

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE WORLDCOM, INC.  
SECURITIES LITIGATION

MASTER FILE NO.  
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 :

**SUPPLEMENTAL JOINT DECLARATION OF JEFFREY W. GOLAN AND JOHN P. COFFEY IN FURTHER SUPPORT OF LEAD PLAINTIFF'S MOTIONS FOR FINAL APPROVAL OF SETTLEMENTS WITH SETTLING DEFENDANTS, PROPOSED PLANS OF ALLOCATION, PROPOSED SUPPLEMENTAL PLAN OF ALLOCATION, AND AWARDS OF ATTORNEY'S FEES AND REIMBURSEMENT OF EXPENSES**

We, Jeffrey W. Golan of the law firm of Barrack Rodos & Bacine and John P. Coffey of the law firm of Bernstein Litowitz Berger & Grossmann LLP (collectively with our firms, "Lead Counsel"), submit this Declaration ("Supplemental Declaration") in further support of (a) final approval of the settlements ("Settlements") reached between and among Alan G. Hevesi, Comptroller of the State of New York and the sole Trustee of the New York State Common Retirement Fund ("Lead Plaintiff" or "NYSCRF"), the County of Fresno, California, Fresno County Employees Retirement Association and HGK Asset Management, Inc. (collectively, "Named Plaintiffs" and together with the NYSCRF, "Plaintiffs"), and the Settling Defendants;

(b) approval of Lead Plaintiff's proposed plans of allocation of the settlement proceeds ("Plans of Allocation"); (c) approval of Lead Plaintiff's proposed supplemental plan of allocation of the settlement proceeds ("Supplemental Plan"), with certain modifications that Lead Plaintiff and Lead Counsel propose for the Court's consideration; and (d) approval of Lead Counsel's applications for awards of attorney's fees and reimbursement of expenses. Unless otherwise indicated, the statements in this declaration are made based on our personal knowledge:

### Notices and Objections

1. More than eight-hundred thousand members of the Class had filed proof of claim forms by mid-July 2005, yet there were only ten objections by Class members in response to the Notice of Proposed Settlements of Class Action with Settling Defendants and Bar Order Notice, the Supplemental Plan of Allocation, and the Notice of Proposed Settlements with Former WorldCom Executive Defendants.

2. Attached as Exhibit A to this Supplemental Declaration is a Supplemental Affidavit of Shandarese Garr ("Garr Supp. Aff."), which demonstrates, *inter alia*, that the Executive Defendant Settlement Notice was published in accord with the Court's instruction on August 2-4, 2005.

3. One Class member, Charles Lee Thomason, served an objection only to the proof of claim form, arguing that it failed to include a place for Class members to identify WorldCom stock purchased for their benefit through a Unit Investment Trust sold by Salomon Smith Barney. After receiving Mr. Thomason's objection, Lead Counsel wrote directly to Mr. Thomason advising him that he may include the WorldCom stock purchased for his benefit, as part of a Salomon Unit Investment Trust, in the section of the proof of claim form where a claimant identifies all WorldCom stock transactions, including the back-up documentation in the

same form as was attached to Mr. Thomason's objection. Lead Counsel similarly advised the very few other Class members who inquired on this topic. A copy of Mr. Thomason's correspondence is attached hereto as Exhibit B.

4. Lead Counsel has confirmed with the claims administrator that claims of Class members like Mr. Thomason will be treated in the same manner as if the stock had been purchased directly by the claimant. Lead Counsel has also confirmed with counsel for the Citigroup Defendants that claims on behalf of Salomon Unit Investment Trust clients are not being submitted separately by Salomon. Therefore, the chance of any duplicative claims being filed in this regard has been eliminated.

5. A non-class member, Cheryl H. Silverman, wrote a letter to United States District Judge Barbara S. Jones, who presided over the Ebbers criminal trial, and Ms. Wendy Olsen-Clancy, the Victim/Witness Coordinator at the United States Attorney's Office. Ms. Silverman is not a class member, having purchased or acquired all of her WorldCom shares through the Employee Stock Purchase Plan when she was employed by MCI from 1986 through 1991. Lead Counsel wrote to Ms. Silverman, informing her why the Class in this case was limited to persons who purchased or otherwise acquired WorldCom securities during the class period, and further suggested that she contact counsel for the WorldCom ERISA class action to ascertain if she might be eligible to participate in the recovery achieved in that case. A copy of Ms. Silverman's correspondence is attached hereto as Exhibit C.

