UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE FLAG TELECOM HOLDINGS, LTD. SECURITIES LITIGATION	:	Master File No. 02-CV-3400 (CM) (PED)
THIS DOCUMENT RELATES TO: All Actions	:	

NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT, MOTION FOR ATTORNEYS' FEES AND SETTLEMENT FAIRNESS HEARING

If you purchased the common stock of FLAG Telecom Holdings Limited ("FLAG") between March 6, 2000 and February 13, 2002 or purchased FLAG common stock pursuant to or traceable to FLAG's initial public offering (IPO) between February 11, 2000 and May 10, 2000, inclusive, and were damaged thereby and did not sell all of those shares prior to February 13, 2002, then you could get a payment from a class action settlement.

A federal court authorized this Notice.[1] This is not a solicitation from a lawyer.

- The proposed Settlement will provide $24.4 million in settlement funds for the benefit of investors who bought shares of FLAG common stock between February 11, 2000 and February 13, 2002 and still held some or all of those shares after February 12, 2002.
- The proposed Settlement resolves a lawsuit over whether FLAG misled investors about its earnings.
- Your legal rights are affected whether you act or do not act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM BY NOVEMBER 30, 2010	The only way to get a payment.
EXCLUDE YOURSELF BY SEPTEMBER 22, 2010	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against the Released Parties about the Settled Claims.
OBJECT BY SEPTEMBER 22, 2010	Write to the Court about why you do not like the Settlement.
GO TO A HEARING ON OCTOBER 29, 2010	Ask to speak in Court about the Settlement.
DO NOTHING	Get no payment. Give up your rights.

- These rights and options—**and the deadlines to exercise them**—are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and after appeals are resolved. Please be patient.

SUMMARY OF NOTICE

Statement of Plaintiff Recovery

Pursuant to the Settlement described herein, settlement funds totaling $24.4 million in cash have been established. $23.8 million of this amount is allocable to Class Members who purchased FLAG common stock between February 11, 2000 and February 13, 2002 and held some or all of those shares on February 13, 2002 (the "Class Shares"). $600,000 is allocable to Class Members who purchased FLAG common stock pursuant to or traceable to FLAG's IPO between February 11, 2000 and May 10, 2000, inclusive, and held some or all of those shares on February 13, 2002 (the "IPO Class Shares"). Plaintiffs' expert has estimated that there are approximately 28,191,993 Class Shares and 2,562,377 IPO Class Shares traded during the Class Period which may have been damaged. Plaintiffs estimate that the average recovery per damaged Class Share under the Settlement is 84.4¢. Plaintiffs estimate that the average recovery per damaged IPO Class Share under the Settlement is 23.4¢. Both per-share amounts are before deduction of attorneys' fees and expenses that may be awarded by the Court. A Class Member's actual recovery will be a proportion of the Net Settlement Funds determined by that claimant's Recognized Claim as compared to the total Recognized Claims of all Class Members who submit acceptable Proofs of Claim. Depending on the number of claims submitted, when during the Class Period a Class Member purchased shares of FLAG common stock, the purchase price paid, and whether those shares were held at the end of the Class Period and, if sold after the Class Period, when they were sold and the amount received, an individual Class Member may receive more or less than this average amount. See the Plan of Allocation of Net Settlement Funds Among Class Members ("Plan of Allocation") beginning on Page 11 for more information on your Recognized Claim.

Statement of Potential Outcome of Case

The parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include (a) whether any of the defendants made any false or misleading statements; (b) whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws; (c) the appropriate economic model for determining the amount by which FLAG common stock was allegedly artificially inflated (if at all) during the Class Period; (d) the amount by which FLAG common stock was allegedly artificially inflated (if at all) during the Class Period; (e) the effect of various market forces influencing the trading price of FLAG common stock at various times during the Class Period;

[1] All capitalized terms not otherwise defined in this document shall have the meaning provided in the Stipulation and Agreement of Settlement.

(f) the extent to which external factors, such as general market and industry conditions, influenced the trading price of FLAG common stock at various times during the Class Period; (g) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of FLAG common stock at various times during the Class Period; and (h) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading price of FLAG common stock at various times during the Class Period. The Defendants have denied, and continue to deny, that they have committed any violation of the federal securities laws or other laws, and have denied and continue to deny all allegations of wrongdoing or liability whatsoever alleged in the Action. Among other things, Defendants have denied, and continue to deny, that the registration statements and prospectuses filed in connection with FLAG's IPO, FLAG's press releases and other statements by FLAG and the Defendants themselves contained any false or misleading statements. In addition, Defendants deny that plaintiffs or the Class have suffered any damages.

Statement of Attorneys' Fees and Costs Sought

Plaintiffs' Lead Counsel are moving the Court for reimbursement of their expenses in the approximate amount of Two Million Dollars, plus an award of attorneys' fees in the amount of 30% of the remaining balance of the Gross Settlement Fund after reimbursement of these expenses and payment of any Private Securities Litigation Reform Act of 1995 (PSLRA) reimbursement awards to the Lead Plaintiffs. The requested attorneys' fees represent less than the amount of Plaintiffs' Counsel's fees charged at Plaintiffs' Counsel's normal hourly rates, had the case not been pursued on a contingent-fee basis. The requested fees and expenses would amount to an average of approximately 30.7¢ per damaged Class Share and approximately 8.5¢ per damaged IPO Class Share in total for fees and expenses. Application will also be made for reimbursement to the Lead Plaintiffs for an amount not to exceed $100,000 for Lead Plaintiff Peter T. Loftin and for an amount not to exceed $5,000 for Lead Plaintiff Joseph Coughlin for reimbursement of their reasonable costs and expenses (including lost wages) directly relating to their representation of the Class. Plaintiffs' Counsel have expended considerable time and effort in the prosecution of this litigation on a contingent-fee basis and have advanced the expenses of the litigation in the expectation that if they were successful in obtaining a recovery for the Class, they would be paid from such recovery. In this type of litigation, it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys' fees.

Further Information

Further information regarding the Action and this Notice may be obtained by contacting Plaintiffs' Lead Counsel: Brad N. Friedman, Esq., Milberg LLP, One Penn Plaza, New York, New York 10119-0165, Telephone: 212-594-5300.

Reasons for the Settlement

For the plaintiffs, the principal reason for the Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future. Moreover, the decision already rendered by the United States Court of Appeals for the Second Circuit, which held that as a matter of law, plaintiffs could not prove any loss prior to the last day of the Class Period, presented a particularly high risk that plaintiffs would be unable to prove that there were any, or at least any significant, damages and might have made it difficult for some or all of the Class to recover any damages at all.

For the Defendants, who have denied, and continue to deny, that they have committed any violation of the federal securities laws or other laws and have denied and continue to deny all allegations of wrongdoing or liability whatsoever, the sole reason for the Settlement is to eliminate the burden, expense, risks, and uncertainties of further litigation.

[END OF COVER PAGE]

WHAT THIS NOTICE CONTAINS

Table of Contents

	Page
SUMMARY OF NOTICE	1
Statement of Plaintiff Recovery	1
Statement of Potential Outcome of Case	1
Statement of Attorneys' Fees and Costs Sought	2
Further Information	2
Reasons for the Settlement	2
BASIC INFORMATION	3
1. Why did I get this notice package?	3
2. What is this lawsuit about?	3
3. Why is this a class action?	4
4. Why is there a Settlement?	4
WHO IS IN THE SETTLEMENT	6
5. How do I know if I am part of the Settlement?	6
6. Are there exceptions to being included?	6
7. What if I am still not sure if I am included?	6
THE SETTLEMENT BENEFITS—WHAT YOU GET	7
8. What does the Settlement provide?	7
9. How much will my payment be?	7
HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM	7
10. How can I get a payment?	7
11. When would I get my payment?	7
12. What am I giving up to get a payment or stay in the Class?	7

EXCLUDING YOURSELF FROM THE SETTLEMENT 8
13. How do I get out of the proposed Settlement? 8
14. If I do not exclude myself, can I sue the Defendants and the other Released Parties for the same thing later? 8
15. If I exclude myself, can I get money from the proposed Settlement? 8
THE LAWYERS REPRESENTING THE CLASS 8
16. Do I have a lawyer in this case? 8
17. How will the lawyers be paid? 8
OBJECTING TO THE SETTLEMENT 9
18. How do I tell the Court that I do not like the proposed Settlement? 9
19. What is the difference between objecting and excluding? 9
THE COURT'S SETTLEMENT FAIRNESS HEARING 10
20. When and where will the Court decide whether to approve the proposed Settlement? 10
21. Do I have to come to the hearing? 10
22. May I speak at the hearing? 10
IF YOU DO NOTHING 10
23. What happens if I do nothing at all? 10
GETTING MORE INFORMATION 10
24. Are there more details about the proposed Settlement? 10
25. How do I get more information? 10
PLAN OF ALLOCATION OF NET SETTLEMENT FUNDS AMONG CLASS MEMBERS 11
SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES 12

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased shares of FLAG common stock between March 6, 2000 and February 13, 2002 or purchased FLAG common stock pursuant to or traceable to FLAG's IPO between February 11, 2000 and May 10, 2000, inclusive.

