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September 8, 2005

By Hand

The Honorable Denise Cote
United States District Court
Southern District of New York
500 Pearl Street, Room 1040
New York, New York 10007

Re: In re WorldCom, Inc. Securities Litigation, Master File No. 02 Civ. 3288 (DLC)

Dear Judge Cote:

On behalf of Lead Plaintiff New York State Common Retirement Fund and Co-Lead Counsel Barrack, Rodos & Bacine, I write to apprise the Court of developments regarding the Trust to be established for the purpose of liquidating certain assets of defendant Bernard Ebbers ("Trust Assets"), as contemplated by the Stipulation of Settlement dated July 6, 2005.

As the Court will recall, the Preliminary Approval Order of July 11 ("PAO") directed Lead Plaintiff to coordinate with MCI to, among other things, draft the Trust Agreement, establish the Trust, and retain the Trustee. PAO ¶4. (For the convenience of the Court and those who may view this letter on the litigation website, we enclose a copy of the PAO as Exhibit A.) After coordinating with MCI and its counsel on a form of Request for Proposal ("RFP"), Lead Plaintiff distributed the RFP to sixteen potential trustees identified by Lead Plaintiff and MCI. The RFP required candidates to provide written responses by August 12. Supplemental information was provided to all candidates on August 9, 10 and 12. Thirteen proposals were received on August 12. After review of the submissions and internal discussions, Lead Plaintiff and MCI selected five finalists for interviews. The interviews were jointly conducted by Lead Plaintiff and MCI and their respective counsel on August 17. After post-interview evaluation and discussion, Lead Plaintiff and MCI selected Development Specialists, Inc. ("DSI") to serve as Trustee. Lead Plaintiff and MCI are in the process of negotiating the terms of a Trust Agreement with DSI so that DSI may commence the marketing and sale of Trust Assets pursuant to PAO ¶4.

Consistent with PAO ¶4, Lead Plaintiff and MCI expect to enter into an agreement with DSI that, among other things, provides for compensation to DSI as Trustee at a flat monthly fee

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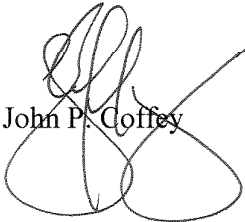


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September 8, 2005
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of \$25,000 per month for each of the first four months of services, and \$10,000 per month for each month of services thereafter. In addition to the monthly flat fee, DSI will receive a percentage of the net recoveries it obtains for the Trust (the range is 2.5% to 5%) from the disposition or collection of Trust Assets. DSI also shall be entitled to reimbursement of reasonable and customary expenses, including those incurred for the retention of third-party consultants and agents (*e.g.*, attorneys, accountants, brokers, appraisers, etc.) as needed. These expenses, including the retention of third parties, are subject to the approval of Lead Plaintiff and MCI; so too are the prices and terms at which the various Trust Assets are to be sold.

We believe that the “retain the Trustee” provision of PAO ¶4 delegates to Lead Plaintiff the authority (with MCI) to negotiate the terms by which the Trustee will be compensated and reimbursed for expenses. Nonetheless, we believe it prudent to seek confirmation at the September 9 fairness hearing that such terms are acceptable to the Court. We will also seek confirmation at the fairness hearing that, pursuant to PAO ¶4, Lead Plaintiff (in conjunction with MCI) has the authority to approve sales of individual Trust Assets without burdening the Court on an asset by asset basis.

Respectfully submitted,



John P. Coffey

Attachment
cc (by email, w/ att): All Counsel
www.worldcomlitigation.com

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 :

~~PROPOSED~~
**PRELIMINARY APPROVAL ORDER REGARDING
SETTLEMENT WITH BERNARD J. EBBERS**

DENISE COTE, District Judge

WHEREAS:

A. 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 Additional Named Plaintiffs, Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc., and the Class (collectively, "Plaintiffs"), and (ii) Defendant Bernard J. Ebbers ("Ebbers") (collectively with Plaintiffs, the "Parties") have entered into a settlement (the "Settlement") of the claims asserted against

Ebbers in the class actions consolidated in the above-captioned action (the "Action"), the terms of which are set forth in a Stipulation of Settlement, dated July 6, 2005 (the "Stipulation");

B. Lead Plaintiff and Ebbers have moved, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, for an Order preliminarily approving the Settlement; and

C. The Court having read and considered the Stipulation and the proposed form of Judgment, and finding that substantial and sufficient grounds exist for entering this Order;

IT IS HEREBY ORDERED:

1. For purposes of this Order, the Court adopts all defined terms as set forth in the Stipulation.

2. The Court preliminarily approves the Settlement, as reflected in the Stipulation, as being fair, just, reasonable and adequate, pending a final hearing on the Settlement.

