

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

IN RE LERNOUT & HAUSPIE  
SECURITIES LITIGATION

CIVIL ACTION NO.  
00-CV-11589 (PBS)

THIS DOCUMENT RELATES TO:  
ALL ACTIONS

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION WITH KPMG LLP, KLYNVELD PEAT MARWICK  
GOERDELER BEDRIJFSREVISOREN AND PAUL BEHETS, SETTLEMENT FAIRNESS HEARING AND  
MOTION FOR ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES**

If you purchased the common stock of Lernout & Hauspie Speech Products N.V. ("L&H") on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange between April 28, 1998 and November 9, 2000, inclusive, you could get a payment from the Class Action Settlement described below.

*A Federal Court authorized this Notice. This is not a solicitation from a lawyer.*

- The Settlement will provide a Settlement Fund of \$115,000,000 (\$115 million) to pay claims of investors who purchased the common stock of L&H on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange between April 28, 1998 and November 9, 2000, inclusive.
- The Settlement resolves a lawsuit over whether KPMG LLP, Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren ("KPMG Belgium"), and Paul Behets (collectively the "KPMG Defendants"), misled investors in a scheme to artificially inflate the value of L&H's securities.
- Your legal rights are affected whether you do or do not act. Please read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
<b>SUBMIT A CLAIM FORM POSTMARKED NO LATER THAN MARCH 31, 2005</b>	The only way to get a payment.
<b>EXCLUDE YOURSELF FROM THE CLASS NO LATER THAN DECEMBER 10, 2004</b>	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against the KPMG Defendants about the legal claims in this case.
<b>OBJECT NO LATER THAN DECEMBER 10, 2004</b>	Write to the Court and explain why you do not like the Settlement.
<b>GO TO THE HEARING ON DECEMBER 20, 2004 AND FILE A NOTICE OF INTENTION TO APPEAR NO LATER THAN DECEMBER 10, 2004</b>	While you are not required under any circumstances to attend the hearing, you may ask to speak in Court about the fairness of the Settlement by following the procedures outlined herein.
<b>DO NOTHING</b>	If you are a member of the Class and do nothing, you will receive no payment, but you will surrender your right to pursue a lawsuit against the KPMG Defendants related to the claims at issue in the Class Action.

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, after any appeals are resolved, and after all claims are processed. Please be patient.

## **SUMMARY NOTICE**

### **I. STATEMENT OF PLAINTIFF RECOVERY**

This Notice relates to a proposed partial settlement (the “Settlement”) of a class action lawsuit (the “Action”) filed by Lead Plaintiffs Hans A. Quaak, Attilio Po, and Karl Leibinger (“Lead Plaintiffs”), and additional plaintiff MM Holdings, Inc. against: (i) KPMG LLP, Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren and Paul Behets (collectively, the “KPMG Defendants” or the “Settling Defendants”); (ii) Jozef Lernout, Pol Hauspie, Gaston Bastiaens, Nico Willaert, Ellen Spooren, Francis Vanderhoydonck, RVD Securities N.V., Erwin Vandendriessche, Dirk Cauwelier, Marc G.H. De Pauw, and Flanders Language Valley Fund (collectively, the “Remaining Defendants”); (iii) Carl Dammekens, Ju-Chul Seo, Flanders Language Valley Foundation, and Lernout & Hauspie Investment Company (collectively, the “Defaulted Defendants”); and (iv) Fernand Cloet, Jan Coene, Hubert Detremmerie, Alex Vieux, Gerard van Acker, Bernard Vergnes, Mercator & Noordstar, Louis Verbeke, and Microsoft Corporation (collectively, the “Dismissed Defendants”). The proposed Settlement described herein, including this Notice, is governed by the laws of the United States, and will fully resolve all claims against the KPMG Defendants in this class action lawsuit.

Pursuant to the Settlement with the KPMG Defendants described herein, a Settlement Fund consisting of \$115 million in cash, plus interest, has been established to pay claims of investors who purchased the common stock of L&H on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange between April 28, 1998 and November 9, 2000, inclusive. The Net Settlement Fund (the Settlement Fund less Notice and Administration Costs, Attorneys’ Fees, and Litigation Expenses awarded to Plaintiffs’ Counsel) will be distributed in accordance with a Plan of Allocation (the “Plan of Allocation”). Lead Plaintiffs’ damages expert estimates that approximately 124.7 million shares traded on the NASDAQ Stock Market may have been damaged during the Class Period as a result of the defendants’ allegedly wrongful conduct. Pursuant to Section 201 of the Private Securities Litigation Reform Act of 1995 (15 U.S.C. § 78u-4(f)), any person found to have committed a violation of the federal securities laws, except those found to have knowingly committed a violation of the securities laws, shall be liable solely for the portion of the judgment that corresponds to the percentage of responsibility of that person, as determined by the ultimate fact finder. Here, Lead Plaintiffs believe that a fact finder was likely to find the KPMG Defendants no more than fifty percent (50%) responsible for the Class’ damages. The KPMG Defendants, however, deny any wrongdoing and believe a fact finder would find that they were not responsible for any portion of the Class’ damages. Assuming that the owners of all affected shares traded on the NASDAQ Stock Market elect to participate, the average per share recovery from the Settlement Fund would be approximately \$0.86 per damaged share.

