

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 WITH SCOTT D. SULLIVAN

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) Defendant Scott D. Sullivan (“Sullivan”), together with Plaintiffs, the “Parties”), by and through their undersigned attorneys.

This Stipulation, together with the confidential Supplemental Stipulation described in ¶¶ 1(II), 3, and 32 below, states all of the terms of the Settlement, as defined below and as set forth

herein, and is intended by the Parties to fully and finally compromise, resolve, discharge and settle the Released Claims, as defined herein, subject to the terms and conditions set forth below.

WHEREAS:

The Litigation

A. On April 30, 2002, and thereafter, various class actions and individual actions (together, the “Litigation,” as more fully defined in paragraph 1(s) below) were filed in, or transferred to, the United States District Court for the Southern District of New York (the “Court”) by and (in the case of the class actions) 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*, Sullivan with violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated by the Securities and Exchange Commission. The claims asserted against Sullivan and the other defendants named in the

Complaint are hereafter referred to as the “Action.” On December 5, 2002, the Action was stayed with respect to Sullivan.

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

E. On August 1, 2003, Plaintiffs filed the First Amended Class Action Complaint, which reasserted the claims against Sullivan.

F. 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 Action 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 (v) the legal representatives, heirs, successors or assigns of any such excluded party.

G. 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.

H. 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 Sullivan, the alleged damages suffered by the Class, and the defenses asserted by the defendants in the Action. In connection therewith, Lead Counsel reviewed millions of documents produced by non-party WorldCom 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.

I. As part of this investigation, Lead Counsel served interrogatories and document requests upon the defendants against whom the Litigation was not stayed; reviewed and analyzed these 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 Litigation, 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 conducted 70 depositions of witnesses with relevant knowledge, attended and asked questions at certain other depositions during which former WorldCom officers and employees invoked the Fifth Amendment in response to counsels' questions, and reviewed all of the testimony and exhibits presented at the criminal trial against Defendant Bernard Ebbers,

including testimony of Sullivan and Ebbers. Lead Counsel also consulted extensively with experts retained to review and advise on the issues pertinent to Plaintiffs' claims against the defendants in the Litigation, including the damages that Lead Plaintiff would seek to prove at a trial of the case.

J. 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. The amount of that settlement is \$2,575,000,000 in cash. Appeals have been taken as to certain aspects of the Court's approval of that settlement.

K. In addition to the Citigroup Settlement, Lead Plaintiff and the Named Plaintiffs achieved settlements with all remaining defendants against whom the WorldCom securities class action was not stayed. These included settlements that Lead Plaintiff and the Named Plaintiffs entered into with all but one of those defendants from March 3, 2005 to March 21, 2005, within weeks and days prior to the start of trial on March 23, 2005. The final settlement was reached with Defendant Arthur Andersen LLP on April 22, 2005, after nearly five weeks of trial, and just days before closing arguments in the trial were to take place. The Court preliminarily approved each of these settlements. The combined amount of those additional settlements was \$3,553,056,840 in cash plus, in the case of Andersen, certain additional payments should certain contingencies arise.

L. On July 6, 2005, Plaintiffs entered into a stipulation of settlement with defendant Bernard Ebbers. The Court preliminarily approved the settlement with Ebbers in an order dated

July 11, 2005. Pursuant to that settlement, Ebbers wired approximately \$5.5 million to an account controlled by Lead Plaintiff on July 14, 2005. The settlement also provides for the Class to benefit from the liquidation of a number of Ebbers' business interests.

M. The Parties to this settlement have recently completed settlement discussions, which were based, in part, on Lead Plaintiff's and Lead Counsel's review of detailed financial information provided by Sullivan and his spouse. Lead Plaintiff, Named Plaintiffs, Lead Counsel and counsel for the Named Plaintiffs believe that the proceedings described above, taking into account the financial condition of Sullivan and his spouse, provide an adequate and satisfactory basis for the settlement described herein.

N. In recognition of the present settlement between Lead Plaintiff, on behalf of the Class, and Sullivan, the United States Attorney's Office for Southern District of New York has agreed to forgo seeking restitution at the sentencing phase of its prosecution against Sullivan.

Benefits of the Settlement to the Class

O. Lead Plaintiff, Named Plaintiffs, Lead Counsel and counsel for the Named Plaintiffs believe that the Settlement provides fair and reasonable 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, Sullivan in the Action.