6. Counsel for the Citigroup Defendants have informed Lead Counsel that Objector W. Caffey Norman, III ("Norman") had just one purchase and sale of WorldCom stock in his GPM account; that the sale occurred in December 1999; and that Norman lost \$894 in connection with this single purchase and sale of WorldCom stock.

7. Objector Richard F. Reynolds is the plaintiff in another case that is currently being appealed from the dismissal of the complaint by the United States Bankruptcy Court, Southern District of New York. Reynolds' Complaint in that action is attached hereto as Exhibit D.

The Modifications to the Supplemental Plan of Allocation Being Proposed by Lead Plaintiff and Lead Counsel for the Court's Consideration

8. Lead Plaintiff and Lead Counsel believe that the Supplemental Plan as originally proposed is fair and reasonable, and accurately reflected the governing law of loss causation. Nevertheless, for reasons stated herein and in the Reply Memorandum being filed concurrently herewith, Lead Plaintiff and Lead Counsel propose for the Court's consideration modifications to the Supplemental Plan that would allow all Class members who filed timely and valid proof of claim to participate in some manner in the distribution of the Settlement Funds.

9. The Supplemental Plan ¶ 17 provided

**No Recovery for WorldCom Securities Sold or Redeemed On or Before January 28, 2002.** For any WorldCom Security that was sold or redeemed on or before January 28, 2002, the Recognized Amount is \$0. Only investors who can show their loss was caused by the defendants' alleged misrepresentations or material omissions are entitled to recover in a federal securities law case. Here, the first alleged partial disclosure of the prior misrepresentations in WorldCom's financial statements occurred on January 29, 2002. Therefore, the first decline in the price of WorldCom Securities that could be said to be caused by public disclosure of the misrepresentations was a decline on and after January 29, 2002. As a result, investors who purchased WorldCom Securities during the Class Period but sold those securities before January 29, 2002, are not entitled as a matter of law to collect damages. It is for this reason that this Supplemental Plan of Allocation provides that investors who sold their WorldCom Securities before January 29, 2002 do not have a claim compensable from the Settlement Funds.

10. In light of the several objections that the Supplemental Plan should have allocated some of the Settlement Funds to Class members who sold before January 29, 2002 (the first partial corrective disclosure that, in Lead Plaintiff's view, affected the market price of

WorldCom Securities), Lead Plaintiff and Lead Counsel propose for the Court's consideration an alternative that Lead Plaintiff and Lead Counsel believe is also fair and reasonable, and that would allow each Class member who timely filed a valid proof of claim form to participate in some manner in the distribution of the Settlement Funds. As a result, Lead Plaintiff and Lead Counsel propose for the Court's consideration a modification to the Supplemental Plan for Class members who sold their WorldCom Securities before January 29, 2002 that would allow such Class members to participate in the distribution of the Settlement Funds, with their Recognized Amount for WorldCom Securities sold before January 29, 2002 being calculated at 10% of the Recognized Amount otherwise calculated based on their dates of purchases.

11. This proposed modification of the Supplemental Plan recognizes that: (a) Class members who sold their WorldCom Securities before January 29, 2002, may have formed an expectation that their claims would be compensated in some manner through the Supplemental Plan; (b) the claims of these Class members had not been actually dismissed by the time of the Settlements and there is a remote possibility that these Class members could point to another statement, made during the Class Period, that arguably could have been seen as a partial disclosure prior to January 29, 2002; (c) the claims of these Class members have a significantly greater risk than claims of Class members who sold and/or retained their WorldCom Securities after the date of the first partial disclosure; (d) these Class members sold their WorldCom Securities at higher prices than those who sold and/or retained their shares after January 29, 2002; and (e) these Class members sold their WorldCom Securities at times when the artificial inflation in the market prices of WorldCom Securities was increasing, and that inflation had not been diminished in any way by the market reactions to the disclosures asserted by Plaintiffs on and after January 29, 2002.

