the least, based on the Citigroup Settlement. Section 11 of the Securities Act also limits the amount that any one Underwriter Defendant may be required to pay based on the amount of bonds distributed by that underwriter. Similarly, the Settling Director Defendants, as former outside directors of WorldCom, may not be held liable for more than their proportionate share of the overall liability, as found by a jury if the case had proceeded to trial against them. Moreover, the amount of damages could change significantly using different assumptions and methodologies. There was also a risk that Class Members might not have recovered the maximum amount in light of (i) liability defenses of the Settling Defendants; (ii) the financial capability of certain of the Settling Defendants to pay a Judgment, if one were entered against them; (iii) the limits of the insurance coverage for the Settling Director Defendants, and further whether the insurance policies would have been declared null and void as a matter of law; (iv) defenses relating to the damages, if any, that Lead Plaintiff could prove at trial; (v) challenges relating to the proportionate fault of others compared to that of some of the Settling Defendants; and (vi) challenges to Lead Plaintiff's damages calculation. The Settling Defendants have denied that they are liable to the Plaintiffs or the Class on their claims relating to the Offerings, and deny that Plaintiffs or the Class have suffered any damages relating to the Offerings.

For purchasers during the Class Period of (a) WorldCom stock and (b) publicly traded notes issued by WorldCom before the start of the Class Period ("pre-existing bonds"), Plaintiffs estimate that, if Class Members prevailed on all of their claims brought pursuant to the Securities Exchange Act of 1934 against the Settling Director Defendants and Andersen (the Underwriter Defendants other than the Citigroup Defendants were not alleged to have violated the Securities Exchange Act of 1934), the reasonable overall damages could be tens of billions of dollars. The Settling Director Defendants, as former outside directors of WorldCom, however, could not be liable for more than their proportionate share of the overall liability on those claims, as found by a jury if the case had proceeded to trial against them. A jury may similarly have found that Andersen could not be liable for more than its proportionate share of the overall liability on those claims. Any judgment against the Settling Director Defendants and/or Andersen would further have been reduced by approximately \$1.2 billion, at the least, based on the Citigroup Settlement. The amount could also change significantly using different assumptions and methodologies. There is also a significant risk that Class Members might not have recovered the maximum amount in light of (i) liability defenses of the Settling Director Defendants and Andersen; (ii) the financial capability of the Settling Director Defendants and Andersen to pay a Judgment, if one were entered against them; (iii) the limits of the insurance coverage for the Settling Director Defendants and Andersen; (iv) challenges to Lead Plaintiff's damages calculation; (v) defenses relating to the amount of damages attributable to the Settling Director Defendants and Andersen; (vi) challenges relating to whether Plaintiffs could prove that the actions of the Settling Director Defendants and/or Andersen were the cause of the decline in WorldCom's stock price or the losses of Class Members; and (vii) challenges relating to the proportionate fault of others compared to that of the Settling Director Defendants and Andersen. The Settling Director Defendants and Andersen deny that they are liable to the Plaintiffs or the Class on their

claims relating to WorldCom common stock and pre-existing bonds and deny that Plaintiffs or the Class have suffered any damages relating to their investments in WorldCom.

STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT: Lead Counsel, subject to approval of Lead Plaintiff, will apply to the Court for an award of attorneys' fees in connection with the Settlements. That application(s) shall not be in excess of \$195,418,126, which constitutes 5.5% of the Settlements. This amount does not exceed approximately \$0.001 per share and \$8.10 per \$1000 face amount of each bond entitled to recover from the Settlement, calculated based on the number of shares that were capable of being traded as described above, the total amount of bonds issued by WorldCom in May 2000 and May 2001 and still outstanding at the end of the Class Period, the estimated amounts of shares and bonds held by persons who timely opted out of the Class, and the plans of allocation being proposed to the Court in connection with the Settlements, and as described in paragraphs 30-33 below. The amount to be applied for adheres to the Retainer Agreement entered into between Lead Plaintiff and Lead Counsel on July 30, 2003, which was referred to in the Notice of Class Action, dated December 11, 2003, and in the Citigroup Notice, dated August 2, 2004. The entire Retainer Agreement is, and has been, available on the website established by Lead Counsel for this Action, www.worldcomlitigation.com. Lead Counsel also will apply for payment of out-of-pocket costs and expenses incurred in prosecuting the Class's claims, including fees of Lead Plaintiff's consultants, damages, accounting and other experts, in a total amount not to exceed \$12,500,000, or \$0.00006 per share and \$0.51 per \$1000 face amount of each bond, utilizing the method described above. In addition, Lead Counsel will apply for the costs of administering the Settlement, providing notice to the Class and evaluating Proofs of Claim ("Administrative Expenses"). These expenses cannot be estimated at this time.

IDENTIFICATION OF ATTORNEYS' REPRESENTATIVES: Lead Counsel are available to answer questions from Class Members concerning any matter contained in this Notice:

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REASONS FOR THE SETTLEMENTS: A full statement of the reasons for the Settlements is set forth below in paragraphs 23-26 of this Notice. In summary, Lead Plaintiff and the Additional Named Plaintiffs believe that the Settlements are fair, reasonable and in the best interests of the Class considering the amounts of the Settlements, the risks of establishing liability and damages on the claims against the Settling Defendants, the relatively limited financial capability of certain of the Settling Defendants and the limits of the insurance coverage for the claims against them, the immediacy and certainty of recovery to the Class, the defenses asserted by the Settling Defendants in the Litigation, and, in the case of the Director Defendants, the defenses asserted by the insurance companies that may have made the policies void and unenforceable. Plaintiffs further recognized and acknowledged the expense and length of continued proceedings necessary to prosecute the Litigation against these defendants through the conclusion of the trial and potential appeals from any Judgment that might have been entered against the Settling Defendants, and have also considered the uncertain outcome and the risk of any further litigation, especially in a complex action such as this Litigation, as well as the difficulties inherent in any such litigation.

PURPOSE OF THIS NOTICE; HEARING

1. You already should have received or seen a "Notice of Class Action," dated December 11, 2003 (the "Notice of Class Action"), and a "Notice of Proposed Settlement Against the Citigroup Defendants," dated August 2, 2004 (the "Citigroup Notice"). Reference should be made to these Notices for a fuller description of the Class, the Parties and the nature of the Litigation. If you did not receive or view the Notices, or if you would like another copy, please call the toll free number listed below in paragraph 56, or view them on the website, www.worldcomlitigation.com.

