

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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IN RE WORLDCOM, INC. SECURITIES :  
LITIGATION : Master File No. 02 Civ. 3288 (DLC)  
: :  
This Document Relates to: :  
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IN RE TARGETS SECURITIES LITIGATION :  
: Master File No. 03 Civ. 9490 (DLC)  
This Document Relates to: :  
: :  
ALL ACTIONS :  
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**HEARING ORDER**

DENISE COTE, District Judge

WHEREAS:

A. Lead Plaintiff Ina Rosenblum and the Class (collectively, "Plaintiffs"), and (ii) Defendants Citigroup Inc., Citigroup Global Markets Inc., formerly known as Salomon Smith Barney Inc., and Jack Grubman (the "Defendants") (collectively, the "Parties") have entered into a settlement (the "Settlement") of the claims asserted against the Defendants in the class actions consolidated in the above-captioned action (the "Action"), the terms of which are set forth in an Amended Stipulation of Settlement dated January 6, 2004 (the "Stipulation");

B. Lead Plaintiff and the Defendants have moved, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, for an Order preliminarily approving the Settlement and providing notice of the proposed Settlement to Class Members; and

C. The Court having read and considered the Stipulation, the proposed Notice of Proposed Settlement of Class Action (the "Notice"), the proposed Summary Notice of Proposed Settlement of Class Action (the "Summary Notice"), the proposed Plan of Allocation, the

proposed form of the Proof of Claim and Release, and the proposed form of Final Judgment, and finding that substantial and sufficient grounds exist for entering this Order;

**IT IS HEREBY ORDERED:**

1. For purposes of this Order, the Court adopts all defined terms as set forth in the Stipulation. Any inconsistencies between the Stipulation and Notice will be controlled by the language of the Stipulation.

**PRELIMINARY CLASS CERTIFICATION FOR SETTLEMENT PURPOSES**

2 For purposes of the Settlement of the Action (and only for such purposes and without an adjudication of the merits), the Court preliminarily finds that the requirements of the Federal Rules of Civil Procedure and the United States Constitution have been met in that:

- a. The Class, as defined below in paragraph 3, is so numerous that their joinder before the Court would be impracticable.
- b. The commonality requirement of Fed. R. Civ. P. 23(a) is satisfied when members of the proposed class share at least one common factual or legal issue. Here, Lead Plaintiff has alleged numerous questions of fact and law common to the Class, including whether the research reports authored and disseminated by Defendants Jack Grubman and Citigroup Global Markets Inc., formerly known as Salomon Smith Barney Inc. were materially false and misleading.
- c. Based on Lead Plaintiff's allegations that Defendants engaged in uniform misconduct affecting members of the Class, the Court preliminarily finds that the claims of Lead Plaintiff are typical of the claims of the Class, and that Lead Plaintiff and Lead Counsel will fairly and adequately protect the

interests of the Class, in that (i) the interests of Lead Plaintiff and the nature of her alleged claims are consistent with those of the Class Members, (ii) there appear to be no conflicts between or among Lead Plaintiff and the Class Members, (iii) Lead Plaintiff has been and appears to be capable of continuing to be an active participant in both the prosecution and settlement of the Action, and (iv) Lead Plaintiff and the Class Members are represented by qualified, reputable counsel who are experienced in preparing and prosecuting large, complicated securities fraud class actions.

- d. The Court preliminarily finds that a resolution of the Action in the manner proposed by the Stipulation is superior to other available methods for a fair and efficient adjudication of the Action. The Court also notes that, because the Action is being settled, rather than litigated, the Court need not consider manageability issues that might be presented by the trial of a nationwide class action involving the issues in this case.

In making these preliminary findings, the Court has considered, among other factors, (i) the interests of Class Members in individually controlling the prosecution or defense of separate actions, (ii) the impracticality or inefficiency of prosecuting or defending separate actions, (iii) the extent and nature of any litigation concerning these claims already commenced, and (iv) the desirability of concentrating the litigation of the claims in a particular forum.

