

**UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS**

IN RE: XCHANGE, INC. SECURITIES LITIGATION	X : : X	CIVIL ACTION NO. 01-10322-RWZ
---	------------------	-------------------------------

**NOTICE OF PROPOSED PARTIAL SETTLEMENT OF CLASS ACTION,  
MOTION FOR ATTORNEYS' FEES AND EXPENSES AND SETTLEMENT FAIRNESS HEARING**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF EXCHANGE APPLICATIONS, INC., A/K/A XCHANGE, INC. ("XCHANGE") DURING THE PERIOD BETWEEN DECEMBER 9, 1998 AND SEPTEMBER 29, 2000, INCLUSIVE (THE "CLASS"), AND WHO WERE DAMAGED THEREBY.

**If you bought or otherwise acquired Xchange Common Stock  
between December 9, 1998 and September 29, 2000, inclusive,  
you could get a payment from a class action settlement.**

*A federal court authorized this notice. This is not a solicitation from a lawyer.*

- The settlement will provide an \$8,500,000.00 settlement fund for the benefit of investors who purchased or otherwise acquired shares of Xchange common stock between December 9, 1998 and September 29, 2000, inclusive, and who were damaged thereby.
- The settlement resolves class litigation over whether Xchange and certain of its officers and/or directors misled investors about Xchange's partnerships with other companies; the status and capabilities of its products; and about Xchange's financial results, financial condition and future earnings prospects. The litigation settlement does not resolve the litigation as it relates to Xchange's auditor, Arthur Andersen, LLP.
- Your legal rights are affected whether you act, or don't act. Read this notice carefully.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:</b>	
<b>SUBMIT A CLAIM FORM</b>	The only way to get a payment.
<b>EXCLUDE YOURSELF</b>	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against Xchange, its officers or directors about the legal claims in this case. <u>See</u> Question [13] below.
<b>OBJECT</b>	Write to the Court about why you don't like the settlement.
<b>GO TO A HEARING</b>	Ask to speak in Court about the fairness of the settlement.
<b>DO NOTHING</b>	Get no payment. Give up any rights you may have.

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

## **SUMMARY NOTICE**

### **STATEMENT OF PLAINTIFF RECOVERY**

The parties have agreed to settle this lawsuit and have established a Settlement Fund of \$8,500,000.00 in cash, plus interest. Plaintiffs estimate that there were approximately 32.24 million shares of Xchange common stock traded during the Settlement Class Period which may have been damaged. Plaintiffs estimate that the average recovery per damaged share of Xchange common stock under the settlement is \$.38 per damaged share before deduction of Court-awarded attorneys' fees and expenses. A Settlement Class member's actual recovery will be a portion of the Net Settlement Fund equal to his, her or its Recognized Claim divided by the total Recognized Claims of all Settlement Class members who submit acceptable Proofs of Claim, multiplied by the Net Settlement Fund.

### **STATEMENT OF POTENTIAL OUTCOME OF CASE**

The parties disagreed on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed at trial. The Defendants deny that they are liable to the plaintiffs or the Settlement Class and deny that plaintiffs or the Settlement Class have suffered any damages.

### **STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT**

Plaintiffs' Counsel are moving the Court to award attorneys' fees not to exceed one-third (33<sup>1</sup>/<sub>3</sub>%) of the Gross Settlement Fund, and for reimbursement of their expenses incurred in connection with the prosecution of this Action through the date of the Fairness Hearing, not to exceed \$350,000.00. The requested fees and expenses would amount to an average of \$.10 per damaged share in total for fees and expenses. Plaintiffs' Counsel have expended almost five years of 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 Settlement Class they would be paid from such recovery. In this type of litigation, it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys' fees.

### **FURTHER INFORMATION**

You may get further information about the Action and this Notice by contacting Plaintiffs' Lead Counsel: Dennis J. Johnson, Esq., or James F. Conway, III, Esq., Johnson & Perkinson, P.O. Box 2305, S. Burlington, VT 05407, Telephone (802) 862-0030, Fax (802) 862-0060.

### **REASONS FOR THE SETTLEMENT**

The principal reason for the settlement is to provide a benefit to the Settlement Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future. While Plaintiffs' Lead Counsel was prepared to go to trial and was confident in their ability to present a case, they recognize that a trial is a risky proposition and that plaintiffs and the Settlement Class might not have prevailed on their claims. The claims advanced by the Settlement Class involve numerous complex legal, accounting and/or financial issues, requiring extensive expert testimony, which would add considerably to the expense and duration of the litigation. Even after extensive fact and expert discovery, questions remain regarding the extent of Defendants' liability and the true measure of the Settlement Class' damages. In particular, because the decline in Xchange's stock price might have been subject to industry-wide market factors that were driving down the stock prices of many companies in the software development industry, there existed a substantial risk that plaintiffs may not have been able to prove at trial that their losses were actually due to defendants' allegedly false and misleading statements.

**WHAT THIS NOTICE CONTAINS**

**PAGE**

**BASIC INFORMATION** ..... PAGE 4

- 1. Why did I get this notice package?
- 2. What is this lawsuit about?
- 3. Why is this a class action?
- 4. Why is there a settlement?