2. In summary,

a. The Class certified by the Court by Order dated October 24, 2003, consists of all persons who purchased or otherwise acquired publicly traded securities of WorldCom, during the period from April 29, 1999 through and including June 25, 2002 (the "Class Period"), 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. Also excluded from the Class are all persons who opted out of the Class on a timely basis, i.e., by the September 1, 2004 opt out deadline, and did not submit a signed request for revocation of a prior request for exclusion that was deemed to be effective by the Court.

b. The Class includes persons or entities who acquired shares of WorldCom common stock by any method, including but not limited to 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 persons or entities who acquired debt securities of WorldCom in the secondary market or pursuant to a registration statement, and who were injured thereby. The exclusion of "any entity in which any defendant in the Action has a controlling interest" means that any such entity is excluded from the Class to the extent that the entity 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.

c. Pursuant to the Notices, members of the Class had the right to opt out of the Class only by written request postmarked on or before September 1, 2004. For this reason, as used in this Notice, "Class Members" means those members of the Class who did not timely submit a proper request for exclusion by September 1, 2004, as well as such persons who may have timely requested to be excluded from the Class, but who the Court determined effectively revoked their exclusion request.

d. The Corrected First Amended Class Action Complaint asserts claims against the Settling Defendants for alleged violations of the federal securities laws during the Class Period. The only claims against the Settling Underwriter Defendants were asserted pursuant to the Securities Act of 1933 (the "Securities Act"). In contrast, Lead Plaintiff asserted claims against the Settling Director Defendants and Andersen pursuant to the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act").

e. On May 19, 2003 and June 24, 2003, the Court issued Opinions and Orders denying the motions to dismiss the claims asserted against the Settling Underwriter Defendants and Andersen, and denying in part the motion to dismiss the claims asserted against the Settling Director Defendants. On December 1, 2003, the Court issued a further 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 of the Exchange Act. As a result, the only claims remaining against the Settling Director Defendants were based on their signing of the Registration Statements for the May 2000 and May 2001 bond offerings, and the allegation that they were "control persons" with respect to the actions of WorldCom and its senior executives, and the further direct Exchange Act claim against Settling Director Kellett.

f. The Settling Defendants deny the allegations asserted in the Complaint and believe that the evidence would demonstrate, among other things, that: (i) the Settling Defendants relied on the integrity of WorldCom's management and financial statements and had no knowledge of or involvement in any fraud by WorldCom management; (ii) the Settling Defendants had a good faith and reasonable basis to believe that statements made by WorldCom during the Class Period were accurate and not misleading; (iii) the Settling Defendants conducted appropriate due diligence in connection with the issuance by WorldCom of bonds in May 2000 and May 2001; (iv) the Settling Defendants were not in a position to control statements made by WorldCom or its senior executives during the Class Period; (v) the Settling Defendants did not cause any damages to the Class; (vi) WorldCom's stock price decline was due to a combination of market forces that impacted the entire telecommunications industry, and not to any conduct of the Settling Defendants; and (vii) the decline in the price of WorldCom's bonds was due to a combination of market forces and disclosures about WorldCom that did not relate to the fraud committed by WorldCom's management or any alleged misconduct on the part of the Settling Defendants.

3. The purpose of this Notice, which is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and pursuant to an Order of the United States District Court for the Southern District of New York, is to inform you of the Settlements with the Settling Defendants, as more fully described in this Notice. If approved, the Settlements will resolve all of the claims of Class Members against the Settling Defendants in the Action completely and with prejudice. If the Settlements are approved, all of the claims Class Members filed or could have filed against the Settling Defendants (as more fully described in paragraph 20 below) will be released against the Settling Defendants, and others, as identified in the section entitled "Release." No claims, however, will be released against any of the four remaining Defendants (former WorldCom executives Bernard Ebbers, Scott Sullivan, David Myers and Buford Yates), against whom the prosecution of the case has been stayed pending criminal proceedings against them, as more fully described in paragraphs 38 through 40 below.

4. If approved, the Settlement with the Settling Director Defendants will also resolve and release all of the claims of persons (defined as "Barred Persons" below), who may now or hereafter have claims against the Insurers and the Insurance Policies (defined below), as more fully described in paragraph 22, below.

5. A hearing (the "Settlement Hearing") will be held on September 9, 2005, at 2:30 p.m. before the Hon. Denise Cote in the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 11-B, New York, New York 10007 (the "Court"). At the Hearing, the Court will consider (i) the fairness, reasonableness and adequacy of the proposed Settlements; (ii) the fairness and reasonableness of the proposed Plans of Allocation for each Settlement; (iii) the fairness and reasonableness of the Released Insurance Bar Order; (iv) the fairness and reasonableness of the proposed Supplemental Plan of Allocation; and (v) the application(s) by Lead Counsel for an award of attorneys' fees and reimbursement of expenses.

BACKGROUND OF THE SETTLEMENTS

6. By Order filed August 15, 2002, the Court appointed the NYSCRF as Lead Plaintiff. Lead Plaintiff and the Additional Named Plaintiffs filed a Consolidated Complaint on October 11, 2002, which included certain information uncovered by the NYSCRF and Lead Counsel during their pre-Complaint investigation. Plaintiffs thereafter vigorously prosecuted this Action on behalf of the Class. After filing the Complaint, Lead Plaintiff successfully defeated all or part of various motions to dismiss the Complaint, but certain claims asserted against former WorldCom audit committee members, namely Settling Director Defendants Allen, Areen, Bobbitt and Galesi, were dismissed with prejudice by the Court.

7. Since the summer of 2002, Lead Plaintiff, through Lead Counsel, conducted extensive pretrial discovery, thoroughly analyzed the facts and claims in the Action against the Settling Defendants, prepared numerous pre-trial submissions to the Court, and presented Lead Plaintiff's case at trial against Defendant Andersen. Specifically:

Prior to formal discovery under the Federal Rules of Civil Procedure, Lead Plaintiff obtained orders of the Bankruptcy Court overseeing WorldCom's bankruptcy proceedings and the Court to obtain documents that WorldCom had provided to the SEC, Congress, the Department of Justice, and other regulatory agencies.

Over several months of review by teams of attorneys, these documents were logged, separated according to their relevance to the various components of the case, and analyzed.

Once formal discovery began, Lead Plaintiff, through Lead Counsel, served document requests and interrogatories on all named Defendants, and served subpoenas for production of documents on relevant non-parties.

Defendants and other non-parties produced millions of pages of relevant documents to Lead Plaintiff, who, through counsel, reviewed all such documents for their impact on the Action.

Lead Plaintiff, through counsel, also reviewed a report issued by Wilmer, Cutler & Pickering, counsel to WorldCom's Audit Committee, in connection with the Audit Committee's investigation into the fraudulent scheme at WorldCom, and the three Reports issued by the Examiner appointed to investigate WorldCom in connection with its bankruptcy proceedings.

Lead Plaintiff, through counsel, also conducted over seventy fact witness depositions, completing all fact discovery by July 9, 2004.

Lead Plaintiff, through counsel, also undertook and completed all discovery relating to experts designated by Lead Plaintiff and by the Settling Defendants to testify at trial. Lead Plaintiff, through counsel: (a) served expert reports of five expert witnesses, including experts in the fields of auditing and accounting, the telecommunications industry, due diligence of underwriters and bringing a security to market, damages, and the computer software accounting system utilized by WorldCom; (b) reviewed the expert reports submitted by the experts designated by the Settling Defendants; (c) attended depositions of Lead Plaintiff's experts; and (d) took depositions of experts designated by Settling Defendants.

Lead Plaintiff, through counsel, further prepared a motion for partial summary judgment, and responded to summary judgment motions filed by the Underwriter Defendants, Andersen, and one of the Director Defendants. In response to such motions, the Court issued opinions of December 15, 2004 (granting in part and denying in part Lead Plaintiff's motion for partial summary judgment, and granting in part and denying in part the Underwriter Defendants' motion for summary judgment); of January 18, 2005 (denying Andersen's motion for summary judgment); and of March 21, 2005 (denying Director Defendant Roberts' motion for summary judgment).

