UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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<tr><td>MICHAEL FARRELL, Individually And On Behalf Of All Others Similarly Situated,

Plaintiff,

-against -

CITIGROUP INC., SALOMON SMITH BARNEY INC. and JACK GRUBMAN,

Defendants.</td><td>CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS

<u>JURY TRIAL DEMANDED</u></td></tr>
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Plaintiff Michael Farrell ("Plaintiff') alleges the following based upon the investigation of counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Metromedia Fiber Network Inc., (together with its subsidiaries, "Metromedia"), as well as regulatory filings and reports, securities analysts' reports and advisories about Metromedia issued by Salomon Smith Barney Inc. ("Salomon"), press releases and other public statements issued by Salomon, and media reports about Metromedia. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE CLAIM

1. This is a federal securities class action which is brought by the Plaintiff against Defendants on behalf of a class (the "Class") consisting of all persons or entities who purchased the common stock of Metromedia from November 25, 1997 through July 25, 2001, inclusive (the "Class Period"). Plaintiff seeks to recover damages caused to the Class by Defendants' violations

of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder.

2. This action arises as a result of the issuance by Defendants of reports regarding Metromedia that recommended the purchase of Metromedia common stock and which set price targets for Metromedia common stock, without any reasonable factual basis. Furthermore, when issuing its Metromedia analyst reports, Defendants failed to disclose significant, material conflicts of interest which it had, in light of Defendants' Metromedia reports, to obtain investment banking business for Salomon. Furthermore, in issuing its Metromedia reports, in which it recommended the purchase of Metromedia common stock, Defendants failed to disclose material, non-public, adverse information which it possessed about Metromedia. Throughout the Class Period, Defendants maintained a "Buy" recommendation on Metromedia in order to obtain and support lucrative financial deals for Salomon.

3. The Class Period begins on November 25, 1997, the date when Salomon "initiated coverage" of and issued their first report on Metromedia. The Class Period ends on July 25, 2001, the date Defendants belatedly downgraded Metromedia from a "Buy" to a "Neutral."

4. As demonstrated herein, Defendants' positive reports on Metromedia significantly and artificially inflated the price of Metromedia common stock throughout the Class Period. Defendants' "Buy" recommendation of Metromedia and the price targets which they set for Metromedia common stock lacked a reasonable basis in fact and were dominated and influenced by Defendants' undisclosed serious conflict of interest arising out of Salomon's effort to be a financial advisor to Metromedia.

JURISDICTION AND VENUE

5. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §78aa, and 28 U.S.C. §1331. This action arises under Section 10(b) of the Exchange Act, 15 U.S.C. 78j(b), and the rules and regulations promulgated there under, including SEC Rule l0b-5, 17 C.F.R. 240.l0b-5.

6. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) and (c). Substantial acts in furtherance of the alleged fraud and/or its effects have occurred within this District.

7. In connection with the facts and omissions alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

8. Plaintiff Michael Farrell purchased shares of Metromedia common stock during the class period, as set forth in the attached certification, and was damaged thereby.

9. Defendant Citigroup Inc. ("Citigroup") has its principal place of business at 388 Greenwich Street, New York, New York. Since 1998, Citigroup has been the parent of Defendant Salomon.

10. Defendant Salomon, a subsidiary of Defendant Citgroup since 1998, has its principal place of business located at 388 Greenwich Street, New York, New York. Defendant Salomon is a full-service securities broker in the United States that was formed in 1997 when Salomon Brother

merged with Smith Barney.

11. Defendant Jack Grubman was at all relevant times an analyst at Salomon.

SUBSTANTIVE ALLEGATIONS

Salomon's Research Analysts Were Not Independent Of Investment Banking

12. Investment bankers wanted the highest research rating for their banking clients or potential clients to enhance their ability to garner additional banking fees in the future. Salomon's structure and compensation procedures encouraged investment banking to exercise its influence over analysts and their research ratings.

13. From 1998 through 2001, Salomon published a five-category stock rating system: (1) Buy, (2) Outperform, (3) Neutral, (4) Underperform, and (5) Sell. In actuality, the rating system was a three-category system with no Sell or Outperform categories. From 1998 through 2000, Salomon research analysts issued virtually no Sell or Outperform rating on more than 1000 stocks they rated.

