

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

-----X  
In re Merrill Lynch & Co., Inc. Research Reports Securities :  
Litigation : 02 MDL 1484 (JFK)  
:  
-----X  
In re Merrill Lynch & Co., Inc. Internet Strategies Fund :  
Securities Litigation : 02 CV 3176 (JFK)  
:  
-----X  
In re Merrill Lynch & Co., Inc. Global Technology Fund :  
Securities Litigation : 02 CV 7854 (JFK)  
:  
-----X  
In re Merrill Lynch & Co., Inc. Focus Twenty Fund Securities :  
Litigation : 02 CV 10221 (JFK)  
:  
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**NOTICE OF PENDENCY OF  
CLASS ACTION AND PROPOSED SETTLEMENT**

**TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED SHARES OF THE:**

**MERRILL LYNCH INTERNET STRATEGIES FUND, INC. ("ISF") FROM MARCH 16, 2000 THROUGH AND INCLUDING OCTOBER 12, 2001 (THE "ISF CLASS");**

**MERRILL LYNCH GLOBAL TECHNOLOGY FUND, INC. ("GLOBAL TECHNOLOGY FUND") FROM OCTOBER 2, 1999 THROUGH AND INCLUDING OCTOBER 1, 2002 (THE "GLOBAL TECHNOLOGY FUND CLASS"); AND/OR**

**MERRILL LYNCH FOCUS TWENTY FUND, INC. ("FOCUS TWENTY FUND") FROM MARCH 3, 2000 THROUGH AND INCLUDING DECEMBER 23, 2002 (THE "FOCUS TWENTY FUND CLASS")**

**SUMMARY OF THE SETTLEMENT**

**Statement of Plaintiff Recovery**

Lead Plaintiff in the ISF Class, represented by Lead Counsel, Abbey Spanier Rodd Abrams & Paradis, LLP ("ISF Lead Counsel") and Lead Plaintiffs in the Global Technology Fund Class and Focus Twenty Fund Class, represented by Lead Counsel, Wolf Haldenstein Freeman Adler & Herz LLP ("Global Technology Fund and Focus Twenty Fund Lead Counsel"), have entered into a settlement that will resolve all claims of the Lead Plaintiffs and the Classes against all defendants ("Defendants") in three actions brought on behalf of purchasers of the ISF, Global Technology Fund and Focus Twenty Fund (the "Actions"), as further described below. (All capitalized terms in this Notice are subject to and shall be controlled by the definitions set forth in the Stipulation of Settlement described below.)

The proposed Settlement is for \$39,000,000 plus interest imputed thereon since March 30, 2006 in cash (the "Settlement Amount"). The amount of recovery per share will depend on when Class Members purchased and sold their shares of the ISF, Global Technology Fund or Focus Twenty Fund, and the number of shares affected, as more fully described below in the Plan of Allocation attached to this Notice. The expert on damages retained by Lead Plaintiff calculated that approximately 157.2 million shares of the ISF were traded during the ISF Class Period, approximately 132.6 million shares of the Global Technology Fund were traded during the Global Technology Fund Class Period and approximately 326.2 million shares of Focus Twenty Fund were traded during the Focus Twenty Fund Class Period. Assuming that all eligible Persons in the Classes elect to participate in the Settlements, and the Settlement is approved by the District Court, the average per share recovery for Persons in the Classes will be approximately 6.3 cents. Recovery will vary according to when Class Members acquired their shares and/or sold their shares. Recovery amounts will be reduced by court-approved fees and expenses, as further explained below.

**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 Lead Plaintiffs prevailed on all of their claims on behalf of the Classes. Defendants deny that they are liable to Lead Plaintiffs or the Classes and deny that Lead Plaintiffs or the Classes have suffered any recoverable damages.

**Statement of Attorneys' Fees and Costs Sought**

Lead Counsel will make an application to the United States District Court for the Southern District of New York (the "District Court") for an award of attorneys' fees not to exceed 30% of the Settlement Amount, and for reimbursement of costs and expenses, not

to exceed \$350,000, incurred in prosecuting the Classes' claims. The total amount of such attorneys' fees, costs, and expenses, if approved by the District Court, will be an average of approximately 1.9 cents per share. Application will also be made for reimbursement to Lead Plaintiffs of their reasonable costs and expenses incurred directly relating to the representation of the Classes in an amount not to exceed \$15,000. Lead Counsel has expended considerable time and effort in the prosecution of the Actions on a contingent fee basis, and has advanced the expenses of the Actions in the expectation that if Lead Counsel was successful in obtaining a recovery for the Class, Lead Counsel would be paid from such recovery.