Lead Plaintiff, through counsel, made numerous pre-trial and trial submissions to the Court, including but not limited to briefing and presenting oral argument, when requested by the Court, on approximately twenty-five motions *in limine* filed by Lead Plaintiff and the Settling Defendants; submitting a comprehensive Pre-Trial Order, including a statement of the Lead Plaintiff's claims, potential trial witnesses, potential trial exhibits, and designations of deposition testimony

taken during discovery for presentation to the jury; presenting Lead Plaintiff's positions concerning proposed jury instructions, jury questionnaire and jury voir dire; and presenting Lead Plaintiff's positions on various other matters and issues raised by the Parties and/or the Court before and during the trial against Defendant Andersen.

Further, Lead Plaintiff, through counsel, presented Lead Plaintiff's case against Defendant Andersen through the conclusion of Lead Plaintiff's case-in-chief, presenting an opening statement, testimony from three fact witnesses who appeared live at trial (including two former Andersen audit engagement partners), eight fact witnesses who appeared at trial through videotaped deposition testimony or other prior testimony presented under oath, and four expert witnesses, and further cross-examining at trial the fact witnesses presented by Andersen in its case.

On November 7, 2002, the Court ordered the commencement of settlement negotiations to be conducted under the supervision of Magistrate Judge Michael H. Dolinger. In June 2003, the Court directed that the Parties should continue settlement negotiations under the supervision of Magistrate Judge Dolinger. Thereafter, the Court directed that the Parties should continue settlement negotiations under the supervision of both Magistrate Judge Dolinger and U.S. District Court Judge Robert W. Sweet (the "Settlement Judges").

Pursuant to the Court's directives, Lead Plaintiff, Additional Named Plaintiffs and the Settling Defendants entered into extensive negotiations under the supervision of the Settlement Judges. As a result of such discussions and their involvement in the extensive negotiation process, Lead Plaintiff, Additional Named Plaintiffs and the Settling Defendants entered into Stipulations of Settlement, as described in this Notice, under the supervision of the Settlement Judges, who further issued a Statement of the Mediators with respect to the settlement with Andersen.

8. Forensic Economics was retained, in connection with the settlement discussions of Lead Plaintiff with the Citigroup Defendants, to provide an estimate of the Class's damages. They performed research concerning WorldCom, including public statements made by or about WorldCom during the Class Period, as well as the market's reaction to such statements and to other public revelations about the Company. Based on this information, and on models of securities trading, Forensic Economics performed various preliminary damage analyses, and Lead Plaintiff has relied upon this and other expert analyses performed in the continuing litigation of the case. The estimates of the damages described in this Notice (cumulatively and on a per share and per bond basis) were based on original calculations of Forensic Economics.

9. Stanford Consulting Group, Inc. was retained to provide expert testimony at trial concerning the Class's damages, and other services in connection with the Supplemental Plan of Allocation being proposed herewith. Stanford Consulting performed research concerning WorldCom, including public statements made by or about WorldCom during the Class Period, as well as the market's reaction to such statements and to other public revelations about the Company, and the materiality of such statements and other public revelations. Plaintiffs presented testimony at the trial against Andersen by the President of Stanford Consulting concerning the Class's damages. The work of the Stanford Consulting has further provided a basis for the Supplemental Plan of Allocation referred to in paragraph 34 below.

10. Settlement discussions were arduous and protracted. The initial discussions with the Settling Defendants were not fruitful. In the fall of 2003, the parties undertook further negotiations under the supervision of the Settlement Judges. Over the course of the seven months from November 2003 to May 2004, Lead Counsel and counsel for the Settling Director Defendants held many negotiating sessions, both in person and via telephone conference. A number of the sessions took place under the direct supervision of the Settlement Judges, including sessions that included counsel for the Insurers. At the same time, Lead Counsel vigorously pursued the Class's claims, both in Court and through the discovery process described above.

11. Lead Plaintiff and the Additional Named Plaintiffs reached an agreement in principle with ten of the Settling Director Defendants by May 2004, but did not enter into a formal Stipulation of Settlement with them until January 7, 2005. The Court denied preliminary approval of that proposed settlement because a provision in the Stipulation limited the amount by which other Defendants could have sought to reduce their potential liability to the Class by taking into account the Director Defendants' ability to pay a judgment.

12. In or about February 2005, Lead Plaintiff commenced settlement negotiations with counsel for Bank of America, and separately with counsel for a group of underwriters that had participated as junior underwriters only in WorldCom's May 2000 bond offering. Upon reaching agreements with Bank of America and its affiliate, Fleet Securities, and then with Lehman Brothers, Goldman Sachs, UBS Warburg and Credit Suisse First Boston, Lead Plaintiff thereafter undertook settlement negotiations with the remaining Underwriter Defendants, and concluded settlements with all such Underwriter Defendants by March 16, 2005.

13. With the conclusion of the Underwriter Defendant settlements, Lead Plaintiff revived the prior settlement with certain of the Director Defendants, eventually completing a settlement with all twelve Director Defendants by March 21, 2005, and obtained preliminary approval by the Court of all settlements reached between March 3, 2005 and March 21, 2005.

14. The settlement with Defendant Andersen was reached on April 22, 2005, after nearly five weeks of trial and within days of when closing arguments were to take place in the trial, and only after Lead Plaintiff had reviewed substantial documentation concerning the financial condition of Andersen and received oral and written representations about its financial condition. Upon preliminary approval of that settlement on April 26, 2005, and the wiring of the amount required to be paid in that settlement to an escrow account held by Lead Counsel and under the control of the Court, Lead Plaintiff agreed to a dismissal of the jury by the Court.

DESCRIPTION OF THE SETTLEMENTS

15. From March 3, 2005 through April 22, 2005, Lead Plaintiff and the Additional Named Plaintiffs entered into Stipulations of Settlement on behalf of the Class with all of the Settling Defendants. The Settlement amounts stated below are earning interest for the benefit of the Class. The Settlements reached with the Settling Defendants are as follows:

Bank of America Securities LLC and Fleet Securities, Inc. – March 3, 2005, for a total of **\$460.5 million** in cash.

Lehman Brothers Inc., Credit Suisse First Boston LLC, Goldman, Sachs & Co. and UBS Warburg LLC - March 4, 2005, for a total of **\$100,341,730** in cash, as follows: Lehman Brothers Inc. (paying \$62,713,582); Credit Suisse First Boston LLC (paying \$12,542,716); Goldman, Sachs & Co. (paying \$12,542,716); and UBS Warburg LLC (paying \$12,542,716).

ABN AMRO Inc., Mitsubishi Securities International plc, BNP Paribas Securities Corp. and Mizuho International - March 9, 2005, for a total of **\$428,365,600** in cash, as follows: ABN AMRO Inc. (paying \$278,365,600); Mitsubishi Securities International plc (paying \$75 million); BNP Paribas Securities Corp. (paying \$37.5 million); and Mizuho International (paying \$37.5 million).

Deutsche Bank, WestLB AG and Caboto Holding SIM S.p.A. - March 10, 2005, for a total of **\$437.5 million** in cash, as follows: Deutsche Bank (paying \$325 million); WestLB (paying \$75 million); and Caboto (paying \$37.5 million).