14. In January 1998, for a presentation for senior management at Travelers, the then parent of Salomon, John Hoffmann, head of Salomon's Global Equity Research Management, wrote: "There is a continuing shift in the realization that an analyst is the key element in banking success."

15. This operational integration of research analysts with investment banking involved each step of the typical underwriting transaction.

16. It began with the analysts working with the investment bankers to develop a priority list of potential investment banking clients. Each year from 1999 through 2001, U.S. Research Management requested year-end performance assessment from research analysts. It was

‘‘suggested” that the analysts “obtain collaborative feedback from their investment banking counterpart regarding establishing and modifying a list of coverage priorities.”

17. Having jointly developed potential investment banking clients, the analyst would participate, as a key player, in the investment banker’s sales pitch for the investment banking business. Once Salomon obtained the investment banking business (the “mandate”), analysts would participate in road shows and conversations with institutional investors to sell the underwritten stock.

18. In short, once the investment bankers obtained the mandate as a lead underwriter, the research analyst had to take “ownership” of the transaction, become a proponent of the company and “sell” the deal to institutional buyers of the stock. It was this package of services that was “sold” to investment banking client when they selected Salomon as an underwriter.

19. In January 2000, Salomon held a “Best Practices Seminar,” which was hosted by Kevin McCaffrey, head of U.S. Research Management, and Jeffrey Waters, the Associate Director of U.S. Equity Research. At the seminar, analysts learned how to manipulate their financial models to support underwriting by Salomon’s investment banking division.

20. It was important for the success of a transaction that the subject company meet the earnings projected in the analysts’ model for the first two quarters. To ensure this, the analysts were instructed at the Best Practices Seminar to manipulate those figures downward to be “conservative.” Specifically, the analysts were told: “Overall we’ve got to remember that those first two quarters have got to be hit and have nothing to do with how we’re gonnna really probably do a valuation of the company.”

21. Analysts were required to advise investment banking in advance of dropping research

coverage of an investment banking client.

22. At the Best Practices Seminar, Jeffrey Waters summed up for the analysts the investment banking-analyst relationship as follows:

> When you look at the market share gap between us and the three competitors who are trying to close. When I just eyeballed it, it looked like to me there is something like roughly a billion dollars of, maybe not Equity Capital Markets but Investment Banking revenues, on the table for this firm. And that's a lot of money.
>
> And its clear . . . that Research is driving a lot of this increasingly. And therefore, as a [research] department our goal has to be, to be a really effective partner in terms of helping drive initiation, execution and everything else. Because there is a lot of money on the table for this company. And we'll all benefit from it.

23. Hoffmann raised the issue of research integrity with Salomon's then CEO Michael Carpenter. In a memorandum to Carpenter entitled "2000 Performance Review," Hoffmann admitted that there was "legitimate concern about the objectivity of our analysts which we must allay in 2001."

24. Underscoring the theme, on December 8, 2000, Hoffmann wrote Michael Carpenter, former CEO of Salomon, that one of Hoffmann's goals since becoming global director of research was "to better integrate our research product with the business development plans of our constituencies, particularly investment banking."

25. In further reviewing his performance for 2000, Hoffmann stated:

> We have become much more closely linked to investment banking this year as a result of participating in their much-improved franchise review process this year. There has been a yearend [sic] Cross review of senior analysts and bankers particularly in the U.S, and Europe and with the development of the Platinum Program in the investment bank, the analyst's understanding of the relative importance of clients for lB and GRB [global relationship bank] is much improved.

26. In a presentation to senior management at Citigroup's Armonk Conference Center, Hoffmann made a presentation to senior management entitled "Stock Recommendations as of 1/29/0 1" that showed that out of a total of 1179 stock ratings, there were zero Sell ratings and only one "Underperform" rating. In handwritten notes attached to the presentation, Hoffmann described these ratings in the U.S. as the "worst" and "ridiculous on face." He observed that there was a "rising issue of research integrity" and "a basic inherent conflict between lB [investment banking], equities and retail."

27. In or about February 2001, Jay Mandelbaum, the global head of Salomon's retail stock-selling division, told Hoffmann that Salomon's "research was basically worthless" and threaten to terminate his division's contribution to the research budget. However, Salomon did not change its rating systems, and the de facto three-category rating system remained throughout 2001.

