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San Francisco County Superior Court

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GORDON PARK-LI, Clerk
BY: VERA MU
Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN FRANCISCO

PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, v. WORLDCOM, INC., MCI WORLDCOM COMMUNICATIONS, INC., and DOES 1 through 100, inclusive. Defendants.	Case No.: 313730 FINAL JUDGMENT AND PERMANENT INJUNCTION

Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA ("Plaintiff"), having filed its complaint and appearing through its attorneys, Bill Lockyer, Attorney General, by Jill P. Armour, Ian K. Sweedler and Judith A. Fiorentini, Deputy Attorneys General, and the California Public Utilities Commission through its attorneys Gary M. Cohen, General Counsel, Peter V. Allen, Interim Assistant General Counsel, Monica McCrary, Monique Steele, Stacie Castro and Christopher Witteman, Public Utilities Counsels, and Defendants, WORLDCOM, INC., and MCI WORLDCOM COMMUNICATIONS, INC. (collectively, the "Defendants"), appearing through their attorneys Thomas F. O'Neil III and William P. Donovan, Jr., and Heller, Ehrman, White & McAuliffe, LLP, by Peter S. Hecker, David C. Brownstein and Nina Anne M. Greeley and Piper Marbury Rudnick & Wolfe, LLP, by Charles P. Scheeler; and Plaintiff and Defendants having stipulated that this Final Judgment and Permanent Injunction ("Judgment") may be

entered without the taking of evidence, without trial or adjudication of any issue of fact or law, without this Judgment constituting an admission by any party concerning any issue of law or fact, and without this Judgment constituting an admission of liability or wrongdoing by Defendants, and good cause appearing,

THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

A. This Court has jurisdiction of the parties to this Judgment and the subject matter stated herein.

B. The injunctive provisions of this Final Judgment and Permanent Injunction are entered pursuant to Business and Professions Code sections 17203 and 17535 and Public Utilities Code section 2102.

C. For the purposes of this Judgment, the following terms have the following meanings:

1. "Cancel" or "cancellation" of long distance service occurs when MCI receives notification from the consumer's Local Exchange Carrier ("LEC") that the consumer's Primary Interexchange Carrier ("PIC") has been changed to a new long distance service provider.

2. "Consumer complaint" means either

(a) any written correspondence from a California consumer seeking a credit or otherwise challenging MCI's long distance service that is either mailed directly to MCI or forwarded to MCI by a governmental agency or consumer service (i.e., the Better Business Bureau) that processes consumer complaints, or;

(b) a verbal demand for a credit, or an unequivocal verbal inquiry regarding MCI's long distance service that is received by the Company's Executive Offices.

3. "Clear and conspicuous" means that a statement is disclosed in such size, color, contrast, location, duration, and audibility that it is readily noticeable,

readable, and understandable. A statement may not contradict or be inconsistent with any other information with which it is presented. If a statement modifies, explains, or clarifies other information with which it is presented, it must be presented in proximity to the information it modifies, in a manner that is readily noticeable, readable, and understandable, and it must not be obscured in any manner. The audio disclosure shall be delivered in a volume and cadence sufficient for a consumer to hear and comprehend it. The visual disclosure shall be of a size and shade, and shall appear on the screen for a duration, sufficient for a consumer to read and comprehend it. In a print advertisement or promotional material directed to consumers, the disclosure shall be in a type size and location sufficiently noticeable for a consumer to read and comprehend it, in print that contrasts with the background against which it appears.

(a) There shall be a rebuttable presumption that the disclosures required by this Judgment are clear and conspicuous if, in addition to the foregoing, such disclosures are presented simultaneously in both the audio and visual portions of an advertisement communicated through an electronic medium (e.g., television, video, radio, and interactive media such as the Internet and online services). Provided, however, that in any advertisement presented through a solely visual medium or a solely audio medium, the disclosure may be made through the same means in which the advertisement is presented.

(b) Disclosure pursuant to Paragraph C.3.(a) of this Judgment creates a rebuttable presumption that the disclosures required by this Judgment are clear and conspicuous, and is not a requirement under this Judgment.

4. "Commission" means the California Public Utilities Commission.

5. "Long distance service" means residential dial-1 intrastate, including local toll, and interstate telephone service provided to subscribers by MCI, and does not include local exchange service or wireless service.