This Settlement is with the KPMG Defendants only. This Settlement does not settle or release any claims as against the Remaining Defendants, Defaulted Defendants or Dismissed Defendants.

### **II. REASONS FOR THE SETTLEMENT**

The Settlement resolves claims against the KPMG Defendants over whether they violated federal securities laws in allegedly issuing false and misleading public statements. The Settlement, however, should not be construed as an admission of wrongdoing by the KPMG Defendants. In light of the amount of the Settlement, and the immediacy of recovery to the Class, Lead Plaintiffs believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiffs believe that the Settlement provides a substantial benefit, namely \$115 million, plus interest, in cash (less the various deductions described in this Notice), as compared to the risk that all or some of the claims in the Action could have been dismissed in response to motions by the KPMG Defendants for summary judgment, or that a similar, smaller, or no recovery would be achieved after a trial and appeals, possibly years in the future, in which the KPMG Defendants would have the opportunity to assert substantial defenses to the claims asserted against them. Lead Plaintiffs will continue to pursue claims against the Remaining Defendants.

### **III. STATEMENT OF POTENTIAL OUTCOMES OF CASE**

The parties disagree on both liability and damages and do not agree on the average amount of damages per share, per call option or per put option that would be recoverable if Lead Plaintiffs were to have prevailed on each claim alleged. The KPMG Defendants deny that they are liable to Lead Plaintiffs or the Class and deny that Lead Plaintiffs or the Class have suffered any damages caused by the KPMG Defendants. The issues on which the Parties disagree include: for example, (i) the appropriate economic model for determining the amount by which L&H common stock, call options, and put options (collectively “L&H Securities”) were allegedly artificially inflated (if at all) during the Class Period; (ii) the amount by which L&H Securities were allegedly artificially inflated (if at all) during the Class Period; (iii) the effect of various market forces influencing the trading price of L&H Securities at various times during the Class Period; (iv) the extent to which external factors, such as general market and industry conditions, influenced the trading price of L&H Securities at various times during the Class Period; (v) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of L&H Securities at various times during the Class Period; (vi) the extent to which the various allegedly adverse material facts that Plaintiffs alleged were omitted influenced (if at all) the trading price of L&H Securities at various times during the Class Period; and (vii) whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws.

#### IV. STATEMENT OF ATTORNEYS' FEES AND EXPENSES SOUGHT

Plaintiffs' Lead Counsel intend to apply for an award of attorneys' fees on behalf of all Plaintiffs' Counsel not to exceed 25% of the Settlement Fund. In addition, Plaintiffs' Lead Counsel intend to apply for reimbursement of Litigation Expenses paid and incurred in connection with the prosecution and resolution of the claims against the Settling Defendants in an amount not to exceed \$2,500,000 (\$2.5 million). If the Court approves Plaintiffs' Lead Counsel's fee and expense application, the average cost per share will be approximately \$0.23. Plaintiffs' Lead Counsel will also apply to the Court for an award from the Gross Settlement Fund to be paid to Lead Plaintiffs for reasonable costs, expenses and lost wages directly relating to their representation of the Class in an amount not to exceed \$125,000. Because the Lead Plaintiffs are continuing to pursue claims against the Remaining Defendants on behalf of the Class, Plaintiffs' Lead Counsel may seek reimbursement of certain expenses incurred after the date of the hearing (such as expert expenses and costs incurred to provide notification of the certification 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.

#### V. IDENTIFICATION OF ATTORNEYS' REPRESENTATIVES

Any questions regarding the Settlement should be directed to Plaintiffs' Lead Counsel: Jeffrey C. Block, Esq., Berman DeValerio Pease Tabacco Burt & Pucillo, One Liberty Square, Boston, MA 02109, (800) 516-9926, [www.bermanesq.com](http://www.bermanesq.com); Patrick L. Rocco, Esq., Shalov Stone & Bonner LLP, 485 Seventh Avenue, Suite 1000, New York, NY 10018, (212) 239-4340, [www.lawssb.com](http://www.lawssb.com); or S. Gene Cauley, Esq., Cauley Bowman Carney & Williams, PLLC, P.O. Box 25438, Little Rock, AR 72221, (501) 312-8505, [www.cauleybowman.com](http://www.cauleybowman.com).