P. Lead Plaintiff, Named Plaintiffs, Lead Counsel and counsel for the Named Plaintiffs further recognize and acknowledge the limitation on the ability of the Class to recover the claimed damages from Sullivan, in light of his limited financial capabilities. Based upon their evaluation, Lead Plaintiff, 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 reasonable benefits upon the Class Members.

Q. 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 Sullivan Releasee (defined in paragraph I(jj) below), or be admissible in any proceeding, including but not limited to arbitrations, for any purpose whatsoever, and that no Party 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, and Sullivan that, subject to the approval of the Court and the other conditions set forth herein, the Action shall be settled, compromised and dismissed, on the merits and with prejudice, and that the Released 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) “Bankruptcy Triggering Event” means the entry by the Bankruptcy Court in a bankruptcy proceeding of a final, non-appealable order that requires the transfer of the Settlement Fund to Sullivan’s estate.

(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, revoked their prior request for exclusion as allowed by the Court.

(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) “ERISA Class” means the settlement class certified by the Court in *In re WorldCom, Inc. ERISA Litigation*, Master File 02 Civ. 4816 (DLC).

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

(l) “Escrow Agent” means Lead Counsel.

(m) “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 23 below.

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

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

(p) “Le Lac Gross Proceeds” means the proceeds from the sale of the Le Lac Property (defined below) after payment of all valid commissions and liens (as described in the Supplemental Stipulation, defined below).

(q) “Le Lac Net Proceeds” means the remainder of the Le Lac Gross Proceeds after deduction of the funds for the Third Party Claims Fund (defined below), which shall be divided between the Class in this Action (which shall receive 90% of these proceeds) and the ERISA Class (which shall receive 10%).

(r) “Le Lac Property” means the property and residence-under-construction located at 6006 Le Lac Road, Boca Raton, Florida and jointly owned by Sullivan and his wife, Carla Sullivan.

(s) “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 this Action (namely, the class action proceedings in the caption of this Stipulation within Master File No. 02 Civ. 3288 (DLC)).

(t) “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”).

(u) “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”).

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

(w) “Net Settlement Fund” means the Settlement Fund less any taxes, costs and expenses approved by the Court.

(x) “Notice and Administration Fund” means the fund consisting of up to \$100,000 as provided for in paragraph 10(d) below to be used by Lead Counsel to assist in paying 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(d) below.

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

(z) “Parties” means Plaintiffs and Sullivan.

(aa) “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.

(bb) “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.

(cc) “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.

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

(ee) “Previously 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 (i) Sullivan and (ii) former WorldCom Officers David Myers and Buford Yates (the two together, the “Remaining Individual Defendants”).

(ff) “Released Claims” means:

(i) with respect to the Sullivan 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 (a) 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 Sullivan, or (b) property transfers or conveyances accurately disclosed in all material respects as part of Sullivan’s provision of financial information to Lead Plaintiff as referred to in paragraph 35 hereof, 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 Sullivan 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 Sullivan of the Plaintiff Releasees, from any claims relating to the institution or prosecution of this Action.

(gg) “Released Parties” means:

(i) with respect to Sullivan, the Sullivan Releasees. The Releasees shall not include any Previously Settling Defendant or other Remaining Individual Defendant, as defined in paragraph 1(ee) above.

(ii) with respect to Plaintiffs, the Plaintiff Releasees.

(hh) “Settlement” means the settlement of the Action between and among Lead Plaintiff and the Named Plaintiffs, on behalf of themselves and the Class, and Sullivan, as set forth in this Stipulation.

(ii) “Settlement Fund” means:

(i) Ninety percent of the total amount in Sullivan’s MCI 401(k) Salary Savings Plan (the “401(k) Account”) (present value of approximately \$300,000) after such account is liquidated, net of any taxes, penalties and fees incurred in connection with such liquidation (the “Net 401(k) Amount”);

(ii) Ninety percent of the Le Lac Net Proceeds; and

(iii) Any interest earned on the amounts identified in the preceding subparagraphs.

