

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ADAM BURSTYN, ROBERT JAMES KENNEDY,
JOSEPH ROSENBAUM, WATERVIEW PARTNERS
and ELI MANN, on behalf of themselves and all
others similarly situated,

Plaintiffs,

v.

WORLDWIDE XCEED GROUP, INC., SCOTT A.
MEDNICK, WERNER G. HAASE, NURIT K.
HAASE, WILLIAM ZABIT, JOHN P. GANDOLFO
and HOWARD A. TULLMAN,

Defendants.

Civ. No. 01 CV 1125 (GEL)

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS OR ENTITIES WHO PURCHASED COMMON STOCK OF WORLDWIDE XCEED GROUP, INC. (“XCEED” OR THE “COMPANY”) DURING THE PERIOD NOVEMBER 29, 1999, THROUGH NOVEMBER 15, 2000, INCLUSIVE (THE “CLASS PERIOD”), AND WHO SUSTAINED DAMAGES AS A RESULT OF SUCH PURCHASES (THE “CLASS”).

EXCLUDED FROM THE CLASS ARE THE DEFENDANTS HEREIN, MEMBERS OF THEIR IMMEDIATE FAMILIES, FORMER OFFICERS AND DIRECTORS OF THE COMPANY, THE DEFENDANTS’ LEGAL REPRESENTATIVES, HEIRS, PREDECESSORS, SUCCESSORS AND ASSIGNS, AND ANY ENTITY IN WHICH ANY OF THE DEFENDANTS HAVE A CONTROLLING INTEREST.

PLEASE READ THIS NOTICE CAREFULLY. IT RELATES TO A PROPOSED SETTLEMENT OF THIS CLASS ACTION LAWSUIT. IF YOU ARE A CLASS MEMBER, THIS NOTICE CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENT. IF YOU ARE A MEMBER OF THE CLASS AND DO NOT SUBMIT A TIMELY REQUEST FOR EXCLUSION, YOU WILL BE BOUND BY THE RELEASE REGARDLESS OF WHETHER YOU SUBMIT A CLAIM.

CLAIMS DEADLINE: CLAIMANTS MUST SUBMIT PROOFS OF CLAIM, ON THE FORM ACCOMPANYING THIS NOTICE, POSTMARKED NO LATER THAN OCTOBER 1, 2005.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE SENT TO THE CLAIMS ADMINISTRATOR, POSTMARKED NO LATER THAN JULY 28, 2005.

BANKS, BROKERS AND OTHER NOMINEES: PLEASE SEE THE INSTRUCTIONS IN § IX BELOW.

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Southern District of New York (the “Court”), and Rule 23 of the Federal Rules of Civil Procedure, that the parties have reached a cash settlement in the amount of four million four hundred thousand dollars (\$4,400,000) (the “Settlement Fund”), plus interest accruing prior to distribution, in the above-captioned action (the “Litigation” or the “Action”), subject to Court approval.

Statement of Plaintiffs’ Recovery

Your recovery from this fund will depend on a number of variables, including, but not limited to, the number of shares of Xceed common stock you purchased during the Class Period, and the timing of your purchases and sales. Lead Plaintiffs’ Counsel, as defined herein, in consultation with their experts, estimate that the average recovery per share will be approximately \$.10 or, based on anticipated actual filing of claims, approximately \$.31 per share, before deduction of Court-approved fees and expenses and the costs of settlement notice and administration. Depending upon the number of claims filed and the other factors listed in the Plan of Distribution (§ VI, ¶ C, below), a Class Member will receive more or less than this estimated average amount.

Reasons for Settlement

Lead Plaintiffs believe that the proposed settlement is the best that could be obtained and is in the best interests of the Class. There are significant risks associated with continuing to litigate and proceeding to trial. In addition, there is a danger that the Class would not prevail on its claims against the Defendants even if those claims went to trial, in which case the Class would receive nothing. Further, had the case proceeded to trial and assuming the Lead Plaintiffs established liability of the Defendants, the amount of damages recoverable by Class Members would have been subject to rigorous attack by the Defendants. Recoverable damages are limited to losses actually caused by conduct found actionable under applicable securities laws. Had the Litigation gone to trial, Defendants would have tried to prove that all or most of the losses of Class Members were caused by non-actionable market, industry, or other general economic factors. The proposed settlement eliminates these risks and provides an immediate recovery for Class Members.