### **Identification of Attorneys' Representatives**

Lead Counsel, identified below, is available to answer questions from persons in the Class concerning any matter contained in this Notice:

Jill S. Abrams, Esq.  
Abbey Spanier Rodd Abrams & Paradis, LLP  
212 East 39<sup>th</sup> Street  
New York, New York 10016  
(212) 889-3700

on Behalf of the ISF

Jeffrey G. Smith, Esq.  
Wolf Haldenstein Adler Freeman & Herz LLP  
270 Madison Avenue  
New York, New York 10016  
(212) 545-4740

on Behalf of the Global Technology Fund and the Focus Twenty Fund

### **PURPOSE OF THIS NOTICE; HEARING**

1. On September 25, 2006, the District Court preliminarily certified the following classes:

(a) "ISF Class" means any person who purchased ISF shares during the period from March 16, 2000 through and including October 12, 2001. Excluded from the ISF Class are the ISF Defendants (defined below), members of the immediate family of each individual ISF Defendant, any entity in which any ISF Defendant has a controlling interest, officers and directors of the ISF Defendants and the legal representatives, heirs, predecessors, successors and assigns of any such excluded party;

(b) "Focus Twenty Fund Class" means any Person who purchased Focus Twenty Fund shares during the period from March 3, 2000 through and including December 23, 2002. Excluded from the Focus Twenty Fund Class are the Focus Twenty Fund Defendants (defined below), any entity in which any Focus Twenty Fund Defendant has a controlling interest, officers and directors of the Focus Twenty Fund Defendants and the legal representatives, heirs, predecessors, successors and assigns of any such excluded party; and

(c) "Global Technology Fund Class" means any Person who purchased Global Technology Fund shares during the period from October 2, 1999 through and including October 1, 2002. Excluded from the Global Technology Fund Class are the Global Technology Fund Defendants (defined below), members of the immediate family of each individual Global Technology Fund Defendant, any entity in which any Global Technology Fund Defendant has a controlling interest, officers and directors of the Global Technology Fund Defendants and the legal representatives, heirs, predecessors, successors and assigns of any such excluded party.

2. This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure, section 27(a)(7) of the Securities Act of 1933 and an Order of the District Court, dated September 25, 2006. The purpose of this Notice is to inform you of the Settlement with Defendants for \$39,000,000, plus interest. If approved, the Settlement will resolve all claims of Lead Plaintiffs and all Class Members against all Defendants. If the Settlement is approved, all Class Members' claims will be released against all Released Parties (as those terms are defined in the Stipulation and as set forth below).

3. A hearing (the "Settlement Hearing") will be held on November 28, 2006 at 10:30 a.m. before the Hon. John F. Keenan or any other judge sitting in his stead, at the U.S. Courthouse, Courtroom 20C, at 500 Pearl Street, New York, New York 10007. At the Settlement Hearing, the District Court will consider whether: (i) to conditionally certify the ISF Class, the Global Technology Fund Class and the Focus Twenty Fund Class for purposes of the settlement; (ii) the Settlement should be approved as fair, reasonable and adequate to the Class; (iii) the Plan of Allocation (described below) should be approved as fair and reasonable; (iv) Lead Counsel's application for an award of attorney's fees and reimbursement of costs and expenses should be approved as fair and reasonable; and (v) Lead Plaintiffs' application for reimbursement of costs and expenses should be approved as fair and reasonable.

### **Reasons for the Settlement**

4. Lead Plaintiffs believe that the Settlement is fair, reasonable, adequate and in the best interests of the Classes based on the claims asserted, the evidence developed and the damages that might be proven by the Classes in the Actions. The ISF and Global Technology Fund Lead Plaintiffs further recognize and acknowledge the obstacles presented by the District Court's dismissal of their claims, and the pending appeals to the Second Circuit Court of Appeals, as discussed further below, and the expense and length

of continued proceedings that would be necessary to prosecute the Actions against the Defendants through trial and appeals even if Lead Plaintiffs could have succeeded in reviving their claims. Similarly, the Focus Twenty Fund Lead Plaintiff recognizes and understands the obstacles presented by the example of the ISF and Global Technology Fund dismissals. Lead Plaintiffs have considered the inherent problems of proof and possible defenses to their claims and that the uncertain outcome and that the risks involved in succeeding at trial are substantial. It is unlikely that the Classes could have recovered the maximum amount of estimated damages even if Lead Plaintiffs prevailed at trial on all claims against the Defendants in light of (i) challenges to Lead Plaintiffs' legal theories; (ii) substantial disputes as to the underlying facts, (iii) challenges to Lead Plaintiffs' damages calculation; and (iv) defenses to the amount of damages.

