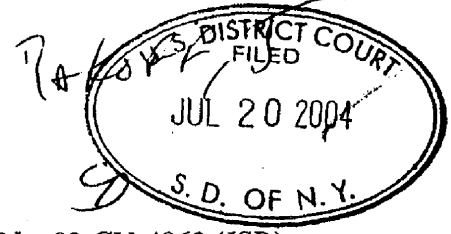


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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

1163



Civ. No. 02-CV-4963 (JSR)

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

v.

WORLDCOM, INC.,
Defendant.

FURTHER
ORDER APPROVING DISTRIBUTION PLAN

Upon the motion dated April 15, 2004 (the "Motion") of the Securities and Exchange Commission (the "Commission") seeking the entry of an order approving the Commission's Proposed Distribution Plan of WorldCom's Penalty Judgment in S.E.C. v. WorldCom (the "Proposed Distribution Plan"); and upon the Objection of Certain WorldCom Noteholders, the submission of the Official Committee of Unsecured Creditors of WorldCom, Inc., et al. and the submission of Lead Plaintiff Alan G. Hevesi, Comptroller of the State of New York, as Administrative Head of New York State and Local Retirement Systems and as Trustee of the New York State Common Retirement Fund, each filed in respect of the Motion; and upon the record of the hearing on the Motion held before this Court on May 4, 2004; and due notice of the Motion having been provided; and certain modifications having been made to the Proposed Distribution Plan, all of which modifications are acceptable to the Commission and WorldCom, Inc. (n/k/a MCI Inc.); and after due deliberation and sufficient cause appearing therefor; it is hereby

for the reasons stated in the Memorandum Order of 7/19/04
ORDERED, that the Motion is granted as provided herein; and it is further

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ORDERED that the Distribution Plan in the form attached hereto as Exhibit A (the "Distribution Plan") is approved in all respects; and it is further

ORDERED, that, in accordance with paragraph 44 of the Distribution Plan which directs the Clerk of the Court to retrieve the monies deposited in the Penalty Fund (together with interest and earnings thereon) and deposit such monies into the Fair Fund Escrow Fund maintained by the Distribution Agent, the Clerk of the Court shall immediately issue checks or arrange for wire transfers of the monies deposited in the Penalty Fund (together with interest and earnings thereon) in such amounts and in such manner as the Distribution Agent Richard C. Breeden shall designate in writing.

Dated: New York, New York
July 19, 2004


UNITED STATES DISTRICT JUDGE 

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :
 :
 Plaintiff, : Civ No. 02-CV-4963 (JSR)
 :
 v. :
 :
 WORLDCOM, INC., :
 :
 Defendant. :
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DISTRIBUTION PLAN

A. **Introduction**

1. The Court's Final Judgment as to Monetary Relief, dated July 7, 2003 ("Final Judgment") in this case provided for the establishment of a fund to distribute the payments made by and stock transferred by defendant WorldCom, Inc. n/k/a MCI, Inc. ("WorldCom") in satisfaction of the penalty judgment obtained by the Securities and Exchange Commission ("SEC" or "Commission"). The Final Judgment further contemplated that this fund would be distributed to investor victims of WorldCom's fraud in accordance with the Fair Funds for Investors provision of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7246(a). To accomplish this distribution, the Final Judgment contemplated the appointment of a Distribution Agent to oversee the Fair Fund distribution process in accordance with a plan proposed by the SEC and approved by the Court.

2. By Order dated November 7, 2003, the Court appointed Richard C. Breeden to be the Distribution Agent to oversee all aspects of the Fair Fund distribution of WorldCom's

payment of cash and transfer of stock. In that same Order, the Court appointed J. Carter Beese, Jr. to be the initial Equity Manager to oversee the stock portion of the Fair Fund.

B. Definitions

As used in this Distribution Plan, the following definitions shall apply:

3. “**Affiliate**” shall have the meaning described in Section 101(2) of the United States Bankruptcy Code, 11 U.S.C. § 101 et seq.

4. “**Approved Claim**” shall mean the final amount of a Potentially Eligible Claimant’s asserted claim that is ultimately approved pursuant to this Distribution Plan.

5. “**Available Distribution**” shall mean the Fair Fund, less any amounts expended or to be expended for administering the Fair Fund (e.g., reasonable fees and expenses incurred or to be incurred in administering this Distribution Plan and the payment of taxes on the Fair Fund).

6. “**Claims Bar Date**” shall mean the date established in accordance with this Distribution Plan by which a Potentially Eligible Claimant’s Proof of Claim Form must be filed to avoid the barring of any right of the Potentially Eligible Claimant to participate in any distribution from the Fair Fund. Subject to certain extensions provided for in this Distribution Plan, the Claims Bar Date shall be 365 days after the date of entry of an order approving this Distribution Plan, but in no event less than 270 days from the first publication of the Distribution Plan Notice as provided in paragraph 56(C) of this Distribution Plan.

7. “**Claims Determination Date**” shall mean the date on or before which the Distribution Agent is to reach his determination concerning the validity and amount of each Potentially Eligible Claimant’s claim. Except as otherwise provided herein, the Claims Determination Date shall be on or before one hundred and twenty (120) days following the Claims Bar Date.

8. **"Claims Packet"** shall mean all the materials to be provided to Potentially Eligible Claimants known to the Distribution Agent or to those who request such, including a copy of the Distribution Plan Notice and a Proof of Claim Form (together with instructions for completion of the Proof of Claim Form).

9. **"Determination Notice"** shall mean the notice sent by the Distribution Agent to a Potentially Eligible Claimant stating the Distribution Agent's determination of the validity and amount of the claim of the Potentially Eligible Claimant.

