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16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA
18 WESTERN DIVISION

19 ELEANOR TURBERG, On Behalf of
20 Herself and All Others Similarly
21 Situated,

22 Plaintiff,

23 vs.

24 VIVENDI UNIVERSAL, S.A., JEAN-
25 MARIE MESSIER and GUILLAUME
26 HANNEZO,

27 Defendants.

) No.

) CLASS ACTION

) COMPLAINT FOR VIOLATION OF
THE SECURITIES EXCHANGE
ACT OF 1934

) DEMAND FOR JURY TRIAL

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SUMMARY AND OVERVIEW

Summary

1. This is a class action on behalf of purchasers of the common stock and American Depository Receipts ("ADRs") of Vivendi Universal, S.A. ("Vivendi" or the "Company") between 4/23/01 and 7/2/02 (the "Class Period") for violations of the federal securities laws. Vivendi operates music, television and film, publishing, Internet, telecommunications, and environmental services businesses. Vivendi's ADRs are traded on the New York Stock Exchange and its ordinary shares were traded on the EuroNext Paris S.A. (the "Paris Bourse").

2. During the Class Period, defendants' false statements artificially inflated Vivendi ADRs to as high as \$68.80 per ADR. Defendants reported favorable, but misleading, financial results to the market and represented that Vivendi was not as susceptible to economic problems as competitors and that the Company had the "highest resiliency and lowest sensitivity to recessionary environment." The defendants also represented that Vivendi was successfully implementing recent mergers which were being reorganized quickly to generate synergies. These positive but false statements allowed the Company to complete additional acquisitions in its \$100 billion buying spree between 1998 and 2001. In late 6/02, news leaked from Vivendi that its debt was at alarming levels, causing Vivendi's ADRs to decline in price from \$28 to \$20. Vivendi's ordinary shares declined in similar fashion. Nonetheless, Vivendi's CEO reassured the market that liquidity was not a problem and the ADRs did not totally collapse. However, as ratings agencies continued to downgrade the Company's debt, the ADRs continued to decline. On 7/2/02, Vivendi's debt was downgraded again and the Company was in danger of default. On 7/3/02, Vivendi's CEO was forced to resign. Vivendi ADRs collapsed upon these revelations, falling to \$15-21/32 on 7/3/02 on huge volume of 8 million shares. This collapse wiped out billions of dollars in Vivendi shareholder value, compared to the end of 2001. Later, on 7/9/02, *Bloomberg* reported that the Commission des Operations de

1 Bourse was reviewing statements released by Vivendi to ensure "they abide by our
2 rules." The regulators had raided Vivendi's Paris headquarters as part of an
3 investigation into whether Vivendi had disclosed relevant information to investors in
4 the prior 18 months.

5 **JURISDICTION AND VENUE**

6 3. The claims asserted arise under §§10(b) and 20(a) of the Securities
7 Exchange Act of 1934 ("1934 Act") and Rule 10b-5. Jurisdiction is conferred by §27
8 of the 1934 Act, and 28 U.S.C. §1331. Venue is proper here pursuant to §27 of the
9 1934 Act. Vivendi is headquartered in Paris, France but conducts business and
10 maintains operations in this county. Vivendi's Universal division is headquartered
11 here, false statements were made here and acts giving rise to the violations complained
12 of occurred here.

13 **THE PARTIES**

14 4. Plaintiff Eleanor Turberg purchased ADRs of Vivendi as described in the
15 attached certification, and was damaged thereby.

16 5. Defendant Vivendi is headquartered at Paris, France with significant
17 operations in the U.S. Vivendi's ADRs trade in an efficient market on the NYSE.
18 Vivendi's ordinary shares trade on the Paris Bourse.

19 6. (a) Defendant Jean-Marie Messier ("Messier") was Chief Executive
20 Officer and Chairman of Vivendi until he was forced out on 7/3/02. Messier received
21 compensation of \$4.8 million in 2001, despite the Company's record loss, in addition
22 to a \$17 million apartment the Company acquired for him in New York.

23 (b) Defendant Guillaume Hannezo ("Hannezo") was Chief Financial
24 Officer of Vivendi until his rumored resignation on 7/9/02. Hannezo was considered,
25 according to *Associated Press*, a "close collaborator" of Messier.

26 7. The individuals named as defendants in ¶¶6(a)-(b) are referred to herein
27 as the "Individual Defendants." The Individual Defendants are liable for the false
28 statements pleaded herein at ¶¶14, 20, 25, 27-28, 34-35, 40-41, as those statements

1 were each "group-published" information, the result of the collective action of the
2 Individual Defendants.

3 8. Messier and Vivendi were controlling persons of Vivendi and are liable
4 under §20(a) of the 1934 Act.

5 **SCIENTER AND SCHEME ALLEGATIONS**

6 **Defendants' Scheme**

7 9. Each defendant is liable for making false statements or for failing to
8 disclose adverse facts and for participating in a fraudulent scheme which permitted
9 Vivendi to maintain credit ratings so that Vivendi could borrow more and more debt
10 to make acquisitions on terms favorable to Vivendi.