(jj) “Sullivan Releasees” means Sullivan, and his family members, heirs, executors, administrators, successors, assigns, present and former attorneys, legal representatives, accountants, insurers, and agents, and any person or entity which is or was related to or affiliated with any Sullivan Releasee or in which any Sullivan 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, provided however, that Carla Sullivan shall not be deemed a Sullivan Releasee unless and until (a) she causes the amount described in ¶ 5 of the Supplemental Stipulation (defined below) to be deposited from her into the Trust Account (defined below) before August 11, 2005; and (b) she executes all authorizations, consents and approvals necessary or appropriate, including, but not limited to, powers of attorney, to permit Lead Counsel to effectuate the liquidation of the Le Lac Property in accordance with the terms and conditions set forth herein.

(kk) “Supplemental Plan of Allocation” means the plan that Plaintiffs have submitted to the Court and upon notice to the Class which, as approved by the Court, 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.

(ll) “Supplemental Stipulation” means the confidential supplemental stipulation that the Parties shall file under seal with the Court.

(mm) “Trust Account” means the trust to be established promptly after the Preliminary Approval Order is signed, the sole purpose of which is to pay (a) appropriately documented health expenses and necessities for the well being of Carla Sullivan, and (b) expenses relating to the care, education, and other child-rearing costs for Christina Sullivan, daughter of Carla and Scott Sullivan.

(nn) “Third Party Claim Fund” means the five percent of the Le Lac Gross Proceeds that shall be deposited in escrow with Sullivan’s counsel and made available for Sullivan to fund the appropriately documented settlement of claims of litigants against Sullivan arising during the period 1998-2002 (*e.g.*, the independent actions). The Third Party Claims Fund shall terminate twelve months after the date the Preliminary Approval Order is entered. The unused balance of the Third Party Claims Fund, if any, shall be deposited into the Escrow Account to be distributed to the Class and the ERISA Class in accordance with the arrangements between the Class and the ERISA Class.

Submission of the Settlement to Court for Approval

2. Lead Plaintiff and Sullivan 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, and reimbursement of expenses, 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 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); [Proposed] Judgment Approving Settlement and Dismissing Action (the “Judgment”) (Exhibit B); and the Supplemental Stipulation to be filed under seal. The Parties anticipate that, if the Court grants preliminary approval, the Parties will thereafter submit for the Court’s approval a proposed summary notice to Class members consistent with the procedures set forth in the Notice of Proposed Settlements dated July 1, 2005, and a proposed 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 and directing the assignment to Lead Plaintiff as soon as practicable after entry of this Preliminary Approval Order of all rights to the Le Lac Gross Proceeds due to Sullivan and his wife in the event that the contract to sell the Le Lac Property signed on July 24, 2005 (the “July 24, 2005 Contract”) is consummated;

(c) approving and directing the conveyance to Lead Plaintiff of the authorizations, consents, and approvals necessary or appropriate to effectuate the sale of the Le Lac Property as soon as practicable after entry of this Preliminary Approval Order in the event that the July 24, 2005 Contract is not consummated;

(d) permitting and approving Lead Plaintiff to assume the marketing and sale of the Le Lac Property, and giving Lead Plaintiff sole and exclusive right to approve the sale of that property, in the event that the July 24, 2005 Contract is not consummated;

(e) approving and directing the liquidation of the 401(k) Account promptly after entry of the Preliminary Approval Order and, prior to August 11, 2005, the deposit into the Escrow

Account of the Net 401(k) Amount, which cash shall be held in *custodia legis*, and approving the funding being provided for the Notice and Administration Fund;

(f) enjoining pending further order of the Court the prosecution of any action or claims that are subject to the releases, dismissals and bar order contemplated by this Settlement; provided however that nothing in the Judgment shall release the Released Claims against Sullivan of any Persons who submitted a timely, signed request for exclusion and did not submit a valid signed request to revoke a prior request for exclusion as allowed by the Court; and

(g) 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 Sullivan 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 Sullivan Releasees in any court or other forum asserting any Released Claim; provided, however, that nothing in the Judgment shall release the Released Claims against Sullivan of any Persons who submitted a valid signed request for exclusion and did not submit a valid signed request to revoke a prior request for exclusion as allowed by the Court;

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

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

(h) permanently barring, enjoining and finally discharging all claims as provided for in paragraphs 21 and 23 of this Stipulation; and

(i) 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 Sullivan 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. 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. Sullivan will take no position as to the Plan of Allocation or the Supplemental 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 that has previously been submitted by Lead Plaintiff to the Court. 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.

8. Lead Counsel has agreed with Lead Plaintiff and with the United States Attorney's Office for the Southern District of New York that Lead Counsel will not make any application for fees from the Settlement Fund.