Research Analysts' Compensation Was Driven By Their Contribution To Investment Banking Revenues

28. The Salomon structure for analyst compensation allowed Waters to advise the analysts at the seminar that they could "all benefit" if Salomon obtained a larger share of the investment banking "money on the table."

29. In 1997, Salomon paid "helper's fees" to analysts as a set percentage of the investment banking fees generated by transactions on which the analysts worked. During that year alone, eleven million dollars in helper's fees were included in the analysts' "incentive compensation" checks, and each analyst was told "the amount contributed [to the check] from the helper's fee allocation."

30. Hoffmann had set up the system and supported it. He urged its continuance in a February 19, 1999 memorandum: "We would argue strongly that maintaining a helper's fee system, if only on a shadow basis, is in the best interest of the firm as a whole and for IBD [investment banking department] and the research division specifically." He explained that:

> 1) It provides us with a rational basis for calculating analysts' compensation....
>
> 2) It makes the analysts more responsive to the investment bank.
>
> 4) The 'real time' grading system *[i.e.,* the helper's fees] with respect to analyst performance on specific deals allowed research management to critique and correct problems before they got out of hand.

31. Instead of following Hoffmann's recommendation explicitly, Salomon opted to modify the helper's fees device in several ways. First, scorecards for analyst performance included as a specific metric the amount of investment banking fees Salomon earned in each analyst's sector of coverage and, for recent years, also included the Salomon investment bankers' evaluation of the analysts. The Performance Assessment and Business Plan Memoranda distributed annually by Research Management to research analysts required the analysts to "list in detail your involvement in Investment Banking Transactions over the past year" or similar language. Each analyst's response to this inquiry, and the amount of investment banking fees reflected on the Scorecard, were significant factors in determining the analyst's compensation. Thus, the direct financial incentive for analysts to generate and participate in investment banking business remained.

<u>Grubman's Participation In Issuing The Materially False And Misleading Analyst Reports</u>

32. Until August 2002, Grubman was Salomon's top telecommunications ("telecom") research analyst, and was an important factor in Salomon's success in telecom investment

banking. His "buy" ratings and optimistic research on these companies helped propel the prices of the telecom stocks to stratospheric heights. Although presented to the public as an objective and independent research analyst for these covered companies, Grubman was, in reality, an investment banker. Although Grubman testified that he averaged approximately $20 million in compensation per year from 1998 to 2001, he had the distinction in 2000 and 2001 of being the worst of Salomon's more than 100 analysts, as rated by Salomon's retail sales force.

33. Consistent with his view that "what used to be a conflict is now a synergy," Grubman issued misleading ratings of stocks in favor of investment banking clients.

34. Because Grubman limited his ratings to Salomon's de facto three-category rating system, his ratings were misleading. For the period January 1998 through June 2002, Grubman at various times covered from 20 to 36 stocks. The stock prices of many of those companies dropped dramatically and 16 went bankrupt. Yet, during the time period at issue, Grubman never issued any "Sell" ratings and assigned only two "Underperform" ratings.

35. Grubman's contribution to investment banking revenues was part of the basis for determining his compensation. For instance, Research Management requested Grubman's performance assessment for 2001, including a "detailed list of [his] involvement in Investment Banking transactions over the past year." Grubman and his team responded by describing certain highlights of the investment banking transactions:

> We were a lead manager in a $450 million overnight convertible offering of XOXO and a $750 million high yield offering for MCLD in January. We were a joint-lead manager for FON's secondary offering of $3 billion and we were a book-running manager of WCOM's 12 billion debt deal in April/May. In addition, we were a joint lead in a $300 million equity and $450 million convertible offering for Citizens Communications, an S&P 500 Company, on which we initiated coverage on June 20 following the offerings. We received

the mandate for joint books on AT&T's current $5 billion debt offering.

36. Further elaborating the investment banking activities of Grubman is his four-page, single-spaced investment banking schedule attached to his Memorandum, which listed 22 merger and acquisition transactions, 15 equity transactions, 6 private equity transactions, 21 investment grade debt transactions, 12 bank loans, 4 derivative transactions,15 high yield transactions and 2 other transactions.

