

**STATEMENT OF**  
**JOHN W. SIDGMORE**  
**PRESIDENT & CHIEF EXECUTIVE OFFICER**  
**WORLD.COM, INC.**  
**BEFORE THE**  
**COMMITTEE ON FINANCIAL SERVICES**  
**U.S. HOUSE OF REPRESENTATIVES**  
**JULY 8, 2002**

My name is John Sidgmore and I am the President and Chief Executive Officer of WorldCom, Inc. About two months ago, when I agreed to take over as CEO, it was clear that the company faced significant challenges. But I never imagined what was in store for us.

Since WorldCom's public announcement on June 25, 2002 that the company misstated its earnings for 2001 and the first quarter of 2002, there's been an understandable outpouring of anger from every quarter of American society. While the misdeeds we uncovered occurred before I became CEO, I want to apologize on behalf of everyone at WorldCom. And I want to underscore that WorldCom's new management team — and our more than 60,000 employees — share the public's outrage over these events.

I cannot change the past. But I am responsible for what we do now and in the future. In this statement, I will outline a number of important steps that we have already taken and that we will take in the coming months. Let me remind you at the outset, however, that WorldCom uncovered this problem internally. In effect, we audited our external auditors – we found what they missed -- and promptly brought this matter to the attention of the Securities and Exchange Commission (SEC). Looking ahead, my actions will be guided by my commitment to restore public confidence in this great company and to operate WorldCom according to the highest standards of ethics and integrity.

One of the most important steps we can take is to make sure that past transgressions are fully investigated and that wrongdoers are punished. Then we can move forward in an open and honest manner. We are therefore cooperating fully with the various official investigations – by the SEC, the Department of Justice and the Congress -- to ensure that those responsible are brought to justice.

For example, on July 1, 2002, we filed a written statement with the SEC that included a summary of key events, known to us at that time, that led to our June 25<sup>th</sup> announcement. A copy of the statement we provided to the SEC is attached. As you will note, it detailed how the accounting irregularities were recently discovered by our internal audit team, led by Ms. Cynthia Cooper. The kind of initiative demonstrated by our internal audit group is to be applauded and will continue to be encouraged. Our SEC statement also documents

actions taken by our Board of Directors when the matter was brought to its attention. The Board moved swiftly and decisively. Its actions included terminating our Chief Financial Officer and promptly reporting the matter to the SEC and to the public.

Our SEC filing was not, of course, the last word. I had a productive telephone conversation with SEC Chairman Harvey Pitt and his staff last week. We offered to clarify certain points in our July 1 statement and reiterated our commitment to work closely with the Commission's staff as its own investigation moves forward.

Many questions still remain. We won't know the answers until the conclusion of the pending investigations. We will continue to cooperate fully with the various agencies and the Congress to answer those questions.

WorldCom is being proactive. With the full support of WorldCom's new management team, the company's non-management directors retained William McLucas, former Chief of the Enforcement Division of the SEC, to perform an independent investigation of the facts and circumstances underlying the transfers. He will investigate not only our past and current management team, but also our Board regarding any individual involvement. His report will identify the wrongdoers and it will clear those who had no involvement. Let me emphasize that Mr. McLucas' investigation also has a broader purpose; namely, to enable us to put into place new or modified internal procedures to prevent any recurrence of this type of event.

If we are to be a model for corporate behavior going forward, we must be transparent and above reproach. Therefore, in our July 1 SEC statement, we clearly stated that we were examining whether additional earnings restatements might be required for periods going back to 1999 with respect to the accounting for reserves established by the company. We are committed to completing this analysis, with the assistance of our new external auditors, KPMG, at the earliest possible date and to announcing the results of that analysis promptly.

Through these and other steps, we will restore public trust in WorldCom. While our reputation has suffered a tremendous blow, ours is a great company that the new management team will do everything in our power to save.

Millions of people have a real stake in WorldCom's survival – our customers, our employees, our lenders, our shareholders, and our suppliers. But it goes beyond that: the United States itself has a major stake in our survival. We play a vital role in America's telecommunications infrastructure:

- WorldCom is a strong, innovative company with tremendous assets. We have annual revenues of more than \$30 billion, and even after our recent layoffs, we have more than 60,000 employees.

- WorldCom has more than 20 million customers. On the residential side, our MCI phone service handles 70 million phone calls *every weekend alone*. And tens of thousands of businesses depend on our services to support their mission-critical applications.
- WorldCom is the largest Internet carrier in the world. Our operations provide Internet services to some 100 countries on six continents.
- WorldCom is a provider of network services for critical applications for the United States Government. These applications include the provision of customer service to 80 million Social Security beneficiaries, air traffic control applications for the Federal Aviation Administration, network management for the Department of Defense, and critical data network services for the U.S. Postal Service. In addition, WorldCom provides long distance voice and data communications services for the House, the Senate, and the General Accounting Office. Our company provides those same kinds of services for virtually every government agency under its FTS2001 contract. In addition, WorldCom provides support for law enforcement and homeland security agencies, as well as agencies concerned with national security.

In other words, WorldCom is a key component of our nation's economy and communications infrastructure. Both commercial and national security interests rely upon WorldCom's operations continuing without disruption. Let me assure this

Committee that WorldCom is honored by the faith and trust placed in us by our customers, large and small, public and private. We have earned their business by providing them superior pricing and service. We intend to keep their business by continuing to provide them with unsurpassed quality and value.

Furthermore, WorldCom's presence ensures competition in the rapidly consolidating telecom industry. No other company's legacy matches ours in terms of promoting competition and delivering its benefits to consumers and businesses in both pricing and product innovation. WorldCom is one of the last hopes for America to realize the intended benefits of the 1996 Telecom Act.

We are committed to our company's survival. I have been fighting hard to keep the company operating at full speed despite the issues that now surround us. Although we have significant cash on hand, we are in close communications with our lenders to secure replacement lines of credit.

We are also streamlining the business by selling non-core assets and taking other steps to raise capital and trim expenses, allowing us to focus on our core business and our customers' needs. When all is said and done, the best way to rebuild shareholder value, serve our customers, save jobs, and promote our nation's interests is to have an ethical and profitable business.

Today, WorldCom needs the support, understanding and patience of our customers, our suppliers, our lenders and the American people. And we need your support. We will continue to be straight about any problems we may discover and act aggressively to solve them.

Mr. Chairman and members of the Committee, we will work hard to regain your trust and that of the American people, as well as to rebuild the value of the company. We will return your faith in us by making a significant difference in the marketplace – providing industry-leading telecom services and unsurpassed value to consumers and businesses everywhere.