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. The Settlement shall become effective on the Effective Date, as defined in paragraph 1(i) above.

Settlement Consideration

10. In full and complete settlement of the Released Claims, Sullivan shall pay, cause to be paid or transfer to Lead Plaintiff, for the benefit of the Class, in settlement of the claims against him, the Settlement Fund as follows:

(a) Sullivan shall deposit the Net 401(k) Amount into the Escrow Account before August 11, 2005. Lead Counsel will thereafter promptly provide lead counsel for the ERISA Class with 10% of the Net 401(k) Amount, provided Sullivan and the ERISA Class shall have entered into a separate stipulation of settlement.

(b) Sullivan shall execute and deliver to Lead Counsel as soon as practicable after entry of the Preliminary Approval Order all authorizations, consents and approvals necessary or appropriate, including, but not limited to, powers of attorney, to permit Lead Counsel to effectuate the liquidation of the Le Lac Property. With respect to the sale of the Le Lac Property:

(i) Sullivan shall cooperate fully with Lead Plaintiff, as well as with any professionals engaged by Lead Plaintiff;

(ii) The entire amount of the Le Lac Gross Proceeds shall be deposited into the Escrow Account as soon as practicable after sale of the Le Lac Property.

(iii) Lead Counsel shall thereafter promptly provide counsel for Sullivan an amount equal to 5% of the Le Lac Gross Proceeds, which Sullivan's counsel shall place into escrow as the Third Party Claims Fund. The Third Party Claims Fund shall terminate twelve months after the date the Preliminary Approval Order is entered. The unused balance of the Third Party Claims Fund, if any, shall be deposited into the Escrow Account to be distributed to the Class and the ERISA Class in accordance with the arrangements between the Class and the ERISA Class.

(iv) Lead Counsel shall thereafter promptly provide lead counsel for the ERISA Class with 10% of the Le Lac Net Proceeds, provided Sullivan and the ERISA Class shall have entered into a separate stipulation of settlement.

(c) Sullivan has delivered a sworn statement of financial condition dated as of June 27, 2005, which statement has been acknowledged to be satisfactory in form and content to Lead Plaintiff. Should a court determine that Sullivan made a material misstatement on such financial statement, this Stipulation (as well as the Supplemental Stipulation) shall be voidable at the discretion of the Class, and, if voided, the parties shall be returned to their status as of the day before the signing of those stipulations; provided, however, that none of the Settlement Fund need be returned to Sullivan. In the event that any material misstatements pertain to a failure to disclose additional assets of Sullivan, Sullivan agrees that those assets shall be transferred to the Escrow Account for the benefit of the Class.

(d) Sullivan consents to the use by Lead Counsel of up to \$100,000 from the Net 401(k) Amount, with the approval of Lead Plaintiff, 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 \$100,000 of the Settlement Fund for such purpose. Lead Counsel shall provide Sullivan, 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.

(e) It is a material condition of this Settlement that (i) the Trust Account be funded in the amount set forth in ¶ 5 of the Supplemental Stipulation before August 11, 2005, and that such Trust Account be created so as to forbid Sullivan from access to any funds from that Trust Account; (ii) Carla Sullivan execute all documents necessary to assign to Lead Plaintiff all of her rights in the Gross Le Lac Proceeds if the July 24, 2005 Contract is consummated; and (iii) Carla Sullivan execute all authorizations, consents and approvals necessary or appropriate, including, but not limited to, powers of attorney, to permit Lead Counsel to effectuate the liquidation of the Le Lac Property in accordance with the terms and conditions set forth herein if the July 24, 2005 Contract is not consummated.

(f) It is a material condition of this Settlement that the Lead Plaintiff shall have twenty days from the entry of the Preliminary Approval Order in which to confirm that the sales price set forth in the July 24, 2005 Contract is at fair market value. In the event that the Lead Plaintiff concludes that the sales price for the Le Lac Property set forth in the July 24, 2005 Contract is not at fair market value, Lead Plaintiff, in its sole discretion, may terminate this Settlement.

(g) 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, Lead Counsel shall

(i) refund to Sullivan any portion of the Settlement Fund actually deposited into the Escrow Account, net of Notice and Administration costs actually incurred as set forth in paragraph 16 hereof, including any interest actually earned; and

(ii) return to Sullivan all powers of attorney previously conveyed by Sullivan in connection with the liquidation of the Le Lac Property.

