

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE WORLDCOM, INC. SECURITIES : Master File 02 Civ. 3288 (DLC)
LITIGATION :

X

**AFFIDAVIT OF SHANDARESE GARR IN SUPPORT OF LEAD PLAINTIFF'S
MOTION TO CONDUCT A SECOND DISTRIBUTION OF THE NET SETTLEMENT FUND**

STATE OF NEW YORK)
) ss.:
COUNTY OF SUFFOLK)

SHANDARESE GARR, being duly sworn, deposes and says:

1. I am Vice President of Operations for The Garden City Group, Inc. ("GCG"), the Notice and Claims Administrator authorized by this Court in connection with the settlements in the above-captioned action. I have personal knowledge of the facts stated herein and make this Affidavit in support of Lead Plaintiff's motion to conduct a Second Distribution of the Net Settlement Fund to certain eligible Class Members.

THE INITIAL DISTRIBUTION

2. On December 15, 2006, pursuant to the Order Approving Lead Plaintiff's Motion to Conduct an Initial Distribution of the Net Settlement Fund, dated November 29, 2006 ("Initial Distribution Order"), we distributed 709,147 checks and wires to eligible Claimants for total proceeds of \$4.52 billion. To date, 665,830 of these checks (and wires) for proceeds of more than \$4.34 billion (more than 96 % of the distributable amount) have been cashed.

3. To ensure that the maximum number of checks was cashed, GCG performed extensive follow up with the Claimants whose checks were initially uncashed, either because they were returned to us as undeliverable or because the Claimant simply had not cashed the

check. For Claimants whose checks were returned as undeliverable, we searched for new addresses via Internet search techniques and by calling the Claimants. Where a new address could be located, we updated the database accordingly and reissued a distribution check to the Claimant at the new address. To date, 4,556 checks remain undeliverable for proceeds of \$5,671,639.83.

4. For those Claimants whose checks were not returned, but who had simply not cashed their check, we implemented several calling campaigns to urge Claimants to cash their checks. On multiple occasions, our call center personnel reached out to those Claimants and explained that if they did not cash their checks, they risked forfeiture of their funds. Where a Claimant lost or damaged the check or otherwise required a new check, we also performed check reissues. We did so only upon written instructions from the Claimant and provided that the Claimant returned the first check where appropriate. If the check was deemed lost, we voided the initial check prior to reissue. As of December 19, 2007, a total of 20,630 distribution checks have been reissued. To date, 36,766 checks for proceeds of \$45,820,943.30 remain uncashed.

5. In addition to the uncashed and undeliverable checks, 1,995 checks have been returned to us because the checks were unwanted, the checks were duplicates, the checks were for clients of brokerage accounts who have since closed their accounts and could not be located thereafter, or the claim was filed in error and was withdrawn. The total value of all such returned checks is \$124,559,183.31.

PROCESSING OF CLAIMS-IN-PROCESS, LATE CLAIMS, AND ADJUSTED CLAIMS

6. On June 15, 2006, to prepare for the Initial Distribution, we temporarily suspended processing of any newly received claims. Similarly, on July 31, 2006, we temporarily ceased processing all responses to deficiency letters. Claims that were wholly deficient as of that

date, but for which the time to respond to the deficiency letter had not expired, were designated as “Claims-in-Process.”

7. Beginning in January 2007, following the Initial Distribution, we renewed our efforts to process claims received after June 15, 2006 (“Late Claims”),¹ as well as any responses to deficiency letters received after July 31, 2006 for both the Claims-in-Process and claims for which the deficiency response deadline had passed.

8. Another category of claims we processed were “Adjusted Claims.” These are claims which were adjusted as a result of deficient conditions having been cured after the deficiency response deadline had passed or additional transactions and information having been submitted after the filing deadline.

9. As discussed below, we now recommend paying certain Claims-in-Process, Late Claims, and Adjusted Claims.

Claims-in-Process

10. As of the July 31, 2006 cut-off for processing deficiency responses, there were a total of 12,579 wholly deficient claims for which the time to respond to the deficiency letters had not expired.

