

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE WORLDCOM, INC.
SECURITIES LITIGATION

MASTER FILE NO.
02 Civ. 3288 (DLC)

This Document Relates to:

02 Civ. 3288 02 Civ. 4973 02 Civ. 8230 :
02 Civ. 3416 02 Civ. 4990 02 Civ. 8234 :
02 Civ. 3419 02 Civ. 5057 02 Civ. 9513 :
02 Civ. 3508 02 Civ. 5071 02 Civ. 9514 :
02 Civ. 3537 02 Civ. 5087 02 Civ. 9515 :
02 Civ. 3647 02 Civ. 5108 02 Civ. 9516 :
02 Civ. 3750 02 Civ. 5224 02 Civ. 9519 :
02 Civ. 3771 02 Civ. 5285 02 Civ. 9521 :
02 Civ. 4719 02 Civ. 8226 03 Civ. 2841 :
02 Civ. 4945 02 Civ. 8227 03 Civ. 3592 :
02 Civ. 4946 02 Civ. 8228 03 Civ. 6229 :
02 Civ. 4958 02 Civ. 8229 :

HEARING ORDER

DENISE COTE, District Judge

WIIEREAS:

A. Lead Plaintiff, Alan G. Hevesi, Comptroller of the State of New York, as Administrative Head of the New York State and Local Retirement Systems and as Trustee of the New York State Common Retirement Fund, and the Additional Named Plaintiffs, Fresno County Employees Retirement Association, the County of Fresno, California, and HGK Asset Management, Inc., and the Class (collectively, "Plaintiffs"), and (ii) 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 (the "Citigroup

Defendants”) (collectively, the “Parties”) have entered into a settlement (the “Settlement”) of the claims asserted against the Citigroup Defendants in the class actions consolidated in the above-captioned action (the “Action”), the terms of which are set forth in a Stipulation and Agreement of Settlement of the Lead Plaintiff and Other Named Plaintiffs with the Citigroup Defendants, dated July 1, 2004 (the “Stipulation”);

B. Lead Plaintiff and the Citigroup 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 Against the Citigroup Defendants (the “Notice”), the proposed Summary Notice of Proposed Settlement of Class Action Against the Citigroup Defendants (the (“Summary Notice”), the proposed Special Notice to Class Members Who Previously Requested to be Excluded from the Class, and Form of Request for Revocation of Exclusion (“Special Notice”) and the proposed Second Court-Ordered Notice to All Investors Who Have Filed Individual WorldCom Actions (“Second Individual Action Notice”); the proposed Plan of Allocation as set forth in the Stipulation, the proposed form of the Proof of Claim and Release, and the proposed forms of Judgments and Orders relating to the Settlement and Plan of Allocation, 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.

2. 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.

3. 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

4. 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 August 2, 2004, 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 WorldCom or its transfer agent; or as identified through the earlier process of mailing the Notice of Class Action, per the Court's Order of December 11, 2003; or who otherwise may be identified through further reasonable effort; and

b. A Summary Notice substantially in the form annexed hereto as Exhibit 3 shall be published once each on separate days in the national editions each of *The Wall Street Journal* and *The New York Times* and published electronically on the *PR Newswire* within two weeks after the mailing of the Notice, that is, by August 16, 2004, and Lead Plaintiff shall further seek to have the Summary Notice published on the *Dow Jones Newswire* and *Bloomberg News* by August 16, 2004;

c. On or before August 2, 2004, Lead Plaintiff shall (1) supply Liaison Counsel for the Individual WorldCom Actions, who shall mail to each entity or person who filed a pending Individual WorldCom Action, a Second Individual Action Notice in the form annexed hereto as Exhibit 4(a), and (2) mail to each entity or person who previously submitted a Request for Exclusion pursuant to the Notice of Class Action, dated December 11, 2003, a Special Notice in the form annexed hereto as Exhibit 4(b).

d. The Notice, Summary Notice, Special Notice, Second Individual Action Notice, and Proof of Claim shall further be placed on the web site maintained by Lead Counsel for the purpose of this Action, www.worldcomlitigation.com, and on the web site maintained by the Administrator, as approved by the Court below, at www.gardencitygroup.com.

5. The Court approves the form of Notice, Summary Notice, Special Notice and Second Individual Action Notices (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 4 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.

6. To effectuate the provision of notice provided for in paragraph 4 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 The Garden City Group, 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.

7. To further effectuate the provision of notice provided for in paragraph 4 hereof, the Administrator shall lease and maintain a post office box of adequate size for the return of Proofs of Claim. 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, Requests for Revocation of Exclusion, 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. In accordance with the Stipulation, Lead Counsel may draw up to \$3 million from the Settlement Fund to pay the costs of notice and settlement administration.

8. Seven days before the date fixed by this Court for the Settlement Hearing, that is, by October 29, 2004, 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.