37. The total investment banking revenues claimed by Grubman were $166,486,000. For other years, Salomon's "Scorecards" for Grubman, used in compensation determinations, show investment banking revenues in Grubman's telecommunications sector as follows:

1998	$255,735,000
1999	$359,189,000
2000	$331,142,000

38. Because Grubman's compensation was determined by his participation in investment banking, the ratings Grubman issued were not independent, objective or on the merits. As detailed below, email exchanges between Grubman and others document the misleading nature of his ratings.

39. Grubman failed to timely downgrade stocks of investment banking clients. Sherlyn McMahon, the senior research analyst under Grubman, sent an e-mail to Grubman relating a conversation with an institutional investor.

> She [the investor] just thinks that we make ourselves look stupid by recommending names right up to the point of bankruptcy like WCII [Winstar], XOXO [XO Communications], MFNX (Metromedia Fiber Networks], etc. She understands the banking relationship aspect.

40. Later that afternoon, Grubman, in an e-mail to Kevin McCaffrey, head of U.S.

Research Management, made clear why stocks were not downgraded by him:

> [M]ost of our banking clients are going to zero and you know I wanted to downgrade them months ago but got huge pushback from banking. I wonder of what use bankers are if all they can depend on to get business is analysts who recommend their banking clients.

41. As discussed above, Grubman and Salomon's other research analysts were far from independent of their investment banking colleagues. This relationship drove both the selection of covered stocks and the ratings ultimately assigned.

Defendants' Materially False and Misleading Statements Concerning Metromedia

42. Metromedia, founded in 1993, constructs intracity and intercity fiber optic networks for the transmission of data and leases the use of the networks to communicationscarriers as well as corporate and government customers in major metropolitan areas in the United States and Europe.

43. On October 28, 1997, Metromedia had its initial public offering which was underwritten by Defendant Salomon and other investment banks. The stock sold for $16 per share and raised $146 million, or $133.9 million after deducting the underwriter's commission and expenses relating to the initial public offering.

44. Defendant Salomon was a lead manager for the offering and earned millions of dollars in fees for its work in helping to take taking the Company public. Indeed, between October 1997 and October 2001, Salomon advised Metromedia on approximately 15 investment banking deals and billed Metromedia approximately $47,150,185.

45. On November 25,1997, Defendants initiated analyst coverage of the Metromedia with a "Buy" rating, Salomon's highest rating, and gave the stock a 12 to 18 month share-price target of $27 to $30.

46. Over the next few years, Metromedia borrowed billions of dollars to fund its rapid expansion, corporate acquisitions and construction of fiber optic networks. Salomon managed a number of these transactions and, in one transaction, assumed the role of Metromedia's creditor. Throughout this period, Salomon maintained its "Buy" rating on the stock.

47. On November *25,* 1998, Metromedia issued and sold senior notes in an offering to accredited investors, generating net proceeds of $650 million, with Salomon acting as lead manager. The notes had a 10% interest obligation and maturity date of November 15, 2008.

48. Defendants continued to maintain its "Buy" rating on Metromedia common stock throughout 1998.

49. On October 25, 1999, the Metromedia again issued and sold 10-year senior notes with Salomon acting as lead manager. The notes, which were denominated in both Euros and U.S. dollars, generated proceeds of almost $1 billion. As lead manager, Salomon earned millions of dollars for its work.

50. On November 11, 1999, Metromedia priced 10 million shares of debt exchangeable for common stock, or DECS, at $39.4375, again using Salomon. These DECS were offered through a company trust and were convertible into shares of Metromedia's common stock at a price of $46.5339 with a maturity date of November 15, 2002. Salomon earned substantial fees from this transaction as well.

51. Despite Metromedia's increasing debt, Defendants maintained their "Buy" rating on Metromedia common stock throughout 1999.

52. Metromedia's heavy borrowing continued in 2000. On March 6, 2000, Verizon purchased about $1 billion in Metromedia convertible bonds with a conversion price of $17 a

share and another $715.4 million in common stock, equal to about 18% of the Company (assuming all bonds were converted to stock). Because Metromedia's stock price had fallen well below the agreed strike price of $17 a share, Verizon was forced to write off $356 million of its bond investment over the first and second quarter of 2001.

