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	:	

DECLARATION OF ALAN P. LEBOWITZ, GENERAL COUNSEL TO THE COMPTROLLER OF THE STATE OF NEW YORK, IN SUPPORT OF FINAL APPROVAL OF SETTLEMENT WITH THE CITIGROUP DEFENDANTS, LEAD PLAINTIFF'S PROPOSED PLAN OF ALLOCATION, AND AN AWARD OF ATTORNEY'S FEES AND REIMBURSEMENT OF EXPENSES

I, Alan P. Lebowitz, Esquire, am General Counsel to the Comptroller of the State of New York, Alan G. Hevesi, the sole Trustee of the New York State Common Retirement Fund and the Court-appointed Lead Plaintiff in this Action ("Lead Plaintiff"). I submit this Declaration in support of (a) final approval of the Settlement reached between and among Lead Plaintiff, the County of Fresno, California, Fresno County Employees Retirement Association and HGK Asset Management, Inc. (collectively, "Named Plaintiffs" and together with the NYSCRF, "Plaintiffs"), 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 (the "Citigroup Defendants"); (b) approval of Lead Plaintiff's proposed plan of allocation; and (c) approval of Lead Counsel application for an award of attorney's fees and reimbursement of expenses. The statements in this Declaration are made on personal knowledge.

1. On November 5, 2002, Mr. Hevesi was elected to serve as the Comptroller of the State of New York. After the election, I was asked to serve Comptroller Hevesi as his General Counsel, and formally began serving in that position shortly after his inauguration in January 2003.

2. Upon taking on my duties as General Counsel, I informed myself as to the earlier appointment of then New York State Comptroller H. Carl McCall as Lead Plaintiff in this Action. After consultation on the matter, Comptroller Hevesi decided that NYSCRF would continue to serve in the capacity as Lead Plaintiff, a decision that we discussed with Leonard Barrack and Jeffrey Golan of the law firm of Barrack Rodos & Bacine, and with Max Berger and John P. Coffey of the law firm of Bernstein Litowitz Berger & Grossmann LLP (together, "Lead Counsel"). I also discussed with Lead Counsel the role of the Named Plaintiffs in the action, who had already been named in the Consolidated Complaint filed October 11, 2002, in terms of their service as proposed class representatives, their potential role in terms of settlement discussions, and, where appropriate, having their counsel assist in the litigation under the strict supervision of Lead Counsel. At the time, I also was apprised that former Comptroller McCall had authorized Lead Counsel to retain a law firm expert in bankruptcy matters to represent the putative class in the WorldCom bankruptcy proceeding pending before the Bankruptcy Court in this District, to prepare and file papers with that Court, and generally to monitor the proceedings in WorldCom's bankruptcy proceedings that might impact the rights and opportunities of Class

members, and a Mississippi counsel to file papers in cases brought in that jurisdiction and assist in potential discovery that might take place in Mississippi.

3. Since taking on the role of Lead Plaintiff, the NYSCRF has closely supervised, monitored, and/or participated in all aspects of the litigation. This has involved, among other things, frequent discussions with Lead Counsel about overall strategies for the case; reviewing, commenting on and approving the filing of pleadings, briefs and other submissions of Lead Plaintiff; reviewing briefs and certain other submissions of defendants; overseeing and approving, under terms and conditions that we believe to be appropriate, the retention of experts, consultants and the administrator for Class Notice and Administration functions; and appearing in Court when we and Lead Counsel believed such appearances would be appropriate and beneficial to the Class. As more fully described below, it has also involved close supervision of and direct participation in settlement negotiations.

4. I have a staff of four attorneys to monitor the NYSCRF's activities in the class actions in which it has been appointed to serve as lead plaintiff. They are Maurice Peaslee, Diane Foody, Deborah Richards and Maureen Madden. Each of them has had extensive and regular communications with Lead Counsel concerning this case. I have also had frequent communications with Lead Counsel about this case, generally speaking with counsel at least on a weekly basis, but often daily and on occasion more than once a day when important decisions have to be made. I frequently brief Comptroller Hevesi on the status of the case, and Lead Counsel has held several face-to-face meetings with the Comptroller to do likewise. My staff and I are quite familiar with litigation of this sort, as the NYSCRF has also served as court-appointed lead plaintiff in securities class action cases involving Cendant, McKesson, Raytheon, Bayer AG and Chubb Insurance Company.

5. As stated above, NYSCRF has carefully monitored and been active in the retention of experts and consultants, and other entities that have assisted in the prosecution and administration of the case. With regard to experts and consultants, we have carefully scrutinized the utility and cost of such retentions, and, in most instances, based our approvals only after asking Lead Counsel to obtain proposals from multiple potential experts or consultants. On those occasions where the potential cost associated with such a professional was projected to be significant, I personally briefed Comptroller Hevesi and obtained his approval of the retention. Similarly, we considered a number of potential candidates for the position of Notice Administrator for the Notice of Class Action approved by the Court by Order of December 12, 2003, and required competitive proposals to be submitted by various potential vendors before authorizing retention of the Garden City Group. We thereafter required another round of competitive proposals for the position of Notice and Claims Administrator for the Notice of the proposed Settlement with the Citigroup Defendants, even though Garden City Group was already serving as Notice Administrator, and we required certain modifications of the proposed retention agreement before we authorized Lead Counsel to retain Garden City Group for this second purpose.

