

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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IN RE WORLDCOM, INC. SECURITIES
LITIGATION
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MASTER FILE
02 Civ. 3288 (DLC)

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION
AGAINST THE CITIGROUP 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

A \$2.65 BILLION PARTIAL SETTLEMENT HAS BEEN REACHED IN THIS CLASS ACTION. IF YOU ARE A MEMBER OF THE CLASS AND WISH TO RECEIVE MONEY FROM THIS SETTLEMENT, AND ANY OTHER RECOVERIES THAT LEAD PLAINTIFF MAY OBTAIN FOR THE CLASS EITHER BY FUTURE SETTLEMENTS OR THROUGH TRIAL, YOU MUST SUBMIT THE ATTACHED PROOF OF CLAIM AND RELEASE FORM BY MARCH 4, 2005.

THIS NOTICE MAY AFFECT YOUR RIGHTS.
PLEASE READ THIS ENTIRE NOTICE CAREFULLY.

STATEMENT OF PLAINTIFFS' RECOVERY: Lead Plaintiff, Alan G. Hevesi, Comptroller of the State of New York and sole Trustee of the New York State Common Retirement Fund ("Lead Plaintiff" or the "NYSCRF"), and the Additional Named Plaintiffs, Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc. (together with the NYSCRF, "Plaintiffs"), have entered into a proposed settlement with Defendants Citigroup Inc., Citigroup Global Markets Inc., formerly known as Salomon Smith Barney Inc., Citigroup Global Markets Limited, formerly known as Salomon Brothers International Limited, and Jack B. Grubman (the "Citigroup Defendants") (together with Plaintiffs, the "Parties") that will resolve all claims of the Plaintiffs and Class Members against the Citigroup Defendants in the action filed by Lead Plaintiff on behalf of the Class under Master File No. 02-Civ. 3288 (DLC) (the "Action").

The Settlement will create a settlement fund (the "Settlement Fund") of Two Billion Six Hundred and Fifty Million dollars (\$2,650,000,000) in cash, plus interest, with a potential reduction in the event of certain occurrences as described in this Notice. The average recovery per security will depend on when Class Members purchased and sold publicly traded securities of WorldCom, Inc. ("WorldCom"), including common stock and publicly traded debt securities, and the allocation of the Settlement Fund as more fully described below in paragraph 22 of this Notice. According to Lead Plaintiff, each share of WorldCom common stock, and each WorldCom publicly traded debt security, purchased or acquired during the Class Period was affected, to varying degrees, by the alleged securities violations. The Plaintiffs' damages consultant calculates that, of the 2.96 billion shares outstanding, approximately 2.49 billion shares of WorldCom common stock were capable of being traded during the Class Period. Further, there were approximately \$15.3 billion worth of bonds issued by WorldCom in May 2000 and May 2001 bond offerings and still outstanding at the end of the Class Period. The average recovery per share is \$0.48, calculated based on the amount of the Settlement Fund allocated to the claims asserted on behalf of the class under the Securities Exchange Act of 1934 and the number of shares of WorldCom common stock that were capable of being traded as described in this paragraph. The average recovery per \$1000 face amount of the bonds issued in May 2000 and May 2001 is \$95.26, calculated based on the amount of the Settlement Fund allocated to the claims of purchasers of those bonds and the total amount of bonds issued by WorldCom in May 2000 and May 2001 and still outstanding at the end of the Class Period. Some Class Members may recover more or less than these amounts depending on, among other factors, when their shares and bonds were purchased or sold.

Note, however, that this is only a partial settlement, and that Plaintiffs are continuing to pursue claims of the Class against all non-settling Defendants.

STATEMENT OF POTENTIAL OUTCOME: The Parties disagree on both liability and damages and do not agree on the average amount of damages per share or bond that would be recoverable if Plaintiffs were to have prevailed on each

claim alleged against the Citigroup Defendants. The issues on which the Parties disagree include: (a) whether the statements made or facts allegedly omitted were materially false or misleading, or otherwise actionable under the federal securities laws; (b) the appropriate economic models for determining the amounts by which WorldCom common stock and bonds were allegedly artificially inflated (if at all) during the Class Period; (c) the amounts by which WorldCom common stock and bonds were allegedly artificially inflated (if at all) during the Class Period; (d) the effect of various market forces influencing the trading prices of WorldCom common stock and bonds at various times during the Class Period; (e) the extent to which external factors, such as general market and industry conditions, influenced the trading prices of WorldCom common stock and bonds at various times during the Class Period; (f) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading prices of WorldCom common stock and bonds at various times during the Class Period; (g) whether defendants' research reports had a good faith basis or were knowingly false; (h) whether a Class should have been certified; (i) whether the Citigroup Defendants conducted appropriate due diligence in connection with the May 2000 and May 2001 bond offerings; and (j) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading prices of WorldCom common stock and bonds at various times during the Class Period.

For purchasers of bonds issued by WorldCom in the offerings of May 2000 and May 2001 (the "Offerings"), Plaintiffs estimate that, if Class Members prevailed on all of their claims against the Citigroup Defendants, the reasonable damages with respect to the Citigroup Defendants could be approximately \$3.7 billion, plus interest, for claims of purchasers of bonds issued in the Offerings. This amount could increase or decrease significantly using different assumptions and methodologies. However, there is a risk that Class Members may not have recovered the maximum amount in light of (i) liability defenses of the Citigroup Defendants; and (ii) challenges to Lead Plaintiff's damages calculation. The Citigroup Defendants deny that they are liable to the Plaintiffs or the Class on their claims relating to the Offerings and deny that Plaintiffs or the Class have suffered any damages relating to the Offerings.