#### WHAT THIS NOTICE CONTAINS

<b>A. BASIC INFORMATION</b>	<b>4</b>
1. WHY DID I GET THIS NOTICE PACKAGE?	4
2. WHAT IS THIS LAWSUIT ABOUT?	4
3. WHY IS THIS A CLASS ACTION?	5
4. WHY IS THERE A SETTLEMENT?	5
5. WHY HAVE THE KPMG DEFENDANTS AGREED TO THE SETTLEMENT?	5
6. WHAT LED UP TO THE SETTLEMENT?	5
7. WHAT ARE THE REASONS PLAINTIFFS AGREED TO THE SETTLEMENT?	5
<b>B. WHO IS IN THE SETTLEMENT</b>	<b>6</b>
8. HOW DO I KNOW IF I AM A MEMBER OF THE CLASS AND ENTITLED TO A PART OF THE SETTLEMENT?	6
9. ARE THERE EXCEPTIONS TO BEING INCLUDED?	6
10. I AM STILL NOT SURE IF I AM INCLUDED?	6
<b>C. THE SETTLEMENT BENEFITS — WHAT YOU GET</b>	<b>6</b>
11. WHAT DOES THE SETTLEMENT PROVIDE?	6
12. HOW MUCH WILL MY PAYMENT BE?	6
<b>D. HOW YOU GET A PAYMENT — SUBMITTING A CLAIM FORM</b>	<b>7</b>
13. HOW CAN I GET A PAYMENT?	7
14. WHEN WOULD I GET MY PAYMENT?	7
15. WHAT AM I GIVING UP TO GET A PAYMENT OR STAY IN THE CLASS?	7
<b>E. EXCLUDING YOURSELF FROM THE SETTLEMENT</b>	<b>7</b>
16. HOW DO I GET OUT OF THE SETTLEMENT?	7
17. IF I DO NOT EXCLUDE MYSELF, CAN I SUE THE KPMG DEFENDANTS FOR THE SAME THING LATER?	8
18. IF I EXCLUDE MYSELF, CAN I GET MONEY FROM THIS SETTLEMENT?	8
<b>F. THE LAWYERS REPRESENTING YOU</b>	<b>8</b>
19. DO I HAVE A LAWYER IN THIS CASE?	8
20. HOW WILL THE LAWYERS BE PAID?	8
<b>G. OBJECTING TO THE SETTLEMENT</b>	<b>8</b>
21. HOW DO I TELL THE COURT THAT I DO NOT LIKE THE SETTLEMENT?	8
22. WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND EXCLUDING?	8

<b>H. THE COURT’S FAIRNESS HEARING.....</b>	<b>9</b>
23. WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT? .....	9
24. DO I HAVE TO COME TO THE HEARING? .....	9
25. MAY I SPEAK AT THE HEARING? .....	9
<b>I. IF YOU DO NOTHING.....</b>	<b>9</b>
26. WHAT HAPPENS IF I DO NOTHING AT ALL? .....	9
<b>J. GETTING MORE INFORMATION .....</b>	<b>9</b>
27. ARE THERE MORE DETAILS ABOUT THE SETTLEMENT? .....	9
28. HOW DO I GET MORE INFORMATION?.....	9
<b>K. PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS .....</b>	<b>9</b>
<b>L. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES.....</b>	<b>11</b>

<b>A. BASIC INFORMATION</b>
-----------------------------

**1. WHY DID I GET THIS NOTICE PACKAGE?**

You or someone in your family may have purchased the common stock of L&H on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange between April 28, 1998 and November 9, 2000, inclusive.

The Court ordered that this Notice be sent to you because, as a potential Class Member, you have a right to know about a proposed settlement of certain claims in a class action lawsuit and your options before the Court decides whether to approve the Settlement. If the Court approves the Settlement, after objections and appeals are resolved, a claims administrator appointed by the Court will process the payments that the Settlement allows.

The Court in charge of the case is the United States District Court for the District of Massachusetts, and the case is known as *In re Lernout & Hauspie Securities Litigation*, Civil Action No. 00-11589 (PBS). The people that filed this lawsuit are the Lead Plaintiffs, and the entities and people who have been sued are the Defendants.

**2. WHAT IS THIS LAWSUIT ABOUT?**

Lernout & Hauspie Speech Products N.V. (“L&H” or the “Company”) was a Belgium-based speech recognition software manufacturer. During the fall of 2000, L&H announced that as a result of past accounting “errors and irregularities”, the Company had overstated its publicly reported revenues by 64%, or a total of \$377,000,000 (\$377 million). On November 29, 2000, L&H filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the District of Delaware. Beginning on August 9, 2000, sixteen class actions were filed in or transferred to the United States District Court for the District of Massachusetts, alleging violations of federal securities laws stemming from the alleged accounting fraud at L&H. These actions were consolidated by Orders dated February 26, 2001 and September 10, 2001, under the caption *In re Lernout & Hauspie Securities Litigation*, Civil Action No. 00-11589 (PBS), which is hereinafter referred to as the “Action.”

By its Order dated February 26, 2001, the Court appointed Hans A. Quaak, Attilio Po and Karl Leibinger as the Lead Plaintiffs for this consolidated securities class action and approved the Lead Plaintiffs’ selection of counsel, appointing Berman DeValerio Pease Tabacco Burt & Pucillo, Shalov Stone & Bonner LLP and Cauley Bowman Carney & Williams, PLLC as Lead Counsel in the Action.

The First Consolidated Amended Class Action Complaint dated September 21, 2001 filed in the Action (the “Complaint”) generally alleges, among other things, that between April 28, 1998 and November 9, 2000, the defendants issued materially false and misleading press releases and other statements regarding L&H’s financial condition in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. In particular, the Complaint alleges that the KPMG Defendants issued materially false and misleading statements regarding L&H’s financial statements’ compliance with Generally Accepted Accounting Principles (“GAAP”) and the KPMG Defendants’ compliance with Generally Accepted Auditing Standards (“GAAS”) during the Class Period in a scheme to artificially inflate the value of L&H Securities. The Complaint further alleges that Plaintiffs and the other Class Members purchased L&H Securities during the Class Period at prices artificially inflated as a result of the KPMG Defendants’ dissemination of materially false and misleading statements regarding L&H.