The Court directed that this Notice be sent to Class Members because they have a right to know about the proposed Settlement in this class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections or appeals are resolved, an administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Southern District of New York, and the case is known as *In re FLAG Telecom Holdings, Ltd. Securities Litigation.*, Master File No. 02-CV-3400 (CM) (PED). This case is assigned to United States District Judge Colleen McMahon. The people who sued are called plaintiffs, and the corporate officers and directors and investment bank that they sued are called the Defendants.

The Defendants in the Action are: (1) Andres Bande (Chairman and Chief Executive Officer of FLAG throughout the Class Period); (2) Larry Bautista (Chief Financial Officer of FLAG from November 2000 to August 2001); (3) Lim Lek Suan (former FLAG director); (4) Edward McCormack (Chief Financial Officer of FLAG from February 1996 to November 2000, Chief Operating Officer from March 2000, and former FLAG director); (5) Edward McQuaid (former FLAG director); (6) Daniel Petri (former FLAG director); (7) Philip Seskin (former FLAG director); and (8) Citigroup Global Markets Inc. f/k/a Salomon Smith Barney Inc. ("CGMI") (successor to the investment banking firm which served as the lead underwriter of FLAG's IPO).

The Lead Plaintiffs are Peter T. Loftin and Joseph Coughlin.

2. What is this lawsuit about?

Former Defendant FLAG Telecom Holdings Limited ("FLAG") was the predecessor company to its reorganized successor, FLAG Telecom Group Limited ("FTGL"). In late 2003, FTGL was purchased by Reliance Gateway Net Limited, a subsidiary of Reliance Communications Limited. Throughout the Class Period, FLAG was a Bermuda corporation that had North American operations headquartered in New York City, at 570 Lexington Avenue, New York, New York 10022. FLAG (and later FTGL) functioned as a global network services provider and independent carriers' carrier, providing a range of products and services to the international telecommunications carrier community, application service providers, and Internet service providers across a global network platform optimized to support the next generation of Internet protocol over optical data networks.

FLAG offered its shares to the general public in an IPO that commenced on February 11, 2000 and closed on February 16, 2000, during which FLAG sold 27,963,980 common shares at $24.00 per share and pre-IPO shareholders sold 8,436,320 shares at that price for total net proceeds to the company of approximately $634.6 million. After the IPO, FLAG's common stock was listed and actively traded on the NASDAQ national market under the ticker symbol FTHL (later changed to FTHLQ).

The IPO prospectus stated, among other things, that FLAG intended to finance the construction of its new trans-Atlantic cable with $600 million in bank financing and presale capacity commitments in excess of $750 million.

On March 6, 2000, FLAG announced its results for the fourth quarter of 1999 and the full year 1999.

On February 13, 2002, FLAG announced that "approximately 14% of GAAP revenues for the full year 2001 was associated with reciprocal transactions entered into with other telecommunications companies and service providers" and that FLAG anticipated that, if business conditions did not improve, the company would run out of cash sometime in 2003 unless it were able to obtain cash from another source. Following this announcement, the market price of FLAG common stock, which had traded as high as $41.00 per share during the Class Period, declined by 46% from its February 12, 2002 closing price, to a closing price of $0.36 per share on February 13, 2002, on trading volume more than 10 times its daily average.

Plaintiffs allege that in the IPO Prospectus and throughout the Class Period, the market for FLAG securities was misled about the revenue from and nature of FLAG's presales relating to the FA-1 system and sales, as well as demand for FLAG's telecommunications bandwidth and the value of FLAG's assets, all of which Plaintiffs allege misled investors about FLAG's profitability, asset values, and demand for bandwidth.

Plaintiffs contend that the IPO Prospectus was misleading and omissive because, among other things, some of the $750 million in presales relating to FA-1 were "at cost," and many were mere financing facilities rather than true presales, and therefore these presales were not true indicators of profit or demand. Plaintiffs also contend that certain Defendants (i) artificially and fraudulently inflated FLAG's reported revenues and EBITDA during fiscal years 2000 and 2001 by causing FLAG to enter into reciprocal "swap" sales with its competitors, which did not need the capacity, and then immediately booking the revenue while amortizing the cost over time; (ii) failed to record an impairment to FLAG's long-lived assets in a timely fashion; and (iii) made false and misleading statements about demand between April 24, 2001 and November 6, 2001.

Defendants contend that the evidence shows that Plaintiffs' allegations are untrue and without any factual support and that Defendants made no false or misleading or omissive statements.

The first of several securities class actions was filed in the United States District Court for the Southern District of New York in April 2002. On October 18, 2002, the several related lawsuits were consolidated under this caption.

FLAG filed a Chapter 11 bankruptcy petition on April 12, 2002. FLAG emerged from its Chapter 11 proceeding on October 9, 2002 with FTGL becoming its successor. The Order of the Bankruptcy Court confirming FLAG's Plan of Reorganization expressly provided that, while FLAG would no longer have direct liability for securities-related claims, the holders of securities-related claims against FLAG could still assert those claims solely for the purpose of accessing, and to the extent of, any applicable insurance policies covering those claims.

Plaintiffs filed the operative complaint in this Action, the Corrected Fourth Consolidated Amended Complaint (the "Complaint"), on January 10, 2008.

The Complaint alleges, among other things, that Defendants knowingly or recklessly issued materially false and misleading press releases and other statements—including materially false and misleading registration statements and prospectuses filed in connection with FLAG's IPO–regarding FLAG's financial condition in a scheme to artificially inflate the value of FLAG's common stock and that as a result, the Class purchased FLAG common stock at artificially inflated prices in violation of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

Specifically, the Complaint alleges violations of Sections 11 and 12(a)(2) of the Securities Act of 1933 by Individual Defendants Bande, Lim, McCormack, McQuaid, Petri, and Seskin, and by CGMI and violations of Section 15 of the Securities Act of 1933 by Individual Defendants Bande, Lim, McCormack, McQuaid, Petri, and Seskin. The Complaint also alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by Individual Defendants Bande, Bautista, and McCormack.

Plaintiffs allege that Defendants knowingly or recklessly made materially false and misleading statements and misrepresentations which resulted in the artificial inflation of the price of FLAG common stock during the Class Period and that plaintiffs and the Class suffered injury in that they purchased FLAG common stock at these artificially inflated prices and thereafter the price of FLAG common stock fell as the market learned the alleged truth.

The Complaint seeks money damages against the Defendants for violations of the federal securities laws. The Defendants have denied, and continue to deny, that they have committed any violation of the federal securities laws or other laws, and have denied and continue to deny all allegations of wrongdoing or liability whatsoever alleged in the Action. Among other things, Defendants have denied, and continue to deny, that the registration statements and prospectus filed in connection with FLAG's IPO, FLAG's press releases and other statements by FLAG and the Defendants themselves contained any false or misleading statements.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case Lead Plaintiffs Peter T. Loftin and Joseph Coughlin), sue on behalf of people who have similar claims. All these people are a class or class members. Bringing a case, such as this one, as a class action allows adjudication of many similar claims of persons and entities that might be economically too small to bring as individual actions. One court resolves the issues for all class members, except for those who properly seek to exclude themselves from the class.

4. Why is there a Settlement?

The Court did not finally decide in favor of plaintiffs or Defendants. Instead, all sides, with the assistance of retired Superior Court Judge Daniel Weinstein of JAMS acting as a mediator, agreed to a Settlement. That way, they avoid the risks and cost of a trial, and the people affected will get compensation. The Class Representatives and their attorneys think the Settlement is best for the Class.

The Action was extensively litigated over a nearly eight-year period.