For purchasers during the Class Period of (a) WorldCom stock and (b) publicly traded notes issued by WorldCom before the start of the Class Period ("pre-existing bonds"), Plaintiffs estimate that, if Class Members prevailed on all of their claims against the Citigroup Defendants, the reasonable damages could be tens of billions of dollars for claims of purchasers of stock and pre-existing bonds. The amount would increase or decrease significantly using different assumptions and methodologies. However, there is also a significant risk that Class Members may not have recovered the maximum amount in light of (i) liability defenses of the Citigroup Defendants; (ii) challenges to Lead Plaintiff's damages calculation; (iii) defenses relating to the amount of damages attributable to the Citigroup Defendants; (iv) challenges relating to whether Plaintiffs could prove that the actions of the Citigroup Defendants were the cause of the decline in WorldCom's stock price or the losses of Class Members; and (v) challenges relating to the proportionate fault of others compared to that of the Citigroup Defendants. The Citigroup Defendants deny that they are liable to the Plaintiffs or the Class on their claims relating to WorldCom common stock and deny that Plaintiffs or the Class have suffered any damages relating to their investments in WorldCom common stock.

STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT: Lead Counsel will make an application to the Court for an award of attorneys' fees in connection with this Settlement. That application shall not be in excess of \$144.5 million, which constitutes 5.45% of the Settlement Fund, or in an amount not to exceed approximately \$0.026 per share and \$5.19 per \$1000 face amount of each bond from the Settlement, calculated based on the number of shares that were capable of being traded as described above, the total amount of bonds issued by WorldCom in May 2000 and May 2001 and still outstanding at the end of the Class Period, and the Plan of Allocation described in paragraph 22 below. The amount applied for adheres to the retainer agreement entered into between Lead Plaintiff and Lead Counsel on July 30, 2003, which was referred to in the Notice of Class Action, dated December 11, 2003, previously approved by the Court. The retainer agreement is, and has been, accessible on the web site established by Lead Counsel for this Action, www.worldcomlitigation.com. The fee sought is well below the 20-33% that is customarily sought in federal securities law class actions. Lead Counsel also will apply for payment of out-of-pocket costs and expenses incurred in prosecuting the Class's claims, including fees of Lead Plaintiff's consultants, damages, accounting and other experts, and administrator, in a total amount not to exceed \$16 million, or \$0.003 per share and \$0.57 per \$1000 face amount of each bond, utilizing the method described above, and a payment for anticipated expenses in further prosecution of the case against the Non-Settling Defendants, in the amount of \$10 million. In addition, Lead Counsel will apply for the costs of administering the Settlement, providing notice to the Class and evaluating Proofs of Claim ("Administrative Expenses"). These expenses cannot be estimated at this time.

IDENTIFICATION OF ATTORNEYS' REPRESENTATIVES: Lead Counsel are available to answer questions from Class Members concerning any matter contained in this Notice:

Leonard Barrack, Esq.
Jeffrey W. Golan, Esq.
Leslie B. Molder, Esq.
Barrack, Rodos & Bacine
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103
(215) 963-0600
Email: info@worldcomlitigation.com

Max W. Berger, Esq.
John P. Coffey, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019
(212) 554-1400
Email: info@worldcomlitigation.com

REASONS FOR THE SETTLEMENT: A full statement of the reasons for the Settlements is set forth below in paragraphs 18-21 of this Notice. In summary, Lead Plaintiff and the Named Plaintiffs believe that the Settlement is fair, reasonable and in the best interests of the Class considering the amount of the Settlement, the percentage of damages recovered, the immediacy of recovery to the Class, the defenses asserted by the Citigroup Defendants in the Action and, with respect to claims based on research reports, the appeal of the Class certification ruling, and the claims remaining in the case against the Non-Settling Defendants. Plaintiffs further recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against the Citigroup Defendants through trial and appeals, and have also considered the uncertain outcome and the risk of any further litigation, especially in a complex action such as this Action, as well as the difficulties inherent in any such litigation. Plaintiffs are also mindful of the inherent problems of proof and possible defenses to the federal securities law violations asserted against the Citigroup Defendants.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO A PROPOSED PARTIAL SETTLEMENT OF THIS CLASS ACTION AND, IF YOU ARE A CLASS MEMBER, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENT.

PURPOSE OF THIS NOTICE; HEARING

1. You already should have received or seen a "Notice of Class Action," dated December 11, 2003 (the "Notice of Class Action"). Reference should be made to this Notice of Class Action for a fuller description of the Class, the Parties and the nature of the Action. If you did not receive or view a Notice of Class Action, or if you would like another copy, please call the toll free number listed below in paragraph 44, or view the Notice of Class Action on the website, www.worldcomlitigation.com.