On January 16, 2002, KPMG LLP, KPMG Belgium and Paul Behets each moved to dismiss the Complaint. Lead Plaintiffs filed oppositions to these motions to dismiss. By Order dated August 19, 2002, the Court denied the KPMG Defendants’ motions to dismiss in their entirety.

The KPMG Defendants deny that they did anything wrong.

### 3. WHY IS THIS A CLASS ACTION?

In a class action, one or more people called “Class Representatives” sue on behalf of people who have similar claims. All these people are a “Class” or “Class Members”. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class. This case was assigned to United States District Judge Patti B. Saris.

### 4. WHY IS THERE A SETTLEMENT?

The Court did not decide in favor of the Plaintiffs or the KPMG Defendants. Instead, both sides 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 all Class Members.

Before agreeing to this Settlement, Plaintiffs’ Lead Counsel conducted an extensive investigation and discovery into the events and transactions underlying the claims alleged in the Complaint. This investigation included interviews with several former L&H employees who were familiar with the subject matter of the claims, and a review of the Company’s filings with the United States Securities and Exchange Commission (“SEC”), press releases and other publicly disseminated statements. Plaintiffs’ Lead Counsel also reviewed over 750,000 pages of documents produced by defendants and third-parties in this Action, including documents that L&H and the KPMG Defendants provided to the SEC in connection with the SEC’s investigation into L&H, as well as transcripts of testimony taken by the SEC, including testimony of certain employees and partners of KPMG LLP. Plaintiffs’ Lead Counsel also obtained an order from the United States Bankruptcy Court for the District of Delaware permitting Plaintiffs to review over 4.5 million pages of L&H documents located in Belgium and Massachusetts. Plaintiffs’ Lead Counsel have also filed a civil party appearance with the office of the Belgian Investigating Magistrate, the office conducting a Belgian criminal investigation into the fraud at L&H. Through this access, Plaintiffs’ Lead Counsel have been able to review approximately 150,000 documents and witness statements in Belgium, which include documents seized by the Belgian criminal authorities. All told, Plaintiffs’ Counsel have reviewed over 5 million pages of documents, served over 70 third-party subpoenas and have taken and defended numerous depositions. Plaintiffs’ Lead Counsel have also analyzed potential claims and researched the applicable law with respect to the claims asserted and the KPMG Defendants’ potential defenses thereto and also consulted with experts on forensic accounting, damages and loss causation, and professional liability insurance.

### 5. WHY HAVE THE KPMG DEFENDANTS AGREED TO THE SETTLEMENT?

The Settlement is not evidence of, an admission of, or a concession on the part of the KPMG Defendants of any fault or liability whatsoever on the part of any KPMG Defendant, or any infirmity in any defenses they have asserted or intended to assert in the Action. The KPMG Defendants, however, consider it desirable, and in their best interests, that the claims against them be dismissed on the terms set forth in the Stipulation to avoid further expense and protracted litigation, taking into account the uncertainty and risks inherent in any litigation.

### 6. WHAT LED UP TO THE SETTLEMENT?

The Settlement resulted from extensive arm’s-length negotiations among Counsel for Lead Plaintiffs and the KPMG Defendants. Lead Plaintiffs and Plaintiffs’ Lead Counsel participated in a mediation with Counsel for the KPMG Defendants with the assistance of retired Judge Nicolas H. Politan on July 31, 2004 and August 4, 2004. Through extensive settlement negotiations assisted by Judge Politan, the Parties reached agreement on the terms of Settlement. Following the conclusion of mediation, the terms of the Settlement were set forth in a Memorandum of Understanding, dated September 14, 2004 (the “MOU”).

### 7. WHAT ARE THE REASONS PLAINTIFFS AGREED TO THE SETTLEMENT?

Lead Plaintiffs and Plaintiffs’ Lead Counsel believe that the claims asserted against the Settling Defendants have merit. They recognize, however, the expense associated with the potentially lengthy continued proceedings necessary to pursue their claims against the Settling Defendants through trial and appeals. Lead Plaintiffs and Lead Counsel have also taken into account the issues that would have to be decided by a jury, including: (i) whether each of the alleged misrepresentations and omissions was material; (ii) whether the KPMG Defendants acted knowingly or recklessly in making the alleged misrepresentations and omissions; and (iii) the amount of any damages caused by the alleged misrepresentations and omissions. Lead Plaintiffs and Lead Counsel have also considered the uncertain outcome and trial risk in complex lawsuits like this one. Lead Plaintiffs have also taken into account KPMG LLP’s argument that it cannot be held liable to Lead Plaintiffs under the federal securities laws because it did not sign any audit opinions related to L&H. Plaintiffs successfully defeated this argument in opposition to KPMG LLP’s motion to dismiss. However, KPMG LLP intended to raise this argument, and other arguments, in its motion for summary judgment at trial and, if necessary, on appeal. Another factor strongly favoring the Settlement, in addition to the risk regarding proof of liability, relates to the prospects of enforcing and collecting a very substantial judgment against KPMG Belgium, a Belgium-based *burgerlijke cooperatieve vennootschap met beperkte aansprakelijkheid* (similar to a limited liability partnership) with no offices, partners or employees located in the United States. Furthermore, KPMG Belgium is currently part of a judicial inquiry conducted by an investigating magistrate in Belgium related to L&H. If any partner or partners of KPMG Belgium were found criminally liable for fraud or dishonesty, KPMG Belgium’s entitlement to insurance proceeds could be affected, and Plaintiffs’ ability to collect a