3. Based on the foregoing findings, the Court preliminarily certifies the Class for settlement purposes under Fed. R. Civ. P. 23(b)(3). The Class consists of all persons who purchased or otherwise acquired Targeted Growth Enhanced Terms Securities With Respect to

the Common Stock of MCI WorldCom, Inc. due August 15, 2002 during the period between July 30, 1999 and April 21, 2002, inclusive, and were damaged thereby, excluding Defendants, members of Defendant Jack Grubman's family, any entity in which any Defendant has a controlling interest, and the legal representatives, heirs, successors, or assigns of any such excluded party. As used in this paragraph 3, "any entity in which any Defendant has a controlling interest" means that any such entity is excluded from the Class to the extent that the entity itself had a proprietary (i.e. for its own account) interest in TARGETS during the relevant time period. In the event that any such entity beneficially owned TARGETS in a fiduciary capacity or otherwise held TARGETS on behalf of third party clients or any employee benefit plans that otherwise fall within the Class, such third party clients and employee benefits plans shall not be excluded from the Class, irrespective of the identity of the entity or person in whose name the TARGETS were beneficially owned or otherwise held. For example, a TARGETS investor shall not be excluded from the Class to the extent it held TARGETS (i) in a registered or unregistered investment company (including a unit investment trust) for which any entity in which any Defendant has a controlling interest serves as investment manager, investment adviser or depositor; or (ii) (a) in a life insurance company separate account, or (b) in a segment or subaccount of a life insurance company's general account to the extent associated with insurance contracts under which the insurer's obligation is determined by the investment return and/or market value of the assets held in such segment or subaccount. A Defendant shall be deemed to have a "controlling interest" in an entity if such Defendant has a beneficial ownership interest, directly or indirectly, in more than 50% of the total outstanding voting power of any class or classes capital stock that entitle the holders thereof to vote in the election of members of the Board of Directors of such entity. "Beneficial ownership" shall have the meaning ascribed to

such term under Rule 13d-3 of the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto. The Court finds that, for the sole purpose of settlement, and without an adjudication on the merits, the Class is sufficiently well-defined and cohesive.

**PRELIMINARY APPROVAL OF SETTLEMENT**

4. The Court preliminarily approves the Settlement, as reflected in the Stipulation, as being fair, just, reasonable and adequate, pending a final hearing on the Settlement.

5. Prosecution by any Class Member of any action or claim that is subject to the release and dismissal contemplated by the Settlement is hereby enjoined.

**NOTICE**

6. Lead Plaintiff shall cause notice of the proposed Settlement, the hearing on the proposed Settlement, the request for approval of the Plan of Allocation, and Lead Counsel's application by counsel for an award of attorneys' fees and payment of expenses to be provided to Class Members as follows:

a. Beginning by February 11, 2005, a copy of the Notice, together with a copy of the Proof of Claim and Release form (the "Proof of Claim"), substantially in the form annexed hereto as Exhibits 1 and 2, respectively, shall begin to be mailed by first class mail, postage prepaid, to all Class Members at the address of each such person as set forth in the records of Defendants or their transfer agent; or who otherwise may be identified through further reasonable effort.

b. A Summary Notice substantially in the form annexed hereto as Exhibit 3 shall be published once in *Investor's Business Daily*.

c. The Notice, Summary Notice, and Proof of Claim shall further be placed on a web site maintained by the Administrator, as approved by the Court below, at [www.completeclaimssolutions.com](http://www.completeclaimssolutions.com).

7. The Court approves the form of Notice and Summary Notice, (together, the "Notices") and Proof of Claim and finds that the procedures established for publication, mailing and distribution of such Notices substantially in the manner and form set forth in paragraph 6 of this Order meet the requirements of Rule 23 of the Federal Rules of Civil Procedure and due process, and constitute the best notice practicable under the circumstances.

8. To effectuate the provision of notice provided for in paragraph 6 hereof, and the collection, analysis and determination of Proofs of Claim submitted in accordance with the terms of the Notice, and other actions required by this Order, the Court hereby approves the selection of Complete Claim Solutions, Inc. to serve as the settlement administrator (the "Administrator"). Lead Counsel may retain the Administrator and may pay the reasonable and customary fees and costs associated with the review of claims and administration of the Settlement out of the Settlement Fund without further order of the Court. Without further order of the Court, the Administrator may assist with various tasks, including, without limitation: (i) mailing or arranging for the mailing of the Notice and Proof of Claim and Release to Class Members; (ii) arranging for publication of the Summary Notice; (iii) arranging for and staffing a toll-free telephone number to assist Lead Counsel in responding to inquiries from Class Members; (iv) answering written inquiries from Class Members and/or forwarding such inquiries to Lead Counsel or their designee; (v) providing additional copies of the Notice and Proof of Claim and release, upon request, to Class Members; (vi) receiving and maintaining any Class Member's request for exclusion from the settlement; (vii) receiving and maintaining any Class Member's

withdrawal of request for exclusion from the settlement; (viii) preparing, receiving and processing Proof of Claim and Release forms returned by Class Members; (ix) mailing or causing to be mailed to Authorized Claimants their distribution from the Net Settlement Fund under the Plan of Allocation; and (x) otherwise assisting Lead Counsel with administration and implementation of the Settlement.