6. "Mandatory additional fees" means recurring charges and usage charges (including, but not limited to, any required minimum amount of toll charges, periodic service fee charges, carrier access fee and federal universal service fee) that a residential consumer must incur to use the calling plan, but does not include taxes.

7. "MCI" or the "Company" means WORLDCOM, INC., MCI WORLDCOM COMMUNICATIONS, INC., MCI METRO ACCESS TRANSMISSION SERVICES, TELECONNECT LONG DISTANCE SERVICES AND SYSTEMS, TELECONNECT COMPANY AND TELECOM USA, as well as their directors, officers, employees, agents, representatives, predecessors, successors and assigns of each of them, including any subsidiaries of any of them created after the date of entry of this Judgment.

8. "Resolved" as related to consumer complaints means that MCI has conducted a reasonable investigation of the consumer's complaint, determined what action it will take (if any) in response to the complaint, communicated its findings and resolution

(a) by telephone or in writing to the consumer;

(b) in writing (unless otherwise requested) to the governmental agency that forwarded the complaint to MCI; and

(c) noted what the resolution was in its appropriate record system.

9. "Small business" means all MCI business customers in California serviced by the "MCI Group," as that entity is described in Defendants' filings with the Securities and Exchange Commission and as traded on the Nasdaq under the ticker symbol "MCIT" and any successors or assigns.

10. "Subscriber" means a California subscriber for MCI's long distance service, unless otherwise noted herein.

11. "Taxes" means amounts that MCI is required by law to collect directly from telephone service consumers. This term does not include fees charged by

MCI to consumers that are based, directly or indirectly, on government imposed costs of doing business, such as the Carrier Access Charge and the Federal Universal Service Fee.

D. Pursuant to Business and Professions Code sections 17203 and 17535, MCI is hereby permanently enjoined and restrained from making, whether expressly or by implication, any of the following in connection with its advertising to California residents:

1. Misrepresentations regarding the rates of MCI's long distance service.

2. Representations regarding the rates of, or the rate of any portion of, MCI's long distance service (including, but not limited to, per minute rate claims) unless MCI clearly and conspicuously discloses the name and amount of all mandatory additional fees, either itemized or in total, applicable to that service; provided, however,

(a) if the existence of the Federal Universal Service Fee is clearly and conspicuously disclosed, MCI need not disclose the amount of this fee; and

(b) if MCI clearly and conspicuously discloses, if such is the case, that in-state rates may be higher and that "additional in-state fees may apply," MCI need not disclose the amount of these fees.

3. Misrepresentations regarding the times during a day, or the days, during which the advertised rate is available.

4. Misrepresentations regarding the basis of any rate comparison or savings claim. MCI shall clearly and conspicuously disclose the basis of any rate comparison or savings claim (by naming the competitor's product or service to which the comparison is made) and shall not compare its rate with the rate at which another seller is offering any product or service unless both of the following are satisfied:

(a) the other seller's product or service is currently being offered or

provided at the represented higher comparative rate; and

(b) the comparison does not represent, expressly or by implication, that MCI's product or service is comparable to the other seller's product or service, unless such is the case; provided, however, that the mere presentation of the rate of another seller's product or service does not necessarily imply that the other seller's product or service is comparable to the advertised product or service.

5. Representations regarding MCI long distance service being offered at a range of rates or at a range of percentage or fractional discounts (e.g., "Save up to 50%") unless the highest rate or lowest discount in the range is disclosed clearly and conspicuously.

6. Representations that make rate comparisons using the term "basic rate" or other similar term, unless MCI clearly and conspicuously discloses that the basic rate is a non-discounted rate, if such is the case.

7. Misrepresentations regarding the geographic area for which the advertised rate applies.

8. Representations that an offered product or service, or component of such product or service, is offered for free, unless such product or service, or component of such product or service, is in fact provided without additional cost.

9. Representations regarding the rate or the rate of any portion of MCI long distance service unless MCI clearly and conspicuously discloses (subject to Paragraph D.2 of this Judgment) the following terms and conditions including, if applicable:

(a) where the rates apply, e.g., state-to-state or in-state;

(b) when the rates apply, e.g., time or day restrictions, and that calls made at other times may be charged at a higher rate;

(c) in the case of a temporary promotion, the date the temporary promotion will expire;

(d) the billing method a consumer is required to utilize in order to