

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :
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 : Plaintiff, :
 : 02 Civ. 4963 (JSR)
 : -v- :
 : :
 : WORLDCOM, INC., :
 : :
 : Defendant. :
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JED S. RAKOFF, U.S.D.J.

The parties have today informed the Court that they intend to submit to the Court, around 3:20 p.m. today, a proposed partial settlement, seeking to resolve the amount of the civil penalty to be paid by Worldcom, Inc. for its violations of the federal securities laws. Although the Court was not furnished with the settlement papers until 2:52 p.m. today and has therefore just skimmed them, the Court appreciates the efforts of the parties to try to resolve their differences amicably. However, the present record affords an inadequate basis to evaluate, let alone approve at this time, any settlement of a matter of such size, complexity, and public importance.

For one thing, the Court and the public need to know much more of the details of the defendant's seemingly massive fraud. At a minimum, the Court needs to review not only the second report of the Examiner in Bankruptcy, due to be filed shortly, but also the report of Worldcom's Special Investigative

Committee, due to be released no later than June 10, 2003. There may also be the need for an in-court evidentiary hearing.

Second, while the proposed settlement speaks only to monetary relief, the Court needs to be informed as to what changes in corporate governance and internal control have been implemented. In this regard, the Court notes that pursuant to the prior orders of this Court, adequate implementation of substantial changes in corporate governance and internal controls must precede the determination of any monetary penalty.

Third, the Court needs briefing on the implications for the proposed settlement of the Sarbanes-Oxley Act.

Finally, and perhaps most importantly, the Court needs to have complete information not only as to whom the settlement will benefit but also whom it will not, as well as the rationales for such choices as have been made.

With respect to any or all of the aforementioned issues, the parties are hereby directed to file written submissions with the Court by June 6, 2003. Other interested parties are also welcome to submit written comments on these issues provided such submissions are also filed with the Clerk of the Court by no later than 5 p.m. on June 6, 2003. No oral presentations will be accepted from non-parties, but the Court will convene, as previously scheduled, a conference with the parties on June 11 at 4:00 p.m. to discuss where the case should go from there. Under

no circumstances will the Court approve any settlement prior to
June 11, 2003.

SO ORDERED.



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

Dated: New York, New York
May 19, 2002