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO PROPOSED SETTLEMENT OF THESE CLASS ACTIONS AND, IF YOU ARE IN THE CLASSES, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENT.**

## **BACKGROUND OF THE LITIGATION AND THE SETTLEMENT**

### **The Global Technology Fund Litigation**

5. On or about October 1, 2002, Michal N. Merritt filed a class action complaint in the United States District Court for the Southern District of New York (the "District Court") on behalf of herself and the Global Technology Fund Class alleging violations of sections 11, 12(a)(2) and 15 of the Securities Act of 1933 ("Securities Act") and section 34(b) of the Investment Company Act of 1940 ("ICA") against Merrill Lynch & Co., Inc. ("ML & Co."), Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), Global Technology Fund, Princeton Funds Distributor, Inc., FAM Distributors, Inc., Princeton Services, Inc., Merrill Lynch Asset Management, L.P., Merrill Lynch Investment Managers, L.P. ("MLIM") and the Global Technology Fund's officers and directors Terry K. Glenn, Donald C. Burke, Donald Cecil, Roland M. Machold, Edward H. Meyer, Charles C. Reilly, Richard D. West, Arthur Zeikel, Edward D. Zinbarg, Roscoe S. Suddarth, Ronald W. Forbes, Cynthia A. Montgomery and Kevin A. Ryan (collectively, the "Global Technology Fund Defendants"). On February 5, 2003, the Court appointed Michal N. Merritt as Lead Plaintiff for the Global Technology Fund Class (the "Global Technology Fund Lead Plaintiff") and appointed Wolf Haldenstein Adler Freeman & Herz LLP as Lead Counsel ("Global Technology Fund Lead Counsel").

6. On or about March 14, 2003, the Global Technology Fund Lead Plaintiff filed a consolidated amended class action complaint ("Global Technology Fund Complaint"), asserting claims under sections 11, 12(a)(2) and 15 of the Securities Act, section 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder and section 34(b) of the ICA. She alleged, among other things, that the Registration Statement/Prospectus for the Global Technology Fund failed to disclose that: a material percentage of the companies in which Global Technology Fund invested were companies which defendant MLPF&S had represented as lead or co-lead underwriter or investment banker; MLPF&S allegedly issued misleading research reports on many of the securities held in Global Technology Fund's portfolio; Global Technology Fund invested in companies at prices allegedly inflated by MLPF&S' research reports in order to enhance MLPF&S' ability to obtain investment banking business from those companies; MLPF&S allegedly issued research reports on over 80% of the companies whose securities were in the Global Technology Fund; and MLPF&S research analysts allegedly received the majority of their compensation from generating investment banking business. The Global Technology Fund Lead Plaintiff asserted that the Global Technology Fund Defendants were liable for the decline in the trading price of the Global Technology Fund which allegedly resulted from the conduct alleged in the Global Technology Fund Complaint.

7. On July 2, 2003, the District Court granted the Global Technology Fund Defendants' motions under Federal Rule of Civil Procedure 12(b)(6) and dismissed the Global Technology Fund Complaint with prejudice on the grounds that: (i) there was no duty to disclose the allegedly omitted information; (ii) the claims were barred by the statute of limitations; (iii) the Global Technology Fund Lead Plaintiff could not plead loss causation; (iv) the Global Technology Fund Lead Plaintiff lacked standing to assert a violation of section 12(a)(2) of the Securities Act; (v) there is no private right of action under section 34(b) of the ICA and even if there was, it would have to be brought derivatively; (vi) the claims under section 10(b) of the Exchange Act failed for the additional reasons that the claims were insufficiently particularized and no facts supporting an intent to defraud had been pled. See generally In re Merrill Lynch & Co., Inc. Research Reports Sec. Litig., 272 F. Supp. 2d 243 (S.D.N.Y. 2003).

8. On July 17, 2003, the Global Technology Fund Lead Plaintiff moved the Court to alter its judgment and allow her to file a second consolidated amended complaint on the ground that the claims were not barred by the statute of limitations. That motion was denied. See id. at 265-68.

9. On September 17, 2003, the Global Technology Fund Lead Plaintiff filed her notice of appeal in the United States Court of Appeals for the Second Circuit ("Second Circuit"). That appeal was fully briefed and the parties were awaiting oral argument at the time this proposed settlement was reached.