J.P. Morgan Chase, Utendahl Capital and Blaylock Partners - March 16, 2005, for a total of **\$2,000,806,840**, as follows: JP Morgan (paying \$2.0 billion); Utendahl (paying \$234,000); and Blaylock (paying \$572,840).

Former WorldCom Director Defendants - March 21, 2005, for a total of **\$60.75 million**, with former directors 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, Bert Roberts, the Estate of John W. Sidgmore and Lawrence C. Tucker paying **\$24.75 million** directly, and **\$36 million** being paid by insurers on the Directors' behalf.

Arthur Andersen LLP – April 22, 2005, for **\$65 million** in cash, plus contingent payments of an amount equivalent to 20% of the amounts, if any, actually paid by Andersen to its present or former partners, participating principals, national partners and national directors in repayment of any and all subordinated notes issued in respect of paid in capital and/or subordinated loans, and an additional amount if Andersen pays from its own funds more than \$65 million in any other settlement. Further confidential protections for the Class were put in place in the event of a bankruptcy proceeding by Andersen.

16. The entire Settlement Amount (after deduction of Court-approved costs, expenses and attorneys' fees), plus interest, will be distributed in accordance with the Plans of Allocation and Supplemental Plan of Allocation as ordered by the Court, to Class Members who timely submit valid Proofs of Claim forms. There will not be any reversion to the Settling Defendants or the Insurers of any portion of the Settlement Amount.

17. The Settlements are conditioned on the Court entering Bar Orders against any claims that other Non-Settling Entities/Individuals (defined to include the other Defendants against whom the Litigation was stayed, as well as other Settling Defendants together with any of their affiliates through which May 2000 or May 2001 notes were distributed), or any other person or entity later named as a defendant in the Litigation may assert against the Settling Defendants. A Bar Order is a standard provision for settlements of class actions because it allows a settling party to pay once for the claims asserted against it on behalf of Class Members and bars any further litigation of claims that could be made against the settling party by any non-settling defendants stemming from their potential liability to the Class.

18. The Director Defendant Settlement is further conditioned on the Court entering a Released Insurance Bar Order against any claims that persons with potential claims against the Insurers, arising from the Insurance Policies that were issued to provide coverage to WorldCom directors and officers during the Class Period, may have or may assert against the Insurers.

RELEASES AND DISMISSAL OF THE ACTION

19. If the Settlements are approved, in consideration for the Settlement Amounts being paid by the Settling Defendants, the Court will enter Judgments that will dismiss with prejudice all of the Class Members' claims against the Settling Defendants and Settling Defendant Releasees (as defined below in paragraph 21). The Court will bar and permanently enjoin Lead Plaintiff and each Class Member, whether or not such Class Member has submitted a Proof of Claim, from prosecuting any Released Claims (as defined below in paragraph 20), and any such Class Member shall be conclusively deemed to have fully, finally and forever released, relinquished and discharged any and all such Released Claims.

20. Each Class Member shall release all "Released Claims," which includes, with respect to the Settling Defendant Releasees, as identified below, the release by Lead Plaintiff, the Additional 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, 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 Defendant 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. Moreover, nothing in the proposed Settlement or its approval is intended to, or would release any claims asserted by the Class against any Non-Settling Entity/Individual.

21. The Settling Defendant Releasees include the following for each of the Settling Defendants:

Bank of America and Fleet Securities: Bank of America Securities LLC and Fleet Securities, Inc., their respective present and former parents, subsidiaries, divisions and affiliates, including without limitation Bank of America, N.A., Bank of America Corp., Banc of America Securities LLC, Banc of America Securities Limited, NationsBank, N.A., NationsBanc Montgomery Securities, LLC, NationsBanc Capital Markets, Inc., Fleet National Bank, FleetBoston Financial Corp., Fleet Securities Inc., Robertson Stephens, Inc., Robertson Stephens International Ltd., 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 (all of whom together are referred to as the "BOA Releasees"), and any person or entity in which any BOA Releasee has or had a controlling interest or which is or was related to or affiliated with any BOA Releasee.

Lehman Brothers Inc., Goldman Sachs & Co., Credit Suisse First Boston LLC and UBS Warburg LLC: Lehman Brothers Inc., Goldman Sachs & Co., Credit Suisse First Boston LLC, UBS Warburg LLC, 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 (all of whom together are referred to as the "LB, GS, CSFB and UBS Releasees"), and any person or entity in which any LB, GS, CSFB and UBS Releasee has or had a controlling interest or which is or was related to or affiliated with any LB, GS, CSFB and UBS Releasee.

ABN AMRO Inc.: ABN AMRO Inc., its present and former parents, subsidiaries, divisions and affiliates, including without limitation, ABN AMRO Holding N.V. and ABN AMRO Bank N.V., 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 (all of whom together are referred to as the "ABN AMRO Releasees"), and any person or entity in which any ABN AMRO Releasee has or had a controlling interest or which is or was related to or affiliated with any ABN AMRO Releasee.

WestLB AG, Mizuho International plc, BNP Paribas Securities Corp. and Mitsubishi Securities International plc: WestLB, Mizuho Int'l, BNP Paribas and Mitsubishi Securities, 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 (all of whom together are referred to as the "WestLB, Mizuho, BNP and Mitsubishi Releasees"), and any person or entity in which any WestLB, Mizuho, BNP and Mitsubishi Releasee has or had a controlling interest or which is or was related to or affiliated with any WestLB, Mizuho, BNP and Mitsubishi Releasee.

Caboto Holding SIM S.p.A.: Caboto Holding SIM S.p.A., its 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 (all of whom together are referred to as the "Caboto Releasees"), and any person or entity in which any Caboto Releasee has or had a controlling interest or which is or was related to or affiliated with any Caboto Releasee.

Deutsche Bank Alex. Brown Inc.: Deutsche Bank Alex Brown, Inc., its respective present and former parents, subsidiaries, divisions and affiliates, including without limitation Deutsche Bank London AG, Deutsche Bank Securities, Inc., 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 (all of whom together are referred to as the "Deutsche Bank Releasees"), and any person or entity in which any Deutsche Bank Releasee has or had a controlling interest or which is or was related to or affiliated with any Deutsche Bank Releasee.

JPMorgan Chase & Co., J.P. Morgan Chase Securities Inc., J.P. Morgan Securities Ltd. and Chase Securities Inc.: JPMorgan Chase & Co., J.P. Morgan Chase Securities Inc., J.P. Morgan Securities Ltd. and Chase Securities Inc., their respective present and former parents, subsidiaries, divisions and affiliates, including without limitation, 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 (all of whom together are referred to as the "JPMorgan Releasees"), and any person or entity in which any JPMorgan Releasee has or had a controlling interest or which is or was related to or affiliated with any JPMorgan Releasee.

Utendahl Capital Partners, L.P.: Utendahl Capital Partners, L.P., its 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 (all of whom together are referred to as the "Utendahl Releasees"), and any person or entity in which any Utendahl Releasee has or had a controlling interest or which is or was related to or affiliated with any Utendahl Releasee.

Blaylock & Partners, L.P.: Blaylock & Partners, L.P., its respective present and former parents, subsidiaries, divisions and affiliates, including without limitation, 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 (all of whom together are referred to as the "Blaylock Releasees"), and any person or entity in which any Blaylock Releasee has or had a controlling interest or which is or was related to or affiliated with any Blaylock Releasee.