10. **"Distribution Agent"** shall refer to the individual or entity responsible for administering the Fair Fund, in accordance with the terms of this Distribution Plan and the Court's orders.

11. **"Distribution Plan"** shall mean this Distribution Plan in the form approved by the Court.

12. **"Distribution Plan Notice"** shall mean the notice given to Potentially Eligible Claimants of their potential right to participate in the distribution of the Fair Fund and their obligation to file a Proof of Claim Form in order to so participate. The Distribution Agent shall design the Distribution Plan Notice, consistent with the provisions of this Distribution Plan, and such notice shall include, at a minimum, the names of the Eligible Securities, means of obtaining Claims Packets (including Proof of Claim Forms), instructions for submitting Proof of Claim Forms, and the Claims Bar Date. The Distribution Plan Notice shall advise Potentially Eligible Claimants that by participating in the distribution of the Fair Fund, they will not be releasing any rights or claims they may have against any party, including, without limitation, WorldCom and WorldCom's past and present directors, officers, advisors and agents (other than with respect to

the Distribution Agent and his Agents (as defined below), and the Equity Manager and his agents as provided in this Distribution Plan).

13. "Eligible Claimants" shall mean those Potentially Eligible Claimants filing a Proof of Claim Form with the Distribution Agent on or before the Claims Bar Date who are finally determined by the Distribution Agent to be eligible for a distribution from the Fair Fund as provided herein as a result of their purchase and holding of Eligible Securities during the Fraud Period. "Eligible Claimants" in no event shall include:

- a. Any director or officer, or former director or officer, of WorldCom or any of its past or present Affiliates (or any of their Affiliates, assigns, creditors (provided that such entity shall only be excluded in its capacity as such without regard to whether it may otherwise be an Eligible Claimant), heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity on or after the commencement of the Fraud Period;
- b. Any employee of WorldCom or of any of its Affiliates who has been terminated for cause in connection with the fraud described in the SEC's complaints in this action, or who was otherwise terminated or has resigned in connection with the investigations conducted by the Commission, the Special Investigative Committee of WorldCom's Board of Directors, or the WorldCom Bankruptcy Examiner (or any of such employee's Affiliates, assigns, creditors (provided that such entity shall only be excluded in its capacity as such without regard to whether it may otherwise be an Eligible Claimant), heirs, distributees, spouses, parents, children, or controlled entities);
- c. Any employee, officer or director of WorldCom who has been charged criminally in connection with the accounting fraud at WorldCom (or any of their Affiliates, assigns,

creditors (provided that such entity shall only be excluded in its capacity as such without regard to whether it may otherwise be an Eligible Claimant), heirs, distributees, spouses, parents, children, or controlled entities);

d. Any defendant in any class action lawsuit related to the fraud described in the Commission's complaints in this action (or any of such defendant's Affiliates, assigns, creditors (provided that such entity shall only be excluded in its capacity as such without regard to whether it may otherwise be an Eligible Claimant), heirs, distributees, spouses, parents, children, or controlled entities), unless and until such defendant is found not liable in all such civil suits prior to the Claims Bar Date, and proof of the finding(s) is included in such defendant's timely filed Proof of Claim Form;

e. Any Person who assigned that Person's right to obtain a recovery in the Commission's lawsuit against WorldCom;

f. Any assignee of another Person's right to obtain a recovery in the Commission's lawsuit against WorldCom, provided, however, this provision shall not be construed to exclude those Persons who obtained such a right by inheritance or devise;

g. Any Person whose combined purchases or sales of all Eligible Securities during the Fraud Period resulted in a net profit;

h. With respect to any particular Eligible Security, any holder of that security (1) who received a higher payout in WorldCom's bankruptcy reorganization proceeding on their claim arising from that security than that received by WorldCom general unsecured creditors on their claims (i.e., approximately 36%) or (2) who sold that security after June 25, 2002 at a price which allowed the seller to recoup a percentage of the seller's purchase price higher than the percentage recovery general unsecured creditors

received on their claims in WorldCom's bankruptcy reorganization proceeding (i.e., approximately 36%); or

- i. Any holder of MCIC Eligible Securities or Intermedia Eligible Securities who received a distribution on account of such securities in WorldCom's bankruptcy reorganization under WorldCom's plan of reorganization.

Notwithstanding anything to the contrary in this Paragraph 13, a Person determined not to be an Eligible Claimant pursuant to subparagraph e, f, h or i above with respect to a particular Eligible Security may, subject to the requirements of this Paragraph 13, be an Eligible Claimant with respect to other Eligible Securities that Person may own.

14. **"Eligible Loss Amount"** is the amount of loss an Eligible Claimant has incurred through the purchase of an Eligible Security during the Fraud Period and holding of that security until after the close of the market on June 25, 2002, as adjusted, in accordance with Appendix 1 hereto, to reflect the escalating fraud inflation portion of the purchase price of the Eligible security during the Fraud Period.

15. **"Eligible Security"** shall refer to any security registered with the Securities and Exchange Commission, whether debt or equity, issued by WorldCom, Inc., or any of its affiliated debtors. A list of Eligible Securities known to the parties at the present time is attached as Appendix 2 hereto.

16. **"Equity Manager"** shall refer to the individual or entity responsible for monitoring the equity transferred by WorldCom in satisfaction of the Final Judgment, in accordance with the terms of this Distribution Plan and the Court's prior orders.

17. **"Fair Fund"** shall refer to all proceeds of WorldCom's payment of cash and transfer of equity in satisfaction of the Final Judgment, including accumulated interest,

dividends, appreciation, and earnings thereon, plus any additions thereto as may be provided by future Court Order or agreements in related cases or otherwise.