judgment against KPMG Belgium could be severely jeopardized. In light of these factors, and based on the substantial efforts of Plaintiffs' Lead Counsel detailed in response to Question 4 above, it is the considered view of Plaintiffs' Lead Counsel, who have substantial experience in securities matters, that the Settlement achieved under these circumstances is an excellent result. Lead Plaintiffs believe that a recovery now will provide an immediate benefit to Class Members, which is superior to the risk of proceeding with the Action. Considering these factors and balancing them against the certain and substantial benefits that the Class will receive as a result of the Settlement, Lead Plaintiffs and Lead Counsel determined that the Settlement described herein is fair, reasonable and adequate and that it is in the best interests of the Class to settle the claims against the Settling Defendants on the terms set forth in the Stipulation and this Notice.

## **B. WHO IS IN THE SETTLEMENT**

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

### **8. HOW DO I KNOW IF I AM A MEMBER OF THE CLASS AND ENTITLED TO A PART OF THE SETTLEMENT?**

The Class covered by this Settlement consists of all persons and entities that purchased the common stock of L&H on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange between April 28, 1998 and November 9, 2000, inclusive (the "Class Period").

### **9. ARE THERE EXCEPTIONS TO BEING INCLUDED?**

Excluded from the Class are: (i) the KPMG Defendants, any partners or principals of KPMG LLP or KPMG Belgium, members of their immediate families and their legal representatives, heirs, successors or assigns, and any predecessors or successors of KPMG LLP or KPMG Belgium and any entity in which any of the above persons or entities have or had a controlling interest; (ii) KPMG International and all KPMG International member firms; (iii) Paul Behets and members of his immediate family and his legal representatives, heirs, successors or assigns; (iv) L&H and any predecessors or successors of L&H; (v) the officers and directors of L&H, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which any of the above persons or entities have or had a controlling interest; (vi) the Transactional Plaintiffs, Rocker Plaintiffs, and Trustee Plaintiffs, as defined in the Stipulation of Settlement; and (vii) any defendants named in this Action or in *Quaak v. Dexia S.A.*, 03-CV-11566 (PBS) (D. Mass.) (the "Dexia Action"), members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which any defendants has or had a controlling interest. Also excluded from the Class are any putative Class Members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth in the Settlement Notice.

**RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR ARE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM POSTMARKED NO LATER THAN MARCH 31, 2005.**

### **10. 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 toll free (866) 828-2348 or visit [www.LernoutHauspieSettlement.com](http://www.LernoutHauspieSettlement.com) for more information. Or you can fill out and return the claim form described in Question 13, to see if you qualify.

## **C. THE SETTLEMENT BENEFITS — WHAT YOU GET**

### **11. WHAT DOES THE SETTLEMENT PROVIDE?**

The KPMG Defendants have agreed to create a \$115 million Settlement Fund to be divided, after the deduction of Court approved attorneys' fees and administration expenses and net of any taxes, among all Class Members who send in a valid claim form.

### **12. HOW MUCH WILL MY PAYMENT BE?**

Your share of the fund will depend on the number of valid claim forms that Class Members send in, how many shares of L&H stock, call options or put options you bought, and when you bought and sold them. The proposed Plan of Allocation is set forth at the end of this Notice.

By following the instructions in the proposed Plan of Allocation located at the end of this Notice, you can calculate what is called your Recognized Claim. After all Class Members have sent in their claim forms, the payment you get will reflect your pro rata Recognized Claim in relation to the total of everyone's Recognized Claims. See the instructions in the proposed Plan of Allocation for more information on your Recognized Claim.

## **D. HOW YOU GET A PAYMENT — SUBMITTING A CLAIM FORM**

### **13. HOW CAN I GET A PAYMENT?**

If you purchased the common stock of L&H on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange between April 28, 1998 and November 9, 2000, inclusive, then you must send in a claim form in connection with this Settlement to qualify for payment. A claim form is being circulated with this Notice. You may also get a claim form on the Internet at [www.LernoutHauspieSettlement.com](http://www.LernoutHauspieSettlement.com). Read the instructions carefully, fill out the form, include all the documents the form requires, sign it, and mail it postmarked no later than March 31, 2005.

### **14. WHEN WOULD I GET MY PAYMENT?**

The Court will hold a hearing on December 20, 2004, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It will also take time to process the Proofs of Claim submitted by all Class Members. Please be patient.

### **15. WHAT AM I GIVING UP TO GET A PAYMENT OR STAY IN THE CLASS?**

Unless you exclude yourself, you are staying in the Class, and that means that, if the Settlement is approved, you will release all “Settled Claims” (as defined below) against the “Released Parties” (as defined below).

