UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	)	
Plaintiff,	)	**Civ. No. ______________**
v.	)	**COMPLAINT (Securities Fraud)**
BERNARD J. EBBERS,	)	
Defendant.	)	

The United States Securities and Exchange Commission (the "Commission" or the "SEC") alleges for its Complaint as follows:

SUMMARY

1. WorldCom, Inc. ("WorldCom" or "the Company"), once one of the world's largest telecommunications companies, filed for bankruptcy in 2002. At its peak during the summer of 1999, however, WorldCom's market capitalization exceeded $180 billion. Thereafter, from at least as early as September 2000 until late June 2002, as the Company's business results progressively worsened and its common stock traded lower and lower, defendant Bernard J. Ebbers ("Ebbers" or the "Defendant"), WorldCom's Chief Executive Officer ("CEO"), together with Scott D. Sullivan ("Sullivan"), WorldCom's Chief Financial Officer ("CFO"), and other senior Company executives, engaged in a fraudulent scheme to conceal the Company's poor financial performance. Ebbers participated in the fraudulent scheme to make numerous wholly-false adjustments and entries in WorldCom's books and records, often in the hundreds of millions of dollars, to make the Company's quarterly and yearly financial results appear to meet Wall Street's expectations. These expectations were based in some instances on

financial performance targets set by Ebbers that Ebbers knew could not be attained by legitimate means. In addition, Ebbers made numerous false and misleading public statements about WorldCom's financial condition and performance. As a result of undisclosed and improper adjustments to WorldCom's books and records caused by Ebbers and others, WorldCom materially overstated the income it reported in its financial statements during the period of the fraud by at least $9 billion. When the fraudulent scheme was disclosed in late June 2002, the price of WorldCom's common stock plummeted further, causing additional losses to WorldCom shareholders.

2. By engaging in this conduct, Ebbers violated the antifraud, books and records, and internal control provisions of the federal securities laws, and aided and abetted WorldCom's violations of the reporting, books and records, and internal control provisions of the federal securities laws. The Commission requests that this Court permanently enjoin Ebbers from further violations of the federal securities laws as alleged herein, and prohibit him permanently and unconditionally from acting as an officer or director of any issuer of securities that has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 ("Exchange Act") or that is required to file reports pursuant to Section 15(d) of such Act, and order such other and further relief as the Court may deem appropriate.

JURISDICTION AND VENUE

3. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§77t(b) and (d)] and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

4. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77u(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C.

§§78u(e) and 78aa]. The defendant, directly or indirectly, used the means or instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

5. Certain of the acts, practices, and courses of conduct constituting the violations of law alleged in this complaint occurred within this judicial district, and, therefore, venue is proper pursuant to Section 22 of the Securities Act and Section 27 of the Exchange Act.

6. The defendant, directly and indirectly, has engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(b)(5)] and Rules 10b-5, 13b2-1, and 13b2-2 thereunder [17 C.F.R. §§240.10b-5, 240.13b2-1, and 240.13b2-2]; and aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1 and 240.13a-13].

DEFENDANT

7. Bernard J. Ebbers, 63, resides in Brookhaven, Mississippi. He served as CEO for WorldCom, Inc., from 1985 to April 30, 2002, when he resigned from WorldCom. At all relevant times, Ebbers was also a Director on the Board of Directors of the Company. As CEO, Ebbers had final authority over the day-to-day operations of the Company. Ebbers also was one of WorldCom's principal spokespersons on matters concerning WorldCom's financial performance. Ebbers signed WorldCom's annual reports filed on Form 10-K with the SEC, registration

statements related to WorldCom's offerings of securities filed with the SEC, and quarterly and annual representation letters to WorldCom's auditors.