After the initial complaints were filed in April 2002, an October 18, 2002 consolidation order appointed Peter T. Loftin as Lead Plaintiff and Milberg LLP (formerly known as Milberg Weiss Bershad Hynes & Lerach LLP) ("Milberg") as Plaintiffs' Lead Counsel.

Plaintiffs filed a Consolidated Amended Complaint on March 20, 2003. On November 19, 2003, J. Andrew Rahl, as trustee of the FLAG Litigation Trust (the "Trustee"), filed an action in State Court in New York against some of the same defendants as this Action, and others, captioned *Rahl v. Bande, et al.*, Case No. 04-CV-1019 ("Rahl"). The Rahl Defendants removed that action to federal court, where it was assigned to Judge Conner as a related action. Plaintiffs' Lead Counsel and Trustee's counsel in Rahl thereafter entered into an informal joint prosecution agreement.

On December 1, 2003, Plaintiffs filed a Second Corrected Consolidated Amended Complaint. The Second Corrected Consolidated Amended Complaint was the first complaint to be subjected to a motion to dismiss and was dismissed without prejudice on February 25, 2004. *In re Flag Telecom Holdings, Ltd. Sec. Litig.*, 308 F. Supp. 2d 249 (S.D.N.Y. 2004).

In addition to FLAG, the Second Corrected Consolidated Amended Complaint had named Salomon Smith Barney Inc. (the lead underwriter of the FLAG IPO, now known as CGMI), Verizon Communications, Inc. (through one of its predecessor companies, Bell Atlantic, a cofounder of FLAG and alleged to be a controlling person of FLAG) and certain individual officers and directors of FLAG—Andres Bande, Larry Bautista, Andrew Evans, Abdul Latf Ghurab, Lim Lek Suan, Edward McCormack, Edward McQuaid, Adnan Omar, Daniel Petri, Stuart Rubin, Philip Seskin, Umberto Silvestri, Jonathan Solomon, Fumio Uehara, and Vallobh Vimolvanich—as defendants. Ghurab, Omar, Rubin, Silvestri, Solomon, Uehara, and Vimolvanich were never served as defendants and the District Court's February 25, 2004 Order dismissed the claims against them.

Plaintiffs filed a Third Consolidated Amended Complaint on April 14, 2004. In addition to Peter T. Loftin, the Third Consolidated Amended Complaint included Norman H. Hunter, who purchased 200 shares in the IPO, as a plaintiff. On January 12, 2005, the District Court denied in part and granted in part the Defendants' motions to dismiss the Third Consolidated Amended Complaint. *In re Flag Telecom Holdings, Ltd. Sec. Litig*., 352 F. Supp. 2d 429 (S.D.N.Y. 2005). The District Court's January 12, 2005 Order dismissed with prejudice the claims asserted in the Third Consolidated Amended Complaint against FLAG and Evans and dismissed without prejudice the claims against Verizon. That Order also dismissed the Securities Act of 1933 claims asserted against Bautista in the Third Consolidated Amended Complaint but let stand the other claims asserted against Bautista. Finally, that Order dismissed certain claims asserted in the Third Consolidated Amended Complaint against Bande, Lim, McCormack, McQuaid, Petri, Seskin, and CGMI, but let stand other claims against those Defendants.

On February 11, 2005, Plaintiffs moved to certify a class and also moved to have Joseph Coughlin, who purchased FLAG common stock in February 2000 and additional shares in February 2001, intervene as an additional plaintiff and proposed class representative.

On June 23, 2005, CGMI moved, pursuant to Rule 12(c) of the Federal Rules of Civil Procedure, for judgment on the pleadings with respect to the remaining Securities Act of 1933 claims that had been asserted against CGMI based on the affirmative defense of negative causation and an argument that those claims were time-barred. The Individual Defendants moved pursuant to Rule 12(c) for judgment on the pleadings with respect to the remaining Securities Act of 1933 claims that had been asserted against them as well, based on the same grounds. The District Court denied the motions on January 23, 2006. *In re Flag Telecom Holdings, Ltd. Sec. Litig.*, 411 F. Supp. 2d 377 (S.D.N.Y. 2006).

On June 25, 2007, Plaintiffs moved for permission to file a Fourth Consolidated Amended Complaint to amend their claims under the Securities Act of 1933. The District Court granted Plaintiffs' motion to amend the Third Consolidated Amended Complaint on September 28, 2007 (*In re Flag Telecom Holdings, Ltd. Sec. Litig.*, slip op. (S.D.N.Y. Sept. 28, 2007)), and Plaintiffs filed the Fourth Consolidated Amended Complaint on October 15, 2007. Plaintiffs filed the Corrected Fourth Consolidated Amended Complaint (the "Complaint") on January 10, 2008.

By Opinion and Order dated September 4, 2007, the District Court granted Plaintiffs' motion for class certification, appointed Messrs. Loftin, Hunter, and Coughlin as the Class Representatives, and appointed Milberg as Class Counsel. *In re Flag Telecom Holdings, Ltd. Sec. Litig.*, 245 F.R.D. 147 (S.D.N.Y. 2007).

On September 19, 2007, Defendants filed petitions pursuant to Rule 23(f) of the Federal Rules of Civil Procedure seeking interlocutory review of the District Court's Order granting class certification. The United States Court of Appeals for the Second Circuit granted Defendants' Rule 23(f) petitions on December 12, 2007.

On May 13, 2008, Defendants filed a motion pursuant to Rule 56 of the Federal Rules of Civil Procedure seeking summary judgment on Plaintiffs' claims under Sections 11, 12, and 15 of the Securities Act of 1933. By Opinion and Order dated March 23, 2009, the District Court denied Defendants' motion for partial summary judgment in its entirety. *See In re Flag Telecom Holdings, Ltd. Sec. Litig.*, 618 F. Supp. 2d 311 (S.D.N.Y. 2009).

On July 15, 2009, due to the death of the Honorable William C. Conner, the Action was reassigned to the Honorable Colleen McMahon.

By Opinion and Order dated July 22, 2009, the Second Circuit Court of Appeals affirmed in part and vacated in part the District Court's September 4, 2007 Order granting class certification. The Court ruled that Plaintiffs had not put forth sufficient evidence on which "in-and-out traders" could establish loss causation, and the Court of Appeals therefore vacated the District Court's September 4, 2007 Order granting class certification with respect to those Class Members who sold their FLAG common stock prior to February 13, 2002 and ruled that Mr. Hunter may not serve as a Class Representative.

On August 5, 2009, Plaintiffs filed a petition pursuant to Rules 35 and 40 of the Federal Rules of Appellate Procedure seeking rehearing of the appeal (either by the same three-judge panel or by the full court *en banc*). By Order dated October 6, 2009, the Second Circuit Court of Appeals denied Plaintiffs' petition for rehearing.

The Private Securities Litigation Reform Act of 1995 ("PSLRA") automatically stayed discovery during the pendency of Defendants' motions to dismiss. Fact discovery, which was coordinated with the discovery in Rahl, was nearing completion when the parties reached the proposed Settlement. Since 2005, the Individual Defendants have produced approximately 2,391,570 pages of documents, including approximately 2,381,814 pages of documents from FLAG that were ordered produced by Defendant McCormack as the result of a motion to compel. See *In re Flag Telecom Holdings, Ltd. Sec. Litig.*, 236 F.R.D. 177 (S.D.N.Y. 2006). Plaintiffs obtained another roughly 268,538 pages of documents from various nonparties to whom they issued subpoenas, including roughly 127,161 pages of formerly privileged FLAG documents that were obtained from the Trustee (see *In re Flag Telecom Holdings, Ltd. Sec. Litig.*, slip op. (S.D.N.Y. Jan. 14, 2009), *mandamus denied sub nom. Bande v. Rahl*, No. 09-0406 (2d Cir. Mar. 19, 2009)). Plaintiffs also obtained approximately 37,725 pages of documents from CGMI. By the time the parties entered into the Stipulation and Agreement of Settlement, Plaintiffs had deposed 16 witnesses, 6 of whom were required to be deposed overseas. Each of the Class Representatives, as well as named plaintiff Norman Hunter, produced documents and were deposed in connection with the class certification motion. The Defendants also deposed one of plaintiff's experts, Scott Hakala, in connection with the class certification motion.

On October 17, 2007, Plaintiffs' Lead Counsel, with the assistance of Mr. Loftin's personal attorney and counsel for the Individual Defendants and counsel for several of the insurance carriers, conducted a full-day mediation session before retired Superior Court Judge Daniel Weinstein of JAMS. This session was preceded by written mediation statements from both sides. This settlement effort was not successful.

