



U.S. Department of Justice

United States Attorney
Southern District of New York

The Silvio J. Mollo Building

*One Saint Andrew's Plaza
New York, New York 10007*

August 30, 2005

Charles P. Scheeler, Esq.
DLA Piper Rudnick Gray Cary LLP
6225 Smith Avenue
Baltimore, Maryland 21209

Re: MCI, Inc.

Dear Mr. Scheeler:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will not criminally prosecute MCI, Inc. or any of its affiliates ("MCI"), successor entity to WorldCom, Inc. ("WorldCom"), for any crimes (except for criminal tax violations as to which this Office cannot and does not make any agreement) related to WorldCom's participation in the conduct set forth in the Superseding Indictment filed in United States v. Bernard J. Ebbers, S4 02 Cr 1144 (BSJ) (the "Superseding Indictment") and in the complaint filed in SEC v. WorldCom, Inc., 02 CV 4963 (JSR) (the "SEC Complaint").

Moreover, if MCI fully complies with the understandings specified in this Agreement, no information provided by or on behalf of MCI or any testimony given by any then-current employees at the request of this Office (or any other information directly or indirectly derived therefrom) will be used against MCI in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to MCI and not to any other entities or any individuals except as set forth herein. The protections arising from this agreement will not apply to any purchasers of all or substantially all of the stock or assets of MCI, unless such purchaser enters into a written agreement, on terms acceptable to the Office, agreeing in substance to undertake all obligations set forth in the Continuing Obligation To Cooperate paragraph.

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Continuing Obligation To Cooperate

It is understood that, in connection with any matter relating to MCI's operations, finances, and corporate governance between 1999 and the date of the signing of this Agreement, MCI: (a) shall truthfully and completely disclose all information with respect to the activities of MCI, its officers and employees, and others concerning all such matters about which this Office inquires, which information can be used for any purpose, except as limited by the second paragraph of this agreement; (b) shall cooperate fully with this Office, the Federal Bureau of Investigation ("FBI"), and the United States Securities and Exchange Commission ("SEC"); (c) shall, at the Office's request, use its best efforts to secure the attendance and truthful statements or testimony of any officer, agent or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; (d) shall provide to this Office upon request, any document, record, or other tangible evidence relating to matters about which this Office or any designated law enforcement agency inquires; and (e) shall bring to this Office's attention all criminal conduct by or criminal investigations of MCI or its senior managerial employees which comes to the attention of MCI's board of directors or senior management, as well as any administrative proceeding or civil action brought by any governmental authority which alleges fraud by or against MCI. It is further understood that MCI shall commit no crimes whatsoever. Moreover, any assistance MCI may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators. MCI's obligations under this paragraph shall continue until the later of (1) a period of two years from the date of the signing of this Agreement or (2) the date upon which all prosecutions arising out of the conduct described in the Superseding Indictment and the SEC Complaint are final.

Restitution Obligations

It is understood that MCI shall provide restitution to the victims of the fraud schemes set forth in the Superseding Indictment and the SEC Complaint, in the manner set forth more fully below.

(1) MCI shall fully comply with all of its obligations under the settlement among Bernard J. Ebberts, the New York State Common Retirement Fund, as lead plaintiff in the WorldCom Securities Class Action, and MCI, as set forth in the Settlement Term Sheet among those parties (a copy of which is attached as Exhibit A), and its obligations under the settlement between the New York State Common Retirement Fund, as lead plaintiff in the WorldCom

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Securities Class Action, and MCI, as set forth in the Settlement Term Sheet between those parties (a copy of which is attached as Exhibit B).

(2) MCI agrees that a material breach of any of its obligations, as set forth in either Settlement Term Sheet, shall constitute a breach of this Non-Prosecution Agreement.

Additional Obligations

It is understood that, should MCI commit any crimes subsequent to the date of signing of this Agreement, or should it be determined that MCI has given false, incomplete, or misleading testimony or information, or should MCI otherwise violate any provision of this Agreement, MCI shall thereafter be subject to prosecution for any federal criminal violation of which this Office has knowledge, including perjury and obstruction of justice. The running of the statute of limitations with respect to any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement shall be tolled from the date hereof until the aforementioned period of cooperation has expired. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any such prosecution that is not time-barred on the date that this Agreement is signed, to the extent set forth above.

It is understood that if it is determined that MCI has committed any crime after signing this Agreement or has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) all statements made by MCI to this Office, the SEC, or other designated law enforcement agents, and any testimony given by any then current officer, agent or employee of MCI before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statements or testimony shall be admissible in evidence in any criminal proceeding brought against MCI; and (b) MCI shall assert no claim under the United States Constitution, any statute, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than this Office. This Office will, however, bring the cooperation and remedial actions of MCI to the attention of other prosecuting offices, if requested by MCI.