18. **“Fair Fund Escrow Fund”** shall mean the cash or cash-equivalent portion of the Fair Fund, which shall be held in escrow by the Distribution Agent in an account or accounts established by the Distribution Agent for the purpose of effectuating this Distribution Plan. The Fair Fund Escrow Fund shall include any accumulated interest and earnings thereon, less costs, fees, and other expenses paid or reimbursed pursuant to orders of the Court. It is anticipated that distributions to Eligible Claimants shall be made from the Fair Fund Escrow Fund.

19. **“Fair Fund Equity Fund”** shall mean that portion of the Fair Fund consisting of the equity in reorganized WorldCom, which shall be held by the Equity Manager in an account or accounts established by him for the purpose of effectuating this Distribution Plan. Cash or cash equivalents resulting from sales or other dispositions of the securities held in the Fair Fund Equity Fund are to be promptly transferred to and deposited into the Fair Fund Escrow Fund. It is anticipated that prior to the final distribution under this Distribution Plan, the Fair Fund Equity Fund shall be completely liquidated at a time or times consistent with maximizing to the extent possible the value of the securities held in the Fair Fund Equity Fund.

20. **“Final Determination Notice”** shall mean the Distribution Agent’s written response to a request for reconsideration of the Distribution Agent’s Determination Notice.

21. **“Fraud Period”** for the purposes of this Plan of Distribution shall mean the period of time commencing on April 29, 1999 and continuing through the close of the markets on June 25, 2002.

22. **“Intermedia Eligible Securities”** shall mean Eligible Securities of Intermedia Communications Inc.

23. **"MCIC Eligible Securities"** shall mean Eligible Securities of MCI Communications Corporation.

24. **"Penalty Fund"** shall mean the money paid into the Court Registry Investment System by WorldCom pursuant to the terms of the Final Judgment, plus accumulated interest and earnings thereon.

25. **"Person"** shall mean natural individuals as well as legal entities including corporations, partnerships, and governmental entities.

26. **"Potentially Eligible Claimants"** shall mean those Persons identified by the Distribution Agent as having possible claims to the Fair Fund under this Distribution Plan, or Persons asserting that they have possible claims to the Fair Fund under this Distribution Plan.

27. **"Proof of Claim Form"** shall mean the form designed by the Distribution Agent in accordance with this Distribution Plan for the filing of a proof of a Potentially Eligible Claimant's claim, which form shall require, at a minimum, sufficient documentation reflecting the Potentially Eligible Claimant's purchases and dispositions of all Eligible Securities during the Fraud Period and including dispositions of such Eligible Securities until the time of filing of the Proof of Claim Form, and the Tax Identification Number of the Potentially Eligible Claimant.

C. **Rights and Responsibilities of the Distribution Agent and the Equity Manager and the Obligations of WorldCom**

The Distribution Agent and the Equity Manager, as the case may be, shall have the following rights and responsibilities, and WorldCom shall have the following obligations:

28. It is the Distribution Agent's responsibility, after consultation with the Court and the SEC, to distribute the Fair Fund in accordance with this Distribution Plan.

29. The Distribution Agent, on behalf of the Fair Fund, shall take all necessary steps to enable the Fair Fund to be a "qualified settlement fund" within the meaning of the regulations issued under section 468B(g) of the Internal Revenue Code of 1986, as amended. The Distribution Agent shall be designated as the administrator of such qualified settlement fund, pursuant to Treas. Reg. § 1.468B-2(k)(3)(I), and shall satisfy the administrative requirements imposed by Treas. Reg. § 1.468B-2, including, but not limited to (A) obtaining a taxpayer identification number, (B) timely filing applicable federal, state, and local tax returns and paying taxes reported thereon, and (C) satisfying any information reporting or withholding requirements imposed on distributions from the Fair Fund. WorldCom shall cooperate with the Distribution Agent in fulfilling the qualified settlement fund's obligations under Treas. Reg. § 1.468B-2.

30. The Distribution Agent is entitled to pay from the Fair Fund Escrow Fund all reasonable costs, fees, and other expenses (including such fees as are incurred by his own partners and associates or any other attorney, agent, consultant or third parties retained by the Distribution Agent in furtherance of his duties hereunder (collectively, "Agent"), and including the fees of the Equity Manager) incurred in the performance of his or the Equity Manager's duties, and shall be further entitled to be compensated for his services at an hourly rate not to exceed \$800 per hour. Within twenty (20) days following the conclusion of each month, the Distribution Agent shall provide the Commission with a detailed statement of the fees and expenses incurred by the Distribution Agent and his Agents during such month (a "Monthly Statement"). Unless the Commission objects, ten days after providing the respective Monthly Statement, the Distribution Agent may pay himself and his Agents from the Fair Fund Escrow Fund an amount equal to 90% of the fees and 100% of the expenses reflected in the respective Monthly Statement. Within thirty (30) days following the end of each calendar quarter, the

Distribution Agent shall file with the Court a request for approval of payment of the fees and expenses of the Distribution Agent and his Agents incurred during such calendar quarter. The Distribution Agent shall also provide the Commission with a copy of such request for approval of payment at the same time. After an opportunity for comment from the Commission, the Court shall review the reasonableness of such request. If the Distribution Agent or his Agents received payments in excess of that which is ultimately approved by the Court, they shall disgorge such amounts to the Fair Fund Escrow Fund, and if the Distribution Agent or his Agents received payments less than that which is ultimately approved by the Court, the Distribution Agent shall pay the balance owed from the Fair Fund Escrow Fund accordingly. The Distribution Agent may, but is not required to, seek Court approval before paying from the Fair Fund all other costs, fees, and expenses (including the payment of amounts due to the taxing authorities). In such instance, the Distribution Agent shall give notice to the Commission at the same time he files a request for Court approval of such other costs, fees and expenses.