“Settled Claims” means all claims (including “Unknown Claims” as defined in California Civil Code Section 1542), demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted, including, without limitation, claims for negligent misrepresentation, fraud, violations of any state, federal or foreign statutes, rules or regulations of or by the members of the Class as against the Released Parties arising out of Class Members’ purchases of L&H common stock on the NASDAQ Stock Market or purchases of call options to acquire L&H common stock or sales of put options related to L&H common stock on any United States-based options exchange during the Class Period that have been or could have been asserted in any forum directly by the Class Members against the Released Parties.

“Released Parties” means: (i) KPMG LLP, its predecessors, successors and assigns, and any current or former partners, principals, directors, officers, employees, attorneys, agents, insurers, co-insurers and reinsurers of KPMG LLP; (ii) Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren and all other Belgian legal entities entitled to use the KPMG name, together with their affiliates and the predecessors, successors and assigns, or any current or former partners, principals, directors, officers, employees, attorneys, agents, insurers, co-insurers, and reinsurers of Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren and such other Belgian legal entities and affiliates; (iii) KPMG International and all KPMG International member firms; and (iv) Paul Behets. No defendant in the Dexia Action and no defendant other than the KPMG Defendants in this Action is a Released Party.

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

## **E. EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue the KPMG Defendants on your own about the legal issues in this case, then you must take steps to exclude yourself from the Class. This is sometimes referred to as “opting out” of the Settlement Class. If you want to be excluded from the Class certified with respect to this Settlement, you must submit a request for exclusion.

### **16. HOW DO I GET OUT OF THE SETTLEMENT?**

To exclude yourself from this Settlement, you must send a letter by mail stating that you “request exclusion from the Class in *In re Lernout & Hauspie Securities Litigation*, Civil Action No. 00-11589 (PBS)”. Persons requesting exclusion are also requested to provide the date(s), price(s), and number(s) of shares, call options, or put options of all purchases and sales of L&H Securities during the Class Period. In addition, be sure to include your name, address, telephone number, and your signature. Your exclusion request must be received at the following address no later than **December 10, 2004**:

**Lernout & Hauspie Securities Litigation EXCLUSIONS**  
**c/o A.B. Data, Ltd.**  
**P.O. Box 170500**  
**Milwaukee, WI 53217**

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you will not get any payment from this Settlement, and you cannot object to this Settlement. You will not give up any rights to sue the KPMG Defendants for the claims that this Settlement resolves, and you may be able to sue (or continue to sue) the KPMG Defendants in the future for the claims involved in this lawsuit.

17. IF I DO NOT EXCLUDE MYSELF, CAN I SUE THE KPMG DEFENDANTS FOR THE SAME THING LATER?

No. If you are a Class Member, unless you exclude yourself from this Settlement, you give up any rights to sue the Released Parties, including the KPMG Defendants for the claims that this Settlement resolves. If you have a pending lawsuit raising any of the Settled Claims, speak to your lawyer in that case immediately. You must exclude yourself from *this* Class to continue your own lawsuit. Again, the exclusion deadline is December 10, 2004.

18. IF I EXCLUDE MYSELF, CAN I GET MONEY FROM THIS SETTLEMENT?

No. If you exclude yourself from this Settlement, do not send in a claim form to ask for any money.

**F. THE LAWYERS REPRESENTING YOU**

19. DO I HAVE A LAWYER IN THIS CASE?

The Court ordered that the law firms of Berman DeValerio Pease Tabacco Burt & Pucillo in Boston, MA; Shalov Stone & Bonner LLP in New York, NY; and Cauley Bowman Carney & Williams, PLLC in Little Rock, AR, will represent you and other Class Members. These lawyers are called Plaintiffs' Lead Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

20. HOW WILL THE LAWYERS BE PAID?

Plaintiffs' Lead Counsel will move the Court to award attorneys' fees not to exceed twenty-five percent (25%) of the Settlement Fund, and for reimbursement of expenses advanced by counsel of no greater than \$2.5 million, plus interest. The requested fees and expenses would amount to an average of \$0.23 per damaged share. Plaintiffs' Lead Counsel will also apply to the Court for an award from the Gross Settlement Fund to be paid to Lead Plaintiffs for reasonable costs, expenses and lost wages directly relating to their representation of the Class in an amount not to exceed \$125,000.

Because the Lead Plaintiffs are continuing to pursue claims against the Remaining Defendants on behalf of the Class, Plaintiffs' Counsel may seek reimbursement of certain expenses incurred after the date of the hearing (such as expert expenses and costs incurred to provide notification of the certification of the Class). Plaintiffs' Lead 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.

**G. OBJECTING TO THE SETTLEMENT**

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

21. HOW DO I TELL THE COURT THAT I DO NOT LIKE THE SETTLEMENT?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. You can give reasons why you think the Court should not approve it. The Court will consider your views. To object, you must send a letter saying that you object to the Settlement in *In re Lernout & Hauspie Securities Litigation*, Civil Action No. 00-11589 (PBS). Be sure to include your name, address, telephone number, your signature and the reasons you object to the Settlement. Mail the objection to these three different places postmarked no later than **December 10, 2004**:

CLERK'S OFFICE

UNITED STATES DISTRICT COURT FOR  
THE DISTRICT OF MASSACHUSETTS

John Joseph Moakley  
United States Courthouse  
1 Courthouse Way, Suite 2300  
Boston, MA 02210

PLAINTIFFS' LEAD COUNSEL

BERMAN DEVALERIO PEASE  
TABACCO BURT & PUCILLO  
Jeffrey C. Block, Esq.  
One Liberty Square  
Boston, MA 02109

COUNSEL FOR KPMG LLP

DAVIS POLK & WARDWELL  
Michael P. Carroll, Esq.  
450 Lexington Avenue  
New York, NY 10017

22. WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND EXCLUDING?

Objecting is simply telling the Court that you do not like something about the 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.



