

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

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	Civ No. 02-CV-4963 (JSR)
v.	:	
	:	
WORLDCOM, INC.,	:	
	:	
Defendant.	:	

FINAL JUDGMENT AS TO MONETARY RELIEF

This Court having previously entered a Judgment of Permanent Injunction Against Defendant WorldCom, Inc. (“Judgment of Permanent Injunction”) on November 26, 2002 which specifically left the issue of the appropriateness and amount of any civil penalty to be resolved at a later date; and the parties having agreed to resolve the issues relating to the Commission’s claim for a civil penalty; and plaintiff Securities and Exchange Commission (“Commission”), having filed its Second Amended Complaint in this matter; and defendant WorldCom, Inc., as debtor and debtor in possession, in the accompanying Consent and Undertaking of WorldCom, Inc. (“Consent”), having admitted service of the Second Amended Complaint and consented 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 Second Amended Complaint, except as to jurisdiction, which it admits, having consented to entry of this Final Judgment as to Monetary Relief (“Final Penalty Judgment”); and it appearing that this Court has jurisdiction over WorldCom, Inc. and the subject matter hereof, and this Court

being fully advised in the premises:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that WorldCom, Inc. is liable for a civil penalty in the amount of \$2,250,000,000 pursuant to Section 20(d) of the Securities Act of 1933 [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Securities Exchange Act of 1934 [15 U.S.C. § 77u(d)(3)]; and for disgorgement of \$1. In the event of confirmation 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”), WorldCom shall satisfy the obligation hereunder (a) by paying \$500,000,000 on the effective date of the plan of reorganization to the Clerk of this Court and (b) by transferring, on the effective date of the plan of reorganization or as soon as practicable thereafter, common stock of reorganized WorldCom, Inc. issued pursuant to any such plan of reorganization having a value of \$250 million (based upon the valuation set forth in the plan’s bankruptcy court-approved disclosure statement) to the Distribution Agent to be appointed by the Court pursuant to this Final Judgment. Such payment and transfer shall be deemed to fully satisfy WorldCom’s obligation hereunder. The monetary payment shall be sent to the Clerk of this Court, together with a cover letter identifying WorldCom, Inc. as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Penalty Judgment. The common stock shall be transferred to the Distribution Agent, together with a cover letter identifying WorldCom, Inc. as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Penalty Judgment. Defendant shall simultaneously transmit to the SEC’s counsel in this action photocopies of such payment and the

letters sent to the Clerk of the Court and the Distribution Agent.

Alternatively, in the event of a liquidation of WorldCom under Chapter 11 of the Bankruptcy Code, WorldCom shall satisfy the obligation hereunder by paying \$500,000,000 at the time of the distribution upon liquidation to the Clerk of this Court, together with a cover letter identifying WorldCom, Inc. as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Penalty Judgment. Defendant shall simultaneously transmit photocopies of such payment and letter to the SEC's counsel in this action. Such payment shall be deemed to fully satisfy WorldCom's obligation hereunder in the event of a liquidation of WorldCom under Chapter 11 of the Bankruptcy Code.

By making the \$500,000,000 cash payment and the transfer of common stock described above in the event of confirmation of a plan of reorganization, or alternatively by making the \$500,000,000 cash payment in the event of a liquidation, WorldCom relinquishes all legal and equitable right, title, and interest in the funds paid and the common stock transferred, and no part of such funds or common stock shall be returned to WorldCom. But in no event shall WorldCom be required to make a cash payment of more than \$500,000,000 or a transfer of stock having a value of more than \$250,000,000, provided the settlement is approved.

The Clerk shall deposit the \$500,000,000 cash payment into an interest bearing account with the Court Registry Investment System ("CRIS"). These funds, together with any interest and income earned thereon (collectively, the "Fund"), shall be held by the CRIS until further order of the Court. In accordance with the guidelines set by the Director of the Administrative Office of the United States Courts, the Clerk is directed, without further order of this Court, to deduct from the income earned on the money in the Fund a fee equal to ten percent of the income

earned on the Fund. Such fee shall not exceed that authorized by the Judicial Conference of the United States.

By no later than two weeks following the entry of this Final Judgment, following consultation with the parties, the Court shall appoint a distribution agent (the "Distribution Agent") to oversee the distribution of the Fund and the common stock transferred to the Distribution Agent pursuant to this Final Judgment. By no later than the time the funds are deposited with the CRIS, the Commission by motion, on notice to WorldCom, Inc. and the Official Committee of Unsecured Creditors of WorldCom, Inc. (the "Creditors Committee"), shall propose to the Court a plan to distribute the Fund and the common stock. The plan shall provide that the Fund and the common stock (or the proceeds of the sale thereof) shall be distributed to victims, including certain public shareholders and bondholders, 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 civil penalties pursuant to this Final Penalty Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. 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 this 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.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that any plan proposed by WorldCom, Inc. or any of its affiliated debtors in the Bankruptcy Case styled In re WorldCom

Inc. et. al., Chapter 11 case No. 02-13533 (AJG) (the “Bankruptcy Case”) shall provide that, as a condition to the effectiveness of the plan, the amounts required to be paid hereunder shall have been paid, or, if the Final Penalty Judgment has been stayed pending an appeal, all amounts due hereunder shall have been deposited into an escrow account pending final resolution.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent of WorldCom, Inc. filed herein be, and the same hereby is, incorporated in this Final Penalty Judgment by reference with the same force and effect as if fully set forth herein and that WorldCom, its officers, agents, accountants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Penalty Judgment by personal service or otherwise, and each of them, shall comply in all respects with the terms of the Consent.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that all of WorldCom Inc.’s 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 this Final Penalty Judgment.

V.

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 shall remain in full force and effect and are not affected, abrogated, or superseded in any way by this Final Penalty Judgment.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the terms of the settlement set forth in the Consent and this Final Penalty Judgment shall be subject to Court approval at a hearing to be held pursuant to Federal Rule of Bankruptcy Procedure 9019.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that (i) 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; and (ii) nothing in this Final Penalty Judgment shall be construed as evidence of, or in any way constitute an admission as to the appropriate priority, classification or 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. The Commission shall not offer into evidence the Consent or this Final Penalty Judgment as evidence of the appropriate priority, classification or treatment of a claim by the Commission in any proceeding unrelated to WorldCom.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that in the event the terms of the settlement reflected in this Final Penalty Judgment are not approved pursuant to a hearing held under Federal Rule of Bankruptcy Procedure 9019, 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 this 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 this 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.

IX.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of the action for the purpose of implementing and enforcing the terms of this Final Penalty Judgment, the terms of the Judgment of Permanent Injunction, and all other Orders and Decrees that have been or may be entered herein.



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

DATED: New York, New York
July 7, 2003

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :
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: :
-v- : 02 Civ. 4963 (JSR)
: :
WORLD COM, INC., : ERRATA
: :
: :
Defendant. :
-----X

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

Two typographical errors in the Court's Opinion and Order of July 7, 2003 are hereby corrected as follows: on page 11 at line 23, the figure "\$250,000" is changed to read "\$250 million"; and on page 12 at line 8, the words "victim shareholders" are changed to read "qualifying claimants."

SO ORDERED.



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

Dated: New York, New York
July 7, 2003