

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 12965, Section 8-102
By *JMV* NARS, Date *5/2/2012*

PRIVILEGED & CONFIDENTIAL

Date: June 26, 2002
Case Number: HO-09440

ACTION MEMORANDUM

TO: The Commission

FROM: Division of Enforcement *LAW*

RE: WorldCom, Inc.

RECOMMENDATION: That the Commission direct the staff to issue an order pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") requiring WorldCom, Inc. to file a statement under oath describing in detail the facts and circumstances underlying the events described in WorldCom's June 25, 2002 announcement about accounting improprieties

ACTION REQUESTED BY: Duty officer

TENTATIVE SUNSHINE ACT STATUS: Not applicable

OTHER OFFICES OR DIVISIONS CONSULTED: Office of the General Counsel
Giovanni P. Prezioso 942-0900

PRIOR COMMISSION ACTION: The Commission issued a formal order of private investigation in this matter on March 14, 2002.

NOVEL, IMPORTANT OR COMPLEX ISSUES: None

PERSONS TO CONTACT: William R. Baker III 942-4570
Lawrence A. West 942-4822
Neil J. Welch, Jr. 942-4821
Jose Rodriguez 942-4537
Charles D. Niemeier 942-4594
Matthew W. Rogers 942-4730

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ADMINISTRATIVE MARKING
E.O. 12065, Section 6-102
By *JWH* NARS, Date *5/2/2012*

SUMMARY AND RECOMMENDATION

We recommend that the Commission direct the staff to issue the attached proposed order pursuant to Section 21(a)(1) of the Exchange Act requiring WorldCom, Inc. to provide a report of investigation to the Commission. WorldCom is a global telecommunications company, incorporated in Georgia, with principal offices in Clinton, Mississippi, and with common stock registered under Section 12(g) of the Exchange Act and traded on the Nasdaq National Market System.

Yesterday WorldCom announced the following: (1) it intended to restate its financial statements for 2001 and the first quarter of 2002; (2) it had determined that certain transfers from line cost expenses to capital accounts during this period were not made in accordance with generally accepted accounting principles ("GAAP"); (3) the amount of these transfers was \$3.055 billion for 2001 and \$797 million for first quarter 2002; and (4) without these transfers, the company's reported EBITDA would be reduced to \$6.339 billion for 2001 and \$1.368 billion for first quarter 2002, and the company would have reported a net loss for 2001 and for the first quarter of 2002.

The order will require WorldCom to file a statement in writing, under oath, describing in detail the facts and circumstances underlying the events described in and that led to yesterday's announcement. The announcement reportedly has had a significant negative impact on investor confidence.

This investigation may be significantly expedited if WorldCom fully and truthfully answers the questions directed to it. Without the order, the staff likely will need to take the testimony of many individuals. Moreover, the individuals most knowledgeable about the facts are likely to assert their rights under the Fifth Amendment and refuse to testify. WorldCom cannot assert a Fifth Amendment privilege and refuse to respond to the order. Moreover, because the entity is a public company, it is unlikely to ignore the Commission's order. Therefore it is appropriate for the Commission to find that the order is necessary to determine whether WorldCom has violated, is violating, or is about to violate any provision of the Exchange Act.