11 **Background**

12 10. Vivendi was created in the 19th century as a water utility. In 6/96,
13 Messier became chairman of Générale des Eaux, the predecessor to Vivendi, which
14 was primarily a water utility company. By the time Messier became CEO in 1996,
15 Vivendi's ADRs were trading in the \$30 to \$35 range. Messier's goal was to turn the
16 Company into one of the world's largest media companies. In 3/98, Générale des
17 Eaux purchased the remaining interest in Havas S.A. (a publishing company), and a
18 month later changed its name to Vivendi. In 3/99, Vivendi bought United States Filter
19 for \$6.2 billion. Messier's growth strategy required the acquisition of large companies
20 through which Vivendi accumulated large amounts of debt. In 6/00, Vivendi
21 announced the acquisition of Seagram Company (which owned Universal Studios and
22 Polygram Records) for \$34 billion. The principal owner of Seagram was Edgar
23 Bronfman, Jr. (and his family) who then became the largest shareholder of Vivendi.
24 By the beginning of 2001, Messier was under tremendous pressure to produce
25 favorable financial results. Bronfman, who was vice-chairman of the Company, was
26 particularly critical of the strategy and the debt load. Messier knew that his strategy,
27 and ultimately his job, depended on favorable financial results. Thus, while Messier
28 continued the acquisitions in 2001, it was important the Company report favorable

1 results. On 6/1/01, Vivendi announced the acquisition of Houghton Mifflin Company
2 for \$1.7 billion. In 12/01, Vivendi bought 10% of Echostar, a satellite TV operator,
3 and announced the acquisition of USA Networks for \$10.3 billion.

4 11. These acquisitions ultimately saddled Vivendi with \$27 billion in debt
5 and required that Vivendi maintain favorable credit ratings and maintain a strong
6 stock price.

7 12. On 3/9/01, Vivendi issued a press release reporting its "better than
8 expected" 4thQ and 2000 results. The press release stated:

9 Vivendi Universal announced today that on a pro forma basis for
10 calendar 2000, the Company reported 7.2 billion euros in EBITDA
11 (earnings before interest, taxes, depreciation and amortization) for the
12 period ending December 31, 2000, up 48 percent from 1999. Results
13 reflect strong performance across the Company's business units – Media
14 and Communication and Environmental Services. Actual EBITDA for
15 the 12 months ended December 31, 2000, was 6 billion euros versus 4.3
16 billion euros in 1999.

17 The pro forma results were driven by growth in all business
18 segments with the exception of Internet, in which development costs
19 related to business expansion continued to have a negative impact on
20 earnings.

21 * * *

22 Jean-Marie Messier, Chairman and Chief Executive Officer of
23 Vivendi Universal, stated: "The strong results that Vivendi Universal has
24 generated for calendar 2000 provide a very solid foundation for the
25 Company's growth prospects in 2001. The robust performance of
26 Vivendi Universal's business segments clearly reflects the fast pace and
27 clear momentum that we have established as Vivendi Universal enters
28 2001. The Company's unique combination of content and distribution

1 assets paves the way for enormous growth opportunities. We have our
2 management teams and plans in place as we moves [sic] to execute the
3 growth strategies. The management team, in particular, has been focused
4 on the day-to-day operational performance and increased productivity of
5 each of the Company's business units. I am very confident that, for
6 Media and Communications, we will reach our revenue growth target of
7 10 percent and our aggressive EBITDA growth target of 35 percent for
8 the period 2000-2002 and achieve superior returns for Vivendi Universal
9 shareholders."

10 Jean-Marie Messier continues: "We are ideally positioned to
11 provide the global consumer with seamless connectivity and
12 competitively superior content and services – anywhere, any time and
13 over any device or platform. Our businesses are strong, our management
14 is focused and growth prospects are real and immediate."

15 13. At the beginning of the Class Period, Vivendi's ADRs were trading in the
16 \$60 range. If the Company's fragile financial structure was revealed, its ADRs would
17 have collapsed, its credit ratings would have been downgraded and the Company's
18 ability to continue acquisitions would have been eliminated.

19 **FALSE AND MISLEADING STATEMENTS**

20 14. On 4/23/01, Vivendi announced "Very Strong" 1stQ 01 results in a press
21 release which stated in part:

22 Highlights For All Media and Communications Businesses

23 – Revenues increased 13.4% to 5.0 billion euros, excluding Universal
24 Studios Group (USG) Filmed Entertainment, for media and
25 communications businesses. Total revenues grew approximately 10%
26 to 5.9 billion euros;

27 – EBITDA grew 112% to 900 million euros for media and
28 communications businesses;

1 – The Company is ahead of cost-saving target of 200 million euros for
2 2001, with early wins in the quarter representing an annual impact of
3 more than 140 million euros;

4 – Management reiterates its confidence in meeting its 2001 revenue
5 growth target of 10% (excluding USG Filmed Entertainment) and 35%
6 EBITDA growth.

7 Highlights By Business

8 – Music EBITDA 15% to 180 million euros reflecting strong market
9 share and a revenue increase of 3%;

10 – Telecoms EBITDA increased more than 3 fold to 433 million euros
11 and revenues were up 30%;

12 – TV and Film EBITDA more than doubled to 284 million euros.
13 Revenues were up 3%, excluding USG Filmed Entertainment;

14 – Publishing EBITDA increased 16% with revenues up 5.5%.

15 * * *

16 "I am very pleased with Vivendi Universal's outstanding
17 performance in our first quarter as a new company. All our results meet
18 or exceed our key operating targets. We created significant momentum
19 by delivering solid first quarter 2001 results in EBITDA, which more
20 than doubled, and by generating double digit revenue growth," said Jean-
21 Marie Messier, Chairman and Chief Executive Officer of Vivendi
22 Universal.