3. The Certain Cash Assets shall be deposited into the Escrow Account within three business days after entry of this Preliminary Approval Order, which cash shall be deemed to be held in *custodia legis*.

4. Lead Plaintiff shall coordinate with MCI to draft the Trust Agreement, establish the Trust, retain the Trustee, obtain the authorizations, consents, and approvals necessary or appropriate to effectuate the transfer of the Trust Assets, and commence the marketing and sale of Trust Assets.

5. The cash in the two accounts of BJE Enterprises, LLC (approximate amount: \$173,000) shall promptly be deposited into an account established for the operation of the Trust.

6. Pursuant to the Stipulation, Lead Counsel may utilize up to \$100,000 out of the Settlement Fund to fund the Notice and Administration Fund to assist in paying certain expenses incurred by Lead Counsel pursuant to the Stipulation in connection with this Settlement.

7. Institution or prosecution of any action or claim that is subject to the release, dismissal or bar provisions contemplated by the Settlement, including without limitation the provisions of paragraphs 5 and 23 of the Stipulation, is hereby enjoined pending further order of the Court.

8. Prosecution by any Previously Settling Defendants of any action or claim for contractual or other indemnity or contribution against the Ebbers Releasees, arising out of or related to the claims or allegations asserted by Plaintiffs in the Litigation, 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, is hereby enjoined pending further order of the Court. Provided, however, that the injunction stated in this paragraph shall not apply to claims that may be asserted by Previously Settling Defendants in cases of persons who timely opted out of the Class and did not submit a valid request to revoke the prior request for exclusion as allowed by the Court.

9. Prosecution by Ebbers of any action or claim for contractual or other indemnity or contribution against the Previously Settling Defendants, 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, is hereby enjoined pending further order of the Court. Provided, however, that the injunction stated in this paragraph shall not apply to claims that may be asserted by Ebbers in cases of persons who timely opted out of the Class and did not submit a valid request to revoke the prior request for exclusion as allowed by the Court.

10. Subject to final approval of the Settlement, the Previously Settling Defendants shall be entitled to judgment credit in an amount that is the greater of the amount allocated in the Settlement of claims for which a Previously Settling Defendant may be found liable for common damages or, for each such claim, the proportionate share of Ebbers' fault as proven at trial.

11. Nothing herein shall prohibit a Previously Settling Defendant from pursuing defenses in the Litigation based on the alleged responsibility of Ebbers.

12. The hearing to address the fairness and adequacy of the Settlement shall occur on September 9, 2005, at 2:30 p.m., and the procedures for objecting to the Settlement shall be as set forth in the Hearing Order dated June 14, 2005 (the "June 14, 2005 Hearing Order"). As set forth in paragraph 5 of the June 14, 2005 Hearing Order, no further notice shall be mailed to Class Members, as this Settlement will not materially increase the settlement funds recovered to date, and the cost of further mailing, which would be the fourth to the Class, would be disproportionately high in comparison to the amount of the Settlement. Notice of this Settlement shall be provided by posting ^{fa}

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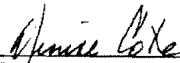
*on a date yet
to be determined*

description of the Settlement on the web site maintained by Lead Counsel, at www.worldcomlitigation.com, and by publishing a summary notice in *The Wall Street Journal* and *The New York Times*, and over the PR Newswire. As set forth in paragraph 40 of the previously disseminated Notice of Proposed Settlements of Class Action with Settling Defendants and Bar Order, a Class Member may request a personal copy of such notice of settlement by mailing a request to the Administrator postmarked no later than August 12, 2005 at the following address:

WorldCom, Inc. Securities Litigation
Administrator
The Garden City Group, Inc.
Claims Administrator
P.O. 9000 #6247
Merrick, NY 11566-9000

SO ORDERED:

Dated: New York, New York
July 11, 2005



DENISE COTE
United States District Judge