**WHO IS IN THE SETTLEMENT** ..... PAGE 5

- 5. How do I know if I am part of the settlement?
- 6. Are there exceptions to being included?
- 7. What if I'm still not sure if I am included?

**THE SETTLEMENT BENEFITS—WHAT YOU GET** ..... PAGE 5

- 8. What does the settlement provide?
- 9. How much will my payment be?

**HOW YOU GET A PAYMENT—SUBMITTING A CLAIM FORM** ..... PAGE 5

- 10. How can I get a payment?
- 11. When would I get my payment?
- 12. What am I giving up to get a payment or stay in the Settlement Class?

**EXCLUDING YOURSELF FROM THE SETTLEMENT** ..... PAGE 6

- 13. How do I get out of the settlement?
- 14. If I do not exclude myself, can I sue Xchange for the same thing later?
- 15. If I exclude myself, can I get money from this settlement?

**THE LAWYERS REPRESENTING YOU** ..... PAGE 7

- 16. Do I have a lawyer in this case?
- 17. How will the lawyers be paid?

**OBJECTING TO THE SETTLEMENT** ..... PAGE 7

- 18. How do I tell the Court that I do not like the settlement?
- 19. What is the difference between objecting and excluding?

**THE COURT'S SETTLEMENT HEARING** ..... PAGE 8

- 20. When and where will the Court decide whether to approve the settlement?
- 21. Do I have to come to the hearing?
- 22. May I speak at the hearing?

**IF YOU DO NOTHING** ..... PAGE 8

- 23. What happens if I do nothing at all?

**GETTING MORE INFORMATION** ..... PAGE 8

- 24. Are there more details about the settlement?
- 25. How do I get more information?

## BASIC INFORMATION

### 1. Why did I get this notice package?

You or someone in your family may have purchased or otherwise acquired shares of Xchange common stock between December 9, 1998 and September 29, 2000, inclusive.

The Court directed that this notice be sent to you because you have a right to know about a proposed settlement of a class action lawsuit and about all of your options before the Court decides whether to approve the settlement. If the Court approves the settlement, and after any objections and appeals are resolved, an administrator appointed by the Court will make the payments that the settlement allows.

This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the District of Massachusetts, and the case is known as *In re Xchange, Inc. Sec. Litig.*, Civil Action No. 01-10322-RWZ. This case was assigned to United States District Judge Rya W. Zobel. The people who sued are called Plaintiffs, and Xchange and Individual Defendants, Andrew J. Frawley; F. Daniel Haley; David G. McFarlane; Robin Greene and John O'Brien, are called the Defendants.

Until the Court dismissed it, Xchange's auditor, Arthur Andersen, LLP, was also a Defendant. Upon this settlement becoming final or the entry of Final Judgment as to Arthur Anderson, LLP, Lead Plaintiffs intend to appeal that dismissal.

### 2. What is this lawsuit about?

Defendant Xchange was a provider of enterprise customer relations management software that was used to optimize interactive relationships between companies and their customers and, by focusing on the economics of customer relationships, to increase returns on investments in eMarketing and eCommerce initiatives. The lawsuit claimed that Xchange and Xchange's President, Chairman and Chief Executive Officer, Andrew J. Frawley; Chief Operating Officer, David G. McFarlane; Senior Vice President, Global Services, Robin Greene; Chief Financial Officer, John G. O'Brien and Chief Deal Officer, F. Daniel Haley, intentionally or recklessly overstated the revenues and profits that the Company expected to earn or had earned by utilizing an incorrect accounting method of revenue recognition. The lawsuit also claimed that Defendants issued press releases and financial statements that contained false and misleading information about Xchange's products, partnerships with other companies and operations, income and earnings per share which caused the price of Xchange's common stock price to be inflated artificially, causing damages to persons who purchased or otherwise acquired Xchange's common stock at such allegedly inflated prices. The lawsuit seeks money damages against the Defendants for violations of the federal securities laws.

The Defendants have denied and continue to deny all of the claims and contentions made by the Plaintiffs in the lawsuit. The Defendants have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, acts, statements or omissions alleged, or that could have been alleged, in the lawsuit. The Defendants also have denied and continue to deny, among other things, the allegation that the Lead Plaintiffs or the Settlement Class have suffered any damages, that the price of Xchange common stock was artificially inflated by reason of any alleged misrepresentations, non-disclosures or otherwise, and that the Lead Plaintiffs or any member of the Settlement Class was harmed by the conduct alleged in the lawsuit. Specifically, counsel for the Settling Defendants have advised Lead Plaintiffs' Counsel that, had they not agreed to settle the matter, they intended to oppose class certification and to seek dismissal of the allegations against Defendants by filing a motion for summary judgment in their favor. In that regard, counsel for the Settling Defendants have advised Lead Plaintiffs' Counsel that they believe that the Lead Plaintiffs cannot establish loss causation, a required element of Lead Plaintiffs' claims.