2. In summary,

a. The Class certified by the Court by Order dated October 24, 2003 is: 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"), and who were injured thereby. The Class consists of all persons who purchased or otherwise acquired publicly traded securities of WorldCom, Inc. ("WorldCom"), during the Class Period, 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. 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 of WorldCom in the secondary market or pursuant to a registration statement, and who were injured thereby. The exclusion of "any entity in which any defendant in the Action has a controlling interest" means that any such entity is excluded from the Class to the extent that the entity 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.

b. Pursuant to the Notice of Class Action, members of the Class had the right to opt out of the Class only by written request postmarked on or before February 20, 2004. However, by Order of the United States Court of Appeals for the Second Circuit (the "Court of Appeals"), the deadline for Class Members to request exclusion from the Class was extended to a date to be fixed by further order of the Court. That deadline has now been set as September 1, 2004. Members of the Class may obtain a copy of the Notice of Class Action, dated December 11, 2003, as well as the Request for Exclusion from the Class form, by writing to the Administrator identified in paragraph 44 below, or on the website maintained by the Lead Counsel for the Class, at www.worldcomlitigation.com, or by sending an e-mail request for the Notice to: info@worldcomlitigation.com. As used in this Notice, "Class Members" means those members of the Class who did not or do not timely submit a proper request for exclusion, as provided in the Notice of Class Action dated December 11, 2003, but extended to September 1, 2004. Notably, the Court has further ordered that a Special Notice be provided to all persons who previously requested to be excluded from the Class, but who now may wish – in light of significant developments in the Action, including the Settlement reached between Plaintiffs and the Citigroup Defendants – to revoke their prior request for exclusion. Such persons who previously requested to be excluded from the Class may revoke their prior request, pursuant to the terms described in the Special Notice by September 1, 2004.

c. The Corrected First Amended Class Action Complaint asserts claims against the Citigroup Defendants, as well as other defendants, for alleged violations of the federal securities laws during the Class Period.

d. The Citigroup Defendants deny the allegations asserted in the Complaint and believe that the evidence would demonstrate, among other things, that: (i) the Citigroup Defendants relied on the integrity of WorldCom's financial statements and had no knowledge of or involvement in any fraud by WorldCom management; (ii) the Citigroup Defendants did not make any false or misleading statement concerning WorldCom; (iii) all research reports issued by the Citigroup Defendants concerning WorldCom had a good faith and reasonable basis; (iv) the Citigroup Defendants conducted appropriate due diligence in connection with the issuance by WorldCom of bonds in May 2000 and May 2001; (v) the research reports issued by the Citigroup Defendants during the Class Period did not cause any damages to the Class; and (vi) WorldCom's stock price decline was due to a combination of market forces that impacted the entire telecommunications industry and the revelation of the fraud by WorldCom executives, not by any conduct of the Citigroup Defendants.

3. The purpose of this Notice, which is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and pursuant to an Order of the United States District Court for the Southern District of New York, is to inform you of the Settlement with the Citigroup Defendants for \$2,650,000,000 in cash, plus interest, as more fully described in this Notice. If approved, the Settlement will resolve all of the claims of Class Members against the Citigroup Defendants in the Action completely and with prejudice. If the Settlement is approved, all of the claims Class Members filed or could have filed against the Citigroup Defendants (as more fully described in paragraph 16 below) will be released against the Citigroup Defendants, and others, as identified in the section entitled "Releases and Dismissal of the Action." No claims, however, will be released against any of the remaining Defendants in the action, including the sixteen remaining Underwriter Defendants, Arthur Andersen LLP, and certain former officers and directors of WorldCom.

4. If you are a member of the Class and you wish to pursue an arbitration or an individual lawsuit against Citigroup Defendants or any of the parties identified in paragraph 17 as the Citigroup Releasees, you must opt out of the Class. The mere filing of an arbitration or an individual lawsuit does not operate as an exclusion from the Class and a Class member's failure to opt out will result in the release of the Released Claims (defined in paragraph 16 below) by that Class member, as described more fully in paragraph 15 of this Notice.

5. A hearing (the "Settlement Hearing") will be held on November 5, 2004, at 2:00 p.m. before the Hon.

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 (the "Court"). At the Hearing, the Court will consider (i) the fairness, reasonableness and adequacy of the proposed settlement; (ii) the fairness and reasonableness of the proposed Plan of Allocation; and (iii) the application by Lead Counsel for an award of attorneys' fees and reimbursement of expenses.

BACKGROUND OF THE SETTLEMENT

6. By Order filed August 15, 2002, the Court appointed the NYSCRF as Lead Plaintiff. Lead Plaintiff and the Additional Named Plaintiffs filed a Consolidated Complaint on October 11, 2002, which included certain information uncovered by the NYSCRF and Lead Counsel during their pre-Complaint investigation. Plaintiffs thereafter vigorously prosecuted this Action on behalf of the Class. After filing the Complaint, Lead Plaintiff successfully defeated all or part of various motions to dismiss the Complaint, successfully defeated the Citigroup Defendants' motion to sever certain claims from this Action, defeated various motions to stay all proceedings (although the Action was stayed with respect to certain individual defendants), successfully moved to have the Class certified (although that ruling was on appeal with respect to certain claims against the Citigroup Defendants), and has vigorously pursued discovery in the Action.