Director Defendants: Settling Director 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, Bert Roberts, the Estate of John W. Sidgmore and Lawrence C. Tucker), and the family members, heirs, executors, administrators, successors, assigns, present and former attorneys, legal representatives, accountants, insurers, and agents of each of them (the "Settling Director Releasees"), 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. The Settling Director Releasees shall also include the Insurers who issued the Insurance Policies, are contributing to the Settlement Amount, and are signatories to the Stipulation of Settlement entered into by Lead Plaintiff, the Additional Named Plaintiffs, and the Settling Director Defendants.

Arthur Andersen LLP: (i) Arthur Andersen LLP; (ii) AWSC Societe Cooperative, en liquidation; (iii) the respective past and present subsidiaries, parents, successors and predecessors, member firms, affiliates, related entities, and divisions of the entities described in (i) and (ii) hereinabove; (iv) the respective past and present shareholders, members, partners, principals, participating principals, national directors, managing or other agents, management personnel, advisors, officers, directors, administrators, attorneys, consultants, accountants, servants, employees, and representatives of any other kind (and any officers, directors, members or shareholders of any of the foregoing which are not natural persons) of the entities described in (i), (ii), and (iii) hereinabove, in their capacities as such; (v) all heirs, spouses, estates, executors, administrators, successors, and assigns of the entities described in (iv) hereinabove, in their capacities as such; and (vi) insurers and reinsurers of those identified in (i), (ii) and (iii) hereinabove, in their capacities as insurers or reinsurers of those identified in such paragraphs with respect to claims relating to this case.

22. If the Director Defendant Settlement is approved, the Court will also bar all claims or potential claims of Barred Persons against the Insurers with respect to the Insurance Policies issued to WorldCom to provide directors and officers insurance liability coverage for claims asserted from December 31, 2001 to December 31, 2002. "Barred Persons" means (i) the Parties; (ii) all of the Defendants, including Settling Defendants and 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. "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"). "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.

The “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.

REASONS FOR THE SETTLEMENTS

23. Lead Plaintiff and the Additional Named Plaintiffs considered a variety of factors in negotiating and deciding to accept the Settlements, and to recommend them to the Court and Class Members. These reasons include:

a. The amounts of the Settlements provide substantial, certain and immediate recoveries to the Class, and alleviate the risks that Plaintiffs may not have been able to establish either the liability of, or damages from, the Settling Defendants. The Settlements, especially in conjunction with the Citigroup Settlement, constitute the largest securities class action settlement in United States history, notwithstanding that Plaintiffs were not able to pursue claims against WorldCom, which was the issuer of the subject securities, because of its bankruptcy proceedings.

b. The Settlements are all cash, and include interest earned on the Settlements starting on or about the dates of the Court’s orders that granted preliminary approval of the Settlements.

c. The risks involved in succeeding at trial against the Settling Defendants were significant. The Settling Defendants had asserted due diligence defenses with respect to the bonds issued by WorldCom in May 2000 and May 2001, and had challenged the Plaintiffs’ damages theories, and asserted that, in any event, their conduct was not the cause of WorldCom’s stock and bond price declines or the losses of Class Members. The Director Defendants and Andersen, against whom Exchange Act claims had also been made, asserted that Plaintiffs would not have been able to demonstrate their knowing or reckless conduct with respect to statements made by WorldCom and its executives during the Class Period. The Director Defendants and Andersen had further asserted that the proportionate liability requirements of the Exchange Act, under which a defendant may be obligated to pay only the portion of damages for which that defendant is held responsible, may have placed a high proportion of liability on other defendants and non-parties such as WorldCom and its officers, a number of whom have pled guilty to fraud, and a correspondingly small proportion of liability on the Director Defendants and Andersen.

d. Further, Plaintiffs did not assert that the Settling Director Defendants, all of whom were outside directors of the Company, knew of the fraud at WorldCom during the time they served as directors of the Company, yet the Settling Director Defendants are paying monies from their personal funds to settle the claims against them. The Settling Director Defendants are paying a total of \$24.75 million, which constitutes a substantial portion of their cumulative net worth (not including each director’s primary residence, retirement accounts, and certain other joint marital assets protected by state law). The Settlement is historic in the sense that it includes the payment of monies by a group of outside directors in settlement of claims against them, notwithstanding that the Settling Director Defendants have limited financial capabilities and, on a cumulative basis, they themselves lost approximately \$300 million of value in WorldCom stock that they owned, and continued to own, throughout the Class Period.

e. The Insurers are paying \$36 million, which with a prior payment of \$15 million during the WorldCom bankruptcy proceedings, constitutes approximately one-half of the potential available insurance proceeds at the time of the Settlement. Further, the Insurers had moved in various courts to have the Insurance Policies declared null and void, based on fraudulent misrepresentations made to the Insurers in WorldCom’s insurance applications. Thus, Plaintiffs faced the possibility that the policies may have been voided on this basis.

24. Lead Plaintiff – the second largest public pension fund in the United States – which lost over \$300 million as a result of investments in WorldCom securities, and the three Additional Named Plaintiffs, each of whom suffered significant losses based on their purchases of WorldCom bonds, were instrumental in negotiating the Settlements, along with Lead Counsel and counsel for the Additional Named Plaintiffs. The settlement negotiations were conducted over a period of approximately 20 months, under the supervision of the Settlement Judges, and were reached either on the eve of trial or, in the case of Andersen, only after nearly five weeks of trial and just days before closing arguments were to take place.

25. Lead Plaintiff and the Additional Named Plaintiffs strongly endorse the Settlements and recommend that they be approved.

26. Lead Plaintiff decided to accept the Settlements after consultation with Lead Counsel, and after Lead Counsel’s extensive investigation of the millions of pages of documents, and numerous depositions, provided to Lead Plaintiff in discovery, after review of all Court decisions pertaining to Lead Plaintiff’s claims against Defendants, and, in the case of the Settling Director Defendants and Andersen, after extensive review of the Settling Director Defendants’ and Andersen’s financial capabilities and the limits of the potential insurance coverage. Consequently, Lead Plaintiff and Lead Counsel have determined that the Settlements are in the best interests of Class Members.

PLANS OF ALLOCATION

27. The Stipulations of Settlement with the Settling Defendants each provide for an allocation of the Settlement Fund attributed to each of the Settlements. Plaintiffs are also seeking Court approval of these allocations. The Stipulations with the Underwriter Defendants (the Settling Defendants other than the Director Defendants and Andersen) provide for the funds from each of those settlements to be allocated among only purchasers of the bonds issued by WorldCom in the May 2000 and May 2001 bond offerings and, in certain cases, to only purchasers of bonds issued in one or the other bond offering if the settling Underwriter Defendant participated as an underwriter in only one or the other of the bond offerings. On the other hand, the Stipulations with the Director Defendants and with Andersen provide for the funds from those settlements to be allocated among purchasers of WorldCom stock and other pre-existing bonds on the open market, as well as purchasers of the bonds issued by WorldCom in the May 2000 and May 2001 bond offerings. The reasons for the differences in the manner in which the various settlements are allocated are described in paragraphs 30-33, below.