### 3. Why is this a class action?

In a class action, one or more people, called Class Representatives (in this case, Plaintiffs Paul Issac, Joseph Butkiewicz, Steven Jakobsen and Stephen Moore), represent all the people who purchased Xchange common stock during the Class Period and therefore have similar claims. All of these people are Class members. One court resolves the issues for all Class members, except for those who exclude themselves from the Class.

### 4. Why is there a settlement?

The Court did not decide in favor of Plaintiffs or the Defendants. Instead, these parties agreed to a settlement. That way, they avoid the risks, delay and cost of a trial, and the Settlement Class will get compensation. The Class

Representatives and the attorneys think the settlement is best for all Settlement Class members.

The Settling Defendants have concluded that further litigation would be protracted and expensive, and that it is desirable that the lawsuit be fully and finally settled in the manner and on the terms and conditions set forth in the Stipulation. The Settling Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this case. The Settling Defendants have, therefore, determined that it is desirable and beneficial to them that the lawsuit be settled in the manner and on the terms and conditions set forth in the Stipulation.

### WHO IS IN THE SETTLEMENT

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

#### 5. How do I know if I am part of the settlement?

The Court directed, for purposes of this settlement, that everyone who fits this description is a Settlement Class member: all persons or entities who purchased or otherwise acquired Xchange common stock between December 9, 1998 and September 29, 2000, inclusive, and who were damaged thereby (the "Settlement Class").

#### 6. Are there exceptions to being included?

You are not a Settlement Class member if you are any one of the Defendants in this action; a member of the immediate family (parents, spouses, siblings, and children) of any of the Defendants; a director or officer of Xchange during the Class Period; any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has or had a controlling interest or which is or was related to or affiliated with any of the Defendants; and the legal representatives, heirs, successors in interest or assigns of any such excluded party.

If one of your mutual funds purchased or owns shares of Xchange stock, that alone does not make you a Settlement Class member. You are a Settlement Class member only if you directly purchased or otherwise acquired shares of Xchange common stock during the Settlement Class Period. Contact your broker to see if you purchased Xchange stock.

If you sold Xchange common stock during the Settlement Class Period (December 9, 1998, through and including September 29, 2000), that alone does not make you a Settlement Class member. You are a Settlement Class member only if you **purchased or otherwise acquired** shares during the Settlement Class Period and suffered damages as a result of that purchase.

#### 7. What if I'm 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 1-866-274-4004 or visit [www.strategicclaims.net](http://www.strategicclaims.net) for more information. Or you can fill out and return the claim form described in question 10, to see if you qualify.

### THE SETTLEMENT BENEFITS—WHAT YOU GET

#### 8. What does the settlement provide?

The Defendants and their insurers have agreed to create an \$8,500,000.00 settlement fund. The balance of this fund, after deduction of Court awarded attorneys' fees and expenses, any expenses due the Class Representatives, and settlement administration costs (including taxes) will be divided among all Settlement Class members who send in valid claim forms.

#### 9. How much will my payment be?

Your share of the fund will depend on the amount of valid claim forms that Settlement Class members send in, how many shares of Xchange common stock you purchased or otherwise acquired and for what price, and whether and when you sold them. The proposed Plan of Allocation is described at the end of this Notice.

**By following the instructions on page 9 of this Notice, you can calculate what is called your Recognized Claim.** It's unlikely that you will get a payment for all of your Recognized Claim. After all Settlement Class members have sent in their claim forms, the payment you get will be that percentage of the net settlement fund which equals your Recognized Claim divided by the total of everyone's Recognized Claims. See the instructions on page 9 for more information on calculating your Recognized Claim.

### HOW YOU GET A PAYMENT—SUBMITTING A CLAIM FORM

#### 10. How can I get a payment?

To qualify for payment, you must send in a Proof of Claim form. A Proof of Claim form is being circulated with this

QUESTIONS? CALL 1-866-274-4004 TOLL FREE, OR VISIT [WWW.STRATEGICCLAIMS.NET](http://WWW.STRATEGICCLAIMS.NET)

Notice. You may also get a Proof of Claim form on the Internet at [www.strategicclaims.net](http://www.strategicclaims.net) or [www.jpclasslaw.com](http://www.jpclasslaw.com). Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it postmarked no later than May 29, 2006.

### 11. When would I get my payment?

The Court will hold a hearing on May 1, 2006, to decide whether to approve the settlement. If the Court approves the settlement after that, there may be appeals. It's always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. Please be patient.

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

Unless you now exclude yourself from the Settlement Class, you are staying in the Settlement 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).

(a) "Settled Claims" means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class, individual or derivative in nature, including both known claims and Unknown Claims (as defined below), that have been asserted in this Action by the Class Members or their attorneys or any of them against any of the Released Parties, or that could have been asserted in any forum by the Class Members or their attorneys or any of them or their successors and assigns of any of them against any of the Released Parties which arise out of or are based upon or relate in any way to a) the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint and relate to the purchase of shares of the common stock of Xchange during the Class Period; or the defense of this litigation, including specifically any claims that Defendants' insurers acted in bad faith during the litigation. Settled Claims shall not include any claims that were asserted in the consolidated class action *In re Initial Public Offering Securities Litigation*, 21 M.C. 92 (consolidating cases including *In re Exchange Applications, Inc. IPO Securities Litigation*, 01 Civ. 9516 (S.D.N.Y.) or in *In re Initial Public Offering Antitrust Litig.*, 01-Civ.-2014 (WHP) (S.D.N.Y.).