### **The ISF Litigation**

10. Beginning on April 24, 2002, at least nine securities class action lawsuits relating to ISF were filed in the District Court against the ISF Defendants (defined below) alleging violations of sections 11, 12(a)(2) and 15 of the Securities Act. On June 25, 2002, five motions for the consolidation of all the related ISF cases, and for the appointment of lead plaintiff and lead counsel were filed. On February 5, 2003, the Court appointed Ruth Manton as Lead Plaintiff for the ISF class (the "ISF Lead Plaintiff") and appointed Abbey Gardy, LLP as Lead Counsel ("ISF Lead Counsel"). Subsequently, Abbey Gardy, LLP changed its name to Abbey Spanier Rodd Abrams & Paradis, LLP.

11. On March 14, 2003, the ISF Lead Plaintiff filed a consolidated amended class action complaint ("ISF Complaint") asserting claims under sections 11, 12(a)(2) and 15 of the Securities Act and section 34(b) of the ICA on behalf of herself and the ISF class (defined below) against ML & Co., MLPF&S, ISF, Master Internet Strategies Trust, Global Technology Fund, Fund Asset Management, L.P., Princeton Services, Inc., FAM Distributors, Inc., Paul G. Meeks, and the Fund's officers and directors, Donald C. Burke, Terry K. Glenn, Charles C. Reilly, Roscoe S. Suddarth, Richard R. West, Edward D. Zinbarg and Arthur Zeikel (collectively, the "ISF Defendants"). The ISF Lead Plaintiff alleged, among other things, that the Registration Statement/Prospectus for the ISF failed to disclose that: the ISF allegedly invested in the securities of companies with which MLPF&S had or sought investment banking business; that MLPF&S allegedly issued misleading research reports on many of the securities held in the ISF's portfolio; and that the ISF invested in companies at prices allegedly inflated by MLPF&S' research reports in order to enhance MLPF&S' ability to obtain investment banking business from those companies. The ISF Lead Plaintiff further alleged that the ISF Defendants were liable for the decline in the trading price of the ISF shares, which allegedly resulted from the alleged conduct of the ISF Defendants. On October 29, 2003, the District Court, pursuant to Federal Rule of Civil Procedure 12(b)(6), dismissed the ISF Complaint with prejudice on the grounds that: (i) there was no duty to disclose the allegedly omitted information; (ii) the claims were barred by the statute of limitations; (iii) the ISF Lead Plaintiff failed to allege losses recoverable under sections 11 or 12(a)(2); (iv) there is no private right of action under section 34(b) of the ICA and even if there was, it would have to be brought derivatively. See In re Merrill Lynch & Co., Inc. Research Reports Sec. Litig., 289 F. Supp. 2d 429 (S.D.N.Y. 2003).

12. On November 24, 2003, the ISF Lead Plaintiff filed her notice of appeal from the District Court's October 29, 2003 decision in the Second Circuit. That appeal was fully briefed and the parties were awaiting oral argument at the time this proposed settlement was reached.

### **The Focus Twenty Fund Litigation**

13. On December 23, 2002, Cynthia McGinnes filed the first class action complaint involving the Focus Twenty Fund in the District Court, alleging violations of the Securities Act and the Exchange Act. By order dated July 22, 2003, the Court consolidated the McGinnes complaint with several other actions alleging violations of the securities laws in connection with purchases of Focus Twenty Fund. On July 22, 2003, the Court appointed Archie Lofberg as Lead Plaintiff for the Focus Twenty Fund class (the "Focus Twenty Fund Lead Plaintiff") and appointed Wolf Haldenstein Adler Freeman & Herz LLP as Lead Counsel ("Focus Twenty Fund Lead Counsel").

14. On or about August 25, 2003, the Focus Twenty Fund Lead Plaintiff filed a consolidated amended class action complaint ("Focus Twenty Fund Complaint"), against ML & Co., MLPF&S, Focus Twenty Fund, Fund Asset Management, L.P., Princeton Funds Distributor, Inc., FAM Distributors, Inc. and Princeton Services, Inc. (collectively "the Focus Twenty Fund Defendants"), making essentially the same allegations as made in the Global Technology Fund Complaint by the Global Technology Fund Lead Plaintiff. The Focus Twenty Fund Defendants subsequently moved to dismiss the Focus Twenty Fund Complaint on the basis of the District Court's decisions in the coordinated cases, particularly the decisions on essentially the same grounds as in the Global Technology Fund action. In its October 22, 2003 decision on Defendants' motions to dismiss, the Court struck certain allegations as irrelevant and dismissed, without prejudice, those portions of the Amended Complaint that were not stricken. The Focus Twenty Fund Lead Plaintiff filed his Second Amended Complaint on November 5, 2003 which Defendants moved to dismiss. That motion was fully briefed and was awaiting oral argument at the time the parties reached this proposed settlement.