On June 2, 2009, these same parties (and counsel for certain additional insurance carriers) renewed their mediation efforts before Judge Weinstein. Once again, however, the settlement effort was unsuccessful.

On June 24, 2009, Plaintiffs' Lead Counsel and counsel for the Trustee conducted a full-day mediation session before retired United States District Judge Nicholas H. Politan to see whether these two sets of plaintiffs, who were essentially competing for the same assets, could agree upon a division between them of any future recovery (subject, of course, to the Court's ultimate approval of any recovery on behalf of the Class). This mediation resulted in an agreement that the Class would receive 70% of any recovery from the Individual Defendants, plus 100% of any recovery from CGMI.

The mediation before Judge Weinstein reconvened on October 29, 2009, this time with the addition of counsel for CGMI and counsel for the Trustee. The parties did not reach agreement during this session. However, this session did eventually result in a "mediators' proposal" that was accepted by all parties. As a result of this proposal, Plaintiffs have agreed to settle this Action with the Individual Defendants for $23,800,000 (i.e., 70% of the $34 million in cash being paid on the Individual Defendants' behalf to settle this Action and Rahl), plus $600,000 in cash being paid by CGMI. The total consideration to the Class in this proposed Settlement is $24,400,000.

As part of the proposed Settlement, the parties have agreed that the District Court should be asked to amend its prior order certifying this Action as a class action (which prior order was itself amended by the Second Circuit Court of Appeals July 22, 2009 Order and Opinion as noted above) to clarify that Investment Vehicles (as defined below) are not excluded from the definition of the Class.

WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to decide if you are a Class Member.

5. How do I know if I am part of the Class eligible to receive part of the Settlement?

Everyone who fits this description is a Class Member: **all persons or entities who purchased the common stock of FLAG Telecom Holdings Limited ("FLAG") between March 6, 2000 and February 13, 2002, or who purchased FLAG common stock pursuant to or traceable to FLAG's IPO between February 11, 2000 and May 10, 2000, inclusive, and who were damaged thereby but excluding any such purchasers who sold all of their FLAG shares prior to February 13, 2002.**

6. Are there exceptions to being included?

Excluded from the Class are (1) the current and former defendants herein, members of the immediate family of any current or former individual defendant herein, any entity in which any current or former defendant herein has a controlling interest, and the legal affiliates, representatives, heirs, controlling persons, successors, and predecessors in interest or assigns of any such excluded party; (2) Verizon Communications, Inc.; and (3) entities that had the right to appoint a director to FLAG's board of directors and proceeded to make such an appointment (or, for reasons unique to them, chose not to exercise such right), including, but not limited to, Dallah Albaraka Holding Company, Telecom Asia Corporation Public Co. Ltd., Marubeni Corporation, The Asian Infrastructure Fund, and Tyco International Ltd. Investment Vehicles (as defined below) are not excluded from the Class.

Class Members may also seek to exclude themselves from the Class. See Questions 13–15 below.

If one of your mutual funds purchased shares of FLAG common stock during the Class Period, and held those shares throughout the Class Period, that alone does not make you a Class Member. You are a Class Member only if you directly purchased shares of FLAG common stock during the Class Period and owned those shares at the end of the Class Period. Check your investment records or contact your broker to see if you purchased FLAG common stock during the Class Period.

If you **sold** FLAG common stock during the Class Period, that does not make you a Class Member. You are a Class Member only if you **purchased** your shares during the Class Period and owned some or all of those shares at the end of the Class Period.

7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help. You can call 800-332-2952 or visit flagtelecomsecuritiessettlement.com for more information. Or you can fill out and return the Proof of Claim described below in the answer to Question 10 to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU GET

8. What does the Settlement provide?

In exchange for the Settlement and dismissal of the Action, the Individual Defendants agreed to create a $23.8 million fund to be divided, after fees and expenses, among all Class Members who send in valid Proofs of Claim, and CGMI agreed to create a $600,000 fund to be divided, after fees and expenses, among all Class Members who purchased FLAG common stock pursuant to or traceable to FLAG's IPO between February 11, 2000 and May 10, 2000, inclusive, and who were damaged thereby and send in valid Proofs of Claim. It is possible for the Settlement to be terminated as to the Individual Defendants but not terminated as to CGMI or terminated as to CGMI but not terminated as to the Individual Defendants.

9. How much will my payment be?

Your share of the fund(s) will depend on the total Recognized Claims represented by the valid Proofs of Claim that Class Members send in, how many shares of FLAG common stock you bought, how much you paid for them, and when you bought and whether or when you sold them, and, if so, for how much you sold them.

You can calculate your Recognized Claim in accordance with the formulas shown below in the Plan of Allocation. It is unlikely that you will get a payment for all of your Recognized Claim. After all Class Members have sent in their Proofs of Claim, the payments you get will be *pro rata* parts of one or both of the Net Settlement Funds based upon your Individual Defendants Settlement Recognized Claim divided by the total of everyone's Individual Defendants Settlement Recognized Claims and/or your CGMI Settlement Recognized Claim divided by the total of everyone's CGMI Settlement Recognized Claims. See the Plan of Allocation beginning on Page 11 for more information on your Recognized Claim(s).

HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

10. How can I get a payment?

To qualify for a payment, you must send in a Proof of Claim. A Proof of Claim is being circulated with this Notice. You may also get a Proof of Claim on the Internet at flagtelecomsecuritiessettlement.com. Read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it postmarked no later than **November 30, 2010**.

11. When would I get my payment?

The Court will hold a hearing on **October 29, 2010** to decide whether to approve the Settlement. If the Court approves the Settlement, after that, there may be appeals. Resolving an appeal can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. Please be patient.

12. What am I giving up to get a payment or stay in the Class?

Unless you seek to exclude yourself, you are staying in the Class, and that means that, upon the "Effective Date," you will release all "Settled Claims" (as defined below) against the "Released Parties" (as defined below). It is possible that the Settlement may proceed with the Individual Defendants and not CGMI or with CGMI and not the Individual Defendants. If the Settlement proceeds as to one and not the other, then only the settling defendants' Released Parties will be released from the Settled Claims, and the Action would continue against the other defendant(s).

"Settled Claims" means any and all claims, debts, demands, liabilities, losses, rights or causes of action of any nature and description whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or un-accrued, liquidated or un-liquidated, at law or in equity, matured or un-matured, whether class or individual in nature, including both known claims and Unknown Claims, (i) that have been asserted in this Action by the Class Members or any of them, or any of their attorneys, against any of the Released Parties, or (ii) that could have been asserted in any forum by the Class Members or any of them against any of the Released Parties which arise out of, are based upon, or are directly or indirectly related to, the acts, allegations, transactions, events, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint (or in any of the previous complaints in the Action) and relate to the purchase, sale, or other acquisition or disposition or holding of shares of the common stock of FLAG during the Class Period.

"Released Parties" means the Released Individual Defendant Parties and the Released CGMI Parties.

"Released CGMI Parties" means CGMI; Salomon Brothers International Limited; Deutsche Bank Securities Inc.; Deutsche Bank AG London; Goldman, Sachs & Co.; Goldman Sachs International; Morgan Stanley & Co. Incorporated; Morgan Stanley & Co. International Limited; Warburg Dillon Read LLC; UBS AG; Bear, Stearns & Co. Inc.; Credit Suisse Securities (USA) LLC, formerly known as Credit Suisse First Boston Corporation; Dresdner Kleinwort Benson; Lehman Brothers Inc.; First Union Securities, Inc.; Friedman Billings Ramsey; and Stephens Inc. and all of their past or present subsidiaries, parents, affiliates, successors and predecessors and their respective officers, directors, agents, employees, attorneys, advisors, investment advisors, auditors, accountants, insurers, and any person, firm, trust, corporation, officer, director or other individual or entity in which any of them have a controlling interest or which is related to or affiliated with any of them, and their legal representatives, heirs, successors in interest or assigns.

"Investment Vehicle" means any investment company or pooled investment fund, including but not limited to mutual fund families, exchange-traded funds, fund of funds and hedge funds, in which any Released CGMI Party has or may have a direct or indirect interest or for which any Released CGMI Party acts as an investment advisor, but in which the Released CGMI Party is not a majority owner and does not hold a majority beneficial interest. This definition does not bring into the Class any of the Released CGMI Parties.