"Released Parties" means any and all of the Defendants, their past or present subsidiaries, parents, successors and predecessors, officers, directors, agents, employees, insurers, including but not limited to, those insurers named or who could have been named in *Issac v. Chubb Corp.*, CA. No. 1:04-cv-12320-RWZ (D. Mass), co-insurers, reinsurers, controlling shareholders, attorneys, divisions, joint ventures, spouses, personal or legal representatives, assigns, heirs, any members of an Individual Defendant's immediate family and any trust of which any Individual Defendant is the settlor or which is for the benefit of an Individual Defendant's family, and attorneys, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has or had a controlling interest or which is or was related to or affiliated with any of the Defendants, and the legal representatives, heirs, successors in interest or assigns of any such party. "Released Parties" does not include defendant Arthur Andersen LLP or any of its partners, principals, officers, accountants, directors, or employees, its predecessors, successors, affiliates and assigns, and any divisions or constituents, or constituent entities.

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

### EXCLUDING YOURSELF FROM THE SETTLEMENT

If you don't want a payment from this settlement, but you want to keep the right to sue or continue to sue Xchange or any of the Released Parties on your own about any of the Settled Claims, then you must take steps to get out. This is called excluding yourself - or is sometimes referred to as "opting out" of the Settlement Class.

### 13. How do I get out of the settlement?

If you wish to exclude yourself from the settlement, you must send a letter by mail clearly indicating your name, address and telephone number and stating that you "request to be excluded from the Settlement Class in the Xchange Securities Litigation," and you must sign the letter. You must also state: the date(s), price(s), and number(s) of shares of all purchases and sales of Xchange common stock made by you or on your behalf during the Settlement Class Period. You must mail your exclusion request postmarked no later than April 14, 2006 to:

*In re* Xchange Securities Litigation  
c/o Strategic Claims Services, Claims Administrator  
P.O. Box 2463  
2710 Concord Road, Suite 5  
Aston, PA 19014

and your exclusion request must actually be received by the Claims Administrator by April 18, 2006. You can't exclude yourself on the phone or by e-mail. If you exclude yourself from the Settlement Class, you will not get any settlement payment, and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) Xchange in the future.

**14. If I don't exclude myself, can I sue Xchange for the same thing later?**

No. Unless you exclude yourself, you give up any rights to sue Xchange and the Released Parties for the claims that this settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must exclude yourself from *this* Settlement Class to continue your own lawsuit. Remember, the exclusion deadline is April 14, 2006.

**15. If I exclude myself, can I get money from this settlement?**

No. If you exclude yourself, do not send in a claim form to ask for any money. But, you may sue, continue to sue, or be part of a different lawsuit against the Released Parties.

**THE LAWYERS REPRESENTING YOU**

**16. Do I have a lawyer in this case?**

The Court ordered that the following Lead Counsel will represent you and the other Settlement Class members: Dennis J. Johnson, Esq., and James F. Conway, III, Esq., Johnson & Perkinson, P.O. Box 2305, S. Burlington, VT 05407, Telephone (802) 862-0030. This law firm is called Plaintiffs' Lead Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

**17. How will the lawyers be paid?**

Plaintiffs' Counsel is moving the Court to award of attorneys' fees from the Settlement Fund in an amount not greater than one-third (33<sup>1</sup>/<sub>3</sub>%) of the Gross Settlement Fund and for reimbursement of their expenses incurred through the date of the Fairness Hearing up to a maximum amount of \$350,000.00, plus interest on such amounts at the same rate as earned by the Settlement Fund. Plaintiffs' Counsel, without further notice to the Settlement Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the members of the Settlement Class and any proceedings after the Settlement Fairness Hearing.

Plaintiffs' Counsel is also moving the Court to award payments to the Class Representatives to reimburse them for their costs and expenses directly relating to representing the Settlement Class.

**OBJECTING TO THE SETTLEMENT**

You can tell the Court that you don't agree with the settlement or some part of it.