### **Discovery**

15. Lead Counsel in the ISF, Global Technology Fund and Focus Twenty Fund Actions have investigated the allegations of wrongdoing asserted and the alleged damages suffered by the Classes. In connection therewith, Lead Counsel reviewed and analyzed thousands of documents obtained from: (a) the New York Attorney General relating to its investigation of MLPF&S; (b) the defendant investment advisors; and (c) Lead Counsel's own investigation relating to the subject mutual funds, the mutual fund industry, the hundreds of stocks in which the funds invested and MLPF&S' brokerage business; and (d) Lead Plaintiffs' damages expert.

16. Lead Plaintiffs and Lead Counsel believe that the investigation they have undertaken, together with their analysis of the potential outcome of their appeals pending in the Second Circuit provides an adequate and satisfactory basis for the settlement described herein.

### **THE SETTLEMENT**

17. Settlement negotiations between Lead Counsel and counsel for Defendants occurred during the spring and summer of 2006. On September 22, 2006, the Parties presented to the District Court a proposed Stipulation of Settlement between Lead Plaintiffs and Defendants.

18. The Effective Date of Settlement shall occur when the District Court has entered the Order and Final Judgment finally approving the settlement and the time for any appeals of the Order and Final Judgment has expired. Within 5 days after the entry of the Order and Final Judgment, certain defendants, on behalf of all defendants, shall pay the Settlement Amount into a Settlement Fund account established by Lead Counsel for the benefit of the Class Members. The Settlement Amount is thirty-nine million dollars (\$39,000,000) in cash plus an amount equivalent to simple interest at the three-month LIBOR rate imputed on \$39,000,000 (less any amounts advanced for administration) beginning on March 30, 2006 through payment.

19. All costs and expenses incurred by or on behalf of the Lead Plaintiffs and the Classes associated with the Settlement including, but not limited to, any administrative costs and costs of providing notice of the Settlement to the Classes, will be paid from the Settlement Fund, as well as any award by the District Court of attorneys' fees and expenses to Lead Counsel and/or Lead Plaintiffs.

## **Releases and Dismissal of the Action**

20. If the Settlement is approved, the District Court will enter an Order and Final Judgment that will dismiss all the Class Members' claims against Defendants. The entry of the Order and Final Judgment will bar and permanently enjoin Lead Plaintiffs and all Class Members (with the exception of those who timely and properly request exclusion from one or more of the Classes by November 13, 2006), from prosecuting any Released Claims (as defined in paragraph 22) against any of the Released Parties (as defined in paragraph 21), and each such Class Member shall be conclusively deemed to have fully, finally and forever released, relinquished and discharged any and all such Released Claims against the Released Parties whether or not such Class Member has submitted a Proof of Claim and/or a Notice of Recognized Loss.

21. "Released Parties" means Defendants and their respective heirs, executors, personal representatives, estate and administrators; their past, present and future parent entities, affiliates, subsidiaries, predecessors and successors and each of their assigns, insurers, partners, officers, directors, controlling persons, representatives, employees, agents, attorneys, counsel, underwriters, and financial or investment advisors.

22. "Released Claims" means any and all claims, actions, debts, demands, set-offs (both legal and equitable), causes of action, rights or liabilities whatsoever (including, but not limited to, any claims for damages, equitable relief, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state or 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 direct, derivative, representative, class, individual or in any other form, including both known claims and Unknown Claims, that have been asserted in these Actions by the Class Members or any of them against any of the Released Parties, or which otherwise were or could have been at issue in the Actions (or any of them), or that have been or 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 or relate to or are based in whole or in part upon any of the allegations, transactions, facts, matters or occurrences, representations or omissions alleged, involved, set forth, or referred to in the ISF Complaint, the Global Technology Fund Complaint or the Focus Twenty Fund Complaint.

23. Unless otherwise ordered by the District Court, each Class Member who does not timely and properly request exclusion from one or more of the Classes in the manner provided below in paragraph 29 shall be deemed to have waived, and by operation of the Order and Final Judgment shall have waived, (i) any and all rights and benefits conferred by Section 1542 of the Civil Code of the State of California, which provides as follows: "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 execution of the release, which if known by him must have materially affected his settlement with the debtor," and (ii) 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 Section 1542 of the Civil Code of the State of California. Each such Class Member shall also be deemed to have: (i) acknowledged the significance and consequences of this waiver of the provision of Section 1542 and any similar laws; (ii) waived the provisions and protections of Section 1542 and any similar laws; and (iii) assumed full responsibility for any loss that may be incurred by reason of such waiver, or by reason of their release of any unknown and unsuspected claims.