7. Since the summer of 2002, Lead Plaintiff, through Lead Counsel, has conducted extensive pretrial discovery, and thoroughly analyzed the facts and claims in the Action against the Citigroup Defendants. Specifically:

a. Prior to formal discovery under the Federal Rules of Civil Procedure, Lead Plaintiff obtained orders of the Bankruptcy Court overseeing WorldCom's bankruptcy proceedings and the Court to obtain documents that WorldCom had provided to the SEC, Congress, the Department of Justice, and other regulatory agencies.

b. Over several months of review by teams of attorneys, these documents were logged, separated according to their relevance to the various components of the case, and analyzed.

c. Once formal discovery began, Lead Plaintiff, through Lead Counsel, served document requests and interrogatories on all named Defendants, and served subpoenas for production of documents on relevant non-parties.

d. The Citigroup Defendants produced millions of pages of relevant documents to Lead Plaintiff, who, through counsel, reviewed all such documents for their impact on the Action.

e. Other defendants and other non-parties also produced millions of pages of relevant documents to Lead Plaintiff, who, through counsel, reviewed all such documents for their impact on the Action.

f. Lead Plaintiff, through counsel, also reviewed a report issued by Wilmer, Cutler & Pickering, counsel to WorldCom's Audit Committee in connection with the Audit Committee's investigation into the fraudulent scheme at WorldCom, and the three Reports issued by the Examiner appointed to investigate WorldCom in connection with its bankruptcy proceedings.

g. Lead Plaintiff, through counsel, also had conducted numerous depositions by the time the Settlement with the Citigroup Defendants was reached.

h. On November 7, 2002, Judge Cote ordered all of the parties to the Action to commence settlement negotiations under the auspices of U.S. Magistrate Judge Michael H. Dolinger. On September 22, 2003, Judge Cote directed that the parties should continue settlement negotiations under the supervision of Judge Robert W. Sweet and Magistrate Judge Dolinger (the "Settlement Judges"). Pursuant to the Court's directives, Lead Plaintiff, the Named Plaintiffs and the Citigroup Defendants entered into extensive negotiations under the supervision of the Settlement Judges. As a result of such discussions and their involvement in the extensive negotiation process, Lead Plaintiff, the Named Plaintiffs and the Citigroup Defendants signed a Memorandum of Agreement on May 7, 2004 (the "Agreement").

8. Lead Plaintiff retained the services of various experts and consultants in connection with the settlement negotiations. However, because the Action is continuing against the Non-Settling Defendants and expert reports are not due to be submitted in the Action until August 20, 2004, Lead Plaintiff – with the approval of the Court – is not at this time disclosing the substance of the work done by Plaintiffs' experts and consultants in connection with the

Settlement, except as stated below in paragraph 9.

9. Forensic Economics was retained, in connection with the settlement discussions, to provide an estimate of the Class's damages. They performed research concerning WorldCom, including public statements made by or about WorldCom during the Class Period, as well as the market's reaction to such statements and to other public revelations about the Company. Based on this information, and on models of securities trading, Forensic Economics performed various preliminary damage analyses. These analyses assisted Lead Plaintiff and Lead Counsel during the settlement negotiations. The estimate of the damages described in this Notice (cumulatively and on a per share and per bond basis) were calculated by Forensic Economics.

10. Settlement discussions were arduous and protracted. The initial discussions with the Citigroup Defendants, as with all other defendants, were not fruitful. In the fall of 2003, the parties were ordered to undertake further negotiations under the supervision of the Settlement Judges. Over the course of the seven months from November 2003 to May 2004, Lead Counsel and counsel for the Citigroup Defendants held many negotiating sessions, both in person and via telephone conference. A number of the sessions took place under the direct supervision of the Settlement Judges, including a face-to-face meeting that included Lead Plaintiff, Alan G. Hevesi, the Comptroller of the State of New York, and Charles O. Prince, the Chief Executive Officer of Citigroup. At the same time, Lead Counsel vigorously pursued the Class's claims, both in Court and through the discovery process described above. The Citigroup Defendants strongly disputed the analysis and conclusions of Lead Plaintiff's consultants, particularly the amount of recoverable damages. Lead Plaintiff and Lead Counsel, together with their experts, considered, analyzed and attempted to refute the conclusions of Citigroup's counsel and their consultants.

DESCRIPTION OF THE SETTLEMENT

11. The Settlement, which provides only for a settlement of the Action against the Citigroup Defendants, provides that the Citigroup Defendants will pay \$2,650,000,000 or, if lower, the sum of the portions of the Settlement Amounts allocated to members of the Class as computed under paragraph 12(i), (ii), and (iii) below, plus interest at the rate earned by six-month U.S. Treasury Bills beginning forty-five days after the Court grants preliminary approval of the Settlement, until the Settlement is granted Final Approval and no longer subject to appeals, subject to the condition described below in paragraph 12.