31. The Equity Manager shall oversee the Fair Fund Equity Fund in accordance with the provisions of this Court's November 7, 2003 Order, this Distribution Plan, and any subsequent orders of this Court. The Equity Manager shall not engage in any hedging or similar transactions with respect to the Fair Fund Equity Fund. The Equity Manager shall be entitled to a fee of \$20,000 per month for managing the Fair Fund Equity Fund in accordance with this Distribution Plan. Should the value of the equity in the Fair Fund Equity Fund drop significantly as a result of sales, dispositions or otherwise, the Court may adjust the Equity Manager's compensation accordingly. The Equity Manager shall have exclusive authority to exercise voting and election rights with respect to the equity included in the Fair Fund Equity Fund.

32. Both the Distribution Agent and the Equity Manager are excused from all legal requirements to post a bond or give an undertaking of any type in connection with their fiduciary duties and obligations under the Distribution Plan.

33. The Distribution Agent, his Agents, and the Equity Manager and his agents, are entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for any action taken or omitted by them in connection with this Distribution Plan except upon a finding by this Court that they, in bad faith or in reckless disregard of their duties under this Distribution Plan, acted or failed to act. The Distribution Agent and the Equity Manager are authorized to enter into agreements with financial institutions (“Institutions”) as may be appropriate or necessary in the administration of the Fair Fund. In connection with such agreements, the Institutions shall be deemed to be “Agents” of the Distribution Agent and Equity Manager under this Distribution Plan, and shall be indemnified as provided in this Distribution Plan, provided, however, that such indemnification is limited to claims made by Potentially Eligible Claimants asserting a claim to a distribution under this Distribution Plan, and shall not be construed to extend to claims by governmental agencies or offices made in a capacity other than as a Potentially Eligible Claimant. This Court retains exclusive jurisdiction over all claims arising in connection with this Distribution Plan, including, but not limited to, claims against the Distribution Agent and his Agents, and claims against the Equity Manager and his agents, asserting liability for violation of any duty imposed by this Distribution Plan or other Court Order.

34. The Fair Fund shall indemnify the Distribution Agent and his Agents and the Equity Manager and his agents (each, an “Indemnified Party”) and hold them harmless against any losses, claims, damages or liabilities in connection with any action taken or omitted by them

in connection with this Distribution Plan, unless such losses, claims, damages or liabilities arise solely out of bad faith or reckless disregard of such Indemnified Party's duties under this Distribution Plan. Further, the Fair Fund shall advance amounts to and reimburse any Indemnified Party for all reasonable expenses (including reasonable counsel fees and expenses) incurred in connection with defending against any losses, claims, damages or liabilities in connection with any action taken or omitted by them in connection with this Distribution Plan, unless such losses, claims, damages or liabilities arise solely out of bad faith or reckless disregard of such Indemnified Party's duties under this Distribution Plan. Any Indemnified Party shall be entitled to indemnification for such losses, claims, damages or liabilities in accordance with the foregoing so long as a final, unstayed, unappealable determination has not been made by a court of competent trial and/or appellate jurisdiction that such losses, claims, damages or liabilities arise solely out of bad faith by such Indemnified Party or reckless disregard by such Indemnified Party of its duties under this Distribution Plan.

35. To the extent that the Fair Fund is not sufficient to provide the indemnification required above, WorldCom shall be obligated to provide such indemnification. WorldCom shall use commercially reasonable efforts to facilitate the extension of the existing insurance policy which currently insures WorldCom's Corporate Monitor against liability in favor of the Indemnified Parties, but shall not be obligated to pay for any additional premium attributable to such an extension. If the Distribution Agent seeks reimbursement from the Fair Fund for such additional premium attributable to the extension of the existing Corporate Monitor policy, such request for reimbursement must first be submitted to the Commission for its review and approval. If the Commission approves the Distribution Agent's request, the Distribution Agent may then apply to the Court for an Order authorizing reimbursement from the Fair Fund for such

additional premium in the amount approved by the Commission. If the Commission determines not to approve the Distribution Agent's request, the Distribution Agent may then apply to the Court for an Order authorizing reimbursement from the Fair Fund for such additional premium, in which event the Commission shall be given notice of such application and afforded an opportunity to express its views on the Distribution Agent's application for reimbursement.

36. Following the distribution of the Fair Fund in accordance with this Distribution Plan, the Court may, upon the filing of a request by the Distribution Agent and service of a copy of such request on the Commission, and after an opportunity for comment, enter an Order discharging the Distribution Agent and his Agents, and the Equity Manager and his agents from any claims or liability in connection with the Distribution Plan and the administration of the Fair Fund, and enjoining all Potentially Eligible Claimants and other parties from prosecuting or asserting any such discharged claim or liability against the Distribution Agent and his Agents, or the Equity Manager and his agents.

37. Within sixty (60) days after the close of each calendar quarter, the Distribution Agent shall file with the Court and serve on the Commission an accounting of all the funds and equity in the Fair Fund. Such an accounting shall be sufficient to inform the Court and the Commission of the activities and status of the Fair Fund during that calendar quarter, and shall specify, at a minimum, the location of the various accounts comprising the Fair Fund, the value of those accounts, any funds transferred between Fair Fund accounts as a result of the disposition of equity or otherwise, funds distributed to Eligible Claimants under this Distribution Plan, and any funds expended from the Fair Fund to satisfy any fees, costs and other expenses incurred in the administration of the Fair Fund and the implementation of this Distribution Plan.