"Released Individual Defendant Parties" means any and all of the Individual Defendants, their past or present subsidiaries, parents, successors and predecessors, officers, directors, agents, employees, attorneys, advisors, investment advisors, auditors, accountants, insurers, and any person, firm, trust, corporation, officer, director or other individual or entity that employed any Individual Defendant or in which any Individual Defendant has a controlling interest or which is, or during the relevant period was, related to or affiliated with any of the Individual Defendants (including, without limitation, FLAG and its subsidiaries, affiliates, predecessors and successors and its officers (including, without limitation, Bande, Bautista, Evans, McCormack, and Rubin) and directors (including, without limitation, Ghurab, Lim, McQuaid, Omar, Petri, Seskin, Silvestri, Solomon, Uehara, and Vimolvanich), agents, employees, attorneys, advisors, investment advisors, auditors, accountants, insurers, and Verizon Communications Inc. and its subsidiaries, affiliates, predecessors and successors and its officers and directors, agents, employees, attorneys, advisors, investment advisors, auditors, accountants, insurers), and the legal representatives, heirs, successors in interest or assigns of the Individual Defendants.

The "Effective Date" will occur when an Order entered by the Court approving the Settlement becomes final and not subject to appeal.

If you remain a member of the Class, all of the Court's orders will apply to you and legally bind you.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from the Settlement, but you want to keep any right you may have to sue or continue to sue the Defendants and the other Released Parties, on your own, about the Settled Claims, then you must take steps to get out. This is called seeking to exclude yourself—and is sometimes referred to as "opting out" of the Class. The Individual Defendants and/or CGMI may withdraw from and terminate the Settlement if putative Class Members who purchased in excess of certain amounts of FLAG common stock exclude themselves from the Class.

13. How do I get out of the proposed Settlement?

To exclude yourself from the Class, you must send a signed letter by mail stating that you "request exclusion from the Class in *In re FLAG Telecom Holdings, Ltd. Securities Litigation*, Master File No. 02-CV-3400 (CM) (PED)." Your letter should state the date(s), price(s), and number(s) of shares of all your purchases and sales of FLAG common stock during the Class Period. In addition, be sure to include your name, address, telephone number, and your signature. You must mail your exclusion request postmarked no later than **September 22, 2010** to:

FLAG TELECOM HOLDINGS, LTD. SECURITIES LITIGATION
CLAIMS ADMINISTRATOR
EXCLUSIONS
C/O A.B. DATA, LTD.
P.O. BOX 170500
MILWAUKEE, WI 53217-8042

You cannot exclude yourself by telephone or by email. If you ask to be excluded, you will not get any Settlement payment and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) the Defendants or other Released Parties in the future.

14. If I do not exclude myself, can I sue the Defendants and the other Released Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue the Defendants and the other Released Parties for any and all Settled Claims. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must seek to exclude yourself from **this** Class to continue your own lawsuit. Remember, the deadline to seek exclusion is **September 22, 2010**.

15. If I exclude myself, can I get money from the proposed Settlement?

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. But if you properly exclude yourself from the Class, you may exercise any right you may have to sue, continue to sue, or be part of a different lawsuit against the Defendants or other Released Parties.

THE LAWYERS REPRESENTING THE CLASS

16. Do I have a lawyer in this case?

The Court ordered that the law firm of Milberg LLP in New York, NY will represent the Class. These lawyers are called Plaintiffs' Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Plaintiffs' Lead Counsel's fees and expenses, which will be paid from the Gross Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Plaintiffs' Lead Counsel are moving the Court for reimbursement of their expenses in the approximate amount of $2,000,000, plus an award of attorneys' fees in the amount of 30% of the remaining balance of the Gross Settlement Fund after reimbursement of these expenses and payment of any PSLRA reimbursement awards to the Lead Plaintiffs.

The requested attorneys' fees represent less than the amount of Plaintiffs' Counsel's billable hourly fees, had the case not been pursued on a contingent-fee basis.

Milberg LLP has an agreement to share its fees with a referring law firm, Thomas J. Wilson, Esq., Wilson & Ratledge, 4600 Marriott Drive, Suite 400, Raleigh, NC 27612, relating to the prosecution of the Action. Milberg LLP also expects to share its fees with other lawyers who did work in this case, including Donald J. Enright, Esq., Finkelstein Thompson LLP, The Duvall Foundry, 1050 30th Street N.W., Washington, D.C. 20007.

Plaintiffs' Lead Counsel are also moving the Court to award a payment of up to $100,000 to Lead Plaintiff Peter T. Loftin, who was extensively involved in the proceedings and spent significant time advocating the Class's interests, and up to $5,000 to Lead Plaintiff Joseph Coughlin for their reasonable costs and expenses (including lost wages) directly relating to their representation of the Class.

Plaintiffs' Lead Counsel, without further notice to the Class, will subsequently apply to the Court for payment of the Claims Administrator's fees and expenses incurred in connection with giving notice, administering the Settlement, and distributing the Settlement proceeds to the members of the Class.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How do I tell the Court that I do not like the proposed Settlement?

If you are a Class Member, you can object to the Settlement or any of its terms, the proposed Plan of Allocation, and/or the application by Plaintiffs' Lead Counsel for an award of fees and expenses. You may write to the Court setting out your objection. You may give reasons why you think the Court should not approve any or all of the Settlement terms or arrangements. The Court will consider your views if you file a proper objection within the deadline identified and according to the following procedures.

To object, you must send a signed letter stating that you object to the proposed Settlement in the *In re FLAG Telecom Holdings, Ltd. Securities Litigation*. Be sure to include your name, address, telephone number, and your signature; identify the date(s), price(s), and number(s) of shares of all purchases and sales of FLAG common stock you made during the Class Period; and state the reasons why you object to the Settlement. Your objection must be filed with the Court and served on all the following counsel on or before **September 22, 2010**:

COURT

Clerk of the Court
United States District Court for the Southern District of New York
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street
New York, NY 10007

PLAINTIFFS' LEAD COUNSEL

Brad N. Friedman, Esq.
Milberg LLP
One Penn Plaza
New York, NY 10119-0165

DEFENDANTS' COUNSEL

Jerome S. Fortinsky, Esq.
Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
on behalf of the Individual Defendants

Douglas W. Henkin, Esq.
Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, NY 10005
on behalf of Citigroup Global Markets Inc.

You do not need to go to the Settlement Fairness Hearing to have your written objection considered by the Court. At the Settlement Fairness Hearing, any Class Member who has not previously submitted a request for exclusion from the Class and who has complied with the procedures set out in the answers to this Question 18 and Question 22 below for filing with the Court and providing to the counsel for plaintiffs and Defendants a statement of an intention to appear at the Settlement Fairness Hearing may also appear and be heard, to the extent allowed by the Court, to state any objection to the Settlement, the Plan of Allocation, or Plaintiffs' Lead Counsel's motion for an award of attorneys' fees and reimbursement of expenses. Any such objector may appear in person or arrange, at that objector's expense, for a lawyer to represent the objector at the Settlement Fairness Hearing.

19. What is the difference between objecting and seeking exclusion?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend and you may ask to speak, but you do not have to.

20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Fairness Hearing at **2:00 p.m.** on **Friday, October 29, 2010**, at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. At the Settlement Fairness Hearing, the Court also will consider the proposed Plan of Allocation for the proceeds of the Settlement and the application of Plaintiffs' Lead Counsel for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions in the answer to Question 18. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing, but decisions regarding the conduct of the hearing will be made by the Court. See the answer to Question 22 for more information about speaking at the hearing. The Court may also decide how much to pay to Plaintiffs' Counsel. After the hearing, the Court will decide whether to approve the Settlement. We do not know how long these decisions will take.

You should be aware that the Court may change the date and time of the Settlement Fairness Hearing. Thus, if you want to come to the hearing, you should check with Plaintiffs' Lead Counsel before coming to be sure that the date and/or time has not changed.

21. Do I have to come to the hearing?

No. Plaintiffs' Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you filed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

22. May I speak at the hearing?

If you object to the Settlement, you may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must include with your objection (see the answer to Question 18 above) a statement stating that it is your "Notice of Intention to Appear in *In re FLAG Telecom Holdings, Ltd. Sec. Litig.*, Master File No. 02-CV-3400 (CM) (PED)." Persons who intend to object to the Settlement, the Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of any witnesses they may call to testify and copies of any exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. Unless otherwise ordered by the Court, you cannot speak at the hearing if you exclude yourself from the Class or if you have not provided written notice of your intention to speak at the Settlement Fairness Hearing by the deadline identified and in accordance with the procedures described in the answers to Questions 18 and 20 above.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from the Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against Defendants and the other Released Parties about the Settled Claims in this case, ever again. To share in the Net Settlement Funds, you must submit a Proof of Claim (see the answer to Question 10). To start, continue, or be a part of any other lawsuit against the Defendants and the other Released Parties about the Settled Claims in this case, you must exclude yourself from this Class (see the answer to Question 13).