**18. How do I tell the Court that I don't like the settlement?**

If you're a Settlement Class member, you can object to the settlement if you don't 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 signed letter saying that you object to the proposed settlement in the *In re Xchange, Inc. Sec. Litig.*, Civil Action No. 01-10322-RWZ, litigation. You must include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of all purchases and sales of the common stock of Xchange you made during the Class Period, and state the reasons why you object to the proposed settlement. Mail the objection to each of the following addresses postmarked no later than April 14, 2006:

<b>COURT</b>	<b>CLASS COUNSEL</b>	<b>DEFENSE COUNSEL</b>
Honorable Rya W. Zobel U.S. District Court Judge John Joseph Moakley U.S. Courthouse 1 Courthouse Way Boston, MA 02210	Dennis J. Johnson, Esq. James F. Conway, III, Esq. JOHNSON & PERKINSON P.O. Box 2305 S. Burlington, VT 05407 Tel: (802) 862-0030 Fax: (802) 862-0060	Robert A. Buhlman, Esq. Jason D. Frank, Esq. BINGHAM MCCUTCHEN, LLP 150 Federal Street Boston, MA 02110-1726 Tel: (617) 951-8717 Fax: (617) 951-8736

### 19. What's the difference between objecting and excluding?

Objecting is simply telling the Court that you don't like something about the settlement. You can object only if you stay in the Settlement Class. Excluding yourself is telling the Court that you don't want to be part of the Settlement Class. If you exclude yourself, you cannot object because the case no longer affects you.

## THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may come to the hearing and you may ask to speak, but you don't have to.

### 20. When and where will the Court decide whether to approve the settlement?

The Court will hold a Settlement Fairness Hearing at 2:00 p.m. on May 1, 2006, in Courtroom 12 at the United States District Court for the District of Massachusetts, John Joseph Moakley U.S. 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. The Court may also decide how much to pay to Plaintiffs' Counsel. After the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

### 21. 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 don't 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's not necessary.

### 22. May I speak at the hearing?

You may ask the Court for permission to speak at the Fairness Hearing. To do so, you must include with your objection, described in point 18 above, the statement, "I hereby give notice that I intend to appear at the Fairness Hearing in *In re Xchange, Inc. Sec. Litig.*, Civil Action No. 01-10322-RWZ." Be sure to include your name, address and telephone number, identify the date(s), price(s), and number(s) of shares of all purchases and sales of the common stock of Xchange you made during the Class Period, and sign the letter. If you intend to have any witnesses testify or to introduce any evidence at the Fairness Hearing, you must list the witnesses and evidence in your objection. Your Notice of Intention to Appear must be postmarked no later than April 14, 2006 and be sent to the Clerk of the Court, Plaintiffs' Lead Counsel, and Defense Counsel, at the addresses shown in the answer to question 18. You cannot speak at the hearing if you excluded yourself.

## IF YOU DO NOTHING

### 23. What happens if I do nothing at all?

If you do nothing, you'll get no money from this settlement. But, unless you exclude yourself, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Xchange and the Released Parties about the legal issues in this case, ever again. That is, you will have "released" all of your claims against Xchange and the Released Parties, as set forth in the Stipulation described immediately below.

## GETTING MORE INFORMATION

### 24. Are there more details about the settlement?

This notice summarizes the proposed settlement. More details are in a Stipulation and Agreement of Settlement with Certain Defendants dated January 6, 2006 (the "Stipulation"). You can get a copy of the Stipulation by visiting [www.strategicclaims.net](http://www.strategicclaims.net) or [www.jpclasslaw.com](http://www.jpclasslaw.com). Copies of the Stipulation may also be obtained from Plaintiffs' Lead Counsel.

### 25. How do I get more information?

You can call the Claims Administrator at 1-866-274-4004 toll free with questions about submitting a Proof of Claim, or visit their website at [www.strategicclaims.net](http://www.strategicclaims.net) where you will find answers to common questions about the settlement, a claim form, plus other information to help you determine whether you are a Settlement Class member and whether you are eligible for a payment. Any other questions should be directed to Plaintiffs' Lead Counsel identified in paragraph [18] above.



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

The \$8,500,000.00 Cash Settlement Amount and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Settlement 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 of what a Settlement 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.

The following proposed Plan of Allocation reflects the proposition that the price of Xchange common stock was artificially inflated from the beginning of the Settlement Class Period on December 9, 1998 until the end of the Settlement Class Period on September 29, 2000, inclusive, and that certain disclosures during the Settlement Class Period partially reduced the alleged artificial inflation.

"Recognized Claims" will be calculated for purposes of the Settlement as follows:

For shares of Xchange purchased from December 9, 1998 (including the Initial Public Offering) to September 28, 2000 inclusive and:

a) Sold on September 29, 2000, the Recognized Claim, per share, shall be the lesser of a) purchase price minus sale price, if sold at a loss (net of commissions) or b) \$12.688 the closing price on September 28, 2000, minus the sale price, if sold at a loss (net of commissions).

b) Held through the close of trading on September 29, 2000, the Recognized Claim per share shall be the lesser of a) the purchase price (net of commissions) minus \$4.53 the closing price of Xchange on September 29, 2000 or b) \$8.16, the amount of the decline in the price of Xchange shares from the September 28, 2000 closing until the September 29, 2000 closing.

For shares of Xchange purchased on September 29, 2000 prior to the halt in trading on that date and:

a) Sold on September 29, 2000, the Recognized Claim shall be the purchase price minus sale price, if sold at a loss (net of commissions).

b) Held through the halt in trading on September 29, 2000, the Recognized Claim shall be the purchase price minus \$4.53, the closing price of Xchange on September 29, 2000.

Shares purchased and sold prior to September 29, 2000 shall not have any Recognized Claim.