38. The Distribution Agent and the Equity Manager may be removed at any time by the Court, and replaced with successors. In the event the Distribution Agent or the Equity Manager decides to resign, each shall first give written notice to the Commission, WorldCom and the Court of such intention, and such resignation shall not be effective until the Court has appointed a successor. The Distribution Agent or Equity Manager, as the case may be, shall then follow such instructions as such successor or the Court gives him in turning over custody, control and management of the Fair Fund Escrow Fund, the Fair Fund Equity Fund and other property collected pursuant to the Distribution Plan. In the event of the death or incapacity of the Distribution Agent or Equity Manager, the Court, after consultation with the Commission, shall appoint a successor as soon as practical.

39. In the event that part or all of the equity in the Fair Fund Equity Fund is sold or otherwise disposed of, all proceeds of such sales or dispositions shall be promptly transferred to and deposited into the Fair Fund Escrow Fund. In the event that the equity in the Fair Fund Equity Fund is exchanged for equity in another company (through an acquisition transaction, including, without limitation, a tender offer or merger), such resulting equity shall be liquidated in a manner designed to maximize its value to the extent reasonably possible, and all proceeds thereof shall be promptly transferred to and deposited into the Fair Fund Escrow Fund. At such time when all of the equity in the Fair Fund Equity Fund is sold or otherwise disposed of, and all the proceeds of such sales or dispositions are transferred to and deposited into the Fair Fund Escrow Fund, the position of Equity Manager shall terminate.

40. This Distribution Plan shall be binding on WorldCom and its respective successors and assigns (including without limitation any person or entity that acquires substantially all of the assets of, or a controlling equity interest in, WorldCom).

D. Allocation Among Eligible Claimants

41. The Available Distribution shall be distributed to pay Eligible Claimants as provided under the terms of this Distribution Plan.

42. Should the total amount of the money due Eligible Claimants exceed the Available Distribution, the Distribution Agent shall distribute the funds to the Eligible Claimants *pro rata* based upon the ratio of the Approved Claim of each Eligible Claimant to the aggregate Approved Claims of all Eligible Claimants.

43. If, after the Distribution Agent makes all distributions to Eligible Claimants, there are remaining funds, those funds shall be distributed to the United States Treasury or in accordance with a final plan of residual distribution to be proposed by the Commission and approved by the Court.

E. Administration of the Claims Procedure

General Administrative Provisions

44. Approval of this Distribution Plan by the Court authorizes the Clerk of the Court, and the Clerk of the Court is hereby ordered to:

- a. Retrieve from the Penalty Fund those monies deposited, together with interest and earnings thereon; and
- b. Deposit those monies into the Fair Fund Escrow Fund, which the Distribution Agent will establish and maintain as a separate account or accounts.

45. Upon receipt of the monies from the Penalty Fund, the Distribution Agent shall sign a receipt acknowledging the receipt of the funds. The Distribution Agent shall then file the signed receipt with the Court and supply a copy of that receipt to counsel for the Commission in this matter.

46. In furtherance of the terms of this Court's Final Judgment, upon the effective date of WorldCom's plan of reorganization, or as soon as practical thereafter, WorldCom shall transfer the stock required by that Final Judgment to the Equity Manager, which stock the Equity Manager is to hold and manage in the Fair Fund Equity Fund in accordance with this Distribution Plan, the provisions of this Court's November 7, 2003 Order, and in accordance with any subsequent orders of this Court.

47. Upon transfer of the stock pursuant to the Final Judgment, the Equity Manager shall sign a receipt acknowledging the receipt of the stock. The Equity Manager shall then file the signed receipt with the Court and supply a copy of that receipt to counsel for the Commission in this matter.

48. The Distribution Agent shall forthwith invest and reinvest the assets in the Fair Fund Escrow Fund with a view toward: first, conserving and preserving the principal; and second, maximizing investment return. The Distribution Agent may invest and reinvest the assets of the Fair Fund Escrow Fund only in one or more of the following investments:

- a. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("United States");
- b. Investments insured or guaranteed by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States;
- c. Money market funds authorized to invest solely in direct obligations of the United States or in investments that are insured and guaranteed by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States; and

d. As "buyer" under fully collateralized agreements with a term of not more than sixty (60) days for securities described in clause (a) above and entered into with any commercial bank organized under the laws of the United States or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000 or with any dealer on the current primary dealer list of the Federal Reserve Bank of New York.

49. The Distribution Agent shall oversee the administration of the claims, procedures and distribution as provided in this Distribution Plan. The Distribution Agent shall review the claims of Potentially Eligible Claimants and make determinations under the criteria established herein as to the eligibility of Potentially Eligible Claimants to recover monies and the amount of money to be distributed from the Fair Fund to Eligible Claimants in accordance with the provisions of this Distribution Plan.

50. Any claim asserted by a Potentially Eligible Claimant shall be in writing and shall provide adequate documentary evidence to substantiate the claim, including all documentary evidence which the Distribution Agent deems necessary or appropriate, including but not limited to available account statements and trade confirmations.

51. All claims must be verified on the basis of a sworn affidavit or declaration executed by the Potentially Eligible Claimant under penalty of perjury under the laws of the United States.