6. The overriding goal of NYSCRF has been to obtain the maximum recovery possible for the benefit of the Class, at the lowest reasonable cost, tempered by careful analysis of the risks involved in the case. One strategy devised to reach this goal was to obtain as early a trial date as possible, while preparing ourselves fully and efficiently for the trial. Thus, in the Fall of 2003, we authorized Lead Counsel to seek the Court's permission to utilize the services of a select number of other firms (all of which my staff and I vetted to ensure they were experienced and capable in securities litigation, and could provide junior attorneys to undertake

the time-consuming task of reviewing documents at a reasonable cost), primarily to assist in the review of the massive document productions anticipated from defendants. As the Court may recall, I participated in an *in camera* conference with the Court on September 22, 2003, to advise the Court of this recommendation and to obtain the Court's concurrence that such firms could assist in the prosecution of the case as long as they did so under the strict supervision of Lead Counsel and their involvement did not result in any duplication of efforts.

7. In the summer of 2003, when this litigation had advanced to a stage where we felt we could properly assess the risks of continued litigation, we entered into discussions with Lead Counsel regarding a retainer agreement. On July 30, 2003, we concluded those negotiations, which had stretched over a period of weeks, and I entered into a Retainer Agreement dated July 30, 2003 with Lead Counsel, a copy of which is attached as Exhibit __. With our approval, the Retainer Agreement was thereafter posted on the website established by Lead Counsel for this action, and a copy was provided to defendants during the class discovery proceedings in this case. It was also referred to expressly in the Notice of Class Action sent to all potential Class members pursuant to the Court's order of December 12, 2003.

8. The Retainer Agreement sets forth explicit terms concerning Lead Plaintiff's plan for monitoring the litigation; theories of recovery; and the fee structure to be utilized as the basis for any fee and expense application to be submitted by Lead Counsel. In general, the fee grid in the Retainer Agreement was designed so that lower percentages would apply to higher levels of recovery that Lead Counsel might be able to achieve (i.e., utilizing a decreasing percentage method), but the percentages would be increased for recoveries achieved in later stages of the litigation (thereby not penalizing counsel for incurring additional time and expenses in the case). We also built in a lodestar cross-check for any fee determined pursuant to the fee grid, so that

Lead Counsel may not apply for a fee constituting more than a five times multiple of lodestar, and Lead Plaintiff maintained the discretion not to allow a fee request greater than a four times multiple of counsel's lodestar. (Here, the fee request provides for a multiple of approximately 2.8 of Counsel's lodestar.) Further, the Retainer Agreement contained very stringent expense reimbursement provisions limiting the amount Counsel can seek reimbursement for in this action. Moreover, although the Retainer Agreement was entered into on July 30, 2003, we required the Retainer Agreement's expense reimbursement provisions to be applied retroactively to the commencement of the litigation.

9. Pursuant to the Retainer Agreement, Lead Counsel has provided my office with quarterly reports summarizing the status of the time, lodestar and expenses incurred by Lead Counsel and the Assisting Firms. When we felt it necessary, we asked Lead Counsel to supply certain back-up documentation for the submissions, and discussed such back-up documentation with Lead Counsel.

10. My staff and I, as well as Comptroller Hevesi, were intimately involved in overseeing and later participating in the lengthy negotiations that led to the Settlement with the Citigroup Defendants. As required in the Retainer Agreement, Lead Counsel kept us apprised of all offers and responses made during settlement negotiations. We met, in person and by telephone, in numerous conferences with Lead Counsel. We also reviewed expert analyses and met in person with Lead Counsel and the representative of Forensic Economics, who performed the damages analyses and estimates that we utilized in connection with the settlement discussions. We also approved all substantive correspondence relating to settlement discussions.

11. On May 6, 2004, Comptroller Hevesi and I attended the afternoon session of the settlement discussions with Citigroup Chief Executive Officer Charles O. Prince and his counsel,

under the supervision of the Settlement Judges asked by the Court to oversee settlement discussions in this Action. These discussions were fruitful and resulted in a "handshake" deal by the end of the day. We thereafter reviewed, commented upon and approved the Memorandum of Agreement of May 7, 2004, the Stipulation and Agreement of Settlement of July 1, 2004, all proposed Notices, the proof of claim form, and the form of Judgment and other Orders submitted to the Court in connection with the Citigroup Settlement.