12. Under the terms of the Settlement, the Settlement Amount is \$2.65 billion in cash; except that: (i) that portion of the Settlement Amount allocated to members of the Class who purchased shares of WorldCom stock (see Section entitled "Plan of Allocation" below) will be reduced by X% — with "X" equal to the sum total of the number of shares of common stock held by Class Members who opt out of the Class (the "Stock Opt-Outs"), expressed as a percentage of the number of shares of all publicly held common stock of WorldCom outstanding net of shares held by WorldCom insiders as of June 25, 2002, as reported on WorldCom's most recent report to the Securities and Exchange Commission as of June 25, 2002, minus one and one-half (1½%) percent; provided that, in the foregoing equation, if "X" is a negative number, "X" shall be deemed to be zero (0); (ii) that portion of the Settlement Amount allocated to members of the Class who purchased May 2000 WorldCom notes will be reduced by Y% — with "Y" equal to the sum total of the face value of all May 2000 notes held by Class Members who opt out of the Class (the "May 2000 Debt Opt-Outs"), expressed as a percentage of the total face value of all May 2000 notes issued pursuant to the May 2000 offering and not redeemed, minus an amount equal to one and one-half (1½%) percent of the total face value of all May 2000 notes issued by WorldCom pursuant to the May 2000 Offering; provided that in the foregoing equation, if "Y" is a negative number, "Y" shall be deemed to be zero (0); and (iii) that portion of the Settlement Amount allocated to members of the Class who purchased May 2001 WorldCom notes will be reduced by Z% — with "Z" equal to the sum total of the face value of all May 2001 notes held by Class Members who opt out of the Class (the "May 2001 Debt Opt-Outs"), expressed as a percentage of the total face value of all May 2001 notes issued pursuant to the May 2001 Offering, minus an amount equal to one and one-half (1½%) percent of the total face value of all May 2001 notes issued by WorldCom pursuant to the May 2001 Offering; provided that, in the foregoing equation, if "Z" is a negative number, "Z" shall be deemed to be zero (0). For purposes of the calculations provided for in this paragraph, the WorldCom security holdings of certain investors that had filed individual cases as of the date of the Stipulation, and who opt out of the Class, are excluded.

13. The entire Settlement Amount (after deduction of Court-approved costs, expenses and attorneys' fees), plus interest, will be distributed to Class Members who timely submit valid Proofs of Claim (as described below in paragraph 28). There will not be any reversion to the Citigroup Defendants of any portion of the Settlement Amount.

14. The Settlement is conditioned on the Court entering a Bar Order against any claims that other Non-

Settling Entities/Individuals (defined to include all the other Defendants in the Action together with any of their foreign affiliates through which May 2001 notes were distributed), or any other person or entity later named as a defendant in the Action may assert against the Citigroup Defendants. A Bar Order is a standard provision for partial settlements of class actions because it allows a settling party to pay once for the claims asserted against it on behalf of Class Members and bars any further litigation of claims that could be made against the settling party by any non-settling defendants stemming from their potential liability to the Class.

RELEASES AND DISMISSAL OF THE ACTION

15. If the Settlement is approved, in consideration for the Settlement Amount to be paid by the Citigroup Defendants, the Court will enter a Judgment that will dismiss with prejudice all of the Class Members' claims against the Citigroup Defendants. The Court will bar and permanently enjoin Lead Plaintiff and each Class Member, whether or not such Class Member has submitted a Proof of Claim, from prosecuting any Released Claims (as defined below in paragraph 16), and any such Class Member shall be conclusively deemed to have fully, finally and forever released, relinquished and discharged any and all such Released Claims.

16. Each Class Member shall release all "Released Claims," which includes, with respect to the Citigroup Releasees, defined below, the release by Lead Plaintiff, the Named Plaintiffs and all Class Members of all claims of every nature and description, known and unknown, arising out of or relating to investments (including, but not limited to, purchases, sales, exercises, and decisions to hold) in securities issued by WorldCom, and/or in options or derivative instruments based in whole or in part on the value of securities issued by WorldCom (including Targeted Growth Enhanced Terms Securities with respect to MCI WorldCom, Inc. and GOALS issued by UBS AG), including without limitation all claims arising out of or relating to any analyst research reports or other statements made or issued by the Citigroup Defendants concerning WorldCom, any disclosures, registration statements or other statements by WorldCom, 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 Citigroup Releasees, as defined below in paragraph 17. 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. Moreover, nothing in the proposed Settlement or its approval is intended to, or would release any claims asserted by the Class against any Non-Settling Entity/Individual.

17. The Citigroup Releasees means the Citigroup Defendants, 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 (together, the "Citigroup Releasees"), and any person or entity which is or was related to or affiliated with any Citigroup Releasee or in which any Citigroup Releasee has or had a controlling interest and the present and former employees, officers and directors, attorneys, accountants, insurers, and agents of each of them. However, the term "Citigroup Releasees" shall not include any Non-Settling Entity/Individual.

REASONS FOR THE SETTLEMENT

18. Lead Plaintiff and the Named Plaintiffs considered a variety of factors in negotiating and deciding to accept the Settlement, and to recommend it to the Court. These reasons include:

a. This is, by itself, the second largest securities class action settlement in United States history, and the largest by far with respect to entities that were not the issuers of the subject securities.

b. The Settlement is all cash, and includes interest earned on the Settlement Amount starting forty-five days after the Court granted preliminary approval of the Settlement, and continuing through the date the Settlement Amount is paid, with interest. Further, based on Lead Counsel's experience and survey of claims administrators, it is reasonable to assume that 25-30% of potential claimants will not file claims for a distribution from the Settlement Fund, so the actual distribution may be an even greater percentage of recoverable damages than the figures noted in the Summary section of this Notice.

c. The risks involved in succeeding at trial against the Citigroup Defendants are significant. The Citigroup Defendants had asserted due diligence defenses with respect to the bonds issued by WorldCom in May 2000 and May 2001; they had asserted that Plaintiffs would not have been able to demonstrate the Citigroup's Defendants' knowing or reckless conduct with respect to statements they made during the Class

