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May 10, 2004

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. 3288 (DLC)

Dear Judge Cote:

On behalf of Lead Plaintiff New York State Common Retirement Fund and Co-Lead Counsel Barrack, Rodos & Bacine, and defendants Citigroup Inc., Citigroup Global Markets Inc. (formerly known as Salomon Smith Barney Inc.), Citigroup Global Markets Limited (formerly known as Salomon Brothers International Limited), and Jack B. Grubman (collectively, the "Citigroup Defendants") and their counsel, we write to make a joint application on behalf of Lead Plaintiff and the Citigroup Defendants.

Specifically, in light of the settlement agreement just entered into between the Citigroup Defendants and Lead Plaintiff and Named Plaintiffs County of Fresno, Fresno County Employees Retirement Association, and HGK Asset Management, Inc. (together, the "Settling Parties"), and for the reasons set forth below, the Settling Parties respectfully request that the Court convene a hearing promptly to consider our joint application for an order: (a) severing the Class' claims against the Citigroup Defendants from those asserted against the other defendants (the "Non-Settling Defendants"); (b) allowing for a three week suspension of all discovery-related proceedings in the above-referenced consolidated litigation; and (c) modifying certain of the pre-trial deadlines set forth in the Court's November 14, 2003 scheduling order (as amended) ("Scheduling Order"), though not the January 10, 2005 trial date.

On May 7, 2004, after extensive negotiations under the supervision of District Judge Robert W. Sweet and Magistrate Judge Michael H. Dolinger, counsel for the Settling Parties signed a Memorandum of Agreement ("Agreement") settling all claims asserted against the Citigroup Defendants by Lead Plaintiff on behalf of the Class. Among other things, the Agreement provides that the Citigroup Defendants will pay a total of \$2.65 billion to Lead Plaintiff, on behalf of the Class, in settlement of the Class' claims against the Citigroup Defendants. All participants agree that this settlement will have immediate and significant ramifications on the balance of the consolidated securities litigation pending before Your Honor, and that several forms of procedural relief are essential, both in fairness to those who are not parties to the Agreement ("Non-Settling

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Parties”) and to ensure prompt Court approval of this settlement. We have been authorized by Judge Sweet to report that, having discussed this issue with the Settling Parties, he endorses the request.

A. A Brief Stay of Discovery Proceedings is Warranted.

The Settling Parties respectfully submit that a brief, three-week suspension of discovery-related proceedings, including depositions, document production by the parties (but not third-parties), and responses to interrogatories, is warranted for several reasons.

First, each of the Non-Settling Parties should have some time to assess the Settlement and its potential ramifications on their litigation posture. Given the size of the recovery for the Class, there may be Individual Action (“IA”) plaintiffs who elect to remain in the Class and cease prosecuting their own actions. And, since the Settlement specifically provides a window of opportunity for any Underwriter Defendant to settle on the same terms as the Citigroup Defendants with regard to the WorldCom bond offerings, some or all of those banks may choose to accept those terms.

We believe that giving these parties a modest period of time to weigh the benefits of the Settlement against the costs and uncertainties of further litigation would be prudent, preserve resources that might otherwise be needlessly expended should discovery continue while such considerations are made, and facilitate streamlining of this litigation.

Second, a brief suspension of discovery proceedings is warranted to allow for a fair and orderly re-allocation of certain litigation responsibilities among the Settling and Non-Settling Parties. Earlier today, Lead Plaintiff informed all counsel that it intends to withdraw its notices of depositions for certain Citigroup witnesses, as well as certain document requests. Suffice it to say that Lead Plaintiff had taken the lead in pursuing this discovery, which was principally aimed at the Class’ Exchange Act claims against the Citigroup Defendants. Should one or more IA plaintiffs with such Exchange Act claims decide to prosecute those claims, Lead Plaintiff believes they must be afforded the time to prepare to step into the role now vacated by Lead Plaintiff.¹ Similar considerations doubtless exist on the defense side as well.

Third, the Settling Parties agree that it is critical that their Settlement be documented and presented to the Court for preliminary approval as soon as possible. While the drafting of a stipulation of settlement, class notice, form of proposed judgment, plan of allocation, and other papers will be a challenge, the Settling Parties hope to seek preliminary approval of the Settlement within approximately four weeks. Both sides agree that achieving this ambitious goal will take considerable attention from the principal litigators involved. We respectfully submit that a brief hiatus from the day-to-day oversight of the discovery proceedings is necessary to ensure that this settlement is fully documented and approved as soon as possible.

¹ Because many Underwriter Defendants have stated that they relied in part on Salomon’s due diligence in connection with the WorldCom offerings, Lead Plaintiff will continue to seek discovery of certain Citigroup witnesses in connection with the Class’ Securities Act claims against the remaining underwriters. The Citigroup Defendants acknowledge that such discovery is necessary.