## **Distribution of Settlement Funds; Plan of Allocation**

24. After approval of the Settlement by the District Court and upon satisfaction of the other conditions to the Settlement, the Settlement Amount will be distributed as follows:

(a) To pay all costs and expenses incurred in connection with providing notice to the Classes, locating Persons in the Classes, soliciting claims, assisting with the filing of claims, administering and distributing the Settlement Funds to the Class Members, preparing and processing Notices of Recognized Loss forms and Proofs of Claim, processing requests for exclusion and costs;

(b) To pay taxes and related expenses owed by or in relation to the Settlement Fund;

(c) Subject to the approval and further order(s) of the District Court, for payment of all attorneys' fees and expense reimbursement as may be awarded by the District Court to Lead Counsel and/or Lead Plaintiffs;

(d) Subject to approval and further order(s) of the District Court, and following the Effective Date of Settlement, to distribute the remainder of the Settlement Amount (the "Net Settlement Funds") to Class Members who submit valid Proofs of Claim and/or Notices of Recognized Loss ("Authorized Claimants").

25. The proposed Plan of Allocation is annexed at the end of this Notice.

Approval of the Settlement is independent from approval of the Plan of Allocation. Any modification or other determination with respect to the Plan of Allocation will not affect the Settlement, if approved.

## **Participation in the Settlement; Notices of Recognized Loss and Proofs of Claim**

26. Only those Persons in the Classes who purchased shares of the ISF, Global Technology Fund or Focus Twenty Fund during the respective Class Periods and were damaged thereby (with the exception of those who timely and properly request exclusion from such Class by November 13, 2006 as described in paragraph 30 below) are eligible to share in the distribution of the Net Settlement Fund. For certain Class members who purchased their shares of the ISF, Global Technology Fund and/or the Focus Twenty Fund from a MLPF&S broker and received those shares in their own name (rather than in the name of a brokerage firm or other

nominee), and who still maintain their account at MLPF&S a Notice of Recognized Loss is enclosed herewith which reflects the Claims Administrator's calculation of the compensable loss you suffered as a result of your purchase of Class shares based on records obtained from MLPF&S pursuant to Court Order for this purpose. The Recognized Loss formula used by the Claims Administrator is described in the Plan of Allocation attached to this document. If you did not receive a Notice of Recognized Loss, you must complete the enclosed Proof of Claim form. Class Members must either sign and return the Notice of Recognized Loss form (if one has been included with this Notice) or complete and submit the Proof of Claim, post-marked no later than December 31, 2006, to the address set forth in each of those documents. Unless otherwise ordered by the District Court, any Class Member who fails to submit a timely Proof of Claim or Notice of Recognized Loss form will be forever barred from receiving any payment pursuant to the Settlement, but will in all other respects be subject to the provisions of the Stipulation, including the terms of any judgment entered and the releases given, as described in paragraphs 20 through 23 above.

27. Both the Proof of Claim form and the Notice of Recognized Loss form include a general release of each of the Released Parties. Each Proof of Claim must be supported by such documents as specified in the Proof of Claim.

28. The District Court has reserved jurisdiction to allow, disallow or adjust, on equitable grounds, the claim of any Class Member. The District Court also reserves the right to modify the Plan of Allocation without further notice to the Classes. Payment pursuant to the Plan of Allocation attached hereto or as modified by the District Court shall be conclusive against all Authorized Claimants.

### **Exclusion from the Settlement**

29. Any person in any of the Classes who wants to maintain the right to sue one or more Released Party in connection with any of the claims, transactions and occurrences alleged in the ISF, Global Technology Fund or Focus Twenty Fund Actions must exclude him, her or itself from the Class of which that person is a member. Any person who excludes him, her, or itself from a Class will not be eligible to receive any payment from the Settlement Amount with respect to the Class from which such person is excluded. Lead Plaintiffs have entered into a Supplemental Agreement with Defendants providing, respectively, that the Settlement may be terminated by Defendants if Class Members representing a specified percentage of the maximum number of shares or total value of the outstanding shares of the ISF, Global Technology Fund or Focus Twenty Fund, during the respective Class Period elect to exclude themselves from the ISF Class, the Global Technology Fund Class or the Focus Twenty Fund Class.