28. The first recovery that Lead Plaintiff achieved provided for the payment of \$2.575 billion from the Citigroup Defendants in a settlement that was announced in May 2004 and granted final approval by District Judge Cote on November 12, 2004. Because plaintiffs had asserted claims against the Citigroup Defendants on behalf of purchasers of bonds issued by WorldCom in the May 2000 and May 2001 bond offerings under the Securities Act, and on behalf of purchasers of WorldCom stock and different pre-existing bonds under the Exchange Act, Plaintiffs proposed to the Court – and the Court approved – an allocation of the Citigroup Settlement Amount that provided for approximately 55% of the total proceeds to be paid to purchasers of bonds issued by WorldCom during the Class Period, and 45% of the proceeds to be paid to purchasers of stock and other pre-existing bonds. As the Judge's opinion approving the Citigroup Settlement and that Plan of Allocation notes, that allocation was based on many factors, including but not limited to the fact that Citigroup had been a lead underwriter of the two bond offerings, that claims brought under the Securities Act do not require proof of a defendant's intentional or reckless misconduct (in contrast to claims brought under the Exchange Act), issues concerning what Citigroup's proportionate liability might have been with respect to the Exchange Act claims (issues which do not impact claims brought against an underwriter, like Citigroup, under the Securities Act), Citigroup's challenge to the class motion ruling made by the Court with respect to analyst reports issued by certain Citigroup Defendants during the Class Period, and the relative estimated damages for both sets of claims. Thus, approximately \$1.4 billion of the Citigroup Settlement (55%) was allocated to purchasers of WorldCom bonds in the May 2000 and May 2001 bond offerings, and approximately \$1.175 billion (45%) was allocated to purchasers of WorldCom stock and other pre-existing bonds on the open market throughout the Class Period.

29. Since the Citigroup Settlement, Lead Plaintiff entered into settlements with each of the remaining Underwriter Defendants (JP Morgan, Bank of America, Deutsche Bank and 12 other banks that served as underwriters for the May 2000 and/or May 2001 bond offerings), which settlements were granted preliminary approval by the Court. It was only thereafter that Plaintiffs reached the present settlements with the Settling Director Defendants and with WorldCom's former auditor, Andersen. The total amount recovered from this second wave of Settlements is \$3.553 billion.

30. The only claims asserted in the case against the remaining Underwriter Defendants – as clearly stated in the earlier notices sent to Class Members – were claims brought pursuant to the Securities Act based on the issuance of WorldCom bonds in the May 2000 and May 2001 bond offerings. As a result, when settlements were reached with those defendants, only Class Members who had actually purchased the bonds issued in those Offerings were and could be beneficiaries of those settlements. That is why no monies from those settlements could or should be allocated to WorldCom stock purchasers. Persons who purchased WorldCom stock or other pre-existing bonds did not have claims that were or could be asserted against the underwriters of WorldCom's May 2000 and May 2001 bonds, except for the Citigroup Defendants.

31. In contrast, when Lead Plaintiff reached settlements with the Settling Director Defendants and Andersen – all of whom had Securities Act and Exchange Act claims asserted against them – Plaintiffs proposed in those Stipulations of Settlements and to the Court that 80% of all of those settlement funds be allocated to purchasers of WorldCom stock and other pre-existing bonds, and 20% of those funds be allocated to purchasers of WorldCom bonds issued in the May 2000 and May 2001 bond offerings. This allocation takes into account many of the factors discussed above with respect to the Citigroup allocation, as well as the amounts recovered previously for May 2000 and May 2001 bond purchasers (which served to decrease the potential damages that could be recovered on the Securities Act claims against the Director Defendants and Andersen).

32. The Plans of Allocation for the Director Defendants and Andersen settlements provide that the amounts paid for the benefit of the Class in those settlements shall be allocated to members of the Class as follows: (i) 4.774% of the Net Settlement Fund to claims asserted under the Securities Act by purchasers of debt securities offered by WorldCom in May 2000; (ii) 15.226% of the Net Settlement Fund to claims asserted under the Securities Act by purchasers of debt securities offered by WorldCom in May 2001; and (iii) 80% of the Net Settlement Fund to claims asserted under the Exchange Act by Class Members who, during the Class Period, purchased (a) WorldCom stock and/or (b) publicly-traded debt securities issued by WorldCom prior to the beginning of the Class Period. Because the first statement made by Andersen that Plaintiffs claim was false and misleading was made on March 30, 2000, the portion of the allocation made to Class Members in the settlement with Andersen with claims asserted under the Exchange Act would be allocated only to Class Members with purchases on or after that date.

33. The Plans of Allocation proposed by Plaintiffs for the various settlements with the recently settling Underwriter Defendants provide for the net proceeds of those settlements to be distributed only to Class Members who purchased WorldCom bonds issued in the May 2000 and May 2001 bond offerings, and are based on (a) the relative damages asserted by Plaintiffs for the May 2000 and May 2001 bond offerings, and (b) the amounts underwritten by each individual Underwriter Defendant in one or both of those offerings. Certain Underwriter Defendants participated only in one of the two bond offerings and, therefore, their settlement payments are allocated solely to that offering. The remaining Underwriter Defendants participated in both bond offerings, and their settlement payments are allocated to reflect the amounts attributed to them in the Registration Statements for the offerings, and Plaintiffs' estimated damages for the offerings. The Plans of Allocation for the Underwriter Defendant settlements are as follows:

<u>Underwriter Defendant</u>	<u>May 2000 purchasers</u>	<u>May 2001 purchasers</u>
Bank of America Securities (and Fleet Securities)	13.61%	86.39%
Lehman Brothers Inc. Credit Suisse First Boston LLC Goldman, Sachs & Co. UBS Warburg LLC	100.0%	--
ABN AMRO Inc. Mitsubishi Securities Int'l BNP Paribas Securities Corp. Mizuho International WestLB AG Caboto Holding SIM S.p.A.	--	100%
Deutsche Bank	4.15%	95.85%
J.P. Morgan Chase	22.75%	77.25%
Utendahl Capital	--	100%
Blaylock Partners	43.02%	56.98%

SUPPLEMENTAL PLAN OF ALLOCATION

34. Lead Plaintiff and the Additional Named Plaintiffs have further submitted to the Court for its review and approval a Supplemental Plan of Allocation to be used by the Administrator to calculate the value of claims submitted by Class Members. Please note that the Supplemental Plan describes the circumstances in which a Class Member may or may not be entitled to a payment from the Settlement Fund, and the manner in which Plaintiffs propose that claims submitted by Class Members will be calculated. It is possible under the provisions of the Supplemental Plan that a person who purchased or acquired publicly traded securities of WorldCom during the Class Period may not be entitled to a payment from the Settlement Fund. If you have previously submitted a Proof of Claim form to the Administrator, a copy of the Supplemental Plan of Allocation is enclosed with this Notice. If you have not previously submitted a Proof of Claim form to the Administrator, a copy of a different document, entitled "Summary of Supplemental Plan of Allocation," is being enclosed with this Notice. The Supplemental Plan is described in detail in the document entitled "Supplemental Plan of Allocation," which may be accessed on the web site maintained by Lead Counsel for the purpose of this Action, www.worldcomlitigation.com, and on the web site maintained by the Administrator, The Garden City Group, Inc., at www.gardencitygroup.com, or requested by contacting the Administrator, identified in paragraph 56 below. The Supplemental Plan is incorporated by reference as part of this Notice, and Class Members are encouraged to review it carefully.