23 "These results show the focus and dedication of all our
24 management teams, in executing the unique promise of Vivendi
25 Universal around its global strategy. This is a great beginning. With our
26 momentum, our targets and the drive of our executive team, I am
27 extremely confident that, for Media and Communications, we will reach
28 our annual EBITDA and revenue growth targets of 35% and 10%,"

1 respectively in 2001 and 2002 and achieve superior returns for Vivendi
2 Universal shareholders."

3 "Finally," Jean-Marie Messier added, "We are also ahead of
4 targets for the synergies which indicate that the path of integration
5 between our teams is great. My only focus is and remains execution of
6 this compelling media merger."

7 15. Subsequent to issuing its results, Vivendi hosted a conference call to
8 discuss the results and the Company's business and prospects. During the call,
9 Messier and others in Vivendi management stated:

- 10 • Vivendi's favorable financial results were due to strength across all
11 business lines.
- 12 • Vivendi was on track for full year sales growth of 10%, excluding
13 Universal Studios.
- 14 • The Company was on track to report EPS of \$1.22+ in 2001 and \$1.74+
15 in 2002.

16 16. Analysts subsequently issued reports on Vivendi, based on defendants'
17 statements, rating the Company and forecasting earnings as follows:

18	Firm	Analyst	Rating	2001 EPS	2002 EPS
19	Deutsche Banc	L. Francoy	Market Perform	€1.22	€1.74
20	Societe Generale	T. Cota	Buy		

21 17. The analysts also wrote:

- 22 • Deutsche Banc Alex. Brown:

23 These robust Q1 numbers led to confident comments by the
24 company on full-year targets.

1 • Societe Generale:

2 The Q1 2001 results reported yesterday morning by Vivendi
3 Universal for its media and telecommunications divisions confirm the
4 group's good growth in all its business segments. Based on this
5 performance, management is confident about meeting the objectives it
6 announced when Vivendi merged with Universal: 10% growth in sales
7 35% growth in EBITDA.

8 18. In fact, Vivendi's financial statements were misleading as described in
9 ¶¶45-58, and defendants' statements were false and misleading as the Company was
10 not on track to achieve the earnings growth forecast. Moreover, the Company had
11 billions of dollars worth of goodwill that was impaired for which Vivendi had not
12 recorded impairment charges. The Company was not nearly as resilient in the face of
13 recession as represented and would suffer just as much as its competitors, and in fact
14 more so, due to its excessive debt levels.

15 19. On 5/20/01, Vivendi announced an agreement to purchase MP3.com in
16 a combined cash and stock transaction.

17 20. On 7/22/01, Vivendi announced "Very Strong" 2ndQ 01 results in a press
18 release which stated in part:

19 – In the course of the first half of 2001, Vivendi Universal achieved three
20 quarters of its full-year target of incremental EBITDA (nearly 800
21 million euros excluding Maroc Telecom, relative to the company's target
22 of slightly more than 1 billion euros).

23 – In the first half of 2001, revenues increased to 12.4 billion euros (up
24 15%), and EBITDA grew to 2.2 billion euros (up 77% over 2000
25 comparable period).

26 – During a strong second quarter, revenues increased 16% to 6.6 billion
27 euros, and EBITDA grew 57% to 1.3 billion euros.
28

1 – Excluding Maroc Telecom, revenue growth was 8%, and EBITDA
2 growth was 35% for the second quarter. For the first half of 2001,
3 revenues were up 11% and EBITDA was up 62%.

4 * * *

5 "The results produced by Vivendi Universal in the second quarter
6 are well ahead of market consensus," said Jean-Marie Messier, Chairman
7 and Chief Executive Officer of Vivendi Universal. "They confirm the
8 robustness of our businesses, with limited exposure to advertising; the
9 benefits of a truly global position; and the fast progress of the
10 reorganization and implementation of our recent merger.

11 "With three quarters of the 'aggressive' incremental EBITDA
12 target for the full year 2001 already achieved in the first half of the year,
13 I can only re-emphasize our confidence. We will at least meet our stated
14 targets.

15 "Obviously, our current stock price does not fully reflect this
16 situation in terms of EBITDA multiples or Enterprise Value to EBITDA
17 to growth. With the highest growth rates of the industry and the lowest
18 multiples, our stock is definitely an attractive investment today.

19 "The first half has been a period of total operational focus in each
20 of our businesses, while completing significant achievements in the
21 implementation of the merger, reorganization and execution of our
22 strategy."

23 (Footnotes omitted.)

24 21. Subsequent to issuing its results, Vivendi hosted a conference call to
25 discuss the results and the Company's business and prospects. During the call,
26 Messier and others in Vivendi management stated:

- 27 • Vivendi was able to achieve strong results even in a down market and
28 was in fact gaining market share.

1 • The Company was still on track to achieve strong growth in revenues
2 and earnings in 2001, including EBITDA growth of 35%.

3 22. Analysts subsequently issued reports on Vivendi, based on defendants'
4 statements, which rated the Company as follows:

5	Firm	Analyst	Rating
6	Merrill Lynch	N. Blackley	Buy
7	Robertson Stephens	M. Graham	Buy

8 23. The analysts also wrote:

9 • Merrill Lynch:

10 Company re-confirmed its targets for 2001. In a down music market,
11 Universal is gaining share and is confident of double digit EBITDA
12 growth.

13 • Robertson Stephens:

14 We expect the company to perform well through a sluggish economy and
15 to emerge strategically well-positioned.

16 24. In fact, Vivendi's financial statements were misleading as described in
17 ¶¶45-58, and defendants' statements were false and misleading as the Company was
18 not on track to achieve the earnings growth forecast. Moreover, the Company had
19 billions of dollars worth of goodwill that was impaired for which Vivendi had not
20 recorded impairment charges. The Company was not nearly as resilient in the face of
21 recession as represented and would suffer just as much as its competitors, and in fact
22 more so, due to its excessive debt levels.