Disagreement on Amount of Damages

The parties do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed on each claim asserted. The issues on which the parties disagree include: (1) the appropriate economic model for determining the amount by which Xceed common stock was allegedly artificially inflated (if at all) during the Class Period and whether any model plaintiffs relied upon would constitute admissible evidence at trial; (2) the amount by which Xceed common stock was allegedly artificially inflated (if at all) during the Class Period; (3) the effect of various market forces influencing the trading practice of Xceed common stock at various times during the Class Period; (4) the extent to which external factors, such as general market conditions, influenced the trading price of Xceed common stock at various times during the Class Period; (5) the extent to which the various matters that plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Xceed common stock at various times during the Class Period; and (6) whether defendants had any knowledge of or recklessly disregarded the alleged material misstatements by Xceed which allegedly resulted in liability under the federal securities laws.

Statement of Attorneys’ Fees and Expenses Sought

Plaintiffs’ Counsel have not received any payment for their services in prosecuting this Litigation on behalf of the Plaintiffs and the Members of the Class. If the Court approves the Settlement, counsel for the Lead Plaintiffs will apply to the Court for attorneys’ fees constituting no more than thirty percent (30%) of the Settlement Fund. Lead Plaintiffs’ Counsel also plan to seek reimbursement of out-of-pocket expenses and costs, incurred in connection with this Litigation, including experts, in an amount not to exceed \$480,000, in total, or \$.04 per share, and to request that the costs of settlement notice and administration in the amount of up to \$75,000 be paid out of the Settlement Fund.

This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Litigation or the merits of the claims or defenses asserted. Defendants have expressly denied any and all wrongdoing and/or liability. This Notice is to advise you of the proposed settlement and of your rights in connection therewith.

Identification of Lawyers' Representatives

If you have any questions about the settlement, you may contact the following Co-Lead Plaintiffs' Counsel:

STULL, STULL, & BRODY
HOWARD T. LONGMAN
6 East 45th Street
New York, NY 10017
Telephone: (212) 687-7239

-and-

WEISS & LURIE
MOSHE BALSAM
551 Fifth Avenue, Suite 1600
New York, NY 10176
Telephone: (212) 682-3025

I. DEFINITIONS

All of the definitions set forth in the Stipulation of Settlement are incorporated by reference herein and the following terms have the meanings specified below:

A. "Xceed" or the "Company" means Worldwide Xceed Group, Inc. as defined further in the Stipulation.

B. "Defendants" means Scott A. Mednick, Werner G. Haase, Nurit K. Haase, William Zabit and John P. Gandolfo.

C. "Lead Plaintiffs" means Adam Burstyn, Robert James Kennedy, Joseph Rosenbaum and Eli Mann.

D. "Lead Plaintiffs' Counsel" means the law firms of Stull, Stull & Brody, 6 East 45th Street, New York, New York 10017, and Weiss & Lurie (formerly "Weiss & Yourman"), 551 Fifth Ave., Suite 1600, New York, NY 10176.

E. "Person" means any individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, agents or assigns.

F. "Class" means the Class conditionally certified by the Court by its order dated November 5, 2003:

all persons or entities who purchased common stock of Worldwide Xceed Group, Inc. (the "Company") during the period November 29, 1999, through November 15, 2000, inclusive, and who sustained damages as a result of such purchases.

The Class excludes the defendants, members of their immediate families, former officers and directors of Xceed, the defendants' legal representatives, heirs, predecessors, successors and assigns, and any entity in which any of the defendants have a controlling interest.

G. "Class Member" or "Member of the Class" means a Person who falls within the definition of the Class and has not validly and timely excluded himself, herself or itself.