THE ISSUER

8. At all times relevant to this Complaint, WorldCom was incorporated in Georgia and based in Clinton, Mississippi. It provided a broad range of communications services to businesses and consumers in more than 65 countries. During the relevant time period, the common stock of WorldCom was registered with the Commission pursuant to Section 12(g) of the Exchange Act and was listed and traded on the Nasdaq National Market System. WorldCom was required to file periodic reports with the Commission pursuant to Section 13 of the Exchange Act. The company's common stock, bonds and notes were covered by Wall Street analysts who routinely issued quarterly and annual earnings estimates. On July 21, 2002, WorldCom and substantially all of its active U.S. subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. When WorldCom emerged from bankruptcy in April 2004, it merged with and into MCI, Inc., whereby the separate existence of WorldCom ceased and MCI became the surviving company. MCI is based in Ashburn, Virginia.

FACTUAL ALLEGATIONS

9. Beginning in or around September 2000, Ebbers and other senior WorldCom executives knew, or were reckless in not knowing, that WorldCom's true operating performance, financial results, and financial condition fell well short of the financial guidance they had given to Wall Street analysts and investors. Rather than disclose WorldCom's true financial condition and suffer the resulting decline in the Company's share price, from approximately September 2000 through April 2002, when Ebbers left WorldCom, Ebbers engaged with other WorldCom executives and senior managers in a scheme that fraudulently concealed WorldCom's true

operational and financial results. Ebbers caused subordinates to improperly manipulate WorldCom's reported revenue, selling, general and administrative expenses ("SG&A"), line cost expenses, net income, earnings per share ("EPS") and earnings before interest, taxes, depreciation and amortization ("EBITDA").

10. In furtherance of the scheme, from approximately October 2000 through April 2002, Ebbers knowingly or recklessly and repeatedly made false and misleading statements to the investing public about WorldCom's operating performance, financial results and financial condition, and omitted to disclose material facts necessary to make his statements complete, accurate and not misleading. Additionally, Ebbers caused WorldCom to file with the Commission false and misleading financial statements, which materially misrepresented the Company's operating performance, financial results and financial condition.

11. Through the fraudulent scheme, Ebbers and others artificially inflated the price of WorldCom stock.

12. In or about September 2000, Ebbers and other senior WorldCom executives received and reviewed numerous internal WorldCom reports, schedules and presentations disclosing the company's true operating and financial performance, including monthly revenue reports (referred to internally at WorldCom as "MonRevs") showing revenue from the various operating segments of the Company. As a result, Ebbers knew, or was reckless in not knowing, that the Company was unlikely to meet Wall Street's revenue and earnings expectations for the upcoming quarter.

13. Rather than lowering the Company's publicized revenue and earnings targets and disclosing its true operational and financial results, in October 2000, with Ebbers' knowledge and approval, Sullivan directed subordinates to book certain fraudulent adjustments and entries

in WorldCom's general ledger to mask WorldCom's true performance. The fraudulent adjustments and entries were designed to falsely increase WorldCom's reported revenue and to falsely decrease WorldCom's reported expenses. As a result, WorldCom reported, among other things, fraudulently-inflated EPS, EBITDA, and revenue growth for the third quarter of its 2000 fiscal year. The fraudulent adjustments and entries included (a) reductions of hundreds of millions of dollars made to line cost expense accounts by crediting those accounts and debiting certain reserve and liability accounts, which lacked any business justification or supporting documentation, and (b) increases to revenue not attributable to purely operational results, which were not disclosed to the public and which, in light of their departure from WorldCom's prior revenue recognition policies and their aggregate amount, made WorldCom's reported revenue materially misleading.

14. By January 2001, following receipt of additional MonRevs and other internal financial and business documents, Ebbers knew, or was reckless in not knowing, that WorldCom's financial results for the fourth quarter of its 2000 fiscal year would again not meet Wall Street's expectations. Rather than disclosing WorldCom's true operational and financial results, in February 2001, with Ebbers' knowledge and approval, Sullivan directed subordinates to book certain fraudulent adjustments and entries in WorldCom's general ledger to mask WorldCom's true performance. The fraudulent adjustments and entries were designed to falsely increase WorldCom's reported revenue and to falsely decrease WorldCom's reported expenses. As a result, WorldCom reported, among other things, false and fraudulently inflated EPS, EBITDA, and revenue growth. The fraudulent adjustments and entries included (a) reductions of hundreds of millions of dollars made to line cost expense accounts by crediting those accounts and debiting certain reserve and liability accounts, which lacked any business justification or

supporting documentation, and (b) increases to revenue not attributable to purely operational results, which were not disclosed to the public and which, in light of their departure from WorldCom's prior revenue recognition policies and their aggregate amount, made WorldCom's reported revenue materially misleading.

