

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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IN RE WORLDCOM, INC. SECURITIES : MASTER FILE
LITIGATION : 02 Civ. 3288 (DLC)
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**NOTICE OF PROPOSED SETTLEMENTS OF CLASS ACTION
WITH FORMER WORLDCOM EXECUTIVE DEFENDANTS**

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

This Notice describes the settlements reached in the WorldCom securities class action litigation (the “Litigation”) with four former WorldCom executives (the “Executive Defendants”). It also describes how you can obtain further information about these settlements and, if you wish, object to the settlements. As described below, any objection must be made in writing and received by August 26, 2005.

INTRODUCTION

I. Background

On November 12, 2004, United States District Judge Denise Cote granted final approval to a settlement in the amount of \$2,575,000,000 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 four defendants associated with 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 Settlement”). That settlement was described in a Notice of Proposed Settlement of Class Action Against the Citigroup Defendants, dated August 2, ~~2004~~2004, that was mailed to Class Members.

Between March 3 and April 25, 2005, Lead Plaintiff and Additional Named Plaintiffs subsequently achieved settlements in a combined amount of \$3,553,056,840 with all remaining defendants against whom the WorldCom Securities Litigation class action (the “Litigation”) was not stayed, which included settlements reached between March 3, 2005 and April 25, 2005, for a combined amount of \$3,553,056,840. was not stayed. Those settlements were described in a Notice of Proposed Settlements of Class Action with Settling Defendants and Bar Order Notice, dated July 1, ~~2005~~2005, that was mailed to Class Members. The total amount previously recovered for the benefit of the Class, including the Citigroup Settlement, is \$6,128,056,840, plus interest.

~~Lead Plaintiff and Additional Named Plaintiffs have now reached settlements with the Defendants against whom the Litigation was stayed as a result of criminal charges being filed against them. The Defendants are: former WorldCom chief executive officer Bernard Ebbers;~~

~~former WorldCom chief financial officer Scott Sullivan; former WorldCom controller David Myers; and former WorldCom director of accounting Buford Yates. They are collectively referred to as the “WorldCom Executive Defendants.”~~

This is the Court-approved Notice of the proposed settlements with the WorldCom Executive Defendants. ~~Pursuant to the Court’s directive and the Notice of Proposed Settlements dated July 1, 2005, this~~ This Notice is being issued by sending it for publication in *The Wall Street Journal* and *The New York Times*, and over the PR Newswire and Bloomberg News, posting it on the website established for this Litigation, www.worldcomlitigation.com, and sending it by mail to each Class Member who ~~requested~~ by August 12, 2005 requests a hard copy of the Notice from the Claims Administrator, identified in Part VII below, ~~pursuant to the Notice of Proposed Settlements dated July 1, 2005. In this regard, copies of all of the Court approved notices of all the above identified settlements, which include the Plaintiffs’ proposed Plans of Allocation for the settlements, copies of the Plaintiffs’ Supplemental Plan of Allocation, and the proof of claim form for the Litigation may be obtained from the Claims Administrator, identified in Part VII below, or may be downloaded from the website established for this Litigation, www.worldcomlitigation.com~~ IX below. There will be no other mailing of this Notice to Class Members.

~~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, is August 26, 2005. The deadline for submitting an objection to the settlements with the WorldCom Executive Defendants, or the proposed plans of allocations for those settlements, which are described below, is August 26, 2005. (The deadline for submitting an objection to the previously reached settlements described in a Notice of Proposed Settlements of Class Action with Settling Defendants and Bar Order Notice, dated July 1, 2005, is August 12, 2005.)~~

III. The Class

As set forth in the Notice of Class Action, which was disseminated to Class Members pursuant to a December 11, 2003 Order of the Court, the above-captioned lawsuit has been certified by the Court as a Class Action on behalf of a class (the “Class”) consisting of all individuals 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, and who were injured thereby. 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 or other preferred securities of WorldCom in the secondary market or pursuant to a registration statement, and who were injured thereby.

Excluded from the Class are: the defendants in the Litigation, members of the families of the individual defendants in the Litigation, any entity in which any defendant in the Litigation 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 effective by the Court. A more detailed description of the Class is contained in the Notice of Settlements of Class Action With Settling Defendants and Bar Order Notice, which can be accessed or obtained from the sources identified in Part VI of this Notice.

III. The Settlements with the ~~WorldCom~~ Executive Defendants

~~From~~Between June 30, 2005 ~~through~~and July 26, 2005, after negotiations with the Executive Defendants that included their disclosure of their financial condition, Lead Plaintiff ~~and Additional Named Plaintiffs in the WorldCom Securities Litigation~~ entered into Stipulations of Settlement on behalf of the Class with each of the ~~WorldCom~~ Executive Defendants, ~~who were the only Defendants still remaining in the Litigation.~~ The settlements were reached with the ~~WorldCom~~ Executive Defendants, are as follows:

Bernard Ebbers – June 30, 2005, for \$5,556,543.69 in cash (paid to the Class on July 14, 2005), plus approximately 75% of the net proceeds from the sales of certain of Ebbers' assets and approximately 66.7% of the net proceeds from sales relating to another Ebbers' asset, the Joshua Timberlands. The Conservatively estimated, the additional, ~~conservatively estimated~~ consideration to be paid to the Class pursuant to the prospective liquidation of these assets is between \$18 million and \$28 million.