9. To further effectuate the provision of notice provided for in paragraph 6 hereof and the processing of requests for exclusion provided for in paragraph 12 hereof, the Administrator shall lease and maintain a post office box of adequate size for the return of Proofs of Claim and requests for exclusion. All Notices to Class Members shall designate said post office box as the return address for the purposes designated in the Notices. The Administrator shall be responsible for the receipt of all responses from Class Members and, until further order of the Court, shall preserve all entries of appearance, Proofs of Claim, requests for exclusion from the Class, and all other written communications from Class Members, nominees or any other person in response to the Notices. The costs of notification to Class Members of the Settlement, including printing, mailing and publication of all required notices, shall be paid out of the Settlement Fund.

10 Seven days before the date fixed by this Court for the Fairness Hearing, that is, by April 15, 2005, Lead Counsel shall cause to be filed with the Clerk of this Court affidavits or declarations of the person or persons under whose general direction the mailing of the Notice and the publication of the Summary Notice shall have been made, showing that such mailing and publication have been made in accordance with this Order.

11 All nominees who hold or held TARGETS for beneficial owners who are Class Members are directed to forward the Notice and Proof of Claim to such beneficial owners or to

supply the names and addresses of such beneficial owners to the Administrator as set forth in the Notice.

**EXCLUSION FROM THE CLASS**

12. Any Class Member who wishes to be excluded from the Class must mail by first class mail or deliver a written request for exclusion to the Administrator, at the address provided for in the Notice, postmarked or delivered no later than April 1, 2005. The request for exclusion shall set forth the following information: (i) name, (ii) address, (iii) telephone number, (iv) number of TARGETS purchased, acquired, sold, or exchanged, (v) prices paid or value at receipt, and (vi) the date of each transaction. If the Settlement is approved, any potential Class Member who does not file a timely written request for exclusion as provided by the Stipulation shall be bound by the Settlement and by all proceedings, orders, and judgments in this Action, even if he, she, or it has pending, or subsequently initiates, litigation, arbitration, or any other action against any or all of the Defendants or the Releasees relating to Released Claims. A list of the persons and entities who have requested exclusion shall be provided by the Parties to the Court at or before the Fairness Hearing.

**HEARING: RIGHT TO BE HEARD**

13. There shall be a hearing on April 22, 2005, at 2:00 p.m. (the "Fairness Hearing"), at which time the Court shall address the fairness and adequacy of the Settlement, the fairness and reasonableness of the Plan of Allocation, Lead Counsel's application for attorneys' fees and payment of expenses, and, if necessary, the relative positions of the parties to the Settlement with respect to the calculations provided for in paragraph 15 of the Stipulation. The Fairness Hearing shall be held at the United States District Court for the Southern District of New York, Daniel



Patrick McMahon United States Courthouse, 500 Pearl Street, Courtroom 11-B, New York, New York 10007.

14. Papers in support of the Settlement, the Plan of Allocation, and Lead Counsel's application for attorneys' fees and payment of expenses, shall be submitted by March 18, 2005.

15. Any Class Member may appear at the Fairness Hearing to show cause why the proposed Settlement should or should not be approved as fair, reasonable and adequate; why a judgment should or should not be entered thereon; why the Plan of Allocation should or should not be approved as fair, reasonable and adequate; or why Lead Counsel should or should not be awarded attorneys' fees and payment of expenses in the amounts sought by Lead Counsel; *provided, however*, that no Class Member shall be heard or entitled to contest the approval of the terms and conditions of the proposed Settlement, the Final Judgment to be entered approving the same, the proposed Plan of Allocation, or Lead Counsel's application for an award of attorneys' fees and payment of expenses, unless on or before April 1, 2005 such Class Member properly and timely served by hand or by first-class mail, for receipt by such date by Lead Counsel, written objections and copies of any supporting papers and briefs (which must contain proof of all purchases, acquisitions, sales and dispositions of TARGETS made by such Class Member during the Class Period):

Joel H. Bernstein, Esq.  
GOODKIND LABATON RUDOFF  
& SUCHAROW LLP  
100 Park Avenue  
New York, NY 10017  
**Lead Counsel for Lead Plaintiff and the Class**

and has filed by April 1, 2005 said objections, papers and briefs, showing due proof of such service upon counsel identified above, with the Clerk of the United States District Court for the

Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York 10007.

16. Any Class Member who does not object in the manner prescribed above shall be deemed to have waived such objection and shall be forever foreclosed from making any objection to the fairness, adequacy or reasonableness of the proposed Settlement, the Final Judgment and Orders to be entered approving the Settlement, the Plan of Allocation, or Lead Counsel's application for an award of attorneys' fees and payment of expenses.