15. In or around March 2001, following receipt of additional MonRevs and other internal documents, Ebbers knew, or was reckless in not knowing, that WorldCom's financial results for the first quarter of its 2001 fiscal year would again not meet Wall Street's expectations. By this time, Sullivan determined that WorldCom could not continue to reduce line cost expense accounts by debiting certain reserve and liability accounts. Instead, with Ebbers' knowledge and approval, Sullivan directed members of WorldCom's General Accounting Department to reduce hundreds of millions of dollars in line cost expenses and increase capital asset accounts by the same amount through fraudulent adjustments and entries in WorldCom's general ledger to mask WorldCom's true performance. These entries were made after the close of the quarter and lacked any business justification or supporting documentation. With Ebbers' knowledge and approval, Sullivan directed his subordinates to reduce the line cost expenses to keep WorldCom's expenses-to-revenue ratio artificially in line with that reported in previous periods and to meet Wall Street's expectations for net income, EPS and EBITDA. Sullivan directed subordinates to fraudulently reduce line cost expenses and correspondingly increase capital asset accounts in each of the quarters ended March 2001 through March 2002. These fraudulent adjustments and entries lowered WorldCom's reported line cost expenses by approximately $3.8 billion.

16. In or around June 2001, Ebbers knew, or was reckless in not knowing that the Company was unlikely to meet Wall Street's revenue and earnings expectations for the second

quarter of its 2001 fiscal year. In July 2001, rather than disclosing WorldCom's true operational and financial results, with Ebbers' knowledge and approval, Sullivan instructed subordinates to book certain fraudulent adjustments and entries in WorldCom's general ledger to mask WorldCom's true performance. The fraudulent adjustments and entries were designed to falsely increase WorldCom's reported revenue and to falsely decrease WorldCom's reported expenses. As a result, WorldCom reported, among other things, false and fraudulently inflated EPS, EBITDA, and revenue growth. The fraudulent adjustments and entries included (a) reductions of hundreds of millions of dollars made to line cost expense accounts and corresponding increases to capital assets accounts, which lacked any business justification or supporting documentation, and (b) increases to revenue not attributable to purely operational results, which were not disclosed to the public and which, in light of their departure from WorldCom's prior revenue recognition policies and their aggregate amount, made WorldCom's reported revenue materially misleading.

17. Thereafter, from the third quarter of 2001 through the first quarter of 2002, Ebbers knew, or was reckless in not knowing, that the Company was unlikely to meet Wall Street's revenue and earnings expectations. In each of these quarters, rather than disclosing WorldCom's true operational and financial results, with Ebbers' knowledge and approval, Sullivan instructed subordinates to book certain fraudulent adjustments and entries in WorldCom's general ledger to mask WorldCom's true performance. The fraudulent adjustments and entries were designed to falsely increase WorldCom's reported revenue and to falsely decrease WorldCom's reported expenses. As a result, WorldCom reported, among other things, false and fraudulently inflated EPS, EBITDA, and revenue growth. The fraudulent adjustments and entries included (a) reductions of hundreds of millions of dollars made to line cost expense

accounts and corresponding increases to capital assets accounts, which lacked any business justification or supporting documentation, and (b) increases to revenue not attributable to purely operational results, which were not disclosed to the public and which, in light of their departure from WorldCom's prior revenue recognition policies and their aggregate amount, made WorldCom's reported revenue materially misleading.

