

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

v.

WORLDCOM, INC.,

Defendant.

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: Civ No. 02-CV-4963 (JSR)
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CONSENT AND UNDERTAKING OF DEFENDANT
WORLDCOM, INC.

1. Defendant WorldCom, Inc., as debtor and as debtor in possession, hereby enters a general appearance, admits the jurisdiction of this Court over it and over the subject matter of this action, consents pursuant to Rule 15(a) of the Federal Rules of Civil Procedure to the filing of the Second Amended Complaint of Plaintiff Securities and Exchange Commission (“Commission”), acknowledges service of the Second Amended Complaint, and waives the filing of an answer thereto.

2. The Commission and WorldCom, Inc. have held extensive discussions regarding the classification and treatment in WorldCom’s Chapter 11 proceedings of the Commission’s claim for a civil penalty in this case and have now agreed to resolve these issues on the terms set forth herein and in the Final Penalty Judgment.

3. WorldCom, Inc. without admitting or denying any of the allegations of the Second Amended Complaint, except as to jurisdiction, which it admits, hereby consents to the final settlement and resolution of the Commission’s claim for a civil penalty in this matter by

consenting to the entry of the Final Judgment as to Monetary Relief (“Final Penalty Judgment”), in the form attached hereto and incorporated herein by reference, which among other things: (1) finds WorldCom, Inc. liable to pay a civil penalty in the amount of \$1,510,000,000, and disgorgement of \$1 and (2) provides that upon the effective date of a plan of reorganization under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) with respect to WorldCom, Inc and its affiliated debtors (“WorldCom”) or alternatively in the event of a liquidation of WorldCom under Chapter 11 of the Bankruptcy Code, WorldCom shall satisfy its obligation under the Judgment by paying \$500,000,000 as provided in the Final Penalty Judgment. In no event shall WorldCom pay more than \$500,000,000 provided the settlement is approved.

4. WorldCom, Inc. acknowledges and agrees that the civil penalty to be paid pursuant to the Final Penalty Judgment shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution has been made, amounts ordered to be paid as a civil penalty pursuant to the Final Penalty Judgment shall be treated as a penalty paid to the government for all purposes, including all tax purposes. WorldCom, Inc. further agrees that WorldCom shall not seek or accept, directly or indirectly, reimbursement or indemnification, including but not limited to payment made pursuant to any insurance policy, with regard to any penalty amounts that WorldCom shall pay pursuant to the Final Penalty Judgment, regardless of whether any such penalty amounts are distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002.

5. WorldCom, Inc. agrees that within 15 days of signing this consent, WorldCom, Inc. and the Commission shall request that a hearing be held under Federal Rule of Bankruptcy

Procedure 9019 to consider the fairness and reasonableness of the terms of the settlement reflected in the Final Penalty Judgment. A hearing on the motion shall be on not less than thirty (30) days notice to those persons and entities required to receive notice in the bankruptcy case styled, In re WorldCom, Inc., et al., Chapter 11 case No. 02-13533 (AJG) (“Bankruptcy Case”). WorldCom, Inc. shall amend its Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code (the “Disclosure Statement”) to contain a description of this proposed settlement and the procedures for its approval. WorldCom, Inc. shall also amend its Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated April 14, 2003 (the “Plan”) to provide that, as a condition to the effective date of the Plan, all amounts required to be paid under the Final Penalty Judgment shall have been paid, or, if execution of the Final Penalty Judgment has been stayed pending an appeal, all amounts due thereunder shall have been deposited into an escrow account pending final resolution.

6. WorldCom, Inc. agrees that in the event WorldCom, Inc. or any of its affiliated debtors amend the Plan, or propose any alternate plan in the Bankruptcy Case, any such amended or alternate plan must continue to provide that, as a condition to the effectiveness of such plan, the amounts required to be paid pursuant to the Final Penalty Judgment shall have been paid, or, if the Final Penalty Judgment has been stayed pending an appeal, all amounts due thereunder shall have been deposited into an escrow account pending final resolution.

7. WorldCom, Inc. agrees that all of its obligations and undertakings pursuant to this Court’s Judgment of Permanent Injunction entered on November 26, 2002, except Paragraph X, shall remain in full force and effect and are not affected, abrogated, or superseded in any way by the Final Penalty Judgment.

8. WorldCom, Inc. agrees 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 shall remain in full force and effect and are not affected, abrogated, or superseded in any way by the Final Penalty Judgment.

9. Solely with respect to the allegations contained in the Second Amended Complaint, WorldCom and the Creditors' Committee have waived their rights to assert that the Commission's claim should be subordinated under Section 510 and any other applicable sections of the Bankruptcy Code. WorldCom, Inc. further agrees that nothing in the Final Penalty Judgment shall be construed as evidence of or in any way constitute an admission as to the appropriate priority, classification of treatment of any claim asserted by the Commission, other than the Commission's claims herein for disgorgement and penalties, or any claim asserted by any other governmental entity.