To the extent a Claimant had a gain from his, her or its overall transactions in Xchange common stock during the Settlement Class Period, the value of the Recognized Claim will be zero. To the extent that a Claimant suffered an overall loss on his, her or its overall transactions in Xchange common stock during the Class Period, but that loss was less than the Recognized Claim calculated pursuant to the above provisions, then the Recognized Claim shall be limited to the amount of the actual loss.

For purposes of determining whether a Claimant had a gain from his, her or its overall transactions in Xchange common stock during the Settlement Class Period or suffered a loss, the Claims Administrator shall: total the amount paid for all Xchange common stock purchased during the Settlement Class Period by the claimant (the "Total Purchase Amount"); match any sales of Xchange common stock during the Class Period first against the Claimant's opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); total the amount received for sales of the remaining shares of Xchange common stock sold during the Settlement Class Period (the "Sales Proceeds"); ascribe a holding value of \$2.53 per share, the 90 day average price following the end of the Settlement Class Period, times the number of shares of Xchange common stock purchased during the Settlement Class Period and still held at the end of the Settlement Class Period ("Holding Value"). The difference between (i) the Total Purchase Amount and the (ii) sum of the Sales Proceeds and Holding Value, will be deemed a Claimant's gain or loss on his, her or its overall transactions in Xchange common stock during the Settlement Class Period.

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.

Settlement Class members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Settlement 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.

Payments will be distributed to Authorized Claimants after all claims have been processed 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 Settlement 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 to Settlement Class members who have cashed their checks and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If after 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.

**UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS**

IN RE: XCHANGE, INC. SECURITIES LITIGATION	X : : X	CIVIL ACTION NO. 01-10322-RWZ
---	------------------	-------------------------------

**PROOF OF CLAIM AND RELEASE FORM**

**DEADLINE FOR SUBMISSION: MAY 29, 2006**

IF YOU PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF EXCHANGE APPLICATIONS, INC., A/K/A XCHANGE, INC., DURING THE PERIOD BETWEEN DECEMBER 9, 1998 AND SEPTEMBER 29, 2000, INCLUSIVE (THE "SETTLEMENT CLASS PERIOD"), YOU ARE A MEMBER OF THE "SETTLEMENT CLASS" AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS. EXCLUDED FROM THE SETTLEMENT CLASS ARE THE DEFENDANTS IN THIS ACTION; MEMBERS OF THE IMMEDIATE FAMILIES (PARENTS, SPOUSES, SIBLINGS AND CHILDREN) OF EACH OF THE INDIVIDUAL DEFENDANTS; DIRECTORS OR OFFICERS OF XCHANGE DURING THE CLASS PERIOD, ANY PERSON, FIRM, TRUST, CORPORATION, OFFICER, DIRECTOR OR OTHER INDIVIDUAL OR ENTITY IN WHICH ANY DEFENDANT HAS OR HAD A CONTROLLING INTEREST OR WHICH IS OR WAS RELATED TO OR AFFILIATED WITH ANY OF THE DEFENDANTS, INCLUDING BUT NOT LIMITED TO INSIGHT VENTURE PARTNERS; AND THE LEGAL REPRESENTATIVES, HEIRS, SUCCESSORS IN INTEREST OR ASSIGNS OF ANY SUCH EXCLUDED PARTY. ALSO EXCLUDED FROM THE SETTLEMENT CLASS ARE ANY PUTATIVE SETTLEMENT CLASS MEMBERS WHO EXCLUDE THEMSELVES BY FILING A REQUEST FOR EXCLUSION IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN THE SETTLEMENT NOTICE.

IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS, YOU MUST COMPLETE AND SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS, EVEN IF YOU PREVIOUSLY COMPLETED A CERTIFICATION TO SERVE AS A LEAD PLAINTIFF IN THIS LITIGATION.

YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND MAIL IT BY FIRST CLASS MAIL, **POSTMARKED NO LATER THAN MAY 29, 2006** TO THE FOLLOWING ADDRESS:

In re Xchange Securities Litigation  
c/o Strategic Claims Services, Claims Administrator  
P.O. Box 2463  
2710 Concord Road, Suite 5  
Aston, PA 19014

AND, TO BE EFFECTIVE, YOUR PROOF OF CLAIM MUST ACTUALLY BE **RECEIVED BY THE CLAIMS ADMINISTRATOR BY JUNE 3, 2006**. YOUR FAILURE TO TIMELY SUBMIT YOUR CLAIM WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOUR RECEIVING ANY MONEY IN CONNECTION WITH THE SETTLEMENT OF THIS LITIGATION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES OR THEIR COUNSEL AS ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR.

1. I (we) purchased or otherwise acquired the common stock of Exchange Applications, Inc., a/k/a Xchange, Inc. ("Xchange") between December 9, 1998 and September 29, 2000, inclusive. (Do not submit this Proof of Claim if you did not purchase or otherwise acquire Xchange common stock during this period.)