12. We have further reviewed and commented upon the briefs and other documents being submitted in support of (a) final approval of the Settlement with the Citigroup Defendants; (b) approval of Lead Plaintiff's proposed plan of allocation; and (c) approval of Lead Counsel's application for an award of attorney's fees and reimbursement of expenses. We strongly endorse the Settlement, and believe it to be an excellent recovery for the Class, based on all of the factors identified in the Notice sent to Class members concerning the Settlement, and as further described in the Joint Declaration of Lead Counsel. Based on our analysis of the risks involved in the various claims against the Citigroup Defendants, and the potential damages relating to those claims, we further strongly endorse the proposed Plan of Allocation, and believe that it represents a fair and reasonable allocation of the Settlement proceeds among Class members.

13. The Retainer Agreement provides that no application for fees and expenses may be made to the Court without the prior written approval of Lead Plaintiff. After having reviewed the time and expense reports of Lead Counsel, and ensuring that the fee and expense application is in accord with the Retainer Agreement that we negotiated and entered into with Lead Counsel, we have given our approval and endorsement of Lead Counsel's fee and expense application.[1] I

[1] As stated in the fee and expense application, pending Lead Plaintiff's completion of its audit of materials relating to plaintiffs' counsels' expense statements, Lead Plaintiff and Lead Counsel have agreed that the request for reimbursement of expenses, at this point, will be only for 80% of the counsels' total reported expenses through June 30, 2004, and that a final reimbursement request, with the Court's permission, will be submitted prior to the Hearing

was the primary negotiator of the Retainer Agreement with the senior attorneys at the Lead Counsel firms. The NYSCRF carefully considered the risks inherent in the case, the potential damages and recoveries that Lead Counsel might achieve, the developments in the case to that point, the discovery being undertaken in connection with the then-ongoing class certification proceedings, and agreements reached by other institutional investors in so-called "mega-fund" securities class action cases. We were also guided by our experience as one of the lead plaintiffs in the Cendant litigation and other cases in which the NYSCRF has served as a lead plaintiff. On the basis of all these factors, we believe that the Retainer Agreement constitutes a strict, but fair, method of compensating Lead Counsel for their efforts in this case, and that a fee application in the amount determined by the fee structure set forth in the Retainer Agreement represents a fair and reasonable payment to Lead Counsel.

14. We further believe that the litigation and claims administration amounts being requested for reimbursement are reasonable (representing costs and expenses necessary for the prosecution of this massive securities fraud case, but capped at the rates set in the Retainer Agreement). We also support the establishment of a $5 million fund for certain expenses (subject to NYSCRF's approval) for the continued prosecution of this case, as we believe such a fund is reasonable and will benefit the Class.

15. In sum, we believe that the recovery obtained from the Citigroup Defendants is an excellent one for the Class, and that the plan of allocation is a fair method for distributing the Settlement proceeds among Class members. We further believe that the 5.45% fee request comports with the Retainer Agreement, and that it is fair and reasonable compensation for Lead

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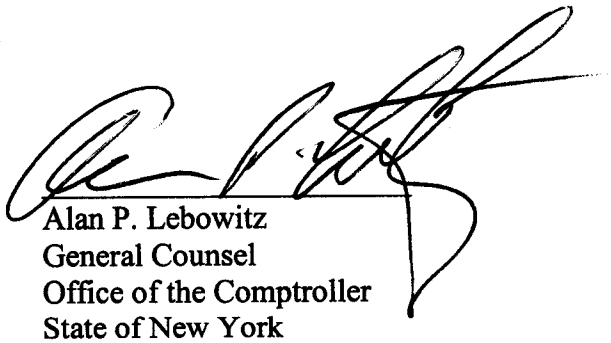
on the fee and expense application. Lead Plaintiff and Lead Counsel have further agreed that this request for reimbursement may be modified for additional payments for expenses made by plaintiffs' counsels after June 30, 2004, assuming that such expenses are reviewed and approved by Lead Plaintiff., and have been audited and approved by Lead Plaintiff for inclusion in this application.

Counsel's efforts in achieving this recovery. We further believe that the amounts requested for expense reimbursement (which are materially below the expenses actually incurred by Lead Counsel but disallowed under the Retainer Agreement) are reasonable, and that the $5 million request to fund further litigation expenses in the case will benefit the Class and should be approved.

16. I understand that a lead plaintiff's reasonable expenses are authorized to be reimbursed under the PSLRA. For this reason, in connection with the fee and expense application, I asked my staff to calculate the expenses that we have incurred in connection with the litigation (not including any charge for the time of members of my General Counsel's staff). Such expenses include travel and meals (as allowed under the New York State Management Employees Guidelines), and other costs we have incurred as set forth in Exhibit A to this Declaration. I have asked and authorized Lead Counsel to include a request for reimbursement of the expenses listed in Exhibit A hereto.



Alan P. Lebowitz
General Counsel
Office of the Comptroller
State of New York