53. On or about June 30, 2000, Defendants issued an analyst report concerning Metromedia that recommended the stock as a "Buy." Indeed, despite Metromedia's continued financial deterioration, Defendants continued to maintain its highest rating of "Buy" for Metromedia throughout 2000.

54. On or about January 4, 2001, Defendants issued an analyst report concerning Metromedia that recommended the stock as a "Buy."

55. On January 9, 2001, Metromedia announced that it had obtained a $350 million senior credit facility from Citicorp USA and Salomon. This included a $150 million long-term loan and a $200 million term loan. In truth, Salomon had promised to give Metromedia only $62.5 million; Metromedia was obligated to raise the remaining $287.5 million by May 15, 2001.

56. Defendants did not reduce their "Buy" rating. Indeed, in a research note dated June 27, 2001, when the Company's share price had dropped to $2.17 per share, Defendant Grubman stated: "We continue to believe that Metromedia Fiber Network is a survivor. We also continue to believe that [Metromedia] is a buying opportunity today for risk-savvy investors."

57. On July 25, 2001, Defendants downgraded Metromedia's rating from "Buy" to "Neutral." By that time, the Company's share price had declined to $0.79 per share.

58. After Metromedia missed the July deadline, Salomon gave Metromedia until August 15, 2001 to obtain $287.5 million toward the credit facility and a $200 million line of credit from

its vendors. Metromedia claimed that it had raised $108 million toward the credit facility, leaving a remainder of$107.5 million not yet secured.

59. Ultimately, Salomon and Metromedia altered their deal. On October 1, 2001, Metromedia completed a $611 million financing package, including a $150 million note purchase facility led by Salomon, $230 million in convertible debt financing and $231 million in vendor financing.

60. Even with the new financing, Metromedia could not survive. In April 2002, Metromedia defaulted on a $30 million interest payment due to Verizon. Metromedia also disclosed that it would have to restate its 2001 results to a loss of up to $5.36 billion.

61. Finally, on May 20, 2002, Metromedia filed for protection under Chapter 11 of the U.S. Bankruptcy Code and was delisted from the NASDAQ Exchange.

The Material Omissions From And Misrepresentations In The Metromedia Reports

62. All of the Metromedia analyst reports which were issued by Defendants from November 25, 1997 through and including June 27, 2001, which are discussed herein, are collectively referred to herein as the "Metromedia Reports."

63. As of the issuance of the Metromedia Reports, Defendants possessed material, adverse, non-public information, which reasonable investors deciding whether to invest would want to know in making their investment decision.

64. Defendants, when it issued the Metromedia Reports, knew that the issuance would, as had the past Reports by Salomon regarding Metromedia, and other companies, serve to increase or inflate the price that Metromedia stock traded at, compared to the price it would have traded at

had the Metromedia Reports not been issued. Defendants issued the Metromedia Reports with the express intention of increasing and inflating the price at which Metromedia stock would trade.

65. Defendants issued the Metromedia Reports as part of Defendants' effort to obtain or maintain substantial investment banking and advisor fees, which it would obtain as the financial advisor to Metromedia in connection with the potential IPOs, offerings, acquisitions or mergers.

66. As detailed above, in each of the Metromedia Reports, the reason for the reports set forth in each of the Metromedia Reports was false and misleading because, in fact, the reason that Defendants had issued each of the Metromedia Reports was to assist Salomon in its efforts to obtain or maintain investment banking fees and to artificially inflate the price of Metromedia common stock.

67. The Metromedia Reports were deceptive and misleading because Defendants failed to disclose in those Metromedia Reports that they had based their decisions as to which companies to cover in the reports and as to what they would say in those reports regarding those companies, on the impact which those actions would have on Salomon's ability to obtain underwriting and investment banking engagements from those companies or others.

68. The Metromedia Reports, and particularly, Defendants' "Buy" recommendation of Metromedia stock in those reports, were deceptive and misleading because they failed to disclose that Salomon had a policy and practice prior to and throughout the Class Period of never issuing a report on a company in which their rating or recommendation with respect to the stock of that company was lower than a "Neutral." Defendants maintained that policy and practice, regardless of whether there was any rational economic basis for those recommendations that the applicable company's stock be acquired, because if Defendants had assigned a company a rating of less than

"Neutral" it would jeopardize Salomon's ability to obtain underwriting or investment advisory engagements from those companies or others. The Metromedia Reports were deceptive and misleading because Salomon did not disclose in those Reports the existence of, and its reason for, the above-described rating policy and practice.