II. THE LITIGATION

Beginning in and around February 2001, the following cases were commenced in the United States District Court for the Southern District of New York: *Eli Mann v. Worldwide Xceed Group, Inc., et al.*, 01 Civ. 1125 (GEL); *Camille DeFillippo v. Worldwide Xceed Group, Inc., et al.*, 01 Civ. 1775; *Marvin Zweig v. Worldwide Xceed Group, Inc., et al.*, 01 Civ. 1826; *Steven R. Ceasar v. Worldwide Xceed Group, Inc., et al.*, 01 CV 1883; *David Deutsch v. Worldwide Xceed Group, Inc., et al.*, 01 CV 1896; *Matthew H. Gray v. Worldwide Xceed*

Group, Inc., et al., 01 CV 1952; *David Weigel v. Worldwide Xceed Group, Inc., et al.*, 01 CV 2516; *Rick A. Carpenter and Robert J. Kennedy v. Worldwide Xceed Group, Inc., et al.*, 01 CV 2746; and *Harry Zlotnick and Aliza Zlotnick v. Worldwide Xceed Group, Inc., et al.*, 01 Civ. 3144. On April 30, 2001, Xceed filed for Chapter 11 protection under the United States Bankruptcy Code. This filing triggered an automatic stay of the claims in the Litigation against Xceed, which has since been liquidated.

By Order of the Court, entered June 26, 2001, Waterview Partners, Adam Burstyn, Robert James Kennedy, Eli Mann and Joseph Rosenbaum were appointed Lead Plaintiffs; the law firms of Stull, Stull & Brody and Weiss & Lurie were appointed Co-Lead Counsel and the Lead Plaintiffs were directed to cause an amended complaint to be filed under Civil Action Number 01 CV 1125 (GEL).

The Amended Class Action Complaint (the "Complaint") was filed on August 15, 2001 under the caption *Adam Burstyn, Robert James Kennedy, Joseph Rosenbaum, Waterview Partners, and Eli Mann, on behalf of themselves and all others similarly situated v. Worldwide Xceed Group, Inc., Scott A. Mednick, Werner G. Haase, Nurit K. Haase, William Zabit, John P. Gandolfo and Howard A. Tullman*, 01 CV 1125 (GEL). The Complaint was filed on behalf of all persons who purchased the common stock of Xceed from November 29, 1999 through and including November 15, 2000. Excluded from the proposed class were the defendants herein, members of their immediate families, former officers and directors of the company, the defendants' legal representatives, heirs, predecessors, successors and assigns, and any entity in which any of the defendants have a controlling interest. The Complaint alleged violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder as well as violations of Section 20(a) of the Exchange Act, and sought as relief unspecified compensatory damages and the cost and expenses of the Litigation, including reasonable attorneys' and experts' fees.

In summary, the Complaint alleged accounting irregularities for which defendants were liable, including gross understatement of net losses due to inadequate allowances for uncollectible accounts; improper amortizing of goodwill and intangibles; improper failure to recognize impairment of long-lived assets in conformance with its own stated accounting policies and Generally Accepted Principles of Accounting ("GAAP"); and violation of GAAP concerning revenue recognition.

On November 21, 2001, defendants, moved to dismiss the Complaint. Lead Plaintiffs opposed the motions to dismiss and thereafter, by Opinion and Order dated September 30, 2002, the Court dismissed Howard A. Tullman as a defendant, denied the motion to dismiss of the Defendants with respect to the Section 10(b) and Rule 10b-5 allegations in the Complaint, and granted the motion without prejudice to renew Plaintiffs' Section 20(a) control allegations.

The Defendants served their answer to the Complaint on November 18, 2002, denying all of its material allegations. On or about October 17, 2003, the Court issued an Order allowing Waterview Partners to withdraw as a Lead Plaintiff and from consideration as a class representative.

On November 5, 2003, the Court issued an order conditionally certifying the Litigation as a class action on behalf of all persons or entities who purchased common stock of Xceed during the period November 29, 1999 through November 15, 2000, inclusive and who sustained damages as a result of such purchases and excluding from the class the defendants, members of their immediate families, former officers and directors of Xceed, the defendants' legal representatives, heirs, predecessors, successors and assigns, and any entity in which any of the defendants had a controlling interest. The Court also named Adam Burstyn, Robert James Kennedy, Joseph Rosenbaum and Eli Mann as Class representatives and approved the proposed forms of notice to Class Members concerning the conditional certification of the Class and the procedures to be followed by any Class Member seeking to be excluded from the Class. Only one untimely and incomplete request for exclusion from the Class was received in response to the Notice of Proposed Settlement of Class Action given to Class Members.