11. The Settlement 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 as provided for in this Stipulation. The Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation § 1.468B-1, and the Parties 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 Sullivan, as required, shall do all things that are necessary or advisable to carry out the provisions of this paragraph.

12. All Taxes arising with respect to the income earned by the Settlement Fund, including any Taxes or Tax treatments that may be imposed upon Sullivan with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does 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. Sullivan shall have no 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 shall be paid out of the Settlement Fund. 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 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. Sullivan shall not have any responsibility or liability for the acts or omissions of Lead Counsel or their agents, as described herein.

13. Lead Plaintiff, with the concurrence of the Named Plaintiffs, has 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 other publicly-traded securities issued prior to the beginning of the Class Period.

14. 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 the Supplemental Plan of Allocation, which Lead Plaintiff has previously proposed to the Court, consistent with the Plan of Allocation as

proposed herein and as approved by the Court. 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.

15. This is not a claims-made settlement. As of the Effective Date, Sullivan 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

16. 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.

17. 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.

18. 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 Sullivan as set forth in paragraph 31, below. All monies already spent, and expenses that have been incurred but not yet paid, need not be repaid to Sullivan.

Releases and Bar Orders

19. 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 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 release the Released Claims against Sullivan of any Persons who submitted a timely, signed request for exclusion and did not submit a valid request to revoke the prior request for exclusion as allowed by the Court.

20. 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 Sullivan Releasees.

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, will be forever barred and enjoined from commencing, instituting or prosecuting the Released Claims or any action or other proceeding against any of the Sullivan Releasees with respect to, based on, or arising from the Released Claims.

22. As of the Effective Date, Sullivan agrees 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 Plaintiff Releasees with respect to, based on, or arising from the Released Claims.

23. The Judgment shall, as a condition for the Settlement, permanently bar, enjoin and restrain all of the other defendants in the Litigation from commencing, prosecuting, or asserting any claim for indemnity or contribution against the Sullivan Releasees or any other claim against the Sullivan Releasees where the injury to the entity/individual is the entity's/individual's actual or threatened liability to the Lead Plaintiff, Named Plaintiffs and other Class Members, 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 further bar Sullivan 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 Sullivan is Sullivan's actual or threatened liability to the Lead Plaintiff, Named Plaintiffs and other Class Members.

24. The Judgment shall also provide that the Remaining Individual Defendants shall be entitled to a judgment credit in an amount that is the greater of the total Settlement Fund paid by Sullivan, as allocated to claims for which contribution would be sought, or, for each such claim, Sullivan's proportionate share of fault as determined at trial. However, this Settlement and entry of the Judgment are expressly conditioned on final approval of all other settlements that Lead Plaintiff reached with each of the Previously Settling Defendants prior to the date of this Stipulation. If such condition is not fulfilled, Lead Plaintiff shall immediately at that time – notwithstanding whether District Court Approval or Final Approval has been given to this Settlement – have the right to unilaterally terminate this Stipulation and Settlement.

Administration and Distribution of the Settlement Fund

25. 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.

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

(c) 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, or as otherwise ordered by the Court.

(d) Sullivan shall bear no responsibility for the costs, fees or expenses described in this paragraph.

27. 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.

28. 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.

29. No Authorized Claimant shall have any claim against Lead Plaintiff, Named Plaintiffs, Lead Counsel, Sullivan, 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

30. If the Court fails to enter the Preliminary Approval 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. No Party 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 and 7, relating to the Plan of Allocation and Supplemental Plan of Allocation. If any party hereto engages in a material breach of the terms hereof, any other party, 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.

31. In the event this Stipulation is terminated or cancelled or fails to become effective for any reason other than as provided in paragraph 10(c) herein, then within ten business days after written notice is sent by Lead Counsel or counsel for Sullivan 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 Sullivan into the Escrow Account pursuant to paragraph 10 hereof, shall be refunded to Sullivan, including interest accrued. Further, except in the event a court has

made a determination described in paragraph 10(c) herein, if any powers of attorney to effectuate the liquidation of the Le Lac Property have been executed pursuant to paragraph 10 hereof, such powers of attorney shall be returned, and considered null and void *ab initio*. In such event, except as set forth in paragraph 32 below, the Parties to this Stipulation shall be deemed to have reverted *nunc pro tunc* to their respective status in the Action, 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.