52. No claim from a Potentially Eligible Claimant in an amount determined to result in a distribution of less than \$10.00 will be paid. In determining the amount of the distribution for the purposes of this paragraph, the Distribution Agent may aggregate the accounts held by a Person in accordance with the following aggregation rules:

a. Each Person who would like to aggregate accounts shall so designate in the Proof of Claim Form, *provided* that a Person may only aggregate accounts as follows:

1. with respect to an individual Person, such Person may aggregate such Person's accounts, such Person's parent's, child's or spouse's (collectively, "family") accounts, such Person's or such Person's family's retirement accounts, and accounts owned by a corporation or partnership in which such Person or such Person's family is a majority owner or which is controlled by such Person or such Person's family; and

2. with respect to a Person that is a corporation or partnership, such Person's accounts and Person's Affiliates' accounts.

b. The Distribution Agent in his exclusive discretion may for purposes of this paragraph, but shall not have any obligation to, aggregate accounts not designated for aggregation in a Proof of Claim Form.

53. All determinations of the Distribution Agent that are made in accordance with the provisions of this Distribution Plan shall be final, unless otherwise provided in this Distribution Plan.

54. To carry out the purposes of this Distribution Plan, the Distribution Agent is authorized to make such adjustments to the Distribution Plan consistent with the purposes of the Distribution Plan as may be agreed upon between the Distribution Agent and the Commission and approved by the Court.

55. WorldCom shall cooperate with the Distribution Agent and shall provide the Distribution Agent with all information that is in its possession or control as requested by the Distribution Agent in the performance of his duties under this Distribution Plan. This

Distribution Plan is not intended to create any obligations on WorldCom in addition to those arising from the Court's previous Orders, or as otherwise explicitly set forth herein.

Identification of and Notice to Eligible Claimants

56. The Distribution Agent shall, insofar as is practicable, identify Potentially Eligible Claimants from a review of trading records and any other source available to him.

57. Within ninety (90) days after entry of this Distribution Plan, the Distribution Agent shall: (A) cause WorldCom to post a copy of this Distribution Plan and a copy of the Distribution Plan Notice on the website of WorldCom/MCI, www.MCI.com; (B) provide a copy of the Distribution Plan and Distribution Plan Notice to the Commission for posting on the Commission's website, www.SEC.gov; and (C) publish a copy of the Distribution Plan Notice at least once a week for a period of three consecutive weeks in the national edition of USA Today and at least once a week for a period of three consecutive weeks in the national edition of The Wall Street Journal. The Distribution Agent may also give additional notice of the distribution process in such manner as the Distribution Agent, in his sole discretion, deems appropriate, which may include providing notice on websites relating to private litigation arising from the fraud described in the Commission's complaints in this action.

58. Within one hundred and twenty (120) days following the entry by the Court of an order approving this Distribution Plan, the Distribution Agent shall cause to be mailed by United States First Class Mail a Claims Packet consisting of the Distribution Plan Notice and a Proof of Claim Form together with instructions for completion of the Proof of Claim Form to those Potentially Eligible Claimants known to the Distribution Agent. In order to facilitate distribution of Claims Packets to Potentially Eligible Claimants, within one hundred and twenty (120) days following the entry by the Court of an order approving this Distribution Plan, the Distribution

Agent shall ensure that Claims Packets in a downloadable form are available to Potentially Eligible Claimants on the website of WorldCom/MCI, www.MCI.com.

59. The Distribution Agent shall promptly provide a Claims Packet to any Potentially Eligible Claimant who so requests in writing as set forth in the Distribution Plan Notice.

60. To avoid being barred from asserting a claim, on or before the Claims Bar Date each Potentially Eligible Claimant must submit to the Distribution Agent a properly completed Proof of Claim Form reflecting such Potentially Eligible Claimant's claim, together with all supporting documentation and any aggregation of accounts the Potentially Eligible Claimant requests. The Claims Bar Date may be extended for one or more Potentially Eligible Claimants by the Distribution Agent in his sole discretion, in which event such extension shall constitute the Claims Bar Date for such Potentially Eligible Claimants. Unless otherwise determined by the Distribution Agent in his sole discretion for good cause shown, any Potentially Eligible Claimant that does not file a properly completed and documented Proof of Claim Form so that such completed form and documentation are received by the Distribution Agent on or before the Claims Bar Date shall be barred from asserting a claim against the Distribution Agent or the Fair Fund. The burden shall be upon the Potentially Eligible Claimant to ensure that its Proof of Claim Form has been properly and timely received by the Distribution Agent.

Notification to Claimants of Denied Claims

61. The Distribution Agent shall review each Proof of Claim Form to determine the validity and amount of such Potentially Eligible Claimant's Eligible Loss Amount, together with any additional conclusions of the Distribution Agent on other issues relevant to the claim. Each Potentially Eligible Claimant shall have the burden of proof to establish the validity and amount of its claim, and that it qualifies as an Eligible Claimant; and the Distribution Agent shall have

the right to request, and the Potentially Eligible Claimant shall have the burden of providing to the Distribution Agent, any additional information and/or documentation deemed relevant by the Distribution Agent. On or before the Claims Determination Date, the Distribution Agent shall mail by United States First Class Mail a Determination Notice to each Potentially Eligible Claimant who has filed a Proof of Claim Form with the Distribution Agent, setting forth the Distribution Agent's conclusions concerning such claim. The Claims Determination Date, in general, shall be one hundred and twenty (120) days after the Claims Bar Date; provided, however, that if the Distribution Agent has not issued his Determination Notice concerning a Proof of Claim Form on or before such date, the Claims Determination Date for such claim shall be deemed automatically extended until such time as the Distribution Agent has issued such Determination Notice.