DISTRIBUTION OF THE NET SETTLEMENT FUNDS

35. Assuming approval of the Settlements by the Court and upon satisfaction of the other conditions to the Settlements, the Settlement Fund will be distributed, as follows:

- a. To pay costs and expenses in connection with providing Notice to Class Members and administering the Settlements on behalf of Class Members;
- b. To reimburse Lead Plaintiff and Lead Counsel for, and to pay, expenses incurred in connection with the prosecution of this Action, with interest thereon if and to the extent allowed by the Court;

c. To pay Lead Counsel's fees, with interest thereon if and to the extent allowed by the Court;

d. To pay the reasonable costs incurred in the preparation of any tax returns required to be filed on behalf of the Settlement Fund as well as the taxes (and any interest and penalties determined to be due thereon) owed by reason of the earnings of the Settlement Fund, including taxes and tax expenses; and

e. Subject to final approval by the Court of the Plans of Allocation and Supplemental Plan of Allocation (which means that the Orders granting approval have been (i) affirmed on appeal or certiorari, or (ii) are no longer subject to review by appeal or certiorari, and the time for any petition for rehearing, appeal or review by appeal or certiorari has expired), the balance of the Settlement Fund (the "Net Settlement Fund"), shall be distributed in accordance with the Plans of Allocation and the Supplemental Plan of Allocation, as approved by the Court, to Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants"). There shall be no distribution to any Class Member until after such final Court approval has been obtained.

36. There will be no return to any Settling Defendant of any settlement payment if the Settlement with that Settling Defendant is finally approved. All settlement funds will be used, as described above, for the benefit of Class Members.

37. Approval of the Settlements is independent from approval of the Plans of Allocation and the Supplemental Plan of Allocation. Any determination with respect to the Plans of Allocation and Supplemental Plan of Allocation will not affect the Settlements, if the Settlements are approved.

NO FURTHER MAILING REGARDING ADDITIONAL POTENTIAL SETTLEMENTS

38. No claims of the Class against the four remaining defendants in the Litigation, *i.e.*, Defendants Bernard Ebbers, Scott Sullivan, David Myers and Buford Yates, are being settled or released as a result of the proposed Settlements. To the contrary, Lead Plaintiff will continue to prosecute the claims of the Class against each of these Non-Settling Defendants. Lead Plaintiff is presently engaged in settlement negotiations with each of the Non-Settling Defendants, and may at any point reach settlements with them. If any settlement is reached before this Notice is mailed, the Lead Plaintiff will attempt to include a description of the settlement in a separate document with this mailing.

39. In the event a settlement is reached with one or more the Non-Settling Defendants and notice of that settlement cannot be included in this mailing, the Lead Plaintiff has asked the Court to excuse it from the obligation to mail another notice to each Class Member. The cost of a mailing to Class Members – and such a mailing would be the fourth in the Litigation – is expensive and payment of the mailing costs reduces the amount available for distribution to Class Members in the Net Settlement Fund. Moreover, given the facts that the Settlements already achieved in the Litigation amount to over \$6 billion, and that the Non-Settling Defendants have comparatively limited assets, it is not expected that any settlement that could be achieved with these four defendants would materially increase the Settlement Fund. For this reason, the Lead Plaintiff will propose to the Court that notice of any settlement with one or more of the Non-Settling Defendants not be provided through a mailing to all Class Members, but only be provided by posting a description of the settlement on the web site maintained by Lead Counsel, at www.worldcomlitigation.com, and by publishing a summary notice in *The Wall Street Journal* and *The New York Times*, and over the PR Newswire.

40. If any Class Member wishes to receive a personal copy of any notice of settlement with a Non-Settling Defendant, she may write to the Administrator at the address indicated at paragraph 56 below by August 12, 2005, and indicate a desire to receive such a mailing. In the event the Administrator receives such a request postmarked no later than August 12, 2005, the Administrator will mail a copy of the notice of any such settlement that is posted on the Lead Counsel's web site to the Class Member.

PARTICIPATION IN THE SETTLEMENTS; PROOFS OF CLAIM

41. Each person wishing to participate in the distribution of the Settlement Funds must timely submit a valid and separate "Proof of Claim" **no later than August 26, 2005** to the address set forth in the Proof of Claim form that was distributed along with the Notice of the Citigroup Settlement. Further, each Proof of Claim must be supported by such documents specified in the Proof of Claim as are reasonably available to the Authorized Claimant.

42. The previously ordered deadline for the submission of Proof of Claim forms was March 4, 2005. The Court has extended that date to August 26, 2005, meaning that unless otherwise ordered by the Court, any Class Member who fails to submit a Proof of Claim by August 26, 2005, shall be forever barred from receiving any payments pursuant to the Settlements set forth in the Stipulations, but will in all other respects be subject to the provisions of the Stipulations, including the terms of any judgment entered and the releases given. This means that each Class Member releases the Released Claims against the Released Parties, including the Settling Defendants, and is enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Claims against any of the Released Parties regardless of whether or not such Class Member submits a Proof of Claim. **Note: To receive money from the Settlements, the Citigroup Settlement, and any other recovery obtained by**

Lead Plaintiff for the Class or to be distributed through Litigation, you must submit a Proof of Claim form by August 26, 2005. No further proof of claim forms will be required. IF YOU ALREADY SUBMITTED A PROOF OF CLAIM FORM IN CONNECTION WITH THE CITIGROUP SETTLEMENT, THERE IS NO NEED FOR YOU TO SUBMIT ANOTHER ONE.

43. The Court has reserved jurisdiction to allow, disallow or adjust on equitable grounds the Claim of any Class Member. The Court also reserves the right to modify the Plans of Allocation for the currently proposed settlements without further notice to Class Members. Payment pursuant to the Plans of Allocation and Supplemental Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, the Additional Named Plaintiffs, Lead Counsel, the Claims Administrator or other agent designated by Lead Plaintiff or Lead Counsel based on distributions made substantially in accordance with the Stipulations and the Settlements contained therein, the Plans of Allocation, the Supplemental Plan of Allocation, or further orders of the Court. The Settling Defendants and their counsel shall have no involvement in or responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plans of Allocation, the Supplemental Plan of Allocation, or the determination, administration and calculation of, or payment pursuant to, Proofs of Claim, the payment or withholding of taxes owed by the Settlement Fund, acts or omissions of the Escrow Agent or any losses incurred in connection therewith.

THE HEARING

44. On September 9, 2005, at 2:30 p.m., the Honorable Denise Cote, United States District Court Judge, will hold a hearing (the "Settlement Hearing") at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 11-B, New York, New York 10007, for the purpose of separately considering:

- a. Whether Judgments should be entered (1) approving the Settlements as fair, reasonable and adequate; (2) dismissing with prejudice this Action against the Settling Defendants; (3) barring claims that other Non-Settling Entities/Individuals or any other person or entity later named as a defendant in the Action may assert against the Settling Defendants relating to the Action; (4) barring all Class Members from prosecuting, pursuing, or litigating any of the Released Claims against the Released Parties, including the Settling Defendants; and (5) providing that all Barred Persons shall be enjoined from prosecuting, pursuing, or litigating any claims included within the Insurance Claim Bar Order.
- b. Whether the proposed Plans of Allocation should be approved as fair, reasonable and adequate;
- c. Whether the proposed Supplemental Plan of Allocation should be approved as fair, reasonable and adequate; and
- d. Whether to approve Lead Counsel's application(s) for attorneys' fees and payment of costs and expenses.