Period; they had challenged the Plaintiffs' damages theories, and asserted that, in any event, the Citigroup Defendants' conduct was not the cause of WorldCom's stock and bond price declines or the losses of Class Members; they had successfully sought immediate appeal from the Court's class certification ruling with respect to certain claims against the Citigroup Defendants; and they had challenged whether Plaintiffs would have to, and would be able to prove any reliance of the Class Members with respect to the analyst reports they issued. Moreover, with respect to the fraud claims asserted by Plaintiffs against the Citigroup Defendants, the PSLRA's proportionate liability requirements, under which a defendant may be obligated to pay only for the portion of damages that defendant is held responsible for, may have placed a high proportion of liability on other defendants and non-parties such as WorldCom and its officers, a number of whom have pled guilty to fraud, and a correspondingly small proportion of liability on the Citigroup Defendants.

19. Lead Plaintiff – the second largest public pension fund in the United States – which lost over \$300 million as a result of investments in WorldCom securities, and the three Additional Named Plaintiffs, each of whom suffered significant losses based on their purchases of WorldCom bonds, were instrumental in negotiating the Settlement, along with Lead Counsel and counsel for the Additional Named Plaintiffs. Significantly, the Named Plaintiffs and their counsel support both the Settlement and proposed Plan of Allocation, described in paragraph 22 below, for allocating the Settlement proceeds among Class Members. Further, the settlement negotiations were conducted under the supervision of a senior federal court judge and federal court magistrate judge. As stated by the Settlement Judges:

Statement by the Mediators

Pursuant to appointment by the Honorable Denise L. Cote, United States District Judge, we have presided over the extensive negotiations between the Parties that led to this Agreement. We can state based on our discussions with the Parties and the information made available to us, that this Settlement was negotiated in good faith and the Settlement and the allocation between the Securities Act and Exchange Act claims are in the public interest.

Robert W. Sweet, U.S.D.J.

Michael H. Dolinger, U.S.M.J.

The reference to "Securities Act" and "Exchange Act" claims in the Statement by the Mediators refers to the allocation proposed by Lead Plaintiff, with the concurrence of the Named Plaintiffs, as described below in the section entitled "Plan of Allocation."

20. Lead Plaintiff and the Named Plaintiffs strongly endorse this Settlement and recommend that it be approved.

21. Lead Plaintiff decided to accept the Settlement after consultation with Lead Counsel and the experts retained to assist them, and after Lead Counsel's extensive investigation of the millions of pages of documents, and numerous depositions, provided to Lead Plaintiff in discovery. Consequently, Lead Plaintiff and Lead Counsel have determined that the Settlement is in the best interests of Class Members.

PLAN OF ALLOCATION

22. The Stipulation and Agreement of Settlement provides for an allocation of the Settlement Fund for which the Parties are also seeking Court approval. The Plan of Allocation provides that the Net Settlement Fund shall be allocated to members of the Class according to a Plan of Allocation as follows: (i) 12.65% of the Net Settlement Fund to claims asserted under the Securities Act of 1933 (the "Securities Act") by purchasers of debt securities offered by WorldCom in May 2000; (ii) 42.35% of the Net Settlement Fund to claims asserted under the Securities Act by purchasers of debt securities offered by WorldCom in May 2001; and (iii) 45% 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 (a) WorldCom common stock and/or (b) publicly-traded debt securities issued by WorldCom prior to the beginning of the Class Period.

23. Lead Plaintiff anticipates submitting to the Court (with notice to Class Members as the Court deems appropriate) at a future time, before distribution of the Settlement Fund, a proposed Supplemental Plan of Allocation in accordance with the Plan of Allocation described in this Notice, as approved by the Court. The Supplemental Plan of Allocation, as approved by the Court, shall determine how each portion of the Settlement proceeds shall be allocated to the respective members of the Class set forth in paragraph 22 above.

24. After approval of the Settlement by the Court and upon satisfaction of the other conditions to the

Settlement, the Settlement Fund will be distributed, as follows:

- a. To pay costs and expenses in connection with providing Notice to Class Members and administering the Settlement 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 Fund as well as the taxes (and any interest and penalties determined to be due thereon) owed by reason of the earnings of the Settlement Fund, including taxes and tax expenses; and
- e. Subject to final approval by the Court of the Plan of Allocation and Supplemental Plan of Allocation to be submitted at a later date to the Court, and with notice thereof to the Class as the Court deems appropriate, which means that the Order granting approval has been affirmed on appeal or certiorari, or is 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 Fund (the "Net Settlement Fund"), shall be distributed in accordance with the Plan of Allocation and Supplemental Plan of Allocation, as approved by the Court, to Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants"). However, there shall be no distribution of any of the Settlement Amounts to any Class Member until a Plan of Allocation and Supplemental Plan of Allocation are finally approved and are affirmed on appeal or certiorari 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.

25. There will be no return to the Citigroup Defendants of any settlement payment if the Settlement is finally approved. All settlement funds will be used, as described above, for the benefit of Class Members.

26. Approval of the Settlement is independent from approval of the Plan of Allocation and the later Supplemental Plan of Allocation. Any determination with respect to the Plan of Allocation and Supplemental Plan of Allocation will not affect the Settlement, if approved.