23 25. On 8/2/01, Vivendi announced it had completed the acquisition of
24 Boston-based Houghton Mifflin Company:

25 The cash tender offer at \$60 per share expired on July 6, at which
26 time approximately 90% the Houghton Mifflin shares were tendered and
27 purchased by Vivendi Universal at the \$60 per share tender offer price.

28

1 Now, with the completion of the merger, the remaining 10% of the
2 shares have been acquired at the same price.

3 * * *

4 Commenting on today's closure of the acquisition, Jean Marie
5 Messier, chairman and chief executive officer of Vivendi Universal said:
6 "We now have worldwide leadership positions in music, film, games,
7 and education. The acquisition of Houghton Mifflin catapults Vivendi
8 Universal Publishing to the No. 2 position worldwide in education
9 publishing and significantly enhances its position in the U.S. textbook
10 market."

11 Mr. Messier continued: "This very strategic acquisition is another
12 step in Vivendi Universal's plan to achieve world leadership in key
13 content segments. It puts us in an extremely competitive position to
14 capitalize on the growth of the education sector by leveraging the content
15 and technologies of both companies across all of Vivendi Universal.
16 Thanks to our ability to finance this deal through the sale of other
17 valuable, yet non-strategic assets in our publishing portfolio, the
18 acquisition will not impact our balance sheet and will accretive to our
19 shareholders."

20 26. In early 9/01, Vivendi's ADRs declined from the mid-\$50s to the mid-
21 \$40s per share, as rumors circulated Vivendi would disappoint. In response, Messier
22 categorically denied any problems. Vivendi, after the market closed on 9/5/01,
23 reiterated its targets for 2001 and 2002. In an interview with *Reuters*, Messier was
24 quoted as stating that "no profit warning of any kind needs to be feared coming from
25 Vivendi Universal."

26 27. On 9/25/01, Vivendi issued a release announcing "Strong first Half 2001
27 Results" and "Solid Outlook for 2002":
28

1 Strong Operating Results in First Half 2001 Reflect Strength of
2 Businesses, Limited Exposure to Advertising, Leadership Positions in
3 Key Businesses and Rapid Progress of Integration and Implementation
4 of Merger

5 * * *

6 Despite the slowdown in the economy, particularly in the U.S., which
7 has negatively impacted all U.S. activities that are focused on industrial
8 clients, such as water and waste management, the company has seen
9 growth in these segments, and the results are in line with the company's
10 expectations. For the first half of 2001, revenues were up 11% to 13.9
11 billion euros; EBITDA was up 12% to 1.76 billion euros; operating
12 income was up 13% to 0.97 billion euros.

13 * * *

14 "Should the recent tragedy result in further period of uncertainty
15 and maybe recession, Vivendi Universal will continue to deliver growth
16 and will benefit from strong defensive qualities:

- 17 - very limited exposure to advertising revenues (1%)
- 18 - huge portion of subscription revenues (44%)
- 19 - restructuring benefits (Canal +)
- 20 - non-cyclical content activities (education)
- 21 - income from its environment business"

22 28. On 10/30/01, Vivendi announced its 3rdQ 01 results in a press release
23 which stated in part:

24 – Strong third quarter results with revenues up 24% to 7.3 billion euros
25 and EBITDA (earnings before interest, taxes, depreciation and
26 amortization) up 90% to 1.5 billion euros, versus 2000 comparable
27 results of Vivendi Universal, including Seagram and Canal+.

28

1 – Organic revenue growth, which excludes the impact of 2001
2 acquisitions and disposals, was 8% in the third quarter and 10% year-to-
3 date, in line with 2001 growth target.

4 – EBITDA organic growth is very strong, reaching 36% in the third
5 quarter and 52% year-to-date. It represents the achievement in nine
6 months of close to 100% of the full year 2001 incremental EBITDA
7 growth target.

8 – On a pro forma basis, third quarter revenue growth was 8%, and
9 EBITDA growth was 30%. Year-to-date revenues increased 9%, and
10 EBITDA increased 46%.

11 – Company reaffirms confidence in achieving its growth targets: 10%
12 revenue growth and 35% organic EBITDA growth in 2001.

13 * * *

14 "Our third quarter results for the media and communications
15 businesses, with 24% revenue and 90% EBITDA growth, including
16 organic growth of 8% and 36% respectively, are obviously strong despite
17 the tough environment," said Jean-Marie Messier, Chairman and Chief
18 Executive Officer of Vivendi Universal. "They reflect both our higher
19 potential for growth and greater resiliency to recessionary environments
20 compared to many of our peers.

21 "Indeed Vivendi Universal's media and communications
22 businesses have achieved higher growth rates and have a greater
23 potential for growth than most of our peers for two major reasons:

24 – Our strong creative and market leadership positions allow us to
25 increase or maintain our market share in all of our content businesses,
26 including music, movies, education and games.

27 – Our distribution activities position us on the forefront of the interactive
28 technologies of the future – digital TV, mobile, and Internet. These

1 activities are still significantly below their maximum penetration rates
2 and provide a huge potential for significant double-digit growth of our
3 subscriber base in the coming years.