GETTING MORE INFORMATION

24. Are there more details about the proposed Settlement?

This notice summarizes the proposed Settlement. More details are in a Stipulation and Agreement of Settlement dated June 21, 2010 (the "Stipulation"). You can get a copy of the Stipulation by writing to Brad N. Friedman, Esq., Milberg LLP, One Penn Plaza, New York, NY 10119, or by visiting flagtelecomsecuritiessettlement.com.

You also can call the Claims Administrator at 800-332-2952 toll free; write to FLAG Telecom Holdings, Ltd. Securities Litigation, Claims Administrator, c/o A.B. Data, Ltd., PO Box 170500, Milwaukee, WI 53217-8042; or visit the website at flagtelecomsecuritiessettlement.com, where you will find answers to common questions about the Settlement, a Proof of Claim, plus other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

25. How do I get more information?

For even more detailed information concerning the matters involved in this Action, you may refer to the pleadings, to the Stipulation, to the Orders entered by the Court, and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, during regular business hours.

PLAN OF ALLOCATION OF NET SETTLEMENT FUNDS AMONG CLASS MEMBERS

The $23.8 million Cash Settlement Amount from the Individual Defendants and the $600,000 Cash Settlement Amount from CGMI and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund from the Individual Defendants, less a proportionate amount of all taxes, approved costs, fees, and expenses (the "Net Individual Defendants' Settlement Fund"), shall be distributed to members of the Class who submit acceptable Proofs of Claim ("Authorized Claimants"). The Gross Settlement Fund from CGMI, less a proportionate amount of all taxes, approved costs, fees, and expenses (the "Net CGMI Settlement Fund"), shall be distributed to members of the Class who purchased FLAG common stock pursuant to or traceable to FLAG's IPO between February 11, 2000 and May 10, 2000, inclusive, and who submit acceptable Proofs of Claim with respect to those shares. Claimants who are eligible to receive distributions from both funds will receive distributions from both funds.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Funds based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not intended to be an estimate of the amount of what a Class Member might have been able to recover after a trial, nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Funds will be proportionately allocated to the Authorized Claimants.

This proposed Plan of Allocation has been prepared by Plaintiffs' Lead Counsel in consultation with an expert in causation and damages. Defendants have denied liability and damages and do not agree that any damages were suffered by any members of the Class.

The following proposed Plan of Allocation reflects the allegations in the Corrected Fourth Consolidated Amended Complaint in this matter (the "Complaint"). The Complaint alleges that certain Defendants made materially untrue and misleading statements and omissions in the Registration Statement and Prospectus in connection with FLAG's February 10, 2000 initial public offering ("IPO"), resulting in violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933. These Securities Act of 1933 claims are asserted to be available to those who purchased FLAG common stock pursuant to or traceable to FLAG's IPO between February 11, 2000 and May 10, 2000, inclusive, and still held some or all of those shares as of February 13, 2002. In addition, the Complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 for misstatements and omissions throughout the period between March 6, 2000 and February 13, 2002. These Securities Exchange Act of 1934 claims are asserted to be available to those who purchased FLAG common stock during the period between March 6, 2000 and February 13, 2002 and still held some or all of those shares as of February 13, 2002. Prior to the opening of trading on February 13, 2002, FLAG made an announcement that at least partially corrected the alleged prior misrepresentations. The formulas also reflect plaintiffs' contention that some artificial inflation continued until April 11, 2002. Defendants deny that they did anything wrong or that plaintiffs or the Class have suffered any damages and have asserted numerous defenses.

1. Plan of Allocation for Net Individual Defendants Settlement Fund

For purposes of allocating the Net Individual Defendants Settlement Fund, the Recognized Claim for FLAG shares purchased at any time from February 11, 2000 through the close of trading on February 12, 2002 and held at least until the opening of trading on February 13, 2002 is calculated as follows:

(a) For such shares still held as of the close of trading on April 11, 2002, the Recognized Claim per share shall be **the lesser of either** (i) the purchase price (including any fees and commissions) minus the Asserted Value per share of those shares as of the date of purchase (as set forth in the table below) **or** (ii) $5.08 per share.

(b) For such shares sold during the period from the opening of trading on February 13, 2002 until the close of trading on April 11, 2002, the Recognized Claim per share shall be **the lesser of either** (i) (a) the purchase price (including any fees and commissions) minus the Asserted Value per share of those shares as of the date of purchase (as set forth in the table below) minus (b) the sale price (net of any fees and commissions) minus the Asserted Value per share of those shares as of the date of purchase (as set forth in the table below) (but (b) shall not be less than zero) **or** (ii) $5.08 per share.

(c) No amount of Recognized Claim (zero) shall be allowed for shares purchased during the Class Period and sold prior to the opening of trading on February 13, 2002.

2. Plan of Allocation for Net CGMI Settlement Fund

For purposes of allocating the Net CGMI Settlement Fund, the Recognized Claim for shares purchased from February 11, 2000 (in the IPO) or thereafter in the secondary market until May 10, 2000 and held at least until the opening of trading on February 13, 2002, is calculated as follows:

(a) For such shares still held as of the close of trading on April 11, 2002, the Recognized Claim per share shall be **the lesser of either** (i) the purchase price per share minus the Asserted Value per share of those shares as of the date of purchase (as set forth in the table below) **or** (ii) $5.08 per share.

(b) For such shares sold during the period from the opening of trading on February 13, 2002 until the close of trading on April 11, 2002, the Recognized Claim per share shall be **the lesser of either** (i) (a) the purchase price per share minus the Asserted Value per share of those shares as of the date of purchase (as set forth in the table below) minus (b) the sale price per share minus the Asserted Value per share of those shares as of the date of sale (as set forth in the table below) (but (b) shall not be less than zero) **or** (ii) $5.08 per share.

(c) No amount of Recognized Claim (zero) shall be allowed for shares purchased during the Class Period and sold prior to the opening of trading on February 13, 2002.

In the event a Class Member has more than one purchase or sale of FLAG common stock, all purchases and sales shall be matched on a last in, first out (LIFO) basis. A purchase or sale of FLAG common stock shall be deemed to have occurred on the "contract" or "trade"

date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, devise, or operation of law of FLAG common stock during the Class Period shall not be deemed a purchase or sale of FLAG common stock for the calculation of an Authorized Claimant's Recognized Claim, nor shall it be deemed an assignment of any claim relating to the purchase of such shares unless specifically provided in the instrument of gift or assignment. The receipt of FLAG common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of FLAG common stock.

Each Authorized Claimant shall be allocated a *pro rata* share of the Net Individual Defendants Settlement Fund based on his, her, or its Recognized Claim calculated under Paragraph 1 above as compared to the total Recognized Claims of all Authorized Claimants calculated under Paragraph 1 above. The minimum distribution amount from the Net Individual Defendants Settlement Fund to an Authorized Claimant with a valid Recognized Claim under Paragraph 1 above shall be $10.

Each Authorized Claimant shall be allocated a *pro rata* share of the Net CGMI Settlement Fund based on his, her, or its Recognized Claim calculated under Paragraph 2 above as compared to the total Recognized Claims of all Authorized Claimants calculated under Paragraph 2 above. The minimum distribution amount from the Net CGMI Settlement Fund to an Authorized Claimant with a valid Recognized Claim calculated under Paragraph 2 above shall be $10.