17. In the event any Class Member timely and properly serves and files written objections, as set forth above, Lead Counsel and counsel for the Defendants may, as they deem appropriate, submit reply papers in support of the Settlement, the Plan of Allocation, and Lead Counsel's application for attorneys' fees and payment of expenses by April 15, 2005.

18. If approved, all Class Members will be bound by the proposed Settlement provided for in the Stipulation, and by any judgment or determination of the Court affecting Class Members, regardless of whether or not a Class Member submits a Proof of Claim.

19. The Court expressly reserves the right to adjourn or continue the Fairness Hearing or any adjournment or continuance thereof without any further notice, other than an announcement at the Fairness Hearing or any adjournment or continuance thereof, and to approve the Stipulation with modification and without further notice to Class Members. The Court retains jurisdiction of this Action to consider all further applications arising out of or connected with the proposed Settlement, and as otherwise warranted.

## CLAIMS PROCESS

20. In order to be entitled to participate in the Settlement, a Class Member, as defined in the Stipulation, must timely submit a valid Proof of Claim, substantially in the form annexed as Exhibit 2 hereto, to:

In re TARGETS Securities Litigation  
c/o Complete Claim Solutions, Inc.  
Administrator  
P.O. Box 24669  
West Palm Beach, FL 33416

To be valid and accepted, a Proof of Claim must be postmarked on or before June 22, 2005.

21. Any Class Member who does not timely submit a valid Proof of Claim shall not be entitled to share in the Settlement Fund, except as specifically ordered by the Court, but nonetheless shall be barred and enjoined from asserting any of the Released Claims.

22. Once the Administrator has considered a timely submitted Proof of Claim, Lead Counsel, through the Administrator, shall determine, based upon the Plan of Allocation, as approved by the Court, whether such claim is valid, deficient, or rejected. For each claim determined to be either deficient or rejected, the Administrator shall send a deficiency letter or a rejection letter, as appropriate, describing the bases on which the claim was so determined. Each Class Member who receives a deficiency letter or rejection letter shall have 30 days from the date of such letter to supply to the Administrator documentation and/or an explanation sufficient to remedy the deficiency or rejection. Any Class Member who receives a deficiency letter or a rejection letter and who fails to submit documentation sufficient to remedy the deficiency or reason for rejection within the time prescribed herein shall have such claim deemed finally rejected. Such finally rejected claims shall be submitted to the Court as rejected claims at such time as Lead Plaintiff moves the Court for an Order approving distribution of the Net Settlement Fund, unless the recipient objects in writing to the deficiency letter or rejection letter, in which

case the claim shall be submitted to the Court as a disputed claim. Notice of any hearing on such motion shall be provided to all Class Members whose claims are dispute.

23. If a Class Member timely responds to a deficiency letter or rejection letter by providing an explanation and/or documentation in response to such a deficiency letter or rejection letter, Lead Counsel, through the Administrator, shall determine whether such explanation and/or documentation is sufficient to remedy the deficiency or reason for rejection. If Lead Counsel, through the Administrator, determines that the explanation and/or documentation submitted in response to the deficiency letter or the rejection letter is sufficient, such claim shall be deemed a valid claim. If, on the other hand, Lead Counsel, through the Administrator, determines that the explanation and/or documentation is not sufficient to remedy the deficiency or reason for rejection, such claim shall be deemed finally rejected. Such finally rejected claims shall be submitted to the Court as disputed claims at such time as Lead Plaintiff moves the Court for an Order approving distribution of the Net Settlement Fund. Notice of any hearing on such motion shall be provided to all Class Members whose claims are disputed.

24. There shall be no distribution of any of the Settlement Amounts to any Class Member until a plan of allocation is finally approved and is affirmed on appeal or certiorari or is no longer subject to review by appeal or certiorari and the time for any petition for rehearing, appeal, or review, whether by certiorari or otherwise, has expired.

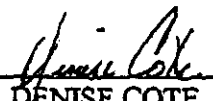
25. Neither Defendants nor Defendants' counsel shall have any responsibility for any plan of allocation of the Net Settlement Fund or application by Lead Counsel for fees and expenses, and such matters will be considered separately from the fairness, reasonableness, and adequacy of the Settlement.

26. Lead Counsel is authorized and directed to prepare any tax returns required to be filed on behalf of the Settlement Fund and to cause any taxes due and owing to be paid from the Settlement Fund.

27. The Court shall retain continuing jurisdiction over the Settlement, as well as the administration thereof.

SO ORDERED:

Dated: New York, New York  
January 11, 2005

  
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DENISE COTE  
United States District Judge