4 "Additionally, Vivendi Universal's media and communications
5 businesses are presently less vulnerable to recessionary environments
6 than many of our peers because of our strong defensive qualities,
7 including:

8 – Our truly global presence: 60% of our revenues are generated in
9 Europe, 30% in North America and 10% in the rest of the world (52%,
10 40% and 8%, respectively, including USA Networks);

11 – Over 44% of our revenues are generated from subscriptions, which
12 have the highest resiliency to a recession. This is a higher stake than any
13 of our peers.

14 – A very small proportion of our revenues are generated from advertising
15 and theme parks, activities that are the most vulnerable to an economic
16 downturn. Advertising generates approximately 1% of our revenues
17 (after adjusting for recent acquisitions and divestitures), and theme parks
18 generate less than 3% of our revenues. This is a lower stake than any of
19 our peers."

20 ***"Having the highest resiliency and lowest sensitivity to a***
21 ***recessionary environment explains our ability to outperform most of***
22 ***our peers."***

23 "Even so, Vivendi Universal's media and communications
24 businesses are not immune to the effects to [sic] a recession. But, in
25 challenging and uncertain environments, which can negatively impact
26 businesses in all industries, Vivendi Universal offers within the media
27 and communications industry both the highest potential for growth going
28 forward and the best ability to resist a difficult economic environment."

1 "An early look at the fourth quarter indicates that we are on track
2 to meet our targets. I continue to express my confidence in achieving
3 10% revenue growth and 35% EBITDA growth in 2001 at a constant
4 asset base. This, combined with some expansions in the company's asset
5 base (*i.e.*, Maroc Telecom and Houghton Mifflin), should result in
6 full-year Media and Communications EBITDA slightly above 5 billion
7 euros."

8 (Footnotes omitted.)

9 29. Subsequent to issuing its results, Vivendi hosted a conference call to
10 discuss the results and the Company's business and prospects. During the call,
11 Messier and others in Vivendi management stated:

- 12 • Vivendi was able to achieve strong results even in a down market and
13 was in fact gaining market share.
- 14 • The Company was still on track to achieve strong growth in revenues
15 and earnings in 2001.

16 30. Based on defendants' statements, including those made on the conference
17 call, on 10/31/01, Morgan Stanley, Dean Witter issued a report on Vivendi rating the
18 Company "OutPerform," forecasting EBITDA for 2001 and 2002 of €8.77 billion and
19 €10.1 billion, respectively, and stating:

20 We continue to accord Vivendi Universal on Outperform-V rating
21 with a Euro62 twelve-month price target. Our investment thesis is based
22 on VU's valuation, lack of sensitivity to economic recession, and
23 diversity of revenue sources. In a quarter in which all its peers were
24 forced to revise their 2001 and 2002 outlooks downward to reflect
25 continued US economic weakness exacerbated by the events of Sept 11,
26 Vivendi Universal outperformed expectations and reiterated its full year
27 guidance. The divergence between VU and its peers reflects the
28 company's high level of financial predictability, a direct function of

1 owning a number of internationally diversified, market share-leading
2 businesses that have a low dependence on advertising.

3 31. In fact, Vivendi's financial statements were misleading as described in
4 ¶¶45-58, and defendants' statements were false and misleading as the Company was
5 not on track to achieve the earnings growth forecast. Moreover, the Company had
6 billions of dollars worth of goodwill that was impaired for which Vivendi had not
7 recorded impairment charges. The Company was not nearly as resilient in the face of
8 recession as represented and would suffer just as much as its competitors, and in fact
9 more so, due to its excessive debt levels.

10 32. At the end of 2001, Vivendi was forced to slightly lower its EBITDA
11 targets for 2002. The Company's ADRs declined in price on this news but continued
12 to be artificially inflated due to the Company's misleading financial practices and
13 inadequate disclosures described in ¶¶45-58.

14 33. On 2/5/02, J.P. Morgan issued a report on Vivendi by Mark Harrington
15 based on Harrington's meeting with Vivendi management. The report rated Vivendi
16 a Buy and stated in part:

17 Preview of 2001 Results Following Meeting With Management

18 VU to Report March 5; Media and Communications

19 EBITDA Likely to Meet Guidance

20 We expect the Film and Games divisions to remain the key drivers
21 of growth, but foresee relative weakness from the Music and Theme
22 Parks divisions. VU's Media and Communications division should
23 report 2001 revenue of €27,646 million and EBITDA of €5,009
24 million. Importantly, if VU meets our estimates, it will be one of the few
25 global media players to meet its previous (unadjusted) guidance at the
26 EBITDA level in the last year. These results will be preceded by
27 revenue for the VU group in mid-February.

28

1 Operating Income of 1.838 billion euros representing 89% pro
2 forma growth

3 Operating Free Cash Flow of 2.026 billion euros, ahead of
4 guidance (1.2 to 1.5 billion euros) and up 2 billion euros over 2000

5 Synergies for costs alone reached more than 500 million euros
6 cash savings, ahead of guidance, including 293 million euros of EBITDA
7 savings, 114 million euros of CAPEX savings both recognized in 2001
8 and 173 million euros of treasury savings on a 12-month basis.

9 * * *

10 – Debt

11 – Debt in French GAAP was 14.6 billion euros for the Media
12 and Communications activities as of December 31, 2001.

13 – In U.S. GAAP, it was 19.1 billion euros at the same time.

14 – The Company's 2002 goal is to sustain its current triple-B
15 rating of the group – which under U.S. GAAP, would be
16 equal to or less than three times EBITDA, and to reach a
17 2.5 times EBITDA ratio by the mid-term.

