

WorldCom Investors Recoup Additional \$38 Million from Arthur Andersen Years after the Case is Resolved

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Nearly a decade since *In re WorldCom, Inc. Securities Litigation* was settled for over \$6.15 billion in 2005, an additional windfall recovery in the amount of \$38 million reached between the Plaintiffs and WorldCom's former auditor Arthur Andersen was granted preliminary approval by the Court on October 2, 2012.

This additional settlement, negotiated separately from the previous \$65 million settlement Arthur Andersen agreed to pay to settle the case back in April 2005, thereby satisfies a contingent clause inserted into the 2005 settlement agreement entitling the class to additional future payments if Andersen ever distributed money to its former partners on certain subordinated notes.

This is the only case out of numerous litigations against the now-defunct auditor in which such a contingency was included to ensure that guilty parties are held accountable, and that the Class recovers its due share of any future financial distributions from funds Andersen had on hand. In sum, Andersen has now contributed \$103 million to the final settlement, resolving all claims against it in the case.

Filed in 2002, the case against WorldCom, the second-largest long distance telephone company in the nation at the time, arose following revelations that it had overstated billions of dollars in earnings, admitting to booking billions in line cost expenses as capital investments - an accounting gimmick that hid expenses, inflated cash flow and allowed the Company to falsely report profits instead of losses. This improper and fraudulent accounting treatment constituted a blatant violation of Generally Accepted Accounting Principles ("GAAP"). The company subsequently filed for bankruptcy while investors reeled from massive financial losses related to the fraud.

After nearly three years of litigation and four weeks of trial, BLB&G reached a settlement with the Defendants, recovering over \$6.15 billion on behalf of the investor class, with nearly \$25 million of that recovery coming out of the pockets of the outside directors themselves, an unprecedented first for outside directors.