Following the denial of the Defendants' motion to dismiss Plaintiffs' 10(b) claims, discovery commenced in the case. Tens of thousands of documents were produced by Defendants, by the bankrupt entity — Xceed, the two public accounting firms which were Xceed's auditors during the relevant period. There were also additional non-party documents produced. Numerous depositions were then taken, including those of all of the Lead Plaintiffs, Defendants Scott A. Mednick, Werner G. Haase, John P. Gandolfo and William Zabit, representatives from Xceed's former auditing firms, a former Xceed outside director and audit committee chair, and an additional non-party. Fact discovery in the case was completed on September 15, 2004.

In late 2004, Lead Counsel and counsel for the Defendants entered into earnest settlement negotiations. Both sides proceeded to negotiate over the course of meetings held in person and via telephone to craft a settlement. The negotiations were facilitated by the aid and advice of a neutral mediator after the parties' formal discovery of the facts underlying the Litigation.

As a result of these negotiations, counsel for the Defendants and Lead Counsel have agreed to enter into a Stipulation of Settlement which is dated May 12, 2005 ("Stipulation of Settlement"). Based on the terms and conditions of the Stipulation summarized herein, and subject to the approval of the Court, Defendants have agreed to pay \$4,400,000 in cash in full settlement of any and all claims which were or could have been asserted in the Action.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants emphatically deny any and all claims of wrongdoing, and any and all liability alleged in connection with the Litigation. As discussed above, Plaintiffs and the Defendants do not agree on the amount of recovery per share if the Plaintiffs prevailed in the Litigation. The Defendants have denied, and continue to deny, each and every claim and contention alleged in the Complaint. Defendants have expressly denied, and continue to deny, all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Complaint. Defendants have also denied, and continue to deny, *inter alia*, the allegations that Lead Plaintiffs or the Class have suffered damage, or that the price of Xceed common stock was artificially inflated as a result of alleged misrepresentations, non-disclosures, or otherwise.

Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Defendants have also taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this one. Defendants have determined therefore that it is desirable and beneficial to them that this Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation of Settlement.

IV. CLAIMS OF THE PLAINTIFFS AND BENEFITS OF SETTLEMENT

Lead Plaintiffs believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports their claims. However, Lead Plaintiffs recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. Lead Plaintiffs have also taken into account the uncertain outcome and the risk of continuing litigation, especially in complex actions involving complicated accounting issues such as this Action, as well as the difficulties and delays inherent in such litigation. Lead Plaintiffs are also mindful of the inherent problems of proof under and possible defenses to the federal securities law violations asserted in the Litigation. In particular, in this Action, there was very limited insider selling during the Class Period and no direct proof of intentional or reckless conduct, which Plaintiffs would have been required to prove at trial. Lead Plaintiffs believe that the Settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation of the evidence obtained to date, Lead Plaintiffs have determined that the proposed Settlement is fair and reasonable and in the best interests of Lead Plaintiffs and the Class Members.

V. THE RIGHTS OF THE SETTLEMENT CLASS MEMBERS

If you are a Class Member, you may receive the benefit of, and you will be bound by, the terms of the proposed Settlement described in Section VI of this Notice, upon the Court's approval of such terms.

If you are a Class Member, you have the following options:

A. You may file a Proof of Claim as described below. If you choose this option, you will share in the proceeds of the proposed Settlement if your claim is timely and valid and if the proposed Settlement is finally approved by the Court, and you will be bound by the Final Judgment and Order of Dismissal described below.

B. If you do not wish to remain a Class Member and you do not wish to participate in the proposed Settlement described in this Notice, you may request to be excluded even though a previous Notice of Pendency that was sent to you on December 8, 2003 stated that the deadline for requesting an exclusion was January 23, 2004. To do so now, you must set forth the following in a **signed letter postmarked no later than July 28, 2005**:

1. The name of this Litigation, *Burstyn v. Worldwide Xceed Group, et al.*, (01 Civ. 1125 (GEL));
2. Your name, address, and telephone number, and the name and address of the record owner of Xceed common stock, if different from your own;
3. The number of shares of Xceed common stock you purchased and the number of shares of common stock you sold during the Class Period, and the dates and prices of any other purchase(s) and/or sale(s); and
4. That you wish to be excluded from the Class.

