

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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This Document Relates to: :   
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ALL ACTIONS :   
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**ORDER APPROVING THE MODIFIED  
SUPPLEMENTAL PLAN OF ALLOCATION**

DENISE COTE, District Judge

On this \_\_\_ day of \_\_\_\_\_, 2005, a hearing having been held before this Court to consider: (1) Lead Plaintiff’s Proposed Supplemental Plan of Allocation (the “Supplemental Plan”) for the distribution of the Net Settlement Funds established as a result of the recoveries achieved by Lead Plaintiff and the Named Plaintiffs, on behalf of the Class, in this Litigation; (2) objections raised by members of the Class to the Supplemental Plan; (3) certain modifications to the Supplemental Plan proposed by Lead Plaintiff for the Court’s consideration; and (4) the fairness and reasonableness of the Supplemental Plan to the Class Members;

And it appearing that (a) a notice of the hearing and a copy of the Supplemental Plan, in the forms approved by the Court, were mailed to all persons and entities who filed a proof of claim form for distribution of the Net Settlement Funds, (b) a notice of the hearing and a Summary of the Supplemental Plan, in the forms approved by the Court, were mailed to all other persons and entities who were reasonably identifiable as persons who may have purchased or otherwise acquired publicly traded securities of WorldCom, Inc., including WorldCom stock and publicly traded bonds, during the Class Period, except those persons and entities excluded from the definition of the Class, as shown by the records of WorldCom and as further identified

through the mailing of the Notice of Class Action dated December 11, 2003, and the Summary Notice of Class Action, and through the mailing of the Notice of Proposed Settlement dated August 2, 2004, and the Summary Notice of Proposed Settlement, pursuant to earlier orders of the Court, at the respective addresses set forth in such records;

And it appearing that a summary notice of the hearing substantially in the form approved by the Court was published in *The Wall Street Journal*, *The New York Times* and over the *PR Newswire* as well as the *Bloomberg News* pursuant to the specifications of the Court;

And it being the case that the Supplemental Plan notified Class Members that the Court reserved the right to modify the Supplemental Plan without further notice to Class Members;

And the Court, having considered all matters submitted to it at the hearing and otherwise having determined the fairness and reasonableness of the Plan;

And, it appearing that: (a) the Supplemental Plan with the proposed modifications is supported by Lead Plaintiff and the Named Plaintiffs; (b) the Supplemental Plan with the proposed modifications is fully supported by documents and affidavits showing the reasonableness of the Plan and its fairness and reasonableness to the Class Members; (c) the Supplemental Plan with the proposed modifications is reasonable considering the statutory bases for the claims in the Litigation; (d) the Supplemental Plan with the proposed modifications is further reasonable considering the damages potentially recoverable with respect to such claims, the law governing loss causation, the 90-day lookback provision of the Private Securities Litigation Reform Act of 1995, and the cumulative increase during the course of the Class Period of the overstatements of earnings in WorldCom's financial statements; (e) the Supplemental Plan was developed with the assistance of Lead Plaintiff's damages expert based on the reported prices of publicly-traded securities of WorldCom and reasonable assumptions pertaining to the artificial inflation in the prices of those publicly-traded securities during the Class Period; and (f)

the Supplemental Plan with the proposed modifications adequately takes into account the objections raised by certain Class Members to the Supplemental Plan as originally submitted,

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The proposed Supplemental Plan of Allocation, with the modifications proposed by Lead Plaintiff for the Court's consideration, is APPROVED. As such, the Supplemental Plan is approved with the following modifications:

- a. Paragraph 1 of the Supplemental Plan is modified in two respects: (a) claims relating to Intermedia Communications, Inc. 13.5% Series B Redeemable Exchangeable Preferred Stock due 2009 ("Intermedia 13.5% Preferred stock") shall also be allowed; and (b) the phrase "(ii) held such WorldCom Securities through January 28, 2002," is deleted.
- b. Paragraph 17 of the Supplemental Plan is modified to state, as follows:

**"17. Limited Recovery for WorldCom Securities Sold or Redeemed on or Before January 28, 2002.** Investors who purchased or acquired WorldCom Securities during the Class Period and sold or redeemed them prior to January 29, 2002, and suffered a loss, will be able to receive some recovery in these settlements. However, only a small portion of any such loss in the prices of those Securities will be compensated in light of the facts that (a) the risk of proving that any decline in the price of such Securities was attributable to and caused by the acts of Defendants is so significant, (b) the prices that such investors were able to obtain in the sale of such Securities exceeded the prices that investors were able to obtain in the sale of similar Securities on and after January 29, 2002, and (c) the inflation in the market prices of WorldCom Securities, as determined by Lead Plaintiff's expert, was increasing from the start of the Class Period through January 28, 2002 and, therefore, such investors sold their WorldCom Securities when the inflation allegedly attributable to Defendants' acts was greater than the inflation at the time of such Class Members' purchases of WorldCom Securities.