18. During the relevant period, on more than one occasion as the Company was preparing its quarterly financial results, Sullivan explained to Ebbers that to meet Wall Street expectations the Company would have to engage in accounting practices for which there was no legitimate justification, and Ebbers replied to Sullivan, in words or in substance, "We have to hit our numbers."

19. Ebbers knew, or was reckless in not knowing, that WorldCom's true method of accounting for line costs was not disclosed to WorldCom's auditors.

20. As a result of the fraudulent manipulation of WorldCom's operational and financial results, from the third quarter of WorldCom's 2000 fiscal year through the first quarter of WorldCom's 2002 fiscal year, the Company filed with the Commission false and misleading annual reports (Forms 10-K) for the fiscal years 2000 and 2001, as well as several false and misleading registration statements for securities offerings, all of which were signed by Ebbers. When he signed those filings, Ebbers knew or was reckless in not knowing that WorldCom's disclosures in these filings contained many false material statements about WorldCom's operational and financial performance, including its reported earnings, and also contained numerous material omissions, including failures to disclose the adjustments to WorldCom's expenses and revenue and the changes to WorldCom's revenue recognition policies and its method of accounting for line costs. Through WorldCom's fraudulent Commission filings,

Ebbers and other senior WorldCom executives were able to hide the Company's true operating performance and financial condition from the investing public.

21. From approximately October 2000 through April 2002, Ebbers also knowingly or recklessly presented false and misleading statements to the investing public in analyst conferences and conference calls, press releases, interviews, and statements to members of the media. Among other things, Ebbers falsely described WorldCom's operating performance and financial condition and failed to disclose that, with his knowledge and approval, WorldCom employees had falsely and fraudulently manipulated WorldCom's revenue and expenses to meet Wall Street's expectations for WorldCom.

22. Between October 2000 and March 2002, in management representation letters to WorldCom's auditors, Ebbers and other senior WorldCom executives falsely represented, among other things, that: (a) the Company's financial statements were fairly presented in conformity with accounting principles generally accepted in the United States; (b) they had made available to the auditors all financial records and related data underlying the financial statements; (c) there were no material transactions that had not been properly recorded in the accounting records underlying the financial statements; (d) there had been no fraud involving management or employees who had significant roles in internal controls; (e) there had been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency; and (f) the accounting records underlying the financial statements accurately and fairly reflected, in reasonable detail, the transactions of the Company. In light of his participation in the financial fraud at WorldCom, as described above, Ebbers knew, or was reckless in not knowing, that these representations to the auditors were false and misleading.

23. The fraudulent scheme to falsely represent WorldCom's financial performance and results, described above, resulted in substantial losses to investors. Within one month after the Company's revelation of the fraud, WorldCom filed for bankruptcy, ultimately resulting in the loss of all value to WorldCom's common stock, and the loss of approximately two-thirds of the value of WorldCom's bonds.

CLAIMS FOR RELIEF

FIRST CLAIM

Ebbers Violated Exchange Act Section 10(b) and Exchange Act Rule 10b-5

[Fraud In Connection with the Purchase or Sale of Securities]

24. Paragraphs 1 through 23 are realleged and incorporated by reference herein.

25. As set forth more fully above, Ebbers, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or by the use of the mails and of the facilities of a national securities exchange, knowingly or recklessly, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud, (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (c) engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person.

26. Ebbers acted knowingly or recklessly in connection with the above described acts and omissions. He knew, or was reckless in not knowing, that the above-mentioned filings with the Commission contained material misstatements and omissions and that statements he made to the investing public in analyst conferences and conference calls, press releases, interviews and statements to the media were materially false and misleading. By reason of the foregoing,

Ebbers violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM

Ebbers Violated Securities Act Section 17(a)

[Fraud in the Offer or Sale of Securities]

27. Paragraphs 1 through 26 above are incorporated herein by this reference.

28. As set forth more fully above, Ebbers, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; or (b) obtained money or property by means of untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