You must address your exclusion request to the Claims Administrator at:

Worldwide Xceed Group Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST AND IT IS TIMELY MAILED.

C. If you validly request exclusion from the Class: (1) you will be excluded from the Class; (2) you will not share in the proceeds of the Settlement described herein; (3) you will not be bound by any judgment entered in the Litigation; and (4) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the Litigation.

D. If you do not request in writing to be excluded from the Class as set forth in Paragraph B above, you will be bound by any and all determinations or judgments in the Litigation in connection with the Settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, including, without limitation, the Final Judgment and Order of Dismissal described in Section VIII, Paragraph A, below, and you shall be deemed to have, and by operation of the Final Judgment and Order of Dismissal shall have, fully released all of the Released Claims (defined below) against the Released Persons (defined below), regardless of whether you submit a valid Proof of Claim.

E. If you do not request exclusion from the Class, you may object to the Settlement and/or the application of Lead Plaintiffs' Counsel for an award of attorneys' fees and reimbursement of expenses in the manner set forth in Section XI, below. The filing of a Proof of Claim by a Class Member does not preclude a Class Member from objecting to the Settlement. However, if your objection is rejected, you will be bound by the Settlement and the Final Judgment and Order of Dismissal (described in Section VIII, Paragraph A, below) just as if you had not objected.

F. You may do nothing at all. If you choose this option, you will not share in the proceeds of the Settlement, but you will be bound by any judgment entered by the Court, and you shall be deemed to have, and by operation of the Final Judgment and Order of Dismissal with Prejudice shall have, fully released all of the Released Claims (defined below) against the Released Persons.

G. If you are a Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Lead Plaintiffs' Counsel:

STULL, STULL & BRODY
HOWARD T. LONGMAN
6 East 45th Street
New York, NY 10017
Telephone: (212) 687-7230

WEISS & LURIE
MOSHE BALSAM
551 Fifth Avenue, Suite 1600
New York, NY 10176
Telephone: (212) 682-3025

VI. THE PROPOSED SETTLEMENT

A Settlement has been reached in the Litigation between the Settling Parties, which is embodied in the Stipulation of Settlement (the "Stipulation") on file with the Court. The Lead Plaintiffs and Plaintiffs' Co-Lead Counsel, on the basis of a thorough investigation of the facts and the law relating to the acts, events, and conduct complained of in the Litigation, among other things, have concluded that the Settlement is fair to, and in the best interests of, the members of the Class. While Defendants deny all charges of wrongdoing and do not concede liability, they have agreed to settle the Litigation on the basis proposed in order to put to rest all further controversy and to avoid the additional substantial expense, inconvenience and distraction of burdensome and protracted litigation.

The following description of the Settlement of the Litigation is only a summary, and reference is made to the text of the Stipulation, on file with the Court, for a full statement of its provisions:

A. The Settlement Fund consists of \$4,400,000 in cash.

B. Upon approval of the Settlement by the Court, and when the Judgment has become final and all other conditions to the Settlement are satisfied, including those set forth in § 1.8 of the Stipulation, the Settlement Fund shall be distributed as follows:

1. To pay all the costs and expenses reasonably and actually incurred in connection with providing notice to Class Members, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Settlement Fund to the Class, processing Proofs of Claim and Release and paying escrow fees and costs, if any;

2. To pay plaintiffs' counsel's fees, expenses and costs (including the award of reasonable costs and expenses directly relating to the representation of the Class to any Lead Plaintiff serving on behalf of the Class) with interest thereon (the "Fee and Expense Award") to the extent allowed by the Court;

3. To pay the taxes and tax expenses owed by the Settlement Fund; and

4. To pay to Class Members the remainder of the Settlement Fund, as described in the Plan of Allocation below.

C. **Plan of Allocation** — Subject to the approval and further Order(s) of the Court as may be necessary, the balance of the Settlement Fund (the "Net Settlement Fund") shall be distributed to Authorized Claimants (who is any Class Member whose claim for recovery is allowed) pursuant to the following Plan of Allocation:

1. Each Person claiming to be an Authorized Claimant shall be required to timely submit a separate Proof of Claim (that shall include a general release of all Released Claims, including Unknown Claims, against the Released Persons) in the form set forth in the Proof of Claim and Release accompanying this Notice, signed under penalty of perjury and supported by proof of all sales and purchases or acquisitions of Xceed common stock during the Class Period.