Requests for Reconsideration of Denied Claims

62. Any Potentially Eligible Claimant that is dissatisfied with the Distribution Agent's Determination Notice concerning its claim may request reconsideration of the Determination Notice by filing a written request for reconsideration with the Distribution Agent. Such written request must be mailed by the Potentially Eligible Claimant in sufficient time that it is received by the Distribution Agent no later than twenty-one (21) days after the date on which the Determination Notice was mailed to the Potentially Eligible Claimant by the Distribution Agent; the burden of ensuring such timely receipt shall be upon the Potentially Eligible Claimant. Such request for reconsideration shall be no longer than five double-spaced (5) pages plus exhibits, and shall clearly explain the Potentially Eligible Claimant's disagreement with the Determination Notice and shall include copies of all relevant documentation not previously provided to the Distribution Agent. A failure properly and timely to request reconsideration of the

Determination Notice shall permanently waive the Potentially Eligible Claimant's right to object or contest the Determination Notice. The Distribution Agent shall respond to such request for reconsideration by mailing by United States First Class Mail a Final Determination Notice to the Potentially Eligible Claimant by no later than fifteen (15) days following receipt by the Distribution Agent of such request for reconsideration, or such longer time as the Distribution Agent determines is necessary for a proper determination concerning such request for reconsideration; provided further that if the Distribution Agent has not issued his Final Determination Notice concerning a particular request for reconsideration on or before the date for responding to such a request, the date for response to such request shall be deemed automatically extended by the Distribution Agent.

Appeal to Court of Reconsidered Claims

63. Any Potentially Eligible Claimant that is dissatisfied with a Final Determination Notice concerning its claim may appeal such decision to the Court by filing a written notice of appeal with the Clerk of the Court, with a copy to the Distribution Agent. Such written notice of appeal must be mailed by the appealing Potentially Eligible Claimant in sufficient time that it is received by the Court Clerk and the Distribution Agent no later than twenty-one (21) days after the date on which the Final Determination Notice was mailed to the Potentially Eligible Claimant by the Distribution Agent; the burden of ensuring such timely receipt shall be upon the Potentially Eligible Claimant. The notice of appeal shall be no longer than five (5) double-spaced pages plus exhibits, shall clearly explain the Potentially Eligible Claimant's disagreement with the Final Determination Notice and shall include copies of all relevant documentation, which shall also be provided to the Distribution Agent. A failure to properly and timely request reconsideration of a Final Determination Notice shall permanently waive the Potentially Eligible

Claimant's right to object to or contest that Final Determination Notice. The Distribution Agent shall have the right, in his discretion, to file with the Court Clerk a written response to such appeal, with copies to the appealing Potentially Eligible Claimant. The Potentially Eligible Claimant shall have the burden of proof in any appeal of the Final Determination Notice.

64. In the event that a Potentially Eligible Claimant properly and timely appeals a Final Determination Notice, such matter may, at the Court's discretion, be referred to a Magistrate Judge. The Magistrate Judge shall review the documentation provided by the Potentially Eligible Claimant and the Distribution Agent. At that time, the Magistrate Judge may make a final determination or may set the matter for hearing and at the conclusion of the hearing make a final determination. A final determination by the Magistrate Judge shall be final for all purposes under this Distribution Plan and there shall be no further proceedings or appeals related to the same. The Court may, sua sponte, modify the foregoing procedure with regard to proceedings before the Magistrate Judge if the Court, in its sole discretion, deems such a modification to be appropriate under the circumstances.

65. In the event that the Court determines not to refer an appeal of a Final Determination Notice to a Magistrate Judge, or in the event that the Court decides to review the Magistrate Judge's final determination of the appeal pursuant to the terms of the Court's prior reference of the appeal to the Magistrate Judge, the Court will review the documentation provided by the Potentially Eligible Claimant and the Distribution Agent. At that time, the Court may make a final determination or may set the matter for hearing and at the conclusion of the hearing make a final determination. A final determination by the Court shall be final for all purposes under this Distribution Plan and there shall be no further proceedings or appeal related to the same.

66. No Potentially Eligible Claimant who has failed timely to file an appropriate Proof of Claim Form, or to request reconsideration of the Determination Notice, or to appeal a Final Determination Notice, shall be permitted to object to the barring or treatment of its claim on the basis that the Distribution Agent failed to mail, or properly to mail, or that such Potentially Eligible Claimant failed to receive, a copy of the Distribution Plan Notice, Claims Packet or the relevant Determination Notice or Final Determination Notice, or that a Proof of Claim Form, request for reconsideration, or appeal made by the Potentially Eligible Claimant was improperly reflected as not having been received by, or properly recorded as received by, the Distribution Agent or Court Clerk, or that a Potentially Eligible Claimant's name and/or proper contact information was not properly reflected on the Distribution Agent's records. The burden of notifying the Distribution Agent of a Potentially Eligible Claimant's current address and other contact information, and of ensuring that such information is properly reflected on the Distribution Agent's records, shall be on the Potentially Eligible Claimant.

Payment of Approved Claims

67. Within ninety (90) days following completion of processing of all Potentially Eligible Claimant claims, including the resolution of any appeals arising therefrom, the Distribution Agent shall prepare a list of all Eligible Claimants and the Approved Claim for each Eligible Claimant. The Distribution Agent shall petition the Court for the authority to distribute a specified distributable amount from the Available Distribution to the Eligible Claimants as provided for in this Distribution Plan. In recommending such distributable amount to the Court, the Distribution Agent shall hold back a prudent reserve to take into account final fees and expenses incurred in the administration of the performance of his duties under this Distribution Plan, as well as any federal, state or local taxes payable in connection with the Distribution Plan.

Under no circumstances shall the Distribution Agent or his Agents incur any liability to any Person if he makes a distribution in accord with the schedules previously submitted and approved by the Court and all Persons are enjoined from taking any action in contravention of this sentence.