The methodology for determining the Recognized Amounts for each WorldCom Security which was held as of June 25, 2002, the last day of the Class Period or sold or redeemed during the period January 29, 2002 through June 25, 2002 is set forth in paragraphs 18-25 of the Supplemental Plan. For those WorldCom Securities which were sold or redeemed on or before January 28, 2002, the Recognized Amounts for each such WorldCom Security shall be 10% of the Recognized Amount that would be calculated for each such Security if it had been sold during the period January 29, 2002 through June 25, 2002."

- c. Paragraphs 18(b)(ii) and 19(b)(ii) are modified to provide that for Notes redeemed pursuant to WorldCom’s plan of reorganization, the aggregate value of consideration received was equivalent to \$302 per \$1,000 face amount, which will be used to represent the “sale price” at redemption.
- d. Paragraph 22 is modified to allow for claims to be submitted by purchasers of Intermedia 13.5% Preferred Stock (Series B). The claims of such Class Members are to be calculated according to the following formula, which is the formula that was utilized as the basis for Charts C-1, C-2 and C-3 for the Intermedia Series D, E and F Preferred stock in the original Supplemental Plan:

| <b>From</b>      | <b>To</b>        | <b>Percentage of Purchase Price</b> |
|------------------|------------------|-------------------------------------|
| July 2, 2001     | July 25, 2001    | 69.4%                               |
| July 26, 2001    | October 24, 2001 | 76.2%                               |
| October 25, 2001 | January 25, 2002 | 83.5%                               |
| January 26, 2001 | June 25, 2002    | 91.5%                               |

Lead Plaintiff is authorized and directed to utilize the Plan, as approved with the modifications stated herein (the “Approved Plan”), as the basis for calculating the Proofs of Claim submitted by Class Members in connection with the Settlements in this Litigation in accordance with the Plans of Allocation, as approved by the Court.

2. The Court hereby finds and concludes that the Approved Plan is fair and reasonable to Members of the Class. Upon satisfaction of all conditions to the Settlements and subject to the provisions of the Plans of Allocation, as approved by the Court, the proceeds of the recoveries achieved in this Litigation shall be distributed to Class Members, as follows:

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

- d. To pay the reasonable costs incurred in the preparation of any tax returns required to be filed on behalf of the Settlement Funds as well as the taxes (and any interest and penalties determined to be due thereon) owed by reason of the earnings of the Settlement Funds, including taxes and tax expenses; and
- e. Subject to final approval by the Court of the Plans of Allocation and Approved Plan (which means that the Orders granting approval have been (i) affirmed on appeal or certiorari, or (ii) are no longer subject to review by appeal or certiorari, and the time for any petition for rehearing, appeal or review by appeal or certiorari has expired), the balance of the Settlement Funds (the “Net Settlement Funds”), shall be distributed in accordance with the Plans of Allocation and the Approved Plan to Class Members who submitted valid, timely Proofs of Claim. There shall be no distribution to any Class Member until after such final Court approval has been obtained.

3. The finality of the Judgments entered with respect to the Settlements between Lead Plaintiff and the Settling Defendants shall not be affected in any manner by this Order, or any appeal from this Order approving the Approved Plan. Further, there shall be no distribution of any of the Settlement Amounts to any Class Member until this Order – and the Orders with respect to the Plans of Allocation – become final, and are either affirmed on appeal and/or are no longer subject to review by appeal or certiorari, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.

4. The notice described herein provided the best notice practicable under the circumstances. Said notice provided due and adequate notice of these proceedings and the matters set forth therein, including the Supplemental Plan, to all persons entitled to such notice, and said notice fully satisfied the requirements of Rule 23 of the Federal Rules of Civil Procedure and the requirements of due process.

5. This Order and the changes to the Supplemental Plan shall be immediate posted on the website maintained by Lead Counsel for this case, [www.worldcomlitigation.com](http://www.worldcomlitigation.com). This additional notice is satisfactory to notify the Class of the Court’s approval of the Supplemental Plan with the modifications stated in this Order. The Court further directs that Class Members

who may have failed to submit Proof of Claim forms by the submission deadline of August 26, 2005, on the basis that the Supplemental Plan did not provide for any distribution of the Settlement Funds to investors who sold their WorldCom Securities before January 29, 2002, or to investors with claims relating to Intermedia 13.5% Preferred stock, may within 45 days of this Order petition the Court to allow a late-filed Proof of Claim form to be submitted to the Administrator. The Court further directs that Lead Counsel shall notify Class members, through the case website, of the foregoing provision of this Order. In all other respects, the Court finds that in light of the prior notice given, including that the Court reserved the right to modify the Supplemental Plan without further notice to the Class, and that Class Members had the opportunity to submit Proof of Claim forms from the time they were issued on August 2, 2004 through August 26, 2005 (including the fact that the original deadline for submission of Proof of Claim forms was March 4, 2005, which was extended by Hearing Order of June 14, 2005), that no further notice is necessary or desirable, and that the notice provided to Class Members was in accord with Rule 23 and due process requirements.

6. There is no just reason for delay in the entry of this Order Approving The Modified Supplemental Plan of Allocation, and immediate entry of this Order by the Clerk of the Court is expressly directed pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

SO ORDERED:

Dated: New York, New York  
September \_\_\_\_, 2005

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DENISE COTE  
United States District Judge