18 (Footnotes omitted.)

19 36. As a result of these positive statements, Vivendi's ADR's actually
20 increased in price on 3/6/02.

21 37. Subsequent to issuing its results, Vivendi held a conference call to
22 minimize the importance of its \$13 billion write-down and assure investors that its
23 business was still strong. Lehman Brothers issued a report on 3/6/02 based in part on
24 the statements made by Vivendi management in this call:

25 * In its post results conference call, management confirmed that the
26 value adjustments to the US assets (see further detail below) reflected
27 largely a change in accounting treatment and did not signal a negative
28 outlook for the US water business. The 2000 outsourcing backlog of

1 \$700m increased by 40% to \$1.1bn of new outsourcing backlog in 2001.
2 In the equipment business, there is 50% more backlog in equipment than
3 there was at the start of 2001, signalling some recovery in the US
4 economy.

5 * Management confirmed it is in the final bidding stages for the
6 Indianapolis water privatisation in the US, which could deliver \$40-50m
7 pa of revenue. In the industrial outsourcing sector it is confident it will
8 continue to maintain its 70-80% market share.

9 38. Bear Stearns issued a report on 3/6/02 based on the same conference call
10 which stated in part:

11 The company disclosed that the EUR19 billion of net debt has an
12 average maturity of 4-years and an average cost of 4.1%. Management
13 pointed out that the strength of the group's finances is underlined by a
14 recently negotiated 5-year credit facility at 45 basis points over LIBOR.

15 * * *

16 2002 Guidance. For 02, Management reiterated their guidance of
17 10% organic sales growth for all the Media Communications businesses.
18 Vivendi also expects EBITDA of close to EUR6 billion (pre-USA
19 Networks and pre-Stream).

20 39. By the spring of 2002, it was clear that Messier's acquisitions would have
21 to stop, as debt levels were getting so enormous (not including the off-balance sheet
22 debt) that further debt from acquisitions would not be supportable. It then became
23 Messier's most important message to assure the markets that Vivendi's debt levels
24 were manageable. At this point, he realized his job was in danger.

25 40. On 4/29/02, Vivendi announced its results for the 1stQ 02:

- 26 – Consolidated revenue grew 12% pro forma to 13.2 billion euros.
- 27 – Consolidated Operating Income grew 11% pro forma to 781 million
- 28 euros, excluding goodwill amortization.

1 – Earnings Per Share (EPS) before the cumulative effect of an
2 accounting change was 0.05 euros.

3 * * *

4 "I reiterate that Vivendi Universal's 2002 priorities are: no
5 significant acquisition activity; an aggressive plan for debt reduction; a
6 clear focus on operations and cash management; a focus on developing
7 new synergies to create greater revenues; and, a strategy to mitigate the
8 sources of negative operating free cash flow. These priorities should
9 contribute to creating greater value for our employees and shareholders."

10 41. In late 4/02 and through mid-5/02, Vivendi's ADRs declined from the
11 \$35 range to the \$29 range as concerns increased about its debt levels. To stop this
12 decline, on 5/30/02, Vivendi issued a release which indicated its cash position was
13 "comfortable":

14 Vivendi Universal confirms having obtained agreement from the banks
15 to delete the clauses that linked the availability of credit lines to a rating
16 level. The Company's bank credit line is, therefore, no longer dependent
17 on rating agencies' decisions.

18 Additionally, the Company has no reason to anticipate or fear any
19 further deterioration in its credit rating.

20 Vivendi Universal has also confirmed that, after payment of the
21 dividend and the acquisition of USA Networks, its available credit lines
22 that have not been used to date amount to almost 3.5 billion euros. Also,
23 its use of commercial paper is limited to about 1 billion euros, and the
24 reimbursement of expected debts during the coming months is limited.

25 This cash situation, which, the Company believes, is comfortable
26 – even assuming an extremely pessimistic market – will enable the
27 Company to continue its debt reduction program with confidence and
28 with a view to creating the best possible value for its shareholders.

1 42. On 6/26/02, Vivendi held a "reassuring" conference call about its debt
2 and liquidity. The call was successful in that Merrill Lynch the next day noted:

3 We believe the rapid share price fall of some 25% in the last two
4 weeks is unwarranted and expect ongoing deleveraging and improving
5 confidence in the company's short term liquidity position should begin
6 to revive interest in the shares.

7 43. However, as ratings agencies continued to downgrade the Company's
8 debt, the stock continued to decline. On 7/2/02, Vivendi's debt was downgraded again
9 and the Company was in danger of default. On 7/3/02, Vivendi's CEO was forced to
10 resign. Vivendi stock collapsed upon these revelations, falling to \$15-21/32 on 7/3/02
11 on huge volume of 8 million shares. This collapse wiped out billions of dollars in
12 Vivendi shareholder value, compared to the end of 2001. Later, on 7/9/02, *Bloomberg*
13 reported that the Commission des Operations de Bourse was reviewing statements
14 released by Vivendi to ensure "they abide by our rules." The regulators had raided
15 Vivendi's Paris headquarters as part of an investigation into whether Vivendi had
16 disclosed relevant information to investors in the prior 18 months.

17 44. Vivendi's ADRs declined to as low as \$13.40 on 7/3/02 and currently
18 trade below \$17.