12. The second proposed modification relates to claims of Class members who purchased or otherwise acquired Intermedia 13.5% preferred stock (Series B) during the Class Period (and after July 1, 2002, when WorldCom acquired Intermedia). Lead Plaintiff and its consultant, Stanford Consulting Group, had considered Intermedia 13.5% preferred stock in the formulation of the Supplemental Plan, but were not able to locate reliable, sufficient information about its trading practices.

13. Upon review of certain additional information, including documents provided by Cerberus Partners, L.P., and further consultation with Stanford Consulting, Lead Plaintiff and Lead Counsel now propose to the Court that purchases of Intermedia 13.5% preferred stock after July 1, 2001 be compensation through the Supplemental Plan.

14. The modification would impact Paragraphs 1 and 22 of the Supplemental Plan, and would provide that Recognized Amounts be calculated for purchases of Intermedia 13.5% preferred stock utilizing the same methodology as was utilized by Stanford Consulting to calculate the charts that are currently in the Supplemental Plan for Intermedia preferred stock Series D, E and F (Charts E-1, E-2 and E-3). If such a modification is approved by the Court, the precise chart would also be tailored to account for trading data that is both available and reliable for the Intermedia 13.5% (Series B) preferred stock, so that the resulting chart accurately reflects the Security-specific price inflation.

15. Lead Plaintiff and Lead Counsel believe that the Supplemental Plan, with the modifications proposed for the Court's consideration, like the original Supplemental Plan, is fair and reasonable to all Class members.


Additional Time, Lodestar and Expenses

16. Lead Counsel has continued to expend a considerable amount of time in this litigation. During the months of July and August 2005, among other things, Lead Counsel continued to prepare and filed the initial motion papers in support of the Settlements, Plans of Allocation and Supplemental Plan of Allocation, continued to prepare and filed Lead Plaintiff's consolidated brief in response to the briefs filed by appellants with respect to orders entered with respect to the Citigroup Settlement, continued to negotiate and documented the settlements with the Executive Defendants and the notice of those settlements, prepared the present documents in further support of the Settlements, Plans of Allocation and Supplemental Plan of Allocation, responded to Class member inquiries, and other matters relating to the Executive Settlements. During the months of July and August 2005, Lead Counsel expended over 1,800 hours, and incurred an additional lodestar of more than \$650,000.

17. Lead Plaintiff has reviewed and approved the submission of the Invoices of The Garden City Group (Exhibit E hereto) for reimbursement, pursuant to the Notice dated July 1, 2005, and has approved the request that the Court grant the payment of \$2,970,589.17 being requested on behalf of The Garden City Group.

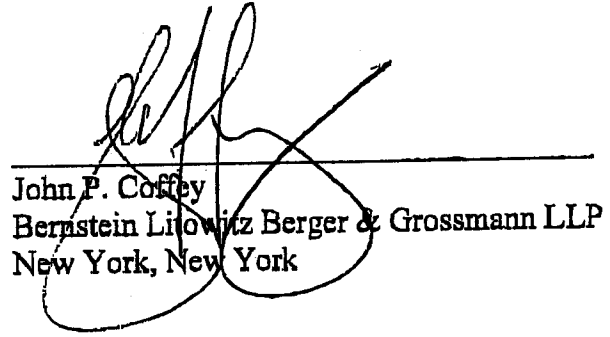
18. Lead Plaintiff has further reviewed and approved the submission of certain additional expenses that have been billed by vendors to Lead Counsel, and has approved the request that the Court grant the payment of an additional \$14,003.45 as reimbursement to Lead Counsel.

Dated: September 1, 2005



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Jeffrey W. Golan  
Barrack Rodos & Bacine  
Philadelphia, Pennsylvania



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John P. Coffey  
Bernstein Litowitz Berger & Grossmann LLP  
New York, New York



**EXHIBITS TO SUPPLEMENTAL JOINT DECLARATION OF  
JEFFREY W. GOLAN AND JOHN P. COFFEY**

- Exhibit A      Supplemental Affidavit of Shandarese Garr, dated August 31, 2005 (with Exhibits A – E attached)
- Exhibit B      Correspondence with Mr. Charles Lee Thomason
- Exhibit C      Correspondence with Ms. Cheryl H. Silverman
- Exhibit D      Complaint of Richard F. Reynolds
- Exhibit E      Revised Invoice No. 02615, dated August 30, 2005, The Garden City Group (with Exhibit A and Invoice No. 02286 attached)