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January 21, 2003

BY HAND

The Honorable Denise L. Cote
United States District Court
Southern District of New York
500 Pearl Street, Room 1040
New York, New York 10007

Re: *In Re WorldCom Inc. Securities Litigation*, Master File No. 02 Civ. 3228 (DLC)

Dear Judge Cote:

On behalf of Lead Plaintiff New York State Common Retirement Fund ("NYSCRF") and co-Lead Counsel Barrack Rodos & Bacine, I write to bring to the Court's attention a recent development that we believe bears on a matter currently *sub judice* before Your Honor, that is, the motion of defendants Citigroup, Inc., Salomon Smith Barney, and Jack Grubman (together, the "SSB Defendants") to sever three of the five claims pending against them in the NYSCRF's Class Action Complaint.

On Friday, January 17, 2003, we received a copy of a letter that Richard Rosen, Esq., counsel for the SSB Defendants, had submitted to Your Honor in connection with a separate motion, namely, the motion of the New York City pension funds to have their case remanded to state court. (A copy of Mr. Rosen's letter is enclosed.) The letter informs the Court that the SSB Defendants join in the brief opposing remand filed by various underwriter defendants, who argue that the City funds' Section 11 claims relating to the WorldCom bond offerings are "related to" the WorldCom bankruptcy and thus were properly removed. The SSB Defendants then go one step further, asserting that two other claims brought by the City funds – two *fraud* claims based on Grubman's *analyst reports* – should likewise remain here to be litigated *with* the bond-related claims.¹ Thus, after asking the Court to sever the two analyst-related claims from the NYSCRF's

¹The SSB Defendants are careful not to use the words "analyst reports" in describing the City funds' fraud claims. Rather, the letter describes those claims as "arising out of statements and predictions reflecting [defendants'] assessment of WorldCom's value and future prospects." Letter at 1. Reference to the City funds' complaint shows, however, that the statements at issue are in fact analyst reports issued by Salomon and Grubman. See New York City funds' complaint (attached at Exhibit C to the Kasner Declaration filed in support of the underwriter defendants' opposition to remand), at ¶237 (claim three), ¶261 (claim four).

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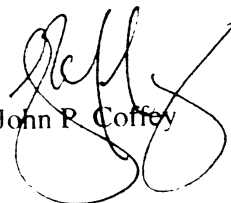
complaint and send them to Judge Jones, the SSB Defendants are now asking Your Honor to *keep* the two analyst-related claims brought by the City funds.²

The SSB Defendants cannot have it both ways. We agree with the logic that undergirds the SSB Defendants' most recent position: the bond and analyst claims arising from the WorldCom debacle are inextricably related and should be litigated together. Indeed, the SSB Defendants now explicitly acknowledge that their defense of the analyst claims will focus on just what information WorldCom had provided to Salomon and Grubman. Letter at 1. The NYSCRF has of course argued that it is this very *same* factual inquiry that will dominate the resolution of *both* the Section 11 claims and analyst claims asserted against the SSB Defendants in our complaint.

Moreover, as a practical matter, the results that would flow if the SSB Defendants' incongruous arguments were successful would be odd indeed. If these defendants get their way, the NYSCRF's fraud claims relating to Grubman's WorldCom reports (as well as its fraud claim relating to the bond offerings) would be excised from this matter to be litigated before Judge Jones, only to be replaced here by equivalent claims asserted by plaintiffs who prefer to litigate elsewhere but whom, at the insistence of the SSB Defendants, would be made to litigate those claims here.

Taken with the arguments made in the NYSCRF's previously submitted papers, we respectfully submit that the SSB Defendants' January 17 letter provides an additional basis to deny the motion for severance. Thank you for your consideration of this matter.

Respectfully submitted,


John P. Coffey

Enclosure

²Despite the SSB Defendants' chronic unwillingness to distinguish between what is and is not an "analyst claim" in the NYSCRF complaint, one of the claims they seek to sever from the NYSCRF's case (Count IX) pertains solely to the WorldCom bond offering registration statements, *not* analyst reports.

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cc (w/ encl):

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