30. In order to be excluded from the ISF Class, Global Technology Fund Class or Focus Twenty Fund Class and maintain the right to sue one or more of the Released Parties on the Released Claims, a member of such Class must send a letter requesting exclusion from the Class and include the information described in the paragraph immediately following to the list of counsel below. All requests for exclusion must be postmarked no later than November 13, 2006 and must be sent to:

Jill S. Abrams, Esq.  
Abbey Spanier Rodd Abrams & Paradis, LLP  
212 East 39th Street  
New York, New York 10016

and

Jeffrey G. Smith, Esq.  
Wolf Haldenstein Freeman Adler & Herz LLP  
270 Madison Avenue  
New York, New York 10016

and to the following counsel for the defendants:

Jay B. Kasner, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036-6522

and

Mark Holland, Esq.  
Clifford Chance US LLP  
31 West 52<sup>nd</sup> Street  
New York, New York 10019

Your letter should state the date(s), price(s) and number(s) of shares of all your purchases or sales of any shares of the ISF, Global Technology Fund and/or Focus Twenty Fund during the Class Period. If you ask to be excluded from the ISF, Global Technology Fund and/or Focus Twenty Fund Class, you will not receive any distribution from the Settlement with respect to the class(es) from which you have sought exclusion, and you cannot object to the Settlement with respect to the Class from which you have sought exclusion. You will not be legally bound by anything that happens in that lawsuit, and you may be able to sue one or more of the Released Parties with respect to the subject matter of that Action in the future if you wish to do so.

## The Settlement Hearing

31. On November 28, 2006 at 10:30 a.m., the Honorable John F. Keenan, or any other judge sitting in his stead, will hold a hearing (the "Settlement Hearing") in Courtroom 20C of the U.S. Courthouse, located at 500 Pearl Street, New York, New York 10007 for the purpose of considering whether Settlement should be approved as fair, reasonable and adequate and whether Plaintiffs' request for counsel fees and reimbursement of expenses is fair and reasonable; dismissing the Classes' claims against Defendants; and barring all Class Members from prosecuting, pursuing, or litigating any of the Released Claims against any of the Released Parties.

32. The Settlement Hearing may be continued or adjourned from time to time by the District Court at the Settlement Hearing or any continued or adjourned session thereof without further notice to the Classes or Class Members.

33. Any Class Member who does not exclude him, her or itself from the Class(es) of which that Class Member is a part may appear at the Settlement Hearing and be heard on any of the foregoing matters, *provided, however*, that 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 that he, she or it wishes to be considered at the Settlement Hearing in the U.S. Courthouse, 500 Pearl Street, New York, New York 10007 and served no later than November 13, 2006, showing due proof of such service, on Lead Counsel:

Jill S. Abrams, Esq.  
Abbey Spanier Rodd Abrams & Paradis, LLP  
212 East 39th Street  
New York, New York 10016

and

Jeffrey G. Smith, Esq.  
Wolf Haldenstein Freeman Adler & Herz LLP  
270 Madison Avenue  
New York, New York 10016

and on the following counsel for the Defendants:

Jay B. Kasner, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036-6522

and

Mark Holland, Esq.  
Clifford Chance US LLP  
31 West 52<sup>nd</sup> Street  
New York, New York 10019

34. Unless otherwise ordered by the District Court, any Class Member who does not make and serve his, her or its objection or opposition in the manner described above shall be deemed to have waived all objections and opposition to the Settlement and any matters connected with the Actions.

## Notice to Banks, Brokers and Other Nominees

35. Banks, brokerage firms, institutions, and other persons who are nominees who purchased shares of the ISF, the Global Technology Fund and/or the Focus Twenty Fund during the Class Period are required within ten (10) days of receipt of this Notice, to: (1) provide the Claims Administrator with the names and addresses of the beneficial owners of the shares, preferably in an MS Excel data table, setting forth: (i) title/registration; (ii) street address; (iii) city/state/zip, electronically in MS Word or WordPerfect files (label size Avery 5162) or on computer generated mailing labels; or (2) forward a copy of this Notice to each such beneficial owner and provide the Claims Administrator with written confirmation that the Notice has been so forwarded. You are entitled to the reimbursement of any reasonable expenses actually incurred in the research of records and either providing them to the Claims Administrator or mailing this Notice to your beneficial owners after submitting a written request and supporting documentation to the Claims Administrator. Any such correspondence in compliance with this paragraph should be addressed to the Claims Administrator as follows:

Merrill Lynch Funds Securities Litigation  
c/o The Garden City Group, Inc.  
Claims Administrator  
P.O. Box 9000 #6449  
Merrick, NY 11566-9000

**EXAMINATION OF PAPERS AND INQUIRIES**

36. This Notice contains only a summary of the terms of the proposed Settlement. For a more detailed statement of the matters involved in the Actions reference is made to the pleadings, to the Stipulation and to other papers filed in these Actions which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, U.S. Courthouse, 500 Pearl Street, New York, New York 10007 during regular business hours of each business day.