2. All Proof of Claim and Release forms must be mailed to the Claims Administrator and **post-marked on or before October 1, 2005**. Unless otherwise ordered by this Court, any Class Member who fails to submit a Proof of Claim and Release within that period, or such other period as may be ordered by the Court, shall be forever barred from receiving any payments pursuant to the Stipulation, but will, in all other respects, be subject to the provisions of the Stipulation and the final Judgment entered by the Court.

3. In the unlikely event there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage that each Authorized Claimant's Recognized Loss bears to the total of the claims of all Authorized Claimants. Recognized Loss will be computed as follows: Recognized Loss shall be equal to the difference between the amount paid for shares of Xceed common stock purchased or acquired by Class Members during the Class Period, and: (a) the amount realized from the sale of any such shares during the Class Period; or (b) the number of any such shares held at the close of business on November 15, 2000 times \$.39, the average price of Worldwide Xceed Group shares for the 90-day calendar period following November 15, 2000. **YOUR CLAIM WILL NOT BE VALID IF YOU DID NOT SUFFER A LOSS.**

4. General Provisions:

a. The date of purchase, acquisition or sale is the "contract" or "trade" date and not the "settlement" date.

b. All profits will be subtracted from all losses to determine the net Recognized Loss of each Class Member.

c. In processing claims, the first-in, first-out basis ("FIFO") will be applied to purchases, acquisitions and sales. Sales will be matched in chronological order, by trade date, first against the common stock held as of the close of trading on November 28, 1999 (the last day before the Class Period begins) and then against the purchases during the Class Period.

d. The date of covering a "short sale" is deemed to be the date of purchase of Xceed common stock. The date of a "short sale" is deemed to be the date of sale of Xceed common stock. Shares originally sold short prior to the Class Period will result in a zero claim.

e. Where common stock was purchased/sold by reason of having exercised an option, the option premium should be incorporated into the price accordingly.

f. If an Authorized Claimant's trading activity during the Class Period exceeds 50 transactions, he/she/it must provide, in an electronic file, all purchase and sales information required in the Proof of Claim and Release. For a copy of instructions and parameters concerning such a submission, contact the Claims Administrator by phone: (800) 766-3330; by fax (516) 931-0810 or via the website: www.berdonllp.com/claims.

g. No cash payment will be made on a claim where the potential distribution amount is \$10.00 or less.

h. Brokerage commissions and transfer taxes paid by you in connection with your purchase and sale of Xceed common stock should be included in the "total purchase price" and net of the "total proceeds."

i. The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member.

5. Although the Net Settlement Fund is being allocated among the Class Members based on the formula stated above (subject to Court approval), it should not be assumed that an Authorized Claimant's claim is equal to the amount of damages, if any, which could have been recovered had this Litigation been fully tried instead of settled. The amount of damages which the Lead Plaintiffs could prove, if any, is a matter of

serious dispute, and the Settlement's use of the formula set forth above does not constitute a concession, finding or admission that any damages could be proven or that provable damages, if any, would be commensurate with a claim. No determination has been made by the Court as to whether **any** Class Member suffered **any** damages, or as to the proper measure of any damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, typically involving conflicting expert opinions. During the course of the Litigation, Defendants, in addition to denying any liability, denied that the Class Members suffered any legally compensable harm. The Settlement avoids the risks to the Class Members that liability or damages might not have been proven at trial.

6. Payment pursuant to the Plan of Allocation set forth herein shall be deemed conclusive against all Authorized Claimants. No Person shall have any claim against any plaintiffs' counsel, or any Claims Administrator or other agent designated by Plaintiffs' Co-Lead Counsel, or against Released Persons or Defendants' Counsel based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further Orders of the Court. The Released Persons shall have no responsibility for, or any liability whatsoever with respect to, any payment, the timing of any payment, or the failure of any payment to be made, to Plaintiffs' Co-Lead Counsel from the Settlement Fund, nor shall the Released Persons have any responsibility for, or any liability whatsoever, with respect to the refunding of, or failure of Plaintiffs' Co-Lead Counsel to refund to the Settlement Fund any money Plaintiffs' Co-Lead Counsel may be ordered to refund. The Released Persons shall have no responsibility for, or any liability whatsoever with respect to, the allocation of the Settlement Fund among Plaintiffs' Co-Lead Counsel and any other Person who may assert some claim thereto, or for any Fee and Expense Awards that the Court may make in this Litigation.