9. All nominees who hold or held WorldCom, Inc. publicly traded securities for beneficial owners who are Class Members are directed to forward the Notice and Proof of Claim to such beneficial owners or, to the extent they have not already done so pursuant to the Notice of Class Action, dated December 11, 2003, to supply the names and addresses of such beneficial owners to the Administrator as set forth in the Notice.

10. Lead Counsel are 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.

11. Within three (3) business days of receipt by Lead Counsel or the claims administrator of any Request for Exclusion or Request for Revocation of Exclusion forms, copies of all such forms shall be provided to the Citigroup Defendants. Further, after the close of the opt-out period, Lead Counsel and counsel for the Citigroup Defendants shall confer in good faith to perform the calculations provided for in paragraph 15 of the Stipulation. Lead Counsel and counsel for the Citigroup Defendants are directed to establish a procedure whereby, for Class members who opt out of the Class but fail to provide information sufficient to determine their share holdings or the face amount of bonds they held, some amount of holdings is ascribed to them. Counsel for Lead Plaintiff and the Citigroup Defendants shall confer on a fair and equitable manner for estimating such share or bond holdings in advance of the Settlement Hearing. If no agreement can be reached within thirty (30) days prior to the date set for the Settlement Hearing, the Parties shall submit their respective positions to the Settlement Judges for mediation and, in the event the parties to the Settlement are not able to resolve their dispute through mediation, Lead Plaintiff and the Citigroup Defendants shall submit

their respective positions to the Court for resolution concurrent with the Settlement Hearing, which resolution – by agreement of the parties to the Settlement – shall be final and not appealable.

HEARING; RIGHT TO BE HEARD

12. There shall be a hearing on Friday, November 5, 2004, at 2:00 p.m. (the “Settlement 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 Settlement Hearing shall be held at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 11-B, New York, New York 10007.

13. 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 September 24, 2004.

14. Any Class Member or Non-Settling Entity/Individual may appear at the Settlement 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 or Non-Settling Entity/Individual shall be

heard or entitled to contest the approval of the terms and conditions of the proposed Settlement, the Judgments and Orders 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 October 8, 2004 such Class Member or Non-Settling Entity/Individual has properly and timely served by hand or by first-class mail for receipt by such date by either of the Co-Lead Counsel written objections and copies of any supporting papers and briefs (which must contain proof of all purchases, acquisitions, sales and dispositions of publicly traded securities of WorldCom (including bonds and common stock), made by such Class Member during the Class Period):

Leonard Barrack, Esq.
Jeffrey W. Golan, Esq.
Barrack Rodos & Bacine
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

Max W. Berger, Esq.
John P. Coffey, Esq.
Bernstein Litowitz Berger &
Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019

and has filed by October 8, 2004 said objections, papers and briefs, showing due proof of such service upon all 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.

15. Any Class Member or Non-Settling Entity/Individual 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 Judgments 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.

16. In the event any Class Member or Non-Settling Entity/Individual timely and properly serves and files written objections, as set forth above, Lead Counsel and counsel for the Citigroup 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 October 22, 2004. In this context, granting the Non-Settling Entities/Individuals a right to object and appear at the Fairness Hearing is without waiver of Lead Plaintiff's right to argue the Non-Settling Entities/Individuals' lack of standing to object and appear at the Fairness Hearing.

17. If no agreement can be reached through the mediation process set forth in paragraph 11 of this Hearing Order, Lead Counsel and counsel for the Citigroup Defendants shall submit their respective position papers pertaining to the calculations provided for in paragraph 15 of the Stipulation by October 29, 2004.

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 Settlement Hearing or any adjournment or continuance thereof without any further notice other than an announcement at the Settlement 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:

WorldCom, Inc. Securities Litigation
Administrator
The Garden City Group, Inc.
P.O. Box 9000 #6247
Merrick, NY 11566-9000

To be valid and accepted, a Proof of Claim must be postmarked on or before March 4, 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, and a Supplemental Plan of Allocation that Lead Counsel anticipate submitting to the Court at a later date, 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, and supplemental 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.

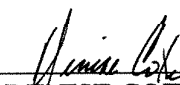
25. The Court shall retain continuing jurisdiction over the Settlement, as well as the administration thereof.

Other Court Deadlines

26. Pursuant to the Notice of Class Action, dated December 11, 2003, members of the Class had the right to opt out of the Class only by written request postmarked on or before February 20, 2004. By Order of the United States Court of Appeals for the Second Circuit, the deadline for Class Members to request exclusion from the Class was extended to a date to be fixed by further order of the Court. That deadline is now set as September 1, 2004. The Court similarly now sets the deadline for persons to change a prior request to be excluded from the Class as September 1, 2004, and the deadline for individual plaintiffs to seek to voluntarily withdraw their cases and to remain as members of the Class as September 1, 2004. Counsel are directed to notify Class members of these dates in the Notice, Special Notice, and Second Individual Action Notice.

SO ORDERED:

Dated: New York, New York
July 16, 2004



DENISE COTE
United States District Judge