68. Upon receipt and acceptance by an Eligible Claimant of a distribution from the Fair Fund, such Eligible Claimant shall be deemed to have released all claims that such Eligible Claimant may have against the Distribution Agent and his Agents, and the Equity Manager and his agents and such Eligible Claimant in connection with the Distribution Plan and the administration of the Fair Fund, and shall be deemed enjoined from prosecuting or asserting any such claims.

69. The submission of the Proof of Claim Form and the receipt and acceptance of a distribution by an Eligible Claimant shall not affect an Eligible Claimant's rights and claims as against any party (other than the Distribution Agent and his Agents, and the Equity Manager and his agents), including, without limitation, WorldCom and WorldCom's past or present directors, officers, advisors and agents.

The Court reserves the right to amend this Distribution Plan from time to time.

APPENDIX 1

For purposes relating solely to this Distribution Plan, Eligible Loss Amount is computed to reflect the portion of the price of each Eligible Security that resulted from the fraudulent statements about the company's line costs as alleged in the Commission's complaints in this action (the so-called "fraud inflation" portion of the security's purchase price). Due to the fact that WorldCom's misstatement of its line costs increased in amount during the Fraud Period, the fraud inflation portion of the purchase price of each Eligible Security also increased over time.

Thus, Eligible Loss Amount as defined in this Distribution Plan, shall be determined as follows: the purchase price of the Eligible Security purchased during the Fraud Period and held until after the close of the market on June 25, 2002, multiplied by the percentage that represents the impact of the June 25, 2002 announcement of the line cost fraud on the particular Eligible Security,¹ and multiplied by the percentage that represents the cumulative improper line cost adjustments at the time of the purchase of the Eligible Security over the total improper line cost adjustments disclosed by WorldCom on June 25, 2002.

The table below illustrates the computation of the fraud inflation portion of the purchase price of WorldCom Group Tracking Stock. This computation will differ for each Eligible Security reflecting the differing impact of the fraud announcement on each class of Eligible Security; in other words, the "purchase period" and the "extent of fraud" reflected in the below table will stay the same for each Eligible Security. The computation of the fraud inflation portion of the purchase price for Eligible Securities other than the WorldCom Group Tracking Stock shall be determined by the Distribution Agent consistent with the foregoing methodology, subject to the approval of the Court upon notice to the Commission, and such determination, as approved by the Court, shall be final in all respects and not subject to review by any other court.

Fraud Inflation Computation WorldCom Group Tracking Stock		
Purchase Period	Extent of Fraud	Fraud Inflation Portion Of Purchase Price
4/29/1999 – 10/27/1999	1.61%	1.5%
10/28/1999 – 2/9/2000	5.24%	4.87%

¹ This figure would be approximately 93% for the WorldCom Group tracking stock, which declined from \$0.83 to \$0.06 as a result of the fraud announcement on June 25, 2002 ($.83 - .06 = .76$; $.76 / .83 = 93\%$). The figure would differ for other WorldCom securities based on their specific reaction to the fraud announcement on June 25, 2002.

2/10/2000 – 4/26/2000	15.52%	14.43%
4/27/2000 – 7/26/2000	28.32%	26.34%
7/27/2000 – 10/25/2000	46.05%	42.83%
10/26/2000 – 2/7/2001	67.65%	62.92%
2/8/2001 – 4/25/2001	90.03%	83.73%
4/26/2001 – 6/25/2002	100%	93%

Thus, for example, for a shareholder purchasing WorldCom common stock between July 27 and October 25, 2000, where the fraudulent line cost statements amounted to approximately 46.05% of the total amount announced on June 25, 2002, the Eligible Loss Amount would be the price impact on June 25, 2002 for that security (approximately 93%) multiplied by the extent of the fraudulent misstatements at that time (approximately 46.05%), or about 42.83% of the purchase price.

APPENDIX 2

The following is a list of eligible securities presently known to the parties.

Common Stock

WorldCom Group Common Stock
MCI Group Common Stock

Preferred Stock

WorldCom Series D Preferred Stock
WorldCom Series E Preferred Stock
WorldCom Series F Preferred Stock
MCI Capital I 8.00% Cumulative Quarterly Income Preferred Securities, Series A
Intermedia 13.5% Redeemable Exchangeable Preferred Stock due 2009

Debt Securities

WorldCom 6.25% Senior Notes due 2003
WorldCom 7.875% Senior Notes due 2003
WorldCom 7.55% Senior Notes due 2004
WorldCom 6.5% Senior Notes due 2004
WorldCom 6.40% Senior Notes due 2005
WorldCom 8.00% Senior Notes due 2006
WorldCom 7.75% Senior Notes due 2007
WorldCom 6.75% EUR Senior Notes due 2008
WorldCom 7.25% GBP Senior Notes due 2008
WorldCom 8.25% Senior Notes due 2010
WorldCom 7.50% Senior Notes due 2011
WorldCom 7.75% Senior Notes due 2027
WorldCom 6.950% Senior Notes due 2028
WorldCom 8.25% Senior Notes due 2031

MCI 7.5% Senior Notes due 2004
MCI 6.95% Senior Notes due 2006
MCI 6.50% Senior Notes due 2010
MCI 8.25% Senior Debentures due 2023
MCI 7.75% Senior Debentures due 2024
MCI 7.75% Senior Debentures due 2025
MCI 7.125% Senior Debentures due 2027

Intermedia 11.25% Series B Senior Discount Notes due 2007
Intermedia 8.875% Series B Senior Notes due 2007
Intermedia 8.50% Series B Senior Notes due 2008

Intermedia 8.60% Series B Senior Notes due 2008
Intermedia 9.50% Series B Senior Notes due 2009
Intermedia 12.25% Series B Senior Subordinated Discount Notes due 2009