2. By submitting this Proof of Claim, I (we) state that I (we) believe in good faith that I am (we are) a member of the Settlement Class as defined above and in the Notice of Proposed Partial Settlement of Class Action, Motion for Attorneys' Fees and Expenses and Settlement Fairness Hearing (the "Settlement Notice"), or am acting for such person; that I am (we are) not a Defendant in the Action or anyone excluded from the Settlement Class; that I (we) have read and understand the Settlement Notice; that I (we) believe that I am (we are) entitled to receive a share of the Net Settlement Fund; that I (we) elect to participate in the proposed Settlement described in the Settlement Notice; and that I (we) have not filed a request for exclusion. (If you are acting in a representative capacity on behalf of a Settlement Class member (e.g., as an executor, administrator, trustee, or other representative), you must submit evidence of your current authority to act on behalf of that Settlement Class member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.)

3. I (we) have set forth, where requested below, all relevant information with respect to each purchase of Xchange common stock during the Settlement Class Period, and each sale, if any, of such securities. I (we) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so.

4. I (we) have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements, relevant portions of my tax returns or other documents evidencing each purchase, acquisition, sale or retention of Xchange common stock listed below in support of my (our) claim.

**(IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER OR TAX ADVISOR BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.)**

5. I (we) understand that the information contained in this Proof of Claim is subject to such verification as the Claims Administrator may request or as the Court may direct, and I (we) agree to cooperate in any such verification. (The information requested herein is designed to provide the minimum amount of information necessary to process most simple claims. The Claims Administrator may request additional information as required to efficiently and reliably calculate your Recognized Claim. In some cases, the Claims Administrator may condition acceptance of the claim based upon the production of additional information, including, where applicable, information concerning transactions in any derivatives of the subject securities such as options.)

6. Upon the occurrence of the Effective Date (as defined in the Notice) my (our) signature hereto will constitute a full and complete release, remise and discharge by me (us) or, if I am (we are) submitting this Proof of Claim on behalf of a corporation, a partnership, estate or one or more other persons, by it, him, her or them, and by my, its, his, her or their heirs, executors, administrators, predecessors, successors, and assigns of each of the Released Parties of all Settled Claims.

a. "Released Parties" means any and all of the Defendants, their past or present subsidiaries, parents, successors and predecessors, officers, directors, agents, employees, insurers, including but not limited to those insurers named or who could have been named in *Isaac v. Chubb Corp.*, C.A. No. 1:04-cv-12320-RWZ (D. Mass.), co-insurers, reinsurers, controlling shareholders, attorneys, divisions, joint ventures, spouses, personal or legal representatives, assigns, heirs, any members of an Individual Defendant's immediate family and any trust of which any Individual Defendant is the settlor or which is for the benefit of an Individual Defendant's family, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has or had a controlling interest or which is or was related to or affiliated with any of the Defendants, and the legal representatives, heirs, successors in interest or assigns of any such party. "Released Parties" does not include Arthur Andersen, LLP or any of its partners, principals, officers, accountants, directors, or employees, its predecessors, successors, affiliates and assigns, and any divisions or constituents, or constituent entities.

b. "Settled Claims" means any and all claims, including both known claims and Unknown Claims (as defined below), debts, demands, rights or causes of action or liabilities of every nature and description whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class, individual or derivative in nature, known or unknown, whether concealed or hidden, asserted or that could have been asserted, including, without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud, breach of fiduciary duty, or violations of any state or federal statutes, rules or regulations (i) that have been asserted in this Action by the Settlement Class members or their attorneys or any of them against any of the Released Parties; or (ii) that could have been asserted in any forum by the Settlement Class members or their attorneys or any of them or their successors and assigns or any of them against any of the Released Parties which arise out of or are based upon or relate in any way to a) the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the CAC and arising out of, based upon or related in any way to the purchase or acquisition of shares of the common stock of Xchange during the Class Period; or b) the defense of this litigation, including specifically any claims that were or could have been alleged in *Isaac v. Chubb Corp.*, C.A. No. 1:04-cv-12320-RWZ (D. Mass.), including but not limited to claims for violation of Mass. General Laws, Chapters 93A and 176D. Settled Claims shall not include any claims that were asserted in the consolidated class action *In re Initial Public Offering Securities Litigation*, 21 M.C. 92 (consolidating cases including *In re Exchange Applications, Inc. IPO Securities Litigation*, 01 Civ. 9516 (S.D.N.Y.)) or in *In re Initial Public Offering Antitrust Litig.*, 01-Civ.-2014 (WHP) (S.D.N.Y.).

c. "Unknown Claims" means any and all Settled Claims which any Lead Plaintiff or Settlement Class member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Defendants' Settled Claims which any Settling Defendant does not know or suspect to exist in his or its favor at the time of the release of the Released Parties, which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Parties, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Settled Claims and Defendants' Settled Claims, the parties

stipulate and agree that upon the Effective Date, the Lead Plaintiffs and the Settling Defendants shall expressly, and each Settlement Class member shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by Cal. Civ. Code § 1542, and any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

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

The Lead Plaintiffs and Settlement Class members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Settled Claims, but the Lead Plaintiffs shall expressly fully, finally and forever settle and release, and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Settled Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs and the Settling Defendants acknowledge, and Settlement Class members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Settled Claims and Defendants' Settled Claims and the resulting waiver of such claims was separately bargained for and was a key element of the Settlement.

7. NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may request, or may be requested, to submit information regarding their transactions in electronic files. All Claimants, including the Lead Plaintiffs, MUST submit a manually signed paper Proof of Claim form listing all their transactions whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Claims Administrator at 1-866-274-4004 or visit their website at [www.strategicclaims.net](http://www.strategicclaims.net) to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the Claimant a written acknowledgment of receipt and acceptance of electronically submitted data.

**8. Statement of Claim**

Name(s) of Beneficial Owner(s):

Name

Joint Owner's Name (if any)

Address of Beneficial Owner(s):

Street No.

City

State

Zip Code

( ) Telephone No. (Day)

( ) Telephone No. (Night)

Taxpayer I.D. No. or Social Security No.

Check one:

- Individual       Corporation  
 Joint Owners       IRA  
 Estate       Other \_\_\_\_\_  
(specify)

9. I (we) made the following purchases of Xchange common stock during the period December 9, 1998 through and including September 29, 2000:

Date(s) of Purchase Trade Date(s) Month / Day / Year	Number of Shares of Common Stock Purchased	Purchase Price Per Share of Common Stock	Aggregate Cost (including commissions, taxes, and fees)
-  -		\$ .	\$ .
-  -		\$ .	\$ .
-  -		\$ .	\$ .
-  -		\$ .	\$ .
-  -		\$ .	\$ .

**IF YOU NEED ADDITIONAL SPACE TO LIST YOUR TRANSACTIONS PHOTOCOPY THIS PAGE.**

10. I (we) made the following sales of Xchange common stock during the period December 9, 1998 through and including December 31, 2000:

Date(s) of Sale (List Chronologically) Month / Day / Year	Number of Shares of Common Stock Sold	Sale Price Per Share of Common Stock	Aggregate Proceeds (excluding commissions, taxes, and fees)
-  -		\$ .	\$ .
-  -		\$ .	\$ .
-  -		\$ .	\$ .
-  -		\$ .	\$ .
-  -		\$ .	\$ .

**IF YOU NEED ADDITIONAL SPACE TO LIST YOUR TRANSACTIONS PHOTOCOPY THIS PAGE.**

**11. Substitute Form W-9**

Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the Beneficial Owner(s). For most individuals, this is your Social Security Number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your claim may be rejected.

\_\_\_\_\_  
Social Security Number (for individuals) or

\_\_\_\_\_  
Taxpayer Identification Number (for estates, trusts, corporations, etc.)

**12. Certification.**

**UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.**

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or (b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

**NOTE:** If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

Date: \_\_\_\_\_

Signature of Claimant (If this claim is being made on behalf of Joint Claimants, then each must sign)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

**THIS PROOF OF CLAIM MUST BE SUBMITTED NO LATER THAN MAY 29, 2006, AND MUST BE MAILED TO:**

In re Xchange Securities Litigation  
c/o Strategic Claims Services, Claims Administrator  
P.O. Box 2463  
2710 Concord Road, Suite 5  
Aston, PA 19014

A Proof of Claim received by the Claims Administrator shall be deemed to have been submitted when posted, if mailed by May 29, 2006, and if a postmark is indicated on the envelope and it is mailed first class, and addressed in accordance with the above instructions. In all other cases, a Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator. In all cases, without exception, to be effective, a Proof of Claim actually must be received by the Claims Administrator by June 3, 2006.

If you wish to be assured that your Proof of Claim is actually received by the Claims Administrator then you should send it by Certified Mail, Return Receipt Requested. No acknowledgment will be made as to the receipt of claim forms. You should be aware that it will take a significant amount of time to process fully all of the Proofs of Claim and to administer the Settlement. This work will be completed as promptly as time permits, given the need to investigate and tabulate each Proof of Claim. Please notify the Claims Administrator of any change of address.

In re Xchange Securities Litigation  
c/o Strategic Claims Services, Claims Administrator  
P.O. Box 2463  
2710 Concord Road, Suite 5  
Aston, PA 19014

FIRST-CLASS MAIL  
U.S. POSTAGE  
PAID  
PERMIT NO. 138  
PHILADELPHIA, PA

**Notice to those who bought or otherwise acquired Xchange Common Stock  
between December 9, 1998 and September 29, 2000 (inclusive)**

## **FIRST-CLASS MAIL**

**PLEASE FORWARD—IMPORTANT LEGAL NOTICE**

**If you bought or otherwise acquired Xchange Common Stock  
between December 9, 1998 and September 29, 2000, inclusive,  
you could get a payment from a class action settlement.**

**Reminder Checklist:**

1. Please complete and sign the release and certification.
2. Remember to attach supporting documentation.
3. Do not send originals of stock certificates or other documents.
4. Keep a copy of your claim form for your records, including any attachments or supporting documents.
5. If you desire an acknowledgement of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.