27. No claims of Lead Plaintiff, the Named Plaintiffs or the Class against the other defendants in the Action are being settled or released as a result of the proposed Settlement. To the contrary, Lead Plaintiff and the Named Plaintiffs, on behalf of the Class, are continuing to prosecute the claims of the Class against each of the Non-Settling Defendants. Fact discovery concluded on July 9, 2004, and the trial of the Class Action is scheduled to begin on January 10, 2005.

PARTICIPATION IN THE SETTLEMENT; PROOFS OF CLAIM

28. Only those Class Members who purchased or acquired publicly traded securities of WorldCom during the Class Period and were damaged will be eligible to share in the distribution of the Settlement Fund. Each person wishing to participate in the distribution of the Settlement Fund must timely submit a valid and separate "Proof of Claim" no later than March 4, 2005 to the address set forth in the attached Proof of Claim form. Further, each Proof of Claim must be supported by such documents specified in the Proof of Claim as are reasonably available to the Authorized Claimant. The Proof of Claim includes a general release of each of the Citigroup Defendants, as well as various other affiliated persons and entities, in the form set forth in the Proof of Claim accompanying this Notice. Unless otherwise ordered by the Court, any Class Member who fails to submit a Proof of Claim by March 4, 2005 shall be forever barred from receiving any payments pursuant to the Settlement set forth in the Stipulation, but will in all other respects be subject to the provisions of the Stipulation, including the terms of any judgment entered and the releases given. This means that each Class Member releases the Released Claims against the Released Persons, including the Citigroup Defendants, and is enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Claims against any of the Released Persons regardless of whether or not such Class Member submits a Proof of Claim. **Note: To receive money from the settlement with the Citigroup Defendants and any other recovery obtained by Lead Plaintiff for the Class, whether by future settlements or through trial, you must submit a Proof of Claim and Release form by March 4, 2005. The Proof of Claim and Release form to be submitted now will be the basis of all future distributions. No further proof of claim forms will be required.**

29. The Court has reserved jurisdiction to allow, disallow or adjust on equitable grounds the Claim of any Class Member. The Court also reserves the right to modify the Plan of Allocation without further notice to Class Members. Payment pursuant to the Plan of Allocation and Supplemental Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, the Named Plaintiffs, Lead Counsel or the Claims Administrator or other agent designated by Lead Counsel based on the distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. The Citigroup Defendants and their counsel shall have no involvement in or responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation or the determination, administration and calculation of, or payment pursuant to, Proofs of Claim, the payment or withholding of taxes owed by the Settlement Fund, acts or omissions of the Escrow Agent or any losses incurred in connection therewith.

THE HEARING

30. On November 5, 2004, at 2:00 p.m., the Honorable Denise Cote, United States District Court Judge, will hold a hearing (the "Settlement Hearing") at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 11-B, New York, New York 10007, for the purpose of separately considering:

- a. Whether a Judgment should be entered (1) approving the Settlement as fair, reasonable and adequate; (2) dismissing with prejudice this Action against the Citigroup Defendants; (3) barring claims that other Non-Settling Entities/Individuals or any other person or entity later named as a defendant in the Action may assert against the Citigroup Defendants relating to the Action; and (4) barring all Class Members from prosecuting, pursuing, or litigating any of the Released Claims against the Released Parties, including the Citigroup Defendants;
- b. Whether the proposed Plan of Allocation should be approved as fair, reasonable and adequate;
and
- c. Whether to approve Lead Counsel's application for attorneys' fees and payment of costs and expenses.

The Settlement Hearing may be continued or adjourned from time to time by the Court at the Settlement Hearing or any continued or adjourned session thereof, without further notice to the Class or Class Members.

31. Any Class Member or Defendant in the Action may appear at the Settlement Hearing and be heard on any of the foregoing matters. Provided, however, that no such person shall be heard, 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 counsel listed below no later than October 8, 2004, and showing due proof of such service on one of the Co-Lead Counsel:

Leonard Barrack, Esq.
Jeffrey W. Golan, Esq.
Leslie B. Molder, Esq.
Barrack, Rodos & Bacine
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

Max W. Berger, Esq.
John P. Coffey, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019

32. 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.

ATTORNEYS' FEES, COSTS AND EXPENSES OF PLAINTIFFS' ATTORNEYS

33. At the Settlement Hearing described above, Lead Counsel will apply to the Court for a collective award of attorneys' fees and payment of costs and expenses.

34. The fee application shall be submitted by Lead Counsel only with the prior approval of Lead Plaintiff,

and shall otherwise be in accordance with the Retainer Agreement entered into by Lead Plaintiff and Lead Counsel on July 30, 2003. The Retainer Agreement is described in the Notice of Class Action, and is further available for viewing on the website, www.worldcomlitigation.com.

35. Under the Retainer Agreement, Lead Counsel agreed to undertake this litigation on an entirely contingent basis, meaning that Lead Counsel would not be compensated at all, or reimbursed for any expenses they incur on behalf of the Class, unless there is a recovery achieved for the Class. Lead Counsel further agreed that they will not file a fee application without the prior approval of the Lead Plaintiff, as set forth within the terms and conditions of the Retainer Agreement, and that any such fee application will be bound by the fee grid and other provisions of the Retainer Agreement. Counsel for the Named Plaintiffs and all other firms that have been authorized to assist in the prosecution of this Action have agreed to be bound by the fee provisions of the Retainer Agreement, and not to seek any additional fee or expenses that are not included within Lead Counsel's fee application.