Class Members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who do not either submit a request for exclusion or submit an acceptable Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If any funds remain in either of the Net Settlement Funds by reason of uncashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Funds cash their distributions, any balance remaining in either of the Net Settlement Funds one (1) year after the initial distribution of such funds shall be redistributed to Class Members who have cashed their respective initial distributions and who would receive at least $10 from such redistributions, after payment of any unpaid costs or fees incurred in administering the Net Settlement Funds for such redistributions. If six months after such redistributions, funds in excess of $25,000 remain in either the Net Individual Defendants Settlement Fund or the Net CGMI Settlement Fund, then such funds shall be further redistributed to Authorized Claimants who have cashed their most recent redistribution and who would receive at least $10 from such further redistribution, after payment of any unpaid costs or fees incurred in administering the respective Net Settlement Funds for such redistribution(s). The redistributions shall continue until less than $25,000 remains in either Net Settlement Fund, after which such balance(s) shall be contributed to nonsectarian, not-for-profit 501(c)(3) organization(s) providing civil legal services to the poor, to be designated by Plaintiffs' Lead Counsel

Plaintiffs, Defendants, their respective counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the settlement funds or the Net Settlement Funds; the Plan of Allocation; the determination, administration, calculation, or payment of any Proof of Claim or nonperformance of the Claims Administrator; the payment or withholding of taxes owed by the settlement funds; or any losses incurred in connection therewith.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased common stock of FLAG Telecom Holdings, Limited[2] during the period from February 11, 2000 through February 13, 2002, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased FLAG common stock during such time period or (b) request additional copies of this Notice and the Proof of Claim, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim directly to the beneficial owners of that FLAG common stock. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Gross Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

FLAG TELECOM HOLDINGS, LTD. SECURITIES LITIGATION
CLAIMS ADMINISTRATOR
ATTENTION: FULFILLMENT DEPARTMENT
C/O A.B. DATA, LTD.
3410 WEST HOPKINS STREET
PO BOX 170500
MILWAUKEE, WI 53217-8042
800-332-2952

Dated: New York, New York
July 16, 2010

By Order of the Court
CLERK OF THE COURT

[2] Throughout the Class Period, FLAG common stock shares were actively traded on the NASDAQ national market under the symbol "FTHL," CUSIP G3529L102. After FLAG's bankruptcy, the symbol was changed to FTHLQ.

Table 1: Asserted Value per Share for Recognized Claims Purposes
(Inflation per share is the purchase or sale price per share minus the Asserted Value per share and cannot exceed $5.08 per share.)

Date	Asserted Value
2/10/2000	18.92
2/11/2000	25.77
2/14/2000	24.26
2/15/2000	27.79
2/16/2000	32.62
2/17/2000	30.21
2/18/2000	28.14
2/22/2000	24.97
2/23/2000	24.01
2/24/2000	22.15
2/25/2000	22.20
2/28/2000	21.34
2/29/2000	22.65
3/1/2000	24.57
3/2/2000	26.68
3/3/2000	26.88
3/6/2000	24.36
3/7/2000	23.76
3/8/2000	23.46
3/9/2000	22.15
3/10/2000	24.67
3/13/2000	24.26
3/14/2000	22.40
3/15/2000	20.33
3/16/2000	19.63
3/17/2000	20.18
3/20/2000	19.13
3/21/2000	21.04
3/22/2000	22.95
3/23/2000	22.15
3/24/2000	21.34
3/27/2000	22.00
3/28/2000	20.74
3/29/2000	19.53
3/30/2000	17.72
3/31/2000	17.82
4/3/2000	15.49
4/4/2000	14.94
4/5/2000	13.28
4/6/2000	15.65
4/7/2000	18.12
4/10/2000	17.72
4/11/2000	16.81
4/12/2000	15.10
4/13/2000	13.28
4/14/2000	12.38
4/17/2000	11.57
4/18/2000	10.92
4/19/2000	11.17
4/20/2000	11.47
4/24/2000	10.86
4/25/2000	10.71
4/26/2000	11.77
4/27/2000	14.09
4/28/2000	15.30
5/1/2000	14.19
5/2/2000	14.59
5/3/2000	13.48
5/4/2000	13.23
5/5/2000	13.58
5/8/2000	13.58
5/9/2000	12.58
5/10/2000	10.56
5/11/2000	10.61
5/12/2000	10.06
5/15/2000	10.26
5/16/2000	11.07
5/17/2000	11.12
5/18/2000	10.86
5/19/2000	10.11
5/22/2000	9.40
5/23/2000	9.76
5/24/2000	9.76
5/25/2000	10.26
5/26/2000	10.06
5/30/2000	10.97
5/31/2000	11.02
6/1/2000	11.37
6/2/2000	11.97
6/5/2000	12.88
6/6/2000	11.87
6/7/2000	10.76
6/8/2000	12.07
6/9/2000	12.68
6/12/2000	13.28
6/13/2000	13.64
6/14/2000	15.70
6/15/2000	15.80
6/16/2000	14.79
6/19/2000	14.29
6/20/2000	14.09
6/21/2000	14.34
6/22/2000	13.48
6/23/2000	13.69
6/26/2000	13.79
6/27/2000	13.18
6/28/2000	12.88
6/29/2000	12.17
6/30/2000	11.57
7/3/2000	11.62
7/5/2000	10.71
7/6/2000	10.16
7/7/2000	10.36
7/10/2000	11.02
7/11/2000	10.66
7/12/2000	10.66
7/13/2000	10.86
7/14/2000	10.97
7/17/2000	10.86
7/18/2000	12.17
7/19/2000	12.48
7/20/2000	12.83
7/21/2000	12.78
7/24/2000	12.58
7/25/2000	12.48
7/26/2000	13.97
7/27/2000	13.42
7/28/2000	12.32
7/31/2000	12.42
8/1/2000	12.47
8/2/2000	12.52
8/3/2000	11.72
8/4/2000	12.07
8/7/2000	11.77
8/8/2000	11.87
8/9/2000	12.02
8/10/2000	12.12
8/11/2000	12.17
8/14/2000	11.87
8/15/2000	12.07
8/16/2000	12.17
8/17/2000	11.97
8/18/2000	11.87
8/21/2000	12.42
8/22/2000	12.97
8/23/2000	13.37
8/24/2000	13.47
8/25/2000	13.07
8/28/2000	12.87
8/29/2000	12.22
8/30/2000	12.27
8/31/2000	12.07
9/1/2000	12.37
9/5/2000	12.47
9/6/2000	12.02
9/7/2000	11.42
9/8/2000	10.57
9/11/2000	9.62
9/12/2000	8.57
9/13/2000	8.62
9/14/2000	9.17
9/15/2000	8.87
9/18/2000	7.67
9/19/2000	8.32
9/20/2000	8.02
9/21/2000	7.67
9/22/2000	7.97
9/25/2000	8.30
9/26/2000	7.87
9/27/2000	7.92
9/28/2000	8.37
9/29/2000	8.37
10/2/2000	7.97
10/3/2000	8.47
10/4/2000	9.37
10/5/2000	9.52
10/6/2000	9.17
10/9/2000	9.02
10/10/2000	9.27
10/11/2000	8.82
10/12/2000	8.02
10/13/2000	8.87
10/16/2000	8.47
10/17/2000	8.17
10/18/2000	7.67
10/19/2000	7.77
10/20/2000	7.62
10/23/2000	7.67
10/24/2000	8.12
10/25/2000	7.57
10/26/2000	7.71
10/27/2000	7.86
10/30/2000	8.56
10/31/2000	8.86
11/1/2000	9.31
11/2/2000	10.50
11/3/2000	10.45
11/6/2000	10.20
11/7/2000	10.20
11/8/2000	10.20
11/9/2000	9.85
11/10/2000	9.11
11/13/2000	8.71
11/14/2000	8.91
11/15/2000	9.11
11/16/2000	9.11
11/17/2000	9.11
11/20/2000	8.22
11/21/2000	8.41
11/22/2000	7.74

Date	Asserted Value
11/24/2000	7.84
11/27/2000	7.64
11/28/2000	7.34
11/29/2000	6.42
11/30/2000	5.95
12/1/2000	5.80
12/4/2000	4.80
12/5/2000	5.55
12/6/2000	5.55
12/7/2000	5.07
12/8/2000	5.47
12/11/2000	5.97
12/12/2000	5.52
12/13/2000	5.57
12/14/2000	5.37
12/15/2000	5.70
12/18/2000	5.77
12/19/2000	5.87
12/20/2000	5.47
12/21/2000	5.27
12/22/2000	5.07
12/26/2000	4.77
12/27/2000	4.62
12/28/2000	4.67
12/29/2000	4.57
1/2/2001	4.77
1/3/2001	5.07
1/4/2001	6.11
1/5/2001	6.20
1/8/2001	5.51
1/9/2001	5.96
1/10/2001	6.85
1/11/2001	7.44
1/12/2001	7.98
1/16/2001	8.08
1/17/2001	7.79
1/18/2001	8.13
1/19/2001	7.93
1/22/2001	7.98
1/23/2001	8.23
1/24/2001	8.28
1/25/2001	8.23
1/26/2001	8.23
1/29/2001	8.08
1/30/2001	8.28
1/31/2001	9.02
2/1/2001	8.82
2/2/2001	8.53
2/5/2001	8.43
2/6/2001	9.07
2/7/2001	9.86
2/8/2001	9.12
2/9/2001	8.77