69. The Metromedia Reports were deceptive and materially misleading because they failed to disclose Defendants' "Buy" recommendation of Metromedia lacked a reasonable basis in fact and there were, no rational economic reasons why the stock should trade at its current price and no rational economic reasons why the stock's price should continue to rise.

CLASS ACTION ALLEGATIONS

70. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class consisting of all persons or entities who purchased shares of Metromedia common stock from November *25,* 1997 through July 25, 2001, inclusive, and who were damaged thereby. Excluded from the Class are Defendants; any director, officer, subsidiary, or affiliate of Salmon; any entity in which any excluded person has a controlling interest; and their legal representatives, heirs, successors and assigns.

71. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are thousands of members of the Class located throughout the United States. Throughout the Class Period, Metromedia common stock was actively traded in an efficient market on the NASDAQ National Market. Record owners and other members of the Class may be identified from records maintained by Metromedia and/or its transfer agent and may be notified of the pendency of this

action by mail and publication, using forms of notice similar to those customarily used in securities class actions.

72. Plaintiff claims are typical of the claims of other members of the Class as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

73. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

74. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) Whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;

(b) Whether Defendants participated in and pursued the illegal course of conduct complained of herein;

(c) Whether statements disseminated to the investing public during the Class Period made misrepresentations or omissions of material information as alleged herein;

(d) Whether the market price of Metromedia common stock during the Class Period was artificially inflated due to the material misrepresentations and omissions complained of herein; and

(e) To what extent the members of the Class have sustained damages and the proper measure of damages.

75. A class action is superior to all other available methods for the fair and efficient

adjudication of this controversy since joinder of all members is impracticable. As the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigations make it impossible for members of the Class individually to seek redress for the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

COUNT I

AGAINST DEFENDANT FOR VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 PROMULGATED THEREUNDER

76. Plaintiff repeats and realleges each and every allegation set forth above.

77. During the Class Period, Defendants carried out a plan, scheme and course of conduct that was intended to and did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Metromedia common stock; and (iii) cause Plaintiff and other members of the Class to purchase Metromedia common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan, and course of conduct, Defendants took the actions set forth herein.

78. Defendants (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of Metromedia common stock in an effort to maintain artificially high market prices for Metromedia common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

79. Defendants' material misrepresentations and/or omissions were done knowingly or

recklessly and for the purpose and effect of manipulating the price of Metromedia common stock and concealing a serious conflict of interest arising out of Salmon's role as Metromedia's financial adviser. Defendants had no reasonable basis in fact for its "Buy" recommendation for, and its target prices for, Metromedia common stock; they failed to disclose a serious conflict of interest arising out of Salomon's role as investment advisor to Metromedia; they failed to disclose material, adverse information about Metromedia that it possessed.

80. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Metromedia common stock was artificially inflated during the Class Period. In ignorance of the fact that the market price of Metromedia shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Metromedia common stock during the Class Period at artificially inflated prices and were damaged thereby.

81. At the time of said misrepresentations and omissions, Plaintiff and the other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class known of the omitted material facts, Plaintiff and the other members of the Class would not have purchased or otherwise acquired their Metromedia common stock during the Class Period, or, if they had acquired such stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

82. Plaintiff and the members of the Class were injured because the risks that materialized

were risks of which they were unaware as a result of Defendants' misrepresentations, omissions and other fraudulent conduct alleged herein. Absent Defendants' wrongful conduct, Plaintiff and the members of the Class would not have been injured.

83. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

84. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of Metromedia common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on behalf of themselves and the Class, prays for judgment as follows:

A. declaring this action to be a plaintiff class action properly maintained pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure;

B. finding that the Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by its acts and omissions as alleged in this Complaint;

C. awarding Plaintiff and the members of the Class damages, together with interest thereon;

D. awarding Plaintiff and other members of the Class their costs and expenses of this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

E. awarding Plaintiff and other members of the Class such other and further relief as may be just and proper under the circumstances.

JURY TRIAL DEMAND

Plaintiff demands a trial by jury.

DATED: November 20, 2002

SCHOENGOLD & SPORN, P.C.

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