19 **VIVENDI UNIVERSAL'S MISLEADING**
20 **FINANCIAL RESULTS**

21 45. During the Class Period, Vivendi reported the following financial results:

	1stQ01	2ndQ01	3rdQ01	2001	1stQ02
Revenues	€5.0 B	€6.6 B	€7.3 B	€58.7 B	€13.2 B
EBITDA	€900 M	€1.3 B	€1.5 B	€1.87 B	€1.1 B

	First Half 2001	2001
Net Income (Loss)	€22 M	€13.6 B

1 46. The above results were materially misleading when made, as Vivendi's
2 financial statements included in its Form 6-Ks and Form 20-Fs and in the Company's
3 press releases were not a fair presentation of Vivendi's results and were presented in
4 violation of the principles of fair reporting, as well as International Accounting
5 Standards, Generally Accepted Accounting Principles ("GAAP") and SEC rules. In
6 fact, Vivendi had grossly overvalued goodwill on its books which it failed to write-
7 down until late in the Class Period, and the Company had billions of euros in debt it
8 was improperly excluding from its balance sheet. The Company also recorded
9 excessive increases to goodwill for operating expenses and, in the 4thQ 01, recorded
10 income from a transaction involving a subsidiary wherein Vivendi purportedly sold
11 part of its interest but retained the same ownership ratio – yet Vivendi recognized
12 €116 million in gain on the transaction. Ultimately, the Company has recorded a €13
13 million charge for goodwill which Vivendi admitted had declined over "the last two
14 years." The Company is also being investigated by French authorities as to the
15 adequacy of its disclosures over the prior 18 months and its Paris headquarters have
16 been raided.

17 47. GAAP are those principles recognized by the accounting profession as
18 the conventions, rules and procedures necessary to define accepted accounting
19 practices at a particular time. SEC Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states
20 that financial statements filed with the SEC which are not prepared in compliance with
21 GAAP are presumed to be misleading and inaccurate, despite footnote or other
22 disclosure. Regulation S-X requires that interim financial statements must also
23 comply with GAAP, with the exception that interim financial statements need not
24 include disclosure which would be duplicative of disclosures accompanying annual
25 financial statements. 17 C.F.R. §210.10-01(a).

26 48. Financial results should represent what they purport to represent. GAAP,
27 as set forth in FASB Statement of Concepts No. 2, ¶63, states in part:
28

1 Representational faithfulness is correspondence or agreement between
2 a measure or description and the phenomenon it purports to represent.

3 49. SFAS No. 5, Accounting for Contingencies, provides that losses from
4 uncollectible receivables should be accrued when the loss is probable and the amount
5 can be reasonably estimated, even if the particular receivable which will not be
6 collected can not be identified. *See* SFAS No. 5, ¶22.

7 50. International Accounting Standards, §9036, "Impairment of Assets,"
8 require that goodwill be tested for impairment and any impairment written down to
9 the recoverable amount:

10 .79 Goodwill arising on acquisition represents a payment made
11 by an acquirer in anticipation of future economic benefits. The future
12 economic benefits may result from synergy between the identifiable
13 assets acquired or from assets which, individually, do not qualify for
14 recognition in the financial statements. Goodwill does not generate cash
15 flows independently from other assets or groups of assets and, therefore,
16 the recoverable amount of goodwill as an individual asset cannot be
17 determined. As a consequence, if there is an indication that goodwill
18 may be impaired, recoverable amount is determined for the cash-
19 generating unit to which goodwill belongs. This amount is then
20 compared to the carrying amount of this cash-generating unit and any
21 impairment loss is recognized in accordance with paragraph .88.

22 51. Vivendi failed to record impairment for goodwill even as the market
23 declined over two years prior to the time it recorded a €13 billion charge in 3/02.

24 52. Vivendi also made inadequate disclosures about its €17 billion in off-
25 balance sheet liabilities which distorted its liquidity. These liabilities, which were not
26 adequately disclosed included: Broadcasting Rights (€2.8B); Creative Talent and
27 Employment Agreements (€0.9B); Operating Leases (€4.7B); Real Estate
28 Defeasances (€0.7B); Potential Vendor Financing at Xfera Joint Venture (€1.9B);

1 Public Service Contracts (€0.2B); Liability to Rondor Music (€0.3B); Cegetal
2 Buyback of Telecom Development (€0.1B); Bank Facility and Theatre Rental
3 Guarantees at Cinema Corporation (€0.4B); Put Option on Vivendi Shares (as much
4 as €1.2B); and Replacement Cost of Fixed Assets at Vivendi Environment (€2.4B).
5 These totaled more than €17 billion. The Company's securities have now declined
6 in value as investors are extremely concerned that the Company will default and the
7 Company's ability to repay its outstanding debt is in doubt.

8 53. Vivendi also inflated its earnings and obtained over €1 billion in
9 proceeds as the result of a transaction involving the sale of an interest in Vivendi
10 Environment ("VE"). Specifically, in 12/01, Vivendi sold 32.4 million shares of VE
11 for €1.2 billion, generating pre-tax capital gains of €116 million. However,
12 according to Vivendi's Form 6-K filed with the SEC in 4/02, VE issued one free
13 warrant for each share held, with every seven warrants giving holders the right to a
14 new share of VE at €55/share until 3/06. As a result of the warrant issue, Vivendi's
15 consolidated equity interest in VE remained steady at 63%, both before and after the
16 transaction. Absent this transaction, Vivendi's 2001 income before exceptional items,
17 income taxes, goodwill amortization, equity interest and minority interest would have
18 been €1,751 million as compared to the reported €1,867 million.