7. All Class Members who fail to complete and file a valid and timely Proof of Claim and Release shall be barred from participating in distributions from the Net Settlement Fund, unless otherwise ordered by the Court, but otherwise shall be bound by all of the terms of the Stipulation, including the terms of any Judgment entered and the releases given.

VII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Final Judgment and Order of Dismissal by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions in the Litigation.

VIII. DISMISSAL AND RELEASES

A. If the Court approves the proposed Settlement, the Court will enter the Final Judgment and Order of Dismissal with Prejudice that will dismiss the Litigation against Defendants with prejudice, and bar and permanently enjoin the Lead Plaintiffs, and each Class Member, regardless of whether such Class Member has submitted a Proof of Claim and Release, from prosecuting the Released Claims (defined below) against the Released Persons. At such time, any such Class Member shall be conclusively deemed to have released any and all such Released Claims (including Unknown Claims) against the Released Persons. The Court shall retain jurisdiction over implementation of the Settlement, disposition of the Settlement Fund, hearing and determining Plaintiffs' Co-Lead Counsel's application for attorneys' fees, costs, interest, and expenses (including expert fees and the costs of the notice and administration of the Settlement Fund), and enforcing and administering the Stipulation, including any releases executed in connection therewith.

B. As used above, "Released Claims" mean any and all rights, claims, demands, actions, causes of action or liabilities, of every kind, nature and description whatsoever, whether known or unknown (as defined in § 1.24 of the Stipulation of Settlement), suspected or unsuspected, matured or unmatured, fixed or contingent,

asserted or which might have been asserted, in favor of Class Members against any of the Released Persons by reason of any act, omission, event, transaction, occurrence, matter, cause or thing whatsoever, that arises out of any of the following:

1. The purchase or sale of Xceed common stock by a Class Member during the Class Period;
2. Any acts, omissions, events, transactions, occurrences, facts, circumstances or failures to act that are or could have been alleged in the Litigation; or
3. The defense of the Litigation.

Without limiting the generality of the foregoing, it is agreed that “Released Claims” includes any and all such rights, claims, demands, actions, causes of action or liabilities that arise under any federal or state or local or foreign or international law, whether based on intent, fraud, malice, recklessness, negligence, gross negligence or any state of mind, or lack thereof, including but not limited to the Securities Act of 1933, the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, any state securities law, any law relating to fraud, misrepresentation, deceit, or breach of fiduciary duty, or any other statute or rule or regulation or ordinance or common law, and regardless of the nature of such claims, be they individual, derivative, representative, class, matured, unmatured, direct or indirect, if they arise out of any of (1), (2) or (3) above.

C. “Unknown Claims” mean any and all Released Claims that any Lead Plaintiff or Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons, which, if known by him, her, or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that upon the Effective Date, the Lead Plaintiffs and Defendants shall expressly, and each Class Member shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Lead Plaintiffs and Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown” claims in the definition of Released Claims was separately bargained for and was a material element of the Settlement.

IX. NOTICE TO BANKS, BROKERS, AND OTHER NOMINEES

Banks, brokerage firms, institutions, and other Persons who are nominees and who purchased Xceed common stock for the beneficial interest of other Persons as of any day from November 29, 1999 through and including November 15, 2000, are requested within ten (10) days of receipt of this Notice to either: (1) provide the Claims Administrator with the names and addresses of such beneficial owners, **preferably on computer-generated mailing labels or, electronically, in MS Word or WordPerfect files (label size Avery® # 5162), or in an MS Excel data table setting forth (a) title/registration, (b) street address, (c) city/state/zip;** or (2) forward a copy of this Notice to each such beneficial owner and provide the Claims Administrator with written confirmation of having done so. Additional copies of the Notice may be requested by contacting the Claims Administrator at:

Worldwide Xceed Group Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Telephone: (800) 766-3330
Fax: (516) 931-0810
Website: www.berdonllp.com/claims

You are entitled to the reimbursement of any *reasonable* expenses actually incurred in connection with the research of records and: (1) the generating of labels or electronic media; or (2) the mailing of this Notice, after submission to the Claims Administrator of a written request, together with appropriate supporting documentation.