02.03.05

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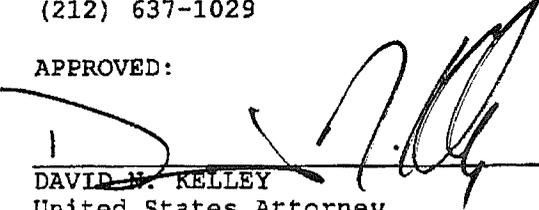
With respect to this matter, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and MCI. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

Very truly yours,

DAVID N. KELLEY
United States Attorney

By: David Anders / 1029
David B. Anders
Assistant United States Attorney
(212) 637-1029

APPROVED:


DAVID N. KELLEY
United States Attorney

AGREED AND CONSENTED TO:

Anastasia D. Kelly
ANASTASIA D. KELLY
Executive Vice President and
General Counsel
On behalf of MCI, Inc.

Sept. 1, 2005
DATE

APPROVED:

Charles P. Scheeler
Charles P. Scheeler, Esq.
Attorney for MCI, Inc.

9/1/05
DATE



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
SEPTEMBER 1, 2005

CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY
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PUBLIC INFORMATION OFFICE
(212) 637-2600

U.S. ENTERS NON-PROSECUTION AGREEMENT WITH MCI

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that the United States Attorney's Office for the Southern District of New York (the "Office") has entered into a Non-Prosecution Agreement with MCI, Inc. ("MCI"), the successor to WorldCom, Inc. In addition to requiring MCI to continue to cooperate with the Office's continuing investigation of the fraud at WorldCom, the Non-Prosecution Agreement requires MCI to abide by the terms of the settlement reached earlier this year by MCI, the New York State Common Retirement Fund, as lead plaintiff in the WorldCom Securities Class Action (the "Class"), and Bernard J. Ebbers, WorldCom's former CEO. The Office has also entered into an agreement with Verizon Communications Inc. ("Verizon") to ensure that MCI complies with the terms of the Non-Prosecution Agreement after completion of the proposed merger between MCI and Verizon.

The decision by the United States Attorney not to pursue criminal charges against the company was based on the factors set forth in former Deputy Attorney General Larry

Thompson's memorandum entitled Principles of Federal Prosecution of Business Organizations. The decision was based on, among others, the following significant factors: (1) MCI's full and complete cooperation with the Government's investigation; (2) MCI's prompt settlement of an enforcement action by the United States Securities and Exchange Commission ("SEC"), a settlement which included the payment of a \$750 million civil monetary penalty, which provided restitution to victimized shareholders; (3) MCI's substantial remedial actions since disclosure of the fraud, including the implementation of entirely new management and a new Board of Directors; and (4) the negative effect that charges against MCI would have on the company's innocent employees and legitimate activities.

MCI self-reported its discovery of the fraudulent accounting entries that were at the heart of the WorldCom fraud in June 2002. Since that time, MCI has fully cooperated with the Government's investigation, by, among other things, providing the Government with requested documents, making employees available for interviews with Government investigators in the United States, and making appropriate waivers of applicable privileges in order to make certain requested information promptly available to the Government. The Company identified for the Government early in the investigation the documents that it believed to be most relevant to the investigation and produced those and other

documents to the Government in a format to permit efficient investigation by the Government.

Also, MCI has undertaken significant remedial measures over the last three years. Since the disclosure of the fraud, MCI has terminated virtually every employee who played even a tangential role in any aspect of the fraud involving WorldCom's revenue or line cost accounting. MCI has completely new senior management. In addition, MCI's Board of Directors has been completely replaced.

On November 26, 2002, the SEC obtained a judgment against MCI through which it obtained the full injunctive relief it sought against WorldCom. In addition, the judgment ordered WorldCom to undertake extensive reviews of its corporate governance and internal controls, and required WorldCom to establish a training and education program for WorldCom officers and employees to minimize the possibility of future violations of the federal securities laws. On July 7, 2003, the monetary settlement between MCI and the SEC was approved, thereby requiring MCI to pay \$500 million in cash and approximately \$250 in common stock to victims of the fraud.

In July 2005, MCI entered into an agreement with the Class and Ebbers. As part of that agreement, Ebbers agreed to turn over virtually all of his assets to a trust. Those assets will be sold in the coming months, with the proceeds being split

between the Class and MCI. The Class will receive 75% of the proceeds of these sales, and MCI will receive 25% of the proceeds, except in the case of the Joshua Timberlands property, as to which MCI currently has a lien and for which the proceeds of any sale will be split 2/3 for the Class and 1/3 for MCI.

Because MCI has cooperated fully with the Government's investigation, has implemented substantial remedial efforts, and has paid \$750 million in restitution through the SEC, the public interest has been sufficiently vindicated by the successful criminal prosecution of the principal individual wrongdoers - Bernard Ebbers and Scott Sullivan. Moreover, criminal prosecution of the company would likely have a severe and unintended economic impact upon thousands of innocent MCI employees and could harm the impending merger between MCI and Verizon Communications Inc. Accordingly, the Office has determined, after carefully balancing all of the factors set forth in the Thompson Memorandum, that criminal prosecution of MCI would not serve the public interest, so long as MCI fully complies with the terms of the Non-Prosecution Agreement.

Mr. KELLEY, a member of the President's Corporate Fraud Task Force, praised the efforts of the Federal Bureau of Investigation and the SEC in this investigation.

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