11. Since the Initial Distribution, all responses to deficiency letters have been processed and a final administrative determination can now be made as to each Claim-in-Process. GCG has determined that 1,657 of the Class Members with claims in this category have a Recognized Amount in accordance with the Supplemental Plan of Allocation and are, therefore, entitled to recover from the Net Settlement Fund. A list of the Claims-in-Process deemed to be acceptable in whole or in part by GCG and recommended for acceptance by the

¹ By Order dated June 20, 2006, Judge Cote ruled that claims will be deemed timely if submitted to GCG by June 15, 2006.

Court can be found on the accompanying CD-ROM as Exhibit A-1.² The remaining 10,922 Claimants received a Final Letter of Ineligibility or Final Letter of Rejection, because their claims are either ineligible, remain wholly deficient, or have a Recognized Amount of \$0. A list of the 10,914 Claims-in-Process recommended for rejection at this time can be found on the accompanying CD-ROM as Exhibit A-2. The other 8 rejected claims, each of which are currently subject to a dispute over their rejection, will be presented to the Court at a future date, as discussed below.

12. If the 1,657 acceptable Claims-in-Process had submitted all of the required documentation prior to the initial distribution cut-off date of July 31, 2006, they would have been entitled to an aggregate payment amount of \$21,715,438.13.

Late Claims

13. Since June 15, 2006, we received and completed the processing of 6,096 Late Claims. Where deficient conditions existed for these claims, two rounds of letters were mailed providing the Claimants with notice of the deficiency and affording them the opportunity to perfect their claims. Claimants whose Late Claims were deemed ineligible received a Final Letter of Ineligibility.

14. Of the 6,096 Late Claims that were completely processed, 3,273 are eligible for payment if these claims are deemed valid by the Court. A list of the Late Claims deemed to be acceptable in whole or in part by GCG and recommended for acceptance by the Court can be found on the accompanying CD-ROM as Exhibit B-1. A list of the 2,819 Late Claims recommended for rejection at this time can be found on the accompanying CD-ROM as Exhibit

² For privacy reasons, the CD-ROM lists to be filed with the Court will provide only the Claim Number and Recognized Amount or Reason for Ineligibility (no name, address or Taxpayer ID numbers are disclosed).

B-2. Each of the remaining 4 claims have outstanding requests for judicial review; therefore, they are not being presented to the Court at this time.

15. If the 3,273 acceptable Late Claims were filed prior to the claim filing cut-off date of June 15, 2006, they would have been entitled to an aggregate payment amount of \$106,442,430.42.

16. GCG is not presenting to the Court at this time an additional 13 Late Claims which are still in process as of today. In order to prepare the claims database for a second distribution, GCG, with the approval of Lead Counsel, implemented a cut-off date of December 19, 2007, for the processing of Late Claims. As a result, claims received by GCG after the December 19, 2007 cut-off date have not been processed. In addition, Late Claims that were deficient as of December 19, 2007, but for which the time to respond to deficiency/final rejections letters had not yet expired, were still in process, and therefore unresolved, as of the cut-off date. Once all outstanding Late Claims are completely processed, GCG will present these claims to the Court in connection with a future distribution motion.

Adjusted Claims

17. Certain Claimants were paid in the Initial Distribution, even though a portion of their claim was deficient. Where possible, GCG paid these Claimants based on the non-deficient portion of the claim. In some instances, Claimants cured the partial deficiencies in their claims after they received payment (and well after the time to respond to their deficiency letters had passed) or submitted new transactions (with supporting documentation) after the filing deadline passed. These additional transactions have been processed and the ultimate payments for these claims have been adjusted. Although these responses were technically late, we nevertheless adjusted 2,133 claims where the new information enhanced the claim payout. Similarly, there were Claimants whose claims were rejected and, therefore, received no payment in the Initial

Distribution. In 1,277 instances, these Claimants submitted supplemental information (well after the time to do so had expired) which made a previously rejected claim eligible for payment. These previously rejected claims were adjusted as well.

18. A list of all of the Adjusted Claims deemed to be acceptable in whole or in part by GCG and recommended for acceptance by the Court can be found on the accompanying CD-ROM as Exhibit C.

19. If these adjustments had been submitted prior to the initial distribution cut-off date of July 31, 2006, the eligible Adjusted Claims would have been entitled to an aggregate payment amount of \$156,947,453.60.