36. Consistent with the Retainer Agreement, Lead Counsel shall apply for fees not to exceed \$144.5 million, which constitutes 5.45 percent of the Settlement Fund, together with interest at the same rate as earned by the Settlement Fund.

37. The application for reimbursement of expenses, which also will be made at the Settlement Hearing, shall not exceed \$16 million, together with interest earned on said sums. This amount includes fees and expenses of the experts and consultants retained by Lead Plaintiff on behalf of the Class. In addition, Lead Counsel will also seek payment of Administrative Expenses, in an amount that cannot be determined at this time.

38. Lead Counsel will further seek an award of \$10 million to be used as a fund to pay expenses (not attorneys' fees) for the continued prosecution of the Class Action against the Non-Settling Defendants.

39. Approval of the Settlement is independent from approval of Lead Counsel's application for an award of attorneys' fees and payment of costs and expenses. Any determination with respect to Lead Counsel's application for an award of attorneys' fees and payment of costs and expenses will not affect the Settlement, if approved.

NOTICE TO BANKS, BROKERS AND OTHER NOMINEES

40. Banks, brokerage firms, institutions, and other persons who are nominees who purchased or acquired WorldCom publicly traded securities during the Class Period of April 29, 1999 through and including June 25, 2002, are required within ten (10) days of receipt of this Notice to: (1) provide the Claims Administrator with the names and addresses of such beneficial purchasers (**unless they have already done so pursuant to the Notice of Class Action**); or (2) forward a copy of this Notice to each such beneficial purchaser and provide the Administrator with written confirmation that the Notice has been so forwarded. Upon request, Lead Counsel will pay your reasonable costs and expenses of complying with this provision upon submission of appropriate documentation. Additional postage pre-paid copies of this Notice may be obtained for forwarding to such beneficial owners. All such correspondence should be addressed as follows:

WorldCom, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9000 #6184
Merrick, NY 11566-9000
Tel: 1-866-808-3556 (toll free)
Fax: 1-631-940-6549
worldcominfo@gardencitygroup.com

SPECIAL NOTICE TO PERSONS WHO HAVE FILED INDIVIDUAL WORLD COM ACTIONS

41. In addition to this Class Action lawsuit on behalf of all purchasers of WorldCom stock and publicly traded bonds during the Class Period, some purchasers of WorldCom bonds and stock have brought their own individual lawsuits (the "Individual WorldCom Actions"). If a plaintiff has filed an Individual WorldCom Action and does not request exclusion from the Class, that plaintiff will be precluded from pursuing her or his Individual WorldCom Action. A Special Notice to such persons was approved by the Court, and issued to such persons on or about December 12, 2003. Because of the many events directly affecting Individual WorldCom Actions that have occurred since December 12, 2003, another special notice is being sent to plaintiffs who have filed Individual WorldCom Action.

Any person who previously filed an Individual WorldCom Action should read carefully the Second Court-Ordered Notice To All Investors Who Have Filed Individual WorldCom Actions. Copies of both Special Notices are accessible on the website, www.worldcomlitigation.com, under Notices.

SPECIAL NOTICE TO THOSE WHO HAVE PREVIOUSLY REQUESTED EXCLUSION FROM THE CLASS

42. Certain members of the Class previously have requested to be excluded from the Class. The Court has ordered that a Special Notice be provided to all such members, in light of significant developments in the Action, including the Settlement reached between Plaintiffs and the Citigroup Defendants. Any member of the Class who previously requested exclusion should read carefully the Special Notice to Class Members Who Previously Requested to Be Excluded from the Class, which describes the procedure for those who now wish to revoke their prior request for exclusion.

EXAMINATION OF PAPERS AND INQUIRIES

43. This Notice contains only a summary of the terms of the proposed Settlement. For a more detailed statement of the matters involved in this Action, reference is made to the pleadings, to the Stipulation and to other papers filed in this Action which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York 10007 during regular business hours of each business day. In addition, the pleadings filed and Court Orders entered in this Action, as well as the Stipulation, are posted on the website for this case, www.worldcomlitigation.com. The Stipulation represents the entire agreement between Lead Plaintiff and the Citigroup Defendants, and any inconsistencies between the Stipulation and this Notice will be controlled by the language of the Stipulation.

44. Inquiries regarding obtaining additional copies of this Notice and questions concerning the Proof of Claim and Release form should be addressed to:

WorldCom, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Administrator
P.O. Box 9000 #6184
Merrick, NY 11566-9000
Tel: 1-866-808-3556 (toll free)
Fax: 1-631-940-6549
worldcominfo@gardencitygroup.com

Lead Counsel identified below are available to answer questions from Class Members concerning this Action or any matter contained in this Notice:

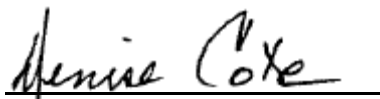
Leonard Barrack, Esq.
Jeffrey W. Golan, Esq.
Leslie B. Molder, Esq.
Barrack, Rodos & Bacine
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103
(215) 963-0600
Email: info@worldcomlitigation.com

Max W. Berger, Esq.
John P. Coffey, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019
(212) 554-1400
Email: info@worldcomlitigation.com

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE.

SO ORDERED:

Dated: New York, New York
August 2, 2004


HONORABLE DENISE COTE
United States District Judge