X. ATTORNEYS' FEES, COSTS, AND EXPENSES

To date, Lead Plaintiffs' Counsel have not received any payment for their services in conducting this Litigation on behalf of the Lead Plaintiffs and the Members of the Settlement Class, nor have counsel been reimbursed for their out-of-pocket expenses. Lead Plaintiffs' Counsel in the Litigation will apply to the Court at the conclusion of the hearing described below, for an award of attorneys' fees of no more than 30% of the Settlement Fund, plus reimbursement of expenses. Such sums as the Court may grant will be paid from the Settlement Fund. Class Members are not personally liable for any fees or expenses awarded by the Court.

The fee requested by Lead Plaintiffs' Counsel will compensate them for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this case on a contingent basis. If approved by the Court, the fee requested would fall within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

XI. THE HEARING ON PROPOSED SETTLEMENT

A hearing (the "Hearing") will take place before the Honorable Gerard E. Lynch, at the United States District Court for the Southern District of New York, 40 Centre Street, New York, New York, 10007, at 12:45 p.m., on August 11, 2005, for the purpose of determining whether: (1) the proposed Settlement is fair, reasonable and adequate and appropriate of Court approval; (2) the proposed Plan of Distribution is fair, just, reasonable, and adequate; (3) the Court should approve applications of Lead Plaintiffs' Counsel for an award of attorneys' fees, costs and expenses; and (4) the Court should enter Final Judgment and Order of Dismissal with Prejudice dismissing the Litigation with prejudice as against Defendants. The Hearing may be adjourned from time to time by the Court at the Hearing or any adjourned session thereof without further notice.

Any Member of the Class who has not requested exclusion may appear at the Hearing to show cause why the proposed Settlement should not be approved, or the Litigation should not be dismissed with prejudice as against the Defendants, and to present any opposition to the Plan of Distribution or the application of Plaintiffs' Co-Lead Counsel for attorneys' fees, costs and expenses. However, no such Person shall be heard, unless his, her or its objection or opposition is made in writing and is filed, together with copies of all other papers and briefs by him, her or it, with the Court no later than July 22, 2005, as follows:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
500 Pearl Street
New York, NY 10007

with copies to Lead Plaintiffs' Counsel:

STULL, STULL & BRODY
HOWARD T. LONGMAN
6 East 45th Street
New York, NY 10017

-and-

WEISS & LURIE
MOSHE BALSAM
551 Fifth Avenue, Suite 1600
New York, NY 10176

and to Defendants' Counsel:

WILLKIE FARR & GALLAGHER LLP
MICHAEL R. YOUNG
JEANNE M. LUBOJA
787 Seventh Avenue
New York, NY 10019

Unless otherwise ordered by the Court, any Member of the Class who does not make his, her, or its objection or opposition in the manner provided shall be deemed to have waived all objections and opposition to the fairness, reasonableness, and adequacy of the proposed Settlement, the Plan of Distribution, or to the request of Lead Plaintiffs' Counsel for attorneys' fees, costs and expenses.

XII. EXAMINATION OF PAPERS AND INQUIRIES

This Notice contains only a summary of the terms of the proposed Settlement. For a more detailed statement of the matters involved in the Litigation, 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 Court, United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007, during business hours of each business day.

DO NOT CONTACT THE COURT REGARDING THIS NOTICE

If you have any questions about the Settlement, you may contact Lead Plaintiffs' Counsel:

STULL, STULL & BRODY
HOWARD T. LONGMAN
6 East 45th Street
New York, NY 10017
Telephone: (212) 687-7239

-or-

WEISS & LURIE
MOSHE BALSAM
551 Fifth Avenue, Suite 1600
New York, NY 10176
Telephone: (212) 682-3025

If you need additional copies of the Notice or Proof of Claim and Release, contact the Claims Administrator at:

Worldwide Xceed Group Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Telephone: (800) 766-3330
Fax: (516) 931-0810
Website: www.berdonllp.com/claims

Dated: June 3, 2005

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK