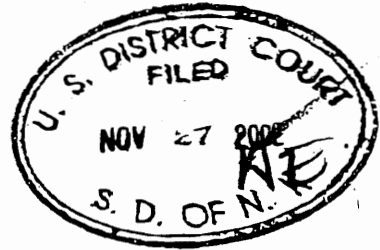


UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK



SECURITIES AND EXCHANGE COMMISSION,  
Plaintiff,

Civ No. 02-CV-4963 (JSR)

v.

WORLDCOM, INC.,

Defendant.

**DOC # 32**

**JUDGMENT OF PERMANENT INJUNCTION AGAINST  
DEFENDANT WORLDCOM, INC.**

Plaintiff Securities and Exchange Commission ("Commission"), having filed its First Amended Complaint in this matter, and defendant WorldCom, Inc. ("WorldCom"), in the Consent and Undertaking of WorldCom ("Consent"), having admitted service of the First Amended Complaint and given its written consent to the filing thereof; having admitted jurisdiction of this Court over it and over the subject matter of this action; having waived the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, and, without admitting or denying the allegations of the First Amended Complaint, except as to jurisdiction, which it admits, having consented to entry of this Judgment of Permanent Injunction, and it appearing that this Court has jurisdiction over WorldCom and the subject matter hereof, and this Court being fully advised in the premises:

I.

**IT IS HEREBY ORDERED, ADJUDGED, AND DECREED** that WorldCom, its agents, accountants, employees, attorneys, and all persons in active concert or participation with

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them who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from violating Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, by:

(a) employing any device, scheme or artifice to defraud,

(b) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

(c) engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

## II.

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that WorldCom, its agents, accountants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined, in the offer or sale of securities, from violating Section 17(a) of the Securities Act of 1933 [15 U.S.C. § 77q(a)], by making use of any means or instruments of transportation or communication in interstate commerce, or of the mails, directly or indirectly:

(a) to employ any device, scheme or artifice to defraud;

(b) to engage in any transactions, practices or courses of business which operate or would operate as a fraud or deceit; or

(c) to obtain money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

**III.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that WorldCom, its agents, accountants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from violating Section 13(a) of the Securities Exchange Act of 1934 [15 U.S.C. § 78m(a)] and Rules 13a-1, 13a-13 and 12b-20 thereunder [17 C.F.R. §§ 240.13a-1, 240.13a-13, 240.12b-20], by:

(a) failing to file with the Commission factually accurate and complete annual and quarterly reports as required pursuant to Section 13(a) of the Securities Exchange Act of 1934, and Rules 13a-1 and 13a-13 promulgated thereunder, or by

(b) omitting to state, or causing another person to omit to state, in addition to the information expressly required to be included in such annual and quarterly reports, any such further material information as may be necessary to make the required statements, in light of the circumstances under which such statements are made, not misleading.

**IV.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that WorldCom, its agents, accountants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from violating Section 13(b)(2)(A) of the Securities Exchange Act of 1934 [15 U.S.C. § 78m(b)(2)(A)] by failing to make or keep

books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of WorldCom.

**V.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that WorldCom, its agents, accountants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise, and each of them, be and are hereby permanently restrained and enjoined from violating Section 13(b)(2)(B) of the Securities Exchange Act of 1934 [15 U.S.C. § 78m(b)(2)(B)] by failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

(a) transactions are executed in accordance with management's general or specific authorization;

(b) transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (2) to maintain accountability for assets;

(c) access to assets is permitted only in accordance with management's general or specific authorization; and

(d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

**VI.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that upon motion of the Commission or at the instance of the Court, the amount of the civil penalty, if any, to be paid by defendant WorldCom pursuant to the provisions of Section 20(d) of the Securities Act of

1933 [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], shall be determined by the Court in light of all the relevant facts and circumstances, following a hearing. At that hearing, the issues will be limited to determining the appropriateness and amount of any such civil penalty. At that hearing, WorldCom will be precluded from arguing that it did not violate the federal securities laws in the manner described in the First Amended Complaint herein and, solely for the purposes of such hearing, the allegations of the First Amended Complaint shall be accepted as and deemed true by the Court. The Court may determine whether to impose a penalty, and the amount of any such penalty, on the basis of affidavits, declarations, deposition excerpts and exhibits, or any other information deemed appropriate by the Court. Defendant WorldCom may not, at the hearing, challenge the validity of its Consent or this Judgment.

## VII.

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that the report currently being prepared by the Special Investigative Committee of the Board of Directors of WorldCom will be transmitted to the Corporate Monitor upon its completion. Taking note of the report of the Special Investigative Committee and such other input as the Corporate Monitor shall deem appropriate, the Corporate Monitor shall perform a review of the adequacy and effectiveness of WorldCom's corporate governance systems, policies, plans, and practices. This review will include but is not limited to inquiries into (1) whether WorldCom is complying with recognized standards of "best practices" with respect to corporate governance; (2) whether WorldCom has sufficient policies and safeguards in place (a) to ensure that WorldCom's Board of Directors and all committees of WorldCom's Board of Directors (including without limitation the audit committee and the compensation committee) have appropriate powers, structure,

composition, and resources and (b) to prevent self-dealing by management;

(3) whether WorldCom has an adequate and appropriate code of ethics and business conduct, and related compliance mechanisms; and (4) whether WorldCom has appropriate safeguards in place to prevent further violations of the federal securities laws. WorldCom shall provide to the Corporate Monitor all documents and information within its custody or control requested by the Corporate Monitor in connection with his review. The Corporate Monitor shall use his best efforts to submit to WorldCom's Board of Directors, the Court and the Commission a report setting forth his recommendations with respect to the corporate governance issues he has reviewed within 60 days of his receipt of the report of the Special Investigative Committee, and in any event he shall submit his report to WorldCom's Board of Directors, the Court and the Commission within 120 days of his receipt of the report of the Special Investigative Committee. Within 60 days of the receipt of the report of the Corporate Monitor with respect to corporate governance, WorldCom's Board of Directors shall report to the Court and the Commission with respect to the decisions and actions taken as a result of each of the recommendations made by the Corporate Monitor.

#### VIII.

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that WorldCom shall retain, within 30 days after the entry of the Judgment of Permanent Injunction, a qualified consultant acceptable to the Commission, to perform a review of the effectiveness of WorldCom's material internal accounting control structure and policies, including those related to line costs, reserves, and capital expenditures, as well as the effectiveness and propriety of WorldCom's processes, practices and policies for ensuring the Company's financial data is accurately reported in its public financial statements. Within 30 days after the retention of a

consultant acceptable to the Commission, the consultant shall submit to the Commission a proposal that is acceptable to the Commission which describes the scope of the work to be performed by the consultant, and includes a detailed description of the various tasks to be undertaken in the course of the consultant's review, sets forth the identities and credentials of the individuals who will perform those tasks, and provides an estimate of the number of hours expected to be devoted to the various tasks involved in the consultant's review. Any disagreement between WorldCom and the Commission concerning the proposal shall be submitted to and resolved by the Corporate Monitor. Within 120 days after approval of the proposal, the consultant shall complete its review and submit to WorldCom's Board of Directors, the Court and the Commission, a report fully documenting the findings of its review and making specific recommendations. Within 60 days of the submission of the report, WorldCom's Board of Directors shall report to the Court and Commission with respect to the decisions and actions taken as a result of each of the recommendations made by the consultant.

**IX.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that WorldCom shall provide reasonable training and education to certain of its officers and employees to minimize the possibility of future violations of the federal securities laws. Completion of such training shall be mandatory for WorldCom officers and employees involved in its corporate level accounting and financial reporting functions; for those officers and employees involved in financial reporting at WorldCom's major divisions and subsidiaries (including, specifically, those officers and employees responsible for closing the books in their area of responsibility at the end of a quarterly or annual reporting period); and for senior operational officers at WorldCom's corporate, divisional and subsidiary levels. Such training and education shall

include, at a minimum, components covering the following subjects: the obligations imposed by the federal securities laws; proper internal accounting controls and procedures; recognizing indications of non-GAAP accounting practices or fraud most relevant to WorldCom's business endeavors; and the obligations incumbent upon, and the responses expected of, WorldCom officers and employees upon learning of illegal or potentially illegal acts concerning the company's accounting and financial reporting. WorldCom shall consult with the Commission in designing its training and education program, and shall submit to the Commission a detailed proposal within 60 days after entry of this Judgment which describes the content and implementation of the training and education program, in a form that is acceptable to the Commission. WorldCom shall commence providing initial training and education sessions within 60 days thereafter, and shall continue to provide such training and education on an annual basis, for a minimum period of three years after entry of this Judgment.

**X.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that the Commission is expressly authorized to engage in continued discovery regarding any unresolved issue in the case with respect to WorldCom, which shall include, but is not limited to, discovery for the purposes of determining the appropriate civil penalty that should be imposed against defendant WorldCom.

**XI.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that the Consent of WorldCom filed herein be, and the same hereby is, incorporated in this Judgment by reference with the same force and effect as if fully set forth herein and that WorldCom, its agents, accountants, employees, attorneys, and all persons in active concert or participation with them



who receive actual notice of this Judgment by personal service or otherwise, and each of them, shall comply in all respects with the terms of the Consent.

**XII.**

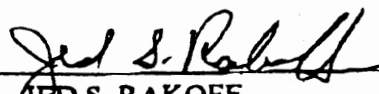
**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that the Court's previous Orders in this case concerning the appointment of the Corporate Monitor, his responsibilities, his duties, and all matters related thereto are hereby reaffirmed and remain in force and are not affected, abrogated, or super<sup>S</sup>eded in any way by this Judgment of Permanent Injunction, except as provided herein.

**XIII.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that this Court shall retain jurisdiction of this action for all purposes, including, without limitation, the implementation and enforcement of the terms of this Judgment and all other Orders and Decrees that have been or may be entered herein, and the implementation of additional equitable remedies or sanctions, if any, as determined following a hearing.

**XIV.**

**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that there being no just reason for delay, the Clerk of the Court is ordered to enter this Judgment of Permanent Injunction.

  
JED S. RAKOFF  
U.S.D.J.

DATED: New York, New York  
November 26, 2002

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