19 54. Vivendi also boosted reported earnings in 2001 and future periods as a
20 result of creating excessive reserves for closure, exit and consolidation activities and
21 making related payments via adjustments to the goodwill attributable to the companies
22 acquired during 2000 rather than to expenses. In conjunction with the Company's
23 2000 acquisitions of Seagram and Canal+, in 2001 Vivendi increased its reserves for
24 exit activities by €400 million by increasing the goodwill attributable to these
25 acquisitions. These excess reserves can be used to inflate future earnings.

26 55. Typically, when a company increases a reserve or makes payments for
27 severance or other costs, the company records an expense on its profit and loss
28 account (*e.g.*, provision for restructuring) and credits (increases) the reserve account

1 by a like amount. However, in this case, the increase in Vivendi's accruals for exit
2 costs was achieved without any reported effect on the Company's reported profits.
3 Instead of reporting an expense, Vivendi increased the goodwill attributable to the
4 Company's 2000 acquisitions and increased the Company's reserves by a like amount.

5 56. Although it is not unusual for companies to make accounting adjustments
6 to acquired assets and liabilities, the magnitude of Vivendi's adjustments in 2001 were
7 enormous.

8 57. Due to these accounting improprieties, Vivendi presented its financial
9 results and statements in a manner which violated GAAP, including the following
10 fundamental accounting principles:

11 (a) The principle that interim financial reporting should be based upon
12 the same accounting principles and practices used to prepare annual financial
13 statements was violated (APB No. 28, ¶10);

14 (b) The principle that financial reporting should provide information
15 that is useful to present and potential investors and creditors and other users in making
16 rational investment, credit and similar decisions was violated (FASB Statement of
17 Concepts No. 1, ¶34);

18 (c) The principle that financial reporting should provide information
19 about the economic resources of an enterprise, the claims to those resources, and
20 effects of transactions, events and circumstances that change resources and claims to
21 those resources was violated (FASB Statement of Concepts No. 1, ¶40);

22 (d) The principle that financial reporting should provide information
23 about how management of an enterprise has discharged its stewardship responsibility
24 to owners (stockholders) for the use of enterprise resources entrusted to it was
25 violated. To the extent that management offers securities of the enterprise to the
26 public, it voluntarily accepts wider responsibilities for accountability to prospective
27 investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);
28

1 (e) The principle that financial reporting should provide information
2 about an enterprise's financial performance during a period was violated. Investors
3 and creditors often use information about the past to help in assessing the prospects
4 of an enterprise. Thus, although investment and credit decisions reflect investors'
5 expectations about future enterprise performance, those expectations are commonly
6 based at least partly on evaluations of past enterprise performance (FASB Statement
7 of Concepts No. 1, ¶42);

8 (f) The principle that financial reporting should be reliable in that it
9 represents what it purports to represent was violated. That information should be
10 reliable as well as relevant is a notion that is central to accounting (FASB Statement
11 of Concepts No. 2, ¶¶58-59);

12 (g) The principle of completeness, which means that nothing is left out
13 of the information that may be necessary to ensure that it validly represents underlying
14 events and conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

15 (h) The principle that conservatism be used as a prudent reaction to
16 uncertainty to try to ensure that uncertainties and risks inherent in business situations
17 are adequately considered was violated. The best way to avoid injury to investors is
18 to try to ensure that what is reported represents what it purports to represent (FASB
19 Statement of Concepts No. 2, ¶¶95, 97).

20 58. Further, the undisclosed adverse information concealed by defendants
21 during the Class Period is the type of information which, because of SEC regulations,
22 regulations of the national stock exchanges and customary business practice, is
23 expected by investors and securities analysts to be disclosed and is known by
24 corporate officials and their legal and financial advisors to be the type of information
25 which is expected to be and must be disclosed.

26 CLASS ACTION ALLEGATIONS

27 59. This is a class action on behalf of purchasers of Vivendi common stock
28 and ADRs during the Class Period, excluding defendants, directors and officers of the

1 Company and their families and affiliates (the "Class"). Class members are so
2 numerous that joinder of them is impracticable.

3 60. Common questions of law and fact predominate and include whether
4 defendants: (i) violated the 1934 Act; (ii) omitted and/or misrepresented material
5 facts; (iii) knew or recklessly disregarded that their statements were false; and (iv)
6 artificially inflated Vivendi's stock and ADR prices and the extent of and appropriate
7 measure of damages.

8 61. Plaintiff's claims are typical of those of the Class. Prosecution of
9 individual actions would create a risk of inconsistent adjudications. Plaintiff will
10 adequately protect the interests of the Class. A class action is superior to other
11 available methods for the fair and efficient adjudication of this controversy.

12 **CLAIM FOR RELIEF**

13 62. Defendants violated §10(b) and Rule 10b-5 by:

14 (a) Employing devices, schemes and artifices to defraud;

15 (b) Making untrue statements of material facts and omitting to state
16 material facts necessary in order to make the statements made, in light of the
17 circumstances under which they were made, not misleading; and

18 (c) Engaging in acts, practices and a course of business that operated
19 as a fraud or deceit upon the Class in connection with their purchases of Vivendi stock
20 and ADRs.

21 63. Class members were damaged. In reliance on the integrity of the market,
22 they paid artificially inflated prices for Vivendi stock and ADRs.

23 64. The undisclosed adverse information concealed by defendants during the
24 Class Period is the type of information which, because of SEC regulations, regulations
25 of the national stock exchanges and customary business practice, is expected by
26 investors and securities analysts to be disclosed and is known by corporate officials
27 and their legal and financial advisors to be the type of information which is expected
28 to be and must be disclosed.