10. WorldCom, Inc. agrees that in the event the terms of the settlement reflected in the Final Penalty Judgment are not approved by the Bankruptcy Court pursuant to Section 9019 of the Bankruptcy Code, or in the event the Commission's claim is subordinated to the claims of other creditors, or otherwise not accorded the treatment provided for in the Final Penalty Judgment, this Court shall retain jurisdiction of this action for the purpose of ensuring that the Commission's claim is treated and paid in accordance with the terms of the Final Penalty Judgment or, if necessary, for the purpose of holding a hearing to determine the amount of the civil penalty, if any, to be imposed.

11. WorldCom, Inc. agrees that this Court shall retain jurisdiction over this matter for the purpose of implementing and enforcing the terms of the Judgment of Permanent Injunction, the terms of the Final Penalty Judgment and all other Orders and Decrees that have been or may be entered herein.

12. WorldCom, Inc. understands and agrees that this Consent and Undertaking embodies the entire agreement and understanding by and between WorldCom, Inc. and the Commission relating to the settlement of the Commission's claims for disgorgement and civil penalties. WorldCom, Inc. further understands and agrees that there are no express or implied promises, representations, or agreements between WorldCom, Inc. and the Commission relating to the settlement of the Commission's claims for disgorgement and civil penalties other than those expressly set forth or referred to in this Consent and Undertaking, and that nothing herein is binding on any other agency or government, whether federal, state or local.

13. WorldCom, Inc. agrees that this Consent and Undertaking shall be incorporated by reference into the Final Penalty Judgment as though set forth in full therein.

14. WorldCom, Inc. waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

15. WorldCom, Inc. hereby expressly waives any right it may have to a trial by jury of any and all claims asserted by the Commission in the Second Amended Complaint.

16. WorldCom, Inc. waives any right it may have to appeal from the Final Penalty Judgment.

17. WorldCom, Inc. hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to pursue reimbursement of attorney's fees or other fees, expenses or costs expended by WorldCom, Inc. to defend against this action. For these purposes, there is no prevailing party in this action since the parties have reached a good faith settlement.

18. WorldCom, Inc. enters into this Consent and Undertaking freely, voluntarily, and of its own accord and represents that no threats, offers, promises, or inducements have been made

by the Commission or any member, officer, employee, agent, or representative of the Commission to induce WorldCom, Inc. to enter into this Consent and Undertaking.

19. WorldCom, Inc. acknowledges and agrees that this Consent and Undertaking are for the purposes of resolving this proceeding only, including the allegations in the Second Amended Complaint, in conformity with the provisions of 17 C.F.R. § 202.5(f), and do not resolve, affect, or preclude any other proceeding which may be brought against WorldCom, Inc. Consistent with the provisions of 17 C.F.R. § 202.5(f), WorldCom, Inc. waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. WorldCom, Inc. acknowledges that the Court's entry of the Final Penalty Judgment may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. The Commission has not alleged that the alleged violations arose in the performance of a government contract.

20. WorldCom, Inc. understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings" [17 C.F.R. § 202.5(e)]. In compliance with this policy, WorldCom, Inc. agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Second Amended Complaint or creating the impression that the Second Amended Complaint is without factual basis. If WorldCom, Inc. breaches this agreement, the Commission may

petition this Court to vacate the Final Penalty Judgment. Nothing in this provision affects WorldCom, Inc.'s: (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commission is not a party.

21. WorldCom, Inc. waives service of the Final Penalty Judgment and agrees that entry of the Final Penalty Judgment by this Court, and its filing with the Clerk of the United States District Court for the Southern District of New York, shall constitute notice of the terms and conditions of the Final Penalty Judgment.

22. WorldCom, Inc. agrees that the Commission may present the Final Penalty Judgment to this Court for signature and entry without further notice.

23. Except as explicitly provided herein, nothing in this Consent and Undertaking is intended to or shall be construed to have created, compromised, settled, or adjudicated any claims, causes of action, or rights of any person whomsoever, other than as between the Commission and WorldCom.

WorldCom, Inc.

By: _____

[Name]

[Title]

On _____, 2003, _____, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent and Undertaking.

Notary Public

My commission expires:

Approved as to form:

Paul C. Curnin (PC 7209)
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017-3954
212/455-2519 (phone)
212/455-2502 (fax)

Affirmation on behalf of the Official Committee of Unsecured Creditors of WorldCom, Inc.

On behalf of the Official Committee of Unsecured Creditors of WorldCom, Inc. (the “Committee”), I affirm that the Committee does not object to the provisions of the proposed Final Penalty Judgment that accompanies this Consent and Undertaking of Defendant WorldCom, Inc. and that the Committee will affirmatively support the parties’ proposed settlement as consistent with the standards for approval by the Bankruptcy Court under Federal Rule of Bankruptcy Procedure 9019.

Daniel H. Golden ()
Akin Gump Strauss Hauer & Feld LLP
590 Madison Avenue
New York, New York 10022
(212) 872-1000

On _____, 2003, _____, a person known to me, personally appeared before me and acknowledged executing the foregoing affirmation.

Notary Public

My commission expires:

REQUEST FOR ENTRY

Plaintiff Securities and Exchange Commission respectfully requests entry of the Final Judgment as to Monetary Relief submitted with this Consent and Undertaking.

Robert B. Blackburn (RB 1545)
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Dated: May ____, 2003