



January 7, 2004

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Michael D. Capellas
Chief Executive Officer
WorldCom, Inc.
22001 Loudoun County Parkway
Ashburn, VA 20147

Re: Notice of Termination of Proposed Debarment of WorldCom, Inc., dba MCI

Dear Mr. Capellas:

On July 31, 2003, the General Services Administration (GSA) issued a Notice of Proposed Debarment (the "Notice") to WorldCom, Inc., dba MCI (WorldCom). The Notice states that the action was based on information provided by GSA's Office of Inspector General and by WorldCom. It further states that "significant weaknesses" in WorldCom's internal controls and corporate governance structure raised grave concerns about the present responsibility of the company. These significant weaknesses were grouped in two broad areas: Accounting Controls, and Integrity and Business Ethics.

Subsequent to the issuance of that Notice, with the assistance of my staff and advice from legal counsel, I have conducted a thorough inquiry into WorldCom's present responsibility. WorldCom has been and continues to be cooperative and responsive. In the course of my inquiry, I have had multiple meetings with WorldCom executives and have compiled an extensive administrative record. I have carefully and thoroughly examined these documents and the reform efforts at WorldCom in light of the guidance provided by Federal Acquisition Regulation (FAR) 9.406-1 dealing with "mitigating factors and remedial measures."

The record reflects a diligent effort by WorldCom to remediate the weaknesses that led to the Notice of Proposed Debarment. So far as I can determine, everyone involved in the earlier wrongdoing has been separated from the company; the Chairman and Chief Executive Officer and the entire Board of Directors are new; the Chief Ethics Officer, with enhanced authority and staff, is new and has a very extensive background in corporate ethics and business integrity; an ethics program, stressing employee training, has been implemented throughout the company; the corporate financial organization is new; and improved systems of controls are in place.

Further, WorldCom's outside auditors and consultants, Deloitte and Touche, LLP, submitted a report observing that, based on their experience, WorldCom's accomplishments in addressing its internal controls issues involved a "significant and unprecedented effort, which has yielded tangible, positive results." The Corporate Monitor, Richard C. Breeden, who was appointed by Judge Rakoff of the United States District Court for the Southern District of New York, and reports directly to him, has "unlimited access" to WorldCom's records and personnel. He reported "the work to eliminate the material weaknesses . . . has been successfully completed." He further noted that the remediation effort at WorldCom "has been one of the most extensive ever undertaken by a U.S. company," and has led to the creation of a current controls program that is "best in class" when compared with other major U.S. corporations. He also observed that "the system in place enables MCI to operate with well-designed controls against the reasonably foreseeable risks in its business, and with a strong assurance that its future financial reports will be accurate and reliable."

While I am aware of certain ongoing investigations related to past WorldCom practices, these, at the present time, do not warrant any action to suspend or debar WorldCom.

The record provides support for the above observations and, as a result of my independent review of the reforms at WorldCom, I have concluded that the protection of the Government's interest does not require the debarment of WorldCom. Accordingly, I have terminated the debarment proceedings against WorldCom. The termination is effective immediately.

While I have noted the extensive remediation efforts accomplished by WorldCom, I am also mindful of the unprecedented severity of the earlier wrongdoing that made these reforms imperative. Therefore, I have decided, and WorldCom has agreed, to enter into an Administrative Agreement for a term of three years. The Agreement between GSA and WorldCom will ensure that the reforms at WorldCom continue in full force and effect, so that the new corporate culture becomes deeply rooted. Further, the Agreement requires WorldCom to report to GSA regularly on the effectiveness of the remediation effort, and also to promptly report to me any significant changes in senior personnel, violations of the ethics standards, or other divergences from the company's action plans. Violation of the Agreement's provisions will constitute a cause for WorldCom's debarment. The Agreement does not limit GSA's right, or the right of any other Executive Agency, to take administrative action should new information indicate that action is necessary to protect the Government's interest.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Neurauter", is written over a printed name and title.

Joseph A. Neurauter
Suspension and Debarment Official