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B. Modification of Certain Pre-trial Deadlines is Warranted.

The Settling Parties respectfully submit that modification of some of the interim pre-trial deadlines on the Court's Scheduling Order is warranted. Specifically, we ask that the deadline for fact discovery be extended three weeks, until July 9, to reflect the three-week discovery hiatus we urge Your Honor to direct. We also ask that the deadline for all expert-related matters be extended by four (and in some cases five) weeks within the schedule (or an absolute seven-to-eight weeks).

We previously discussed with liaison counsel for all Defendants (and we were on the verge of approaching the Court in any event) about the need to extend by a few weeks the deadlines for expert-related matters due to the reliance by some of the IAs on certain of the experts to be used by Lead Plaintiff. While we are happy to coordinate with the IAs whenever possible, including with respect to the use of experts, this has raised certain complexities that require a bit more time to work through. First, before deciding whether to rely on Lead Plaintiff's experts, counsel to the IAs have naturally wanted to conduct their own diligence on those experts so that they can make an informed judgment about them. Second, with several parties relying on the reports and testimony of the same experts, counsel to those several parties will necessarily need to have the opportunity to contribute to the process of obtaining expert reports and preparing those experts to testify. This will undoubtedly extend the period involved in obtaining final versions of expert reports. In addition, with this Settlement, all concerned will have to re-evaluate what experts they will in fact use (and who will have lead responsibility for preparing them). Therefore, we request that the deadlines for expert discovery and summary judgment motions be extended as follows:

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|---|---------------------------|
| Identification of experts | July 16 |
| Disclosure of expert reports by parties bearing burden of proof | August 20 |
| Rebuttal expert reports | September 17 ² |
| Any revised expert reports | October 1 |
| Depositions of experts | October 11-22 |
| Motions for summary judgment due | September 24 |
| Oppositions to summary judgment | October 22 |
| Summary judgment replies | November 5 |

The Settling Parties do not request any change in the dates for the filing of the Pre-trial Order and motions *in limine* (November 12), the opposition to such motions (November 19), and the trial (January 10).

I am authorized to state that Lead Counsel for the WorldCom ERISA Litigation supports this request and asks that a similar stay be imposed in that litigation in order to continue the excellent coordination of discovery that we have been able to achieve thus far. I understand Lynn Sarko will submit a letter to that effect shortly.

² A number of experts have apparently made late-August vacation plans based on the prior schedule; hence we respectfully request an additional week be added to the schedule after Labor Day.

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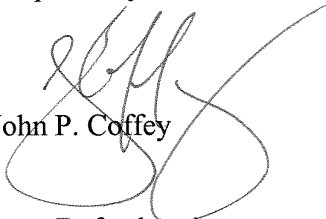
C. Severance of the Class' Claims is Warranted.

The Settling Parties respectfully submit that a severance of the Class' claims against the Citigroup Defendants is warranted because the Agreement resolves all claims between them. The Settling Parties need to focus on preparing and finalizing the documents related to the Settlement between them as well as the process associated with seeking Court approval of the Settlement. Severing the claims against the Citigroup Defendants will help substantially in that regard. The severance also reasonably contemplates that, if perchance the Settlement is not consummated, it would be virtually impossible for Lead Plaintiff and the Citigroup Defendants to finish preparations in time to try the claims between them at the January trial.

* * * *

For the reasons discussed above, the Settling Parties respectfully move the Court for an order that: (a) severs the Class' claims against the Citigroup Defendants from those asserted against the other Defendants; (b) allows for a three week suspension of discovery-related proceedings in this consolidated litigation; and (c) modifies certain of the pre-trial deadlines set forth in the Scheduling Order, including the deadlines applicable to expert discovery and summary judgment motions (without modifying the January 10 trial date). Thank you for your consideration of this application.

Respectfully submitted,



John P. Coffey

cc (by fax):

Martin London (Counsel for the Citigroup Defendants)
All Other Defendants' Counsel
Jeffrey Golan (Co-Lead Counsel for the NYSCRF and the Class)
Neil Selinger (Liaison Counsel for Individual Actions)
Michael Pucillo (Counsel for Fresno and FCERA)
Samuel Sporn (Counsel for HGK Asset Management)
Edward Manchur (Putative counsel for "holder" action)
Jill Abrams (Counsel for GOALS plaintiffs)
Joel Bernstein (Counsel for TARGETS plaintiffs)
Lynn Sarko (Lead Counsel for the ERISA litigation)
Michael Rediker (Counsel for plaintiffs in the *RSA* state case)
Randall Barron (Counsel for plaintiffs in the *IMRF* state case)