## **H. THE COURT'S FAIRNESS HEARING**

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

### **23. WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?**

The Court will hold a Fairness Hearing at 4 p.m. on December 20, 2004, at the United States District Court for the District of Massachusetts, John Joseph Moakley United States Courthouse, 1 Courthouse Way, Boston, MA 02210. At this hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. At or after the hearing, the Court will decide whether to approve the Settlement and how much to pay to Class Counsel. We do not know how long these decisions will take.

### **24. DO I HAVE TO COME TO THE HEARING?**

No. Plaintiffs' Lead 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 mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary to do so.

### **25. MAY I SPEAK AT THE HEARING?**

You may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter saying that it is your "Notice of Intention to Appear in *In re Lernout & Hauspie Securities Litigation*". Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be postmarked no later than December 10, 2004, and be sent to the Clerk of the Court, Plaintiffs' Lead Counsel and Defense Counsel at the three addresses in Question 21. You cannot speak at the hearing if you excluded yourself. Persons who intend to object to the Settlement and/or the application of Plaintiffs' Lead Counsel for an award of attorneys' fees and expenses and who desire to present evidence at the Fairness Hearing must include in their written objections the identity of witnesses they may call to testify and exhibits they intend to introduce into evidence at the Fairness Hearing.

## **I. IF YOU DO NOTHING**

### **26. WHAT HAPPENS IF I DO NOTHING AT ALL?**

If you do nothing, you will get no money from this Settlement. But if you are a member of the Class, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit or be part of any other lawsuit against the Released Parties, including the KPMG Defendants, regarding the legal issues in this case.

## **J. GETTING MORE INFORMATION**

### **27. ARE THERE MORE DETAILS ABOUT THE SETTLEMENT?**

This Notice summarizes the proposed Settlement. More details are set forth in a Stipulation and Agreement of Settlement with KPMG LLP, Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren and Paul Behets dated October 7, 2004 (the "Stipulation"). You can get a copy of the Stipulation by writing to Jeffrey C. Block, Esq., Berman DeValerio Pease Tabacco Burt & Pucillo, One Liberty Square, Boston, MA 02109, (800) 516-9926; Patrick L. Rocco, Esq., Shalov Stone & Bonner LLP, 485 Seventh Avenue, Suite 1000, New York, NY 10018, (212) 239-4340; or S. Gene Cauley, Esq., Cauley Bowman Carney & Williams, PLLC, P.O. Box 25438, Little Rock, AR 72221, (501) 312-8505.

### **28. HOW DO I GET MORE INFORMATION?**

You can call (866) 828-2348 toll free; or write to Lernout & Hauspie Securities Litigation Settlement, c/o A.B. Data, Ltd., P.O. Box 170500, Milwaukee, WI 53217; or visit the website at [www.LernoutHauspieSettlement.com](http://www.LernoutHauspieSettlement.com) where you will find a Proof of Claim form and other information to help you determine whether you are a Class Member and whether you are eligible for a payment. You can also call Plaintiffs' Lead Counsel at the numbers listed in Question 27.

## **K. PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS**

The \$115 million Settlement Amount and the interest earned thereon are the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, and fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Class who submit acceptable Proofs of Claim ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim". The Recognized Claim formula is not intended to be an estimate of the amount that 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 Fund will be proportionately allocated to the Authorized Claimants.

**CLASS PLAINTIFFS – COMMON STOCK PURCHASERS (NASDAQ)**

- 1A. For shares of common stock purchased between April 29, 1998 and May 18, 1999, inclusive, and retained at the end of trading on November 9, 2000, the Recognized Claim shall be the lesser of:
- (1) \$6.28; or
  - (2) the difference between the purchase price per share and the sales price per share for each share sold between November 10, 2000 and February 7, 2001, inclusive;<sup>1</sup> or
  - (3) the difference between the purchase price per share and \$1.98 for each share still held at the close of trading on February 7, 2001.<sup>2</sup>
- 1B. For shares of common stock purchased between April 29, 1998 and May 18, 1999, inclusive, and sold between August 8, 2000 and November 9, 2000, inclusive, the Recognized Claim shall be the lesser of:
- (1) \$6.28; or
  - (2) the difference between the purchase price per share and the sales price per share.
- 1C. For shares of common stock purchased and sold between April 29, 1998 and August 7, 2000, inclusive, there shall be no Recognized Claim.
- 1D. For shares of common stock purchased between May 19, 1999 and November 9, 2000, inclusive, and retained at the end of trading on November 9, 2000, the Recognized Claim shall be the lesser of:
- (1) the difference between the purchase price per share and \$1.40 per share; or
  - (2) the difference between the purchase price per share and the sales price per share for each share sold between November 10, 2000 and February 7, 2001, inclusive; or
  - (3) the difference between the purchase price per share and \$1.98 for each share still held at the close of trading on February 7, 2001.
- 1E. For shares of common stock purchased between May 19, 1999 and November 9, 2000, inclusive and sold between August 8, 2000 and November 9, 2000, the Recognized Claim shall be the difference between the purchase price per share and the sales price per share.