Scott Sullivan – July 26, 2005, for 90% of Sullivan's MCI 401(k) account, or approximately \$200,000 (to be paid to the Class before Sullivan is sentenced in his criminal case on August 11, 2005), plus approximately 90% of the net proceeds from the sale of the house presently under construction in the Le Lac Estate section of Boca Raton, Florida. The ~~estimated~~ consideration to be paid to the Class pursuant to the prospective sale of this property is estimated to be between ~~\$34~~ million and \$5 million.

David Myers and Buford Yates - July 26, 2005, for no monetary consideration, after Plaintiffs' extensive examination of the sworn financial statements of these Defendants confirmed their impecunious financial condition.

The settlements with Ebbers and Sullivan further included confidential protections for the Class in the event of a bankruptcy proceeding involving Ebbers or Sullivan. If the settlements are approved, bar orders will be entered preventing Class Members from asserting any claims against the Executive Defendants.

III.V. The Plans of Allocation

Lead Plaintiff and the Additional Named Plaintiffs have proposed to the Court that the proceeds of the settlements with the WorldCom Executive Defendants be allocated to members of the Class, as follows: (i) 4.774% of the Net Settlement Funds 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 Funds to claims asserted under the Securities Act of 1933 by purchasers of debt securities offered by WorldCom in May 2001; and (iii) 80% of the Net Settlement Funds to claims asserted under the Securities Exchange Act of 1934 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. These are the same percentages utilized for the proposed allocation of the proceeds from the settlement reached by Plaintiffs with the former WorldCom Director Defendants, as more fully described in the Notice of Proposed Settlements, dated July 1, 2005.

V. Lead Plaintiff's Recommendation to the Class

The Lead Plaintiff recommends these settlements with the Executive Defendants to the Class because of the inability of the Class to recover the damages it seeks from these defendants given their limited financial resources. Each of the Executive Defendants has provided a statement of financial condition to the Lead Plaintiff. In the event that they have failed to disclose assets, each of the Executive Defendants has agreed that, subject to whatever rights the U.S. Securities and Exchange Commission may have and choose to exercise, the undisclosed assets will be transferred to the Class. Based on their evaluation of these settlements with Ebbers and Sullivan, the Government agreed to forgo seeking restitution at the sentencing of Ebbers and Sullivan.

IVVI. Attorney's Fees

Lead Counsel has agreed with Lead Plaintiff that counsel will not seek any attorney's fees from these recoveries.

vVII. The Settlement Hearing

A hearing will be held on September 9, 2005, at 2:30 p.m., before the Honorable 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. At the Hearing, the Court will consider, among other matters: (i) the fairness, reasonableness and adequacy of the proposed settlements with the WorldCom Executive Defendants; and (ii) the fairness and reasonableness of the proposed Plans of Allocation for the settlements.

VI VIII. Submitting an Objection to the Settlements or Plans of Allocation

Any Class Member may appear at the Settlement Hearing and be heard on any of the foregoing matters. Provided, however, that no such person shall be heard to object to the settlements or plans of allocation, 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 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 of the Lead Counsel, identified in Part VI, below, no later than August 26, 2005, and showing due proof of such service on one of the Lead Counsel. (The deadline for submitting an objection to the previously reached settlements described in a Notice of Proposed Settlements of Class Action with Settling Defendants and Bar Order Notice, dated July 1, 2005, is August 12, 2005.)

Unless otherwise ordered by the Court, any Class Member 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.

VHIX. Obtaining Notices, Supplemental Plan of Allocation, or a Proof of Claim Form

If you believe that you are a member of the Class identified above, you may obtain copies of any of the Notices identified above, the proposed Supplemental Plan of Allocation, [the settlement agreements with the Executive Defendants](#), or a Proof of Claim form, by [downloading them from www.worldcomlitigation.com](#), or by writing to the Court-approved Administrator, as follows:

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

~~The Court appointed Lead Plaintiff in the Action is Alan G. Hevesi, Comptroller of the State of New York, as Administrative Head of the New York State and Local Retirement Systems and as sole Trustee of the New York State Common Retirement Fund. The Additional Named Plaintiffs are the Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc.~~

The Court-approved Lead Counsel for the Class are:

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~~Copies of the Notices, Supplemental Plan of Allocation and Proof of Claim are also available on the website maintained by the Lead Counsel for the Class, at www.worldcomlitigation.com.~~

Note: To receive money from the Settlements, you must be a member of the Class, satisfy the conditions of the Supplemental Plan of Allocation, as approved by the Court, and you must submit a valid Proof of Claim form by August 26, 2005. IF YOU HAVE ALREADY SUBMITTED A PROOF OF CLAIM FORM, NO FURTHER PROOF OF CLAIM FORM IS REQUIRED.

PLEASE DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT FOR INFORMATION OR ADVICE.

Dated: August __, 2005

By Order of the United States District Court
For the Southern District of New York

HONORABLE DENISE COTE
United States District Judge

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