Date	Asserted Value
2/12/2001	9.07
2/13/2001	8.87
2/14/2001	8.23
2/15/2001	8.28
2/16/2001	8.13
2/20/2001	7.49
2/21/2001	7.09
2/22/2001	6.45
2/23/2001	6.85
2/26/2001	7.29
2/27/2001	6.65
2/28/2001	6.80
3/1/2001	6.60
3/2/2001	6.70
3/5/2001	6.80
3/6/2001	6.85
3/7/2001	6.90
3/8/2001	6.67
3/9/2001	6.29
3/12/2001	6.25
3/13/2001	6.50
3/14/2001	6.04
3/15/2001	6.01
3/16/2001	5.81
3/19/2001	5.65
3/20/2001	5.31
3/21/2001	4.75
3/22/2001	4.13
3/23/2001	4.35
3/26/2001	4.52
3/27/2001	4.14
3/28/2001	3.83
3/29/2001	3.83
3/30/2001	3.83
4/2/2001	3.14
4/3/2001	2.70
4/4/2001	2.20
4/5/2001	2.05
4/6/2001	1.76
4/9/2001	1.80
4/10/2001	1.95
4/11/2001	2.44
4/12/2001	2.80
4/16/2001	2.84
4/17/2001	3.09
4/18/2001	3.61
4/19/2001	3.77
4/20/2001	3.97
4/23/2001	3.65
4/24/2001	3.58
4/25/2001	4.46
4/26/2001	4.57
4/27/2001	4.33

Date	Asserted Value
4/30/2001	4.52
5/1/2001	5.09
5/2/2001	5.62
5/3/2001	5.08
5/4/2001	5.09
5/7/2001	4.96
5/8/2001	4.86
5/9/2001	4.90
5/10/2001	5.00
5/11/2001	4.87
5/14/2001	4.86
5/15/2001	5.00
5/16/2001	5.48
5/17/2001	5.75
5/18/2001	5.90
5/21/2001	6.58
5/22/2001	6.70
5/23/2001	6.14
5/24/2001	6.43
5/25/2001	6.66
5/29/2001	6.51
5/30/2001	6.18
5/31/2001	5.94
6/1/2001	5.67
6/4/2001	5.27
6/5/2001	5.86
6/6/2001	5.67
6/7/2001	5.42
6/8/2001	5.29
6/11/2001	5.03
6/12/2001	4.84
6/13/2001	4.66
6/14/2001	4.25
6/15/2001	3.96
6/18/2001	3.49
6/19/2001	3.13
6/20/2001	3.23
6/21/2001	3.25
6/22/2001	3.51
6/25/2001	3.70
6/26/2001	3.61
6/27/2001	3.53
6/28/2001	3.61
6/29/2001	3.61
7/2/2001	3.65
7/3/2001	3.68
7/5/2001	3.77
7/6/2001	3.51
7/9/2001	3.35
7/10/2001	3.11
7/11/2001	2.71
7/12/2001	2.52
7/13/2001	2.62

Date	Asserted Value
7/16/2001	2.75
7/17/2001	2.70
7/18/2001	2.56
7/19/2001	2.70
7/20/2001	2.69
7/23/2001	2.75
7/24/2001	2.62
7/25/2001	2.47
7/26/2001	2.36
7/27/2001	2.36
7/30/2001	2.28
7/31/2001	2.09
8/1/2001	2.17
8/2/2001	2.08
8/3/2001	1.88
8/6/2001	1.74
8/7/2001	1.66
8/8/2001	1.56
8/9/2001	1.50
8/10/2001	1.44
8/13/2001	1.44
8/14/2001	1.44
8/15/2001	1.35
8/16/2001	1.32
8/17/2001	1.36
8/20/2001	1.19
8/21/2001	1.18
8/22/2001	1.19
8/23/2001	1.13
8/24/2001	0.96
8/27/2001	0.85
8/28/2001	0.68
8/29/2001	0.71
8/30/2001	0.55
8/31/2001	0.49
9/4/2001	0.58
9/5/2001	0.43
9/6/2001	0.43
9/7/2001	0.49
9/10/2001	0.51
9/17/2001	0.49
9/18/2001	0.67
9/19/2001	0.77
9/20/2001	1.13
9/21/2001	0.85
9/24/2001	0.87
9/25/2001	0.86
9/26/2001	0.82
9/27/2001	0.81
9/28/2001	0.71
10/1/2001	0.74
10/2/2001	0.74
10/3/2001	0.79

Date	Asserted Value
10/4/2001	0.64
10/5/2001	0.61
10/8/2001	0.49
10/9/2001	0.50
10/10/2001	0.58
10/11/2001	0.65
10/12/2001	0.65
10/15/2001	0.57
10/16/2001	0.58
10/17/2001	0.61
10/18/2001	0.69
10/19/2001	0.71
10/22/2001	0.67
10/23/2001	0.65
10/24/2001	0.66
10/25/2001	0.67
10/26/2001	0.65
10/29/2001	0.65
10/30/2001	0.62
10/31/2001	0.60
11/1/2001	0.61
11/2/2001	0.61
11/5/2001	0.56
11/6/2001	0.56
11/7/2001	0.51
11/8/2001	0.53
11/9/2001	0.50
11/12/2001	0.49
11/13/2001	0.57
11/14/2001	0.68
11/15/2001	0.72
11/16/2001	0.73
11/19/2001	0.90

Date	Asserted Value
11/20/2001	0.94
11/21/2001	0.90
11/23/2001	0.97
11/26/2001	0.88
11/27/2001	0.85
11/28/2001	0.70
11/29/2001	0.66
11/30/2001	0.73
12/3/2001	0.74
12/4/2001	0.85
12/5/2001	0.86
12/6/2001	0.78
12/7/2001	0.81
12/10/2001	0.86
12/11/2001	0.90
12/12/2001	1.01
12/13/2001	0.94
12/14/2001	0.94
12/17/2001	0.82
12/18/2001	1.01
12/19/2001	0.92
12/20/2001	0.85
12/21/2001	0.82
12/24/2001	0.86
12/26/2001	0.90
12/27/2001	0.86
12/28/2001	0.86
12/31/2001	0.86
1/2/2002	0.92
1/3/2002	0.90
1/4/2002	0.92
1/7/2002	0.90
1/8/2002	0.81

Date	Asserted Value
1/9/2002	0.77
1/10/2002	0.76
1/11/2002	0.66
1/14/2002	0.62
1/15/2002	0.60
1/16/2002	0.59
1/17/2002	0.60
1/18/2002	0.57
1/22/2002	0.59
1/23/2002	0.57
1/24/2002	0.59
1/25/2002	0.61
1/28/2002	0.43
1/29/2002	0.17
1/30/2002	0.15
1/31/2002	0.20
2/1/2002	0.21
2/4/2002	0.13
2/5/2002	0.07
2/6/2002	0.07
2/7/2002	0.07
2/8/2002	0.08
2/11/2002	0.20
2/12/2002	0.21
2/13/2002	0.16
2/14/2002	0.14
2/15/2002	0.14
2/19/2002	0.10
2/20/2002	0.09
2/21/2002	0.09
2/22/2002	0.10
2/25/2002	0.11
2/26/2002	0.11

Date	Asserted Value
2/27/2002	0.10
2/28/2002	0.08
3/1/2002	0.06
3/4/2002	0.06
3/5/2002	0.07
3/6/2002	0.11
3/7/2002	0.13
3/8/2002	0.14
3/11/2002	0.22
3/12/2002	0.27
3/13/2002	0.27
3/14/2002	0.18
3/15/2002	0.20
3/18/2002	0.15
3/19/2002	0.13
3/20/2002	0.12
3/21/2002	0.13
3/22/2002	0.14
3/25/2002	0.14
3/26/2002	0.21
3/27/2002	0.20
3/28/2002	0.21
4/1/2002	0.12
4/2/2002	0.10
4/3/2002	0.11
4/4/2002	0.12
4/5/2002	0.12
4/8/2002	0.11
4/9/2002	0.11
4/10/2002	0.19
4/11/2002	0.15