**CLASS PLAINTIFFS – CALL OPTION PURCHASERS ON UNITED STATES-BASED OPTIONS EXCHANGE**

- 2A. For call option contracts<sup>3</sup> purchased between April 29, 1998 and August 7, 2000, inclusive, that expired prior to August 8, 2000, there shall be no Recognized Claim.
- 2B. For call option contracts purchased between April 29, 1998 and August 7, 2000, inclusive, that had an expiration date on or after August 8, 2000, and that were sold between August 8, 2000 and November 9, 2000, inclusive, the Recognized Claim shall be the difference between the purchase price and the sale price.
- 2C. For call option contracts purchased between April 29, 1998 and November 9, 2000, inclusive, that had an expiration date on or after August 8, 2000, which were either retained at the end of trading on November 9, 2000, or expired unexercised, the Recognized Claim shall be the purchase price.
- 2D. For call option contracts purchased and sold between August 8, 2000 and November 9, 2000, inclusive, the Recognized Claim shall be the difference between the purchase price and the sale price, if greater than \$0.00.

**CLASS PLAINTIFFS – PUT OPTION SELLERS ON UNITED STATES-BASED OPTIONS EXCHANGE**

- 3A. For put option contracts sold between April 29, 1998 and August 7, 2000, inclusive, that expired prior to August 8, 2000, there shall be no Recognized Claim.

---

<sup>1</sup> Trading in L&H shares was halted on November 9, 2000 and resumed December 8, 2000.

<sup>2</sup> Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$1.98 was the mean closing price of L&H common stock during the 90-day period beginning on November 9, 2000 and ending on February 7, 2001.

<sup>3</sup> Option contracts represent 100 common shares per contract.

- 3B. For put option contracts sold between April 29, 1998 and November 9, 2000, inclusive, that had an expiration date on or after August 8, 2000, and were exercised at any time on or after August 8, 2000, the Recognized Claim shall be: the option strike price minus the closing stock price on the exercise date minus the premium initially received on the sale date, if greater than \$0.00 (i.e. {strike price – stock price} – {premium received} = Recognized Claim).
- 3C. For put option contracts sold between April 29, 1998 and November 9, 2000, inclusive, that had an expiration date on or after August 8, 2000, and were purchased to offset the original sale at any time on or after August 8, 2000, the Recognized Claim shall be: the difference between the purchase price paid on the date of purchase (to close the contract) and the sale price received on the date of sale (opening the contract), if greater than \$0.00.
- 3D. For put option contracts sold between April 29, 1998 and November 9, 2000, inclusive, that had an expiration date on or after August 8, 2000, and were either purchased to offset the original sale at any time prior to August 8, 2000, or expired unexercised, there shall be no Recognized Claim.

To the extent members of the Class realized a profit on their L&H transactions, they shall have no Recognized Loss. Proceeds from the sale or purchase of options to offset original contracts must be netted against any losses.

In the event a Class Member has more than one purchase or sale of L&H common stock or options, all purchases and sales *within the Class Period* shall be matched on a First In, First Out (“FIFO”) basis. Any person or entity who sold L&H common stock “short” shall have no Recognized Claim with respect to any purchase during the Class Period to cover such short sale. A purchase or sale of L&H common stock or an L&H option contract 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 L&H Securities during the Class Period shall not be deemed a purchase or sale of L&H Securities 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 securities unless specifically provided in the instrument of gift or assignment.

Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants.

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, unless they submit a request to be excluded from the Class.

Checks will be distributed to Authorized Claimants after all claims have been processed, after the Court has approved the administrative determinations accepting and rejecting claims submitted, and after the Court has finally approved the Settlement. If any funds remain in the Net Settlement Fund by reason of uncashed checks 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 Fund cash their distribution checks, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution, to Class Members who have cashed their checks and who would receive at least \$10.00 from such re-distribution. If six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs’ Lead Counsel.

#### **L. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased L&H common stock on the NASDAQ Stock Market or purchased L&H call options or sold L&H put options on any United States-based options exchange during the Class Period for the beneficial interest of a person or organization other than yourself, you are directed to send a copy of this Notice and the Claim Form, to the beneficial owner of these securities postmarked no later than seven (7) days from the date of this Notice, or to provide the names and addresses of such persons no later than seven (7) days from the date of this Notice to Lernout & Hauspie Securities Litigation Settlement, c/o A.B. Data, Ltd., P.O. Box 170500, Milwaukee, WI 53217, in which case the beneficial owner will be sent a copy of the Notice. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred in complying herewith by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Claim Form may also be obtained from the Claims Administrator’s website [www.LernoutHauspieSettlement.com](http://www.LernoutHauspieSettlement.com) or calling toll-free (866) 828-2348 or calling (414) 963-6490.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE COURT REGARDING THIS NOTICE.**

Dated: October 13, 2004

By Order of the Clerk of the Court  
United States District Court for the District of Massachusetts