32. The Parties intend the transfer of the Settlement Fund to be a transfer of value in the form of Sullivan's property or interest in property, effective upon deposit into the Escrow Account or conveyance of the necessary powers of attorney to liquidate the Le Lac Property, to and/or for the benefit of the Class Members and the ERISA Class, subject to the right of Sullivan to the return of such assets as provided in paragraph 31 above. The Lead Plaintiff, the Named Plaintiffs and the Class Members, as of July 26, 2005, shall also have, in the aggregate, an undisputed, liquidated, non-contingent claim in the amount set forth in ¶ 1 of the Supplemental Stipulation; provided, however, that notwithstanding the foregoing, such claim may only be asserted if there is a Bankruptcy Triggering Event, the Plaintiffs return to Sullivan's estate the Settlement Fund, and, as also provided in ¶1 of the Supplemental Stipulation, Lead Plaintiff, Named Plaintiffs, all Class Members and their respective heirs, executors, administrators, successors and assigns, and any persons they represent, release all Released Claims against the Sullivan Releasees. It is a material condition of this Settlement that the Supplemental Stipulation shall be filed and remain under seal in this Court, provided, however, that the unsealing of the Supplemental Stipulation subsequent to the Final Approval of the Settlement by court order or for the purpose of enforcing the terms

thereof in a Bankruptcy Proceeding shall not constitute a violation of this condition. If a Bankruptcy Triggering Event occurs, Sullivan will not contend or assert as a defense to the agreed upon claim that there was no consideration provided for such claim by reason of Sullivan's failure to admit liability or wrongdoing to the claims asserted by Plaintiffs in the Action. In the event that a Bankruptcy Proceeding is commenced, Sullivan will consent to the modification of the automatic stay provisions of the Bankruptcy Code (11 U.S.C. section 362) to the extent necessary to effectuate the terms of the Stipulation of Settlement and the Supplemental Stipulation.

Miscellaneous Provisions

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

34. Sullivan has provided certain sworn financial disclosures to Lead Plaintiff. The financial disclosures have been designated and maintained as confidential, shall remain confidential, and shall be returned to counsel for Sullivan, together with all copies thereof, within 120 days after the later of (a) the Effective Date, (b) the liquidation of the Le Lac Property, or (c) the termination of this Stipulation as provided in paragraph 31 hereof.

35. It is expressly understood that the Lead Plaintiff's agreement to accept Sullivan's payment of Settlement Fund as sufficient consideration for this Stipulation and Settlement is based on the understanding that his financial condition and that of his wife Carla was as stated as of the dates of the financial statements and other financial information provided to Lead Plaintiff.

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

37. 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 Sullivan; 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 Sullivan 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.

38. 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 Sullivan Releasees 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 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 reflect a settlement that was reached voluntarily based upon adequate information and sufficient discovery and after consultation with experienced legal counsel.

39. In recognition of the understanding stated in paragraph 34 hereto, the Parties agree that the Settlement set forth herein constitutes a fair, reasonable and adequate resolution of the claims that Plaintiffs asserted against Sullivan, and that it promotes the public interest. The Parties 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, 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.

40. 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.

41. 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.

42. This Stipulation and the contemplated exhibits constitute the entire agreement among the Parties, 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.

43. 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.

44. 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.

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

46. 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.

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

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& GROSSMANN LLP
Max W. Berger
John P. Coffey
Jeffrey N. Leibell
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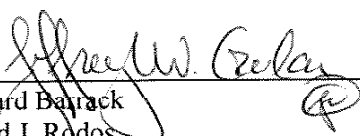
COUNSEL FOR SCOTT D. SULLIVAN

48. 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

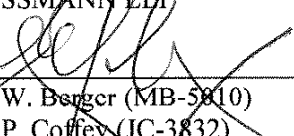
the United States District Court for the Southern District of New York, which shall retain jurisdiction over all such disputes. All parties to this Stipulation shall be subject to the jurisdiction of the United States District Court for the Southern District of New York for all purposes related to this Stipulation.

Dated: July 26, 2005

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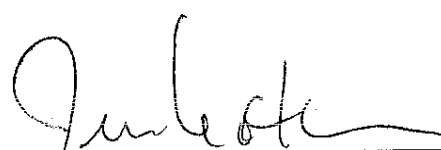
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