29. Ebbers acted knowingly or recklessly in connection with the above described acts and omissions. He knew, or was reckless in not knowing, that the above-mentioned filings with the Commission contained material misstatements and omissions. By reason of the foregoing, Ebbers violated Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

THIRD CLAIM

Ebbers Violated Exchange Act Section 13(b)(5) and Exchange Act Rule 13b2-1 and Aided and Abetted Violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B)

[Books and Records and Internal Controls Violations]

30. Paragraphs 1 through 29 above are incorporated herein by this reference.

31. Section 13(b)(5) [15 U.S.C. §78m(b)(5)] of the Exchange Act and Exchange Act Rule 13b2-1 [17 C.F.R. §240.13b2-1] prohibit, among other things, circumvention of internal accounting controls and the falsification of corporate books, records and accounts. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)] requires public companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the company's transactions and dispositions of its assets. Section 13(b)(2)(B) [15 U.S.C. §78m(b)(2)(B)] of the Exchange Act requires public companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company's transactions were recorded as necessary to permit preparation of financial statements conforming with generally accepted accounting principles ("GAAP").

32. By reason of the foregoing conduct, including, among other things, Ebbers' knowing falsification of WorldCom's books, records, and accounts and circumvention of its internal accounting controls, as described above, Ebbers violated Section 13(b)(5) and Rule 13b2-1. In addition, as described above, WorldCom violated the books and records and internal accounting controls provisions of the federal securities laws, and Ebbers knowingly and substantially assisted in the commission of those violations. In so doing, Ebbers aided and abetted WorldCom's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, in violation of Section 20(e) of the Exchange Act.

FOURTH CLAIM

Ebbers Aided and Abetted Violations of Exchange Act Section 13(a) and Exchange Act Rules 12b-20, 13a-1 and 13a-13

[Reporting Violations]

33. Paragraphs 1 through 32 above are incorporated herein by this reference.

34. Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require issuers of registered securities to file with the Commission factually accurate annual and quarterly reports. Exchange Act Rule 12b-20 provides that in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.

35. WorldCom's inclusion of false and misleading financial statements in the following reports filed with the Commission: (1) Forms 10-K for the years ended 2000 and 2001; and (2) Forms 10-Q for the quarters ended September 30, 2000, March 31, 2001, June 30, 2001, September, 30, 2001, and March 31, 2002, violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13.

36. By engaging in the above described conduct, Ebbers knowingly and substantially assisted these violations, thereby violating Section 20(e) of the Exchange Act.

FIFTH CLAIM

Ebbers Violated Exchange Act Rule 13b2-2

[Misleading Auditors Violation]

37. Paragraphs 1 through 36 are realleged and incorporated by reference herein.

37. Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2], in general, prohibits officers and directors of a public company from making or causing to be made materially false

statements or omissions of material fact to an accountant in connection with an audit of the company's financial statements, or in connection with the preparation of any document to be filed with the Commission.

38. By engaging in the conduct described above, Ebbers, directly or indirectly, made or caused to be made false and misleading statements or omitted or caused others to omit to state material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading to WorldCom's auditors in connection with audits and examinations of WorldCom's required financial statements and in connection with the preparation and filing of documents and reports required to be filed with the Commission.

39. By reason of the foregoing, Ebbers violated Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter an Order:

A. Permanently restraining and enjoining Ebbers from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

B. Permanently restraining and enjoining Ebbers from violating Section 17(a) of the Securities Act;

C. Permanently restraining and enjoining Ebbers from violating Section 13(b)(5) of Exchange Act and Rule 13b2-1 thereunder, and from aiding and abetting violations of Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act;

D. Permanently restraining and enjoining Ebbers from aiding and abetting violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder;

E. Permanently restraining and enjoining Ebbers from violating Exchange Act Rule 13b2-2;

F. Prohibiting Ebbers, pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, from acting as an officer or a director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act; and

G. Granting such other and additional relief as this Court may deem just and proper.

Dated: July ___, 2005

Respectfully submitted,

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