CLAIMANT CHALLENGES

20. Pursuant to ¶19 of the Hearing Order dated June 14, 2005, Claimants who objected to GCG's rejection of their claims in writing are to be presented to the Court as a Disputed Claim (the "Disputed Claims"). Out of nearly one million claims processed, GCG has received a total of 652 Disputed Claims. Subsequent to receipt of all such challenges, GCG attempted to contact each and every contesting Claimant by telephone and/or letter to advise them of the status of their claim, and explain the basis for our administrative determination. As a result of these communications, 344 Claimants withdrew their challenges. Thus, there are currently 308 Disputed Claims for which the Claimant contests GCG's partial or complete rejection of their claim.

21. Of the 308 claims that are subject to a dispute, 83 are now in good standing based on subsequent submissions by the Claimant and are eligible to receive full payment (*i.e.*, the deficient and/or ineligible conditions in these claims were entirely cured). These are included in the category of Adjusted Claims discussed above, although the Claimants have not formally withdrawn their challenges. The resolution of the remaining 225 Disputed Claims is pending;

therefore, these claims are not eligible for payment in the Second Distribution (although 21 of these claims are entitled to partial payment of their claims -- for total payment of \$631,847.56-- regardless of the outcome of their challenge). GCG is working with Lead Counsel to develop a procedure for putting the remaining 225 Disputed Claims before the Court.

22. Pursuant to the Initial Distribution Order, Claimants were also able to object to their payment amount if they did not agree with the calculation of their claim. There are 541 such "Payment Objections" which remain unresolved at this time. These Payment Objections will be put before the Court with the remaining Disputed Claims when appropriate.

SECOND DISTRIBUTION OF THE NET SETTLEMENT FUND

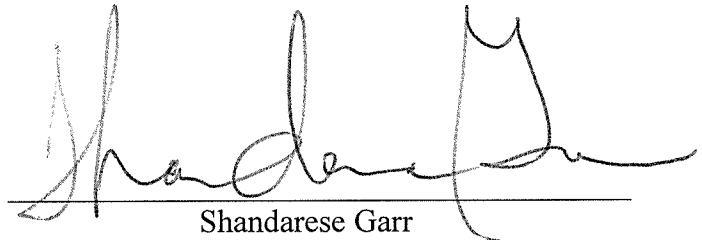
23. GCG, in consultation with Lead Counsel, has determined that \$1.4 billion of the approximately \$1.6 billion currently in the Net Settlement Fund should be allocated for a Second Distribution to Authorized Claimants. GCG has determined that the remaining \$200 million to be held in reserve in the Net Settlement Fund is a sufficient amount of cash to cover the potential payment of any Disputed Claims, Payment Objections, or Late Claims that are ultimately accepted by the Court.

24. There would be two facets to the Second Distribution. First, those Authorized Claimants who were not included in the Initial Distribution (*i.e.*, accepted Claims-in-Process, Late Claims and Adjusted Claims) will receive their *pro rata* share of the \$4.52 billion Initial Distribution amount. By receiving this payment now, these claims would reach a state of parity with those claims that were paid in the Initial Distribution. Second, the remaining balance of the \$1.4 Second Distribution amount would be allocated for a *pro rata* distribution to all Authorized Claimants.

25. Based on our claims processing efforts described above, we have determined that a total of 745,571 Authorized Claimants are now eligible for payment in the Second Distribution

of the Net Settlement Fund. Those who would receive payment now, assuming Court authorization, include 737,231 Authorized Claimants from the Initial Distribution who previously cashed their checks plus 8,340 Claims-in-Process, Late Claims, and certain Adjusted Claims.

26. A list of the 745,571 Authorized Claimants and their Recognized Amounts can be found on the accompanying CD-ROM as Exhibit D. A list of the 13,733 claims recommended for rejection at this time and their Reasons for Ineligibility can be found on the accompanying CD-ROM as Exhibit E. As is standard practice for distributions of this magnitude, GCG will continue to audit the list of approved and rejected claims until the checks are mailed.



Shandarese Garr

Sworn to before me this
21st day of December, 2007.

Vanessa M. Vigilante
Notary Public

VANESSA M. VIGILANTE
Notary Public, State of New York
No. 01VI6143817
Qualified in Queens County
My Commission Expires 4-17-2010