The Settlement Hearing may be continued or adjourned from time to time by the Court at the Settlement Hearing or any continued or adjourned session thereof, without further notice to the Class or Class Members.

45. Any Class Member, Barred Person or Defendant in the Action may appear at the Settlement Hearing and be heard on any of the foregoing matters. Provided, however, that no such person shall be heard, unless his, her or its objection or opposition is made in writing and, together with copies of all other papers and briefs to be submitted to the Court at the Settlement Hearing, by him, her or it (including, for Class Members, proof of all purchases or acquisitions of WorldCom publicly-traded securities during the Class Period), is filed with the Court and served for *receipt* by either counsel listed below no later than August 12, 2005, and showing due proof of such service on one of the Co-Lead Counsel:

Leonard Barrack, Esq.
Jeffrey W. Golan, Esq.
Leslie B. Molder, Esq.
Barrack, Rodos & Bacine
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

Max W. Berger, Esq.
John P. Coffey, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019

46. Unless otherwise ordered by the Court, any Class Member or Barred Person who does not make and serve his, her or its objection or opposition in the manner provided shall be deemed to have waived all objections and opposition to the issues described in this Notice.

ATTORNEYS' FEES, COSTS AND EXPENSES OF PLAINTIFFS' ATTORNEYS

47. At the Settlement Hearing described above, Lead Counsel will apply to the Court for a collective award of attorneys' fees and payment of costs and expenses.

48. The fee and expense application(s) shall be submitted by Lead Counsel only with the prior approval of Lead Plaintiff, and shall otherwise be in accordance with the Retainer Agreement entered into by Lead Plaintiff and Lead Counsel on July 30, 2003. The Retainer Agreement is described in the Notice of Class Action, and is further available for viewing on the web site, www.worldcomlitigation.com.

49. Under the Retainer Agreement, Lead Counsel agreed to undertake this litigation on an entirely contingent basis, meaning that Lead Counsel would not be compensated at all, or reimbursed for any expenses they incur on behalf of the Class, unless there is a recovery achieved for the Class. Lead Counsel further agreed that they will not file a fee and expense application without the prior approval of the Lead Plaintiff, as set forth within the terms and conditions of the Retainer Agreement, and that any such fee and expense application will be bound by the fee grid and other provisions of the Retainer Agreement. Counsel for the Additional Named Plaintiffs and all other firms that have been authorized to assist in the prosecution of this Action have agreed to be bound by the fee provisions of the Retainer Agreement, and not to seek any additional fee or expenses that are not included within Lead Counsel's fee and expense application(s).

50. Consistent with the Retainer Agreement, and with the prior approval of Lead Plaintiff, Lead Counsel previously applied for a fee of \$141.5 million in connection with the Citigroup Settlement, which fee was awarded by the Court through an Opinion and Orders entered on November 12, 2004. That fee application was based on the amount recovered for the Class in the Citigroup Settlement, and contemplated that if further recoveries were achieved in the case, Lead Counsel would be able to apply for a fee, as approved by Lead Plaintiff, on the basis of any such future recoveries.

51. Consistent with the Retainer Agreement, Lead Counsel shall apply for fees not to exceed \$195,418,126 (consisting of \$188,518,876 from the settlements with the Underwriter Defendants, and \$6,916,250 from the settlements with the Director Defendants and Andersen), which constitutes 5.5% of the Settlement Fund attributable to the settlements reached during the period from March 3, 2005 through April 22, 2005, together with interest at the same rate as earned by the Settlement Fund attributable to those settlements.

52. The application for reimbursement of expenses, which also will be made at the Settlement Hearing, shall not exceed \$12.5 million, together with interest earned on said sums. This amount includes fees and expenses of the experts and consultants retained by Lead Plaintiff on behalf of the Class. In addition, Lead Counsel will also seek payment of Administrative Expenses, as approved by Lead Plaintiff, in an amount that cannot be determined at this time.

53. Approval of the Settlements, the Plans of Allocation, and the Supplemental Plan of Allocation, in addition to being independent of each other, are also independent from approval of Lead Counsel's application(s) for an award of attorneys' fees and payment of costs and expenses. Any determination with respect to Lead Counsel's application(s) for an award of attorneys' fees and payment of costs and expenses will not affect the Settlements, Plans of Allocation or Supplemental Plan of Allocation, if approved.

NOTICE TO BANKS, BROKERS AND OTHER NOMINEES

54. Banks, brokerage firms, institutions, and other persons who are nominees who purchased or acquired WorldCom publicly traded securities during the Class Period of April 29, 1999 through and including June 25, 2002, are required within ten (10) days of receipt of this Notice to: (1) provide the Administrator with the names and addresses of such beneficial purchasers (**unless they have already done so pursuant to the Notice of Class Action or Notice of the Citigroup Settlement**); or (2) forward a copy of this Notice to each such beneficial purchaser and provide the Administrator with written confirmation that the Notice has been so forwarded. Upon request, Lead Counsel will pay your reasonable costs and expenses of complying with this provision upon submission of appropriate documentation. Additional postage pre-paid copies of this Notice may be obtained for forwarding to such beneficial owners. All such correspondence should be addressed as follows:

WorldCom, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9000 #6184
Merrick, NY 11566-9000
Tel: 1-866-808-3556 (toll free)
Fax: 1-631-940-6549
worldcominfo@gardencitygroup.com

EXAMINATION OF PAPERS AND INQUIRIES

55. This Notice contains only a summary of the terms of the proposed Settlements. For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Stipulations and to other papers filed in this Action which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York 10007 during regular business hours of each business day. In addition, the pleadings filed and Court Orders entered in this Action, as well as the Stipulations, are posted on the website established by Lead Counsel for this case, www.worldcomlitigation.com. The Stipulations represent the entire agreements between Lead Plaintiff and the Settling Defendants, except where otherwise noted in the Stipulations, and any inconsistencies between the Stipulations and this Notice will be controlled by the language of the Stipulations.

56. Inquiries regarding obtaining additional copies of this Notice and questions concerning the Proof of Claim form should be addressed to:

WorldCom, Inc. Securities Litigation
Administrator
The Garden City Group, Inc.
P.O. Box 9000 #6184
Merrick, NY 11566-9000
Tel: 1-866-808-3556 (toll free)
Fax: 1-631-940-6549
worldcominfo@gardencitygroup.com

Lead Counsel identified below are available to answer questions from Class Members concerning this Action or any matter contained in this Notice:

Leonard Barrack, Esq.
Jeffrey W. Golan, Esq.
Leslie B. Molder, Esq.
Barrack, Rodos & Bacine
3300 Two Commerce Square
2001 Market Street
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Max W. Berger, Esq.
John P. Coffey, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019
(212) 554-1400
Email: info@worldcomlitigation.com

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE.

SO ORDERED:

Dated: New York, New York
July 1, 2005



DENISE COTE
United States District Judge