37. Additional copies of the Notice and Proof of Claim or copies of the Stipulation of Settlement can be requested by contacting the Claims Administrator as set forth above.

**PLEASE DO NOT CONTACT THE DISTRICT COURT REGARDING THIS NOTICE.**

DATED: October 11, 2006

BY ORDER OF THE COURT

JOHN F. KEENAN  
UNITED STATES DISTRICT JUDGE  
SOUTHERN DISTRICT OF NEW YORK



## PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

1. The \$39 million in cash paid by certain Defendants on behalf of all Defendants together with the interest imputed thereon from March 30, 2006 to the date the Settlement Fund is created, constitutes the Settlement Amount. The Settlement Fund, plus interest earned on it, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Classes who timely return their signed Notice of Recognized Loss form or valid Proof of Claim ("Authorized Claimants").

2. The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss." The Recognized Loss 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 Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

3. Based on the foregoing, and for purposes of this settlement only, "Recognized Loss" will be calculated as follows:

### The ISF

- a. For each share of the ISF you purchased during the period from March 16, 2000 through and including October 12, 2001 and which you held on October 12, 2001, your Recognized Loss will be the difference of the price you paid minus \$1.74, if positive. (If that difference is negative, in other words, if you had a gain, that gain will be subtracted from your total Recognized Loss.)
- b. For each share of the ISF you purchased during the period from March 16, 2000 through and including October 12, 2001, and sold during that period, your Recognized Loss shall be the difference of the price you paid minus the amount you received, if positive. (If that difference is negative, in other words, if you had a gain, that gain will be subtracted from your total Recognized Loss.)

### The Global Technology Fund

- a. For each share of the Global Technology Fund you purchased during the period from October 2, 1999 through and including October 1, 2002 and which you held on October 1, 2002, your Recognized Loss will be the difference of the price you paid minus \$4.25, if positive. (If that difference is negative, in other words, if you had a gain, that gain will be subtracted from your total Recognized Loss.)
- b. For each share of the Global Technology Fund you purchased during the period from October 2, 1999 through and including October 1, 2002, and sold during that period, your Recognized Loss shall be the difference of the price you paid minus the amount you received if positive. (If that difference is negative, in other words, if you had a gain, that gain will be subtracted from your total Recognized Loss.)

### The Focus Twenty Fund

- a. For each share of the Focus Twenty Fund you purchased during the period from March 3, 2000 through and including December 23, 2002, and which you held on December 23, 2002, your Recognized Loss will be the difference of the price you paid minus \$1.22, if positive. (If that difference is negative, in other words, if you had a gain, that gain will be subtracted from your total Recognized Loss.)
- b. For each share of the Focus Twenty Fund you purchased during the period from March 3, 2000 through and including December 23, 2002, and sold during that period, your Recognized Loss shall be the difference of the price you paid minus the amount you received, if positive. (If that difference is negative, in other words, if you had a gain, that gain will be subtracted from your total Recognized Loss.)

## 4. General Provisions

- a. FIFO: In processing claims, the first-in, first-out basis ("FIFO") will be applied to holding at the beginning of the class period and both purchases and sales during the class period.
- b. Prices: The price per share, paid or received, shall be exclusive of all commissions, taxes and fees.
- c. Purchase/Sale Dates: The share purchase or sale date is the trade date, not the settlement date.
- d. De Minimis: No payment will be made on any claims where the potential distribution amount is \$25 or less, but the Authorized Claimant will otherwise be bound by the final judgment entered by the Court.

**If you have not received a Notice of Calculation of Recognized Loss, you must complete the attached Proof of Claim form consistent with these directions and those on the accompanying Proof of Claim form.**

1. Supporting documentation: You must attach to your claim form copies of brokerage confirmations, monthly statements or other documentation of your transactions in order for your claim to be valid. If such documents are not available, a complete list of acceptable supporting documentation can be found on the Claims Administrator's website: [www.gardencitygroup.com](http://www.gardencitygroup.com). Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.
2. Electronic Filing: If your trading activity during the Class Period exceeds 50 transactions, you must provide, in an electronic file, all purchase and sale information required in the Schedule of Transactions. For a copy of instructions and parameters concerning such a submission, contact the Claims Administrator by phone: 1(866) 881-7508.

Dated: New York, New York  
October 11, 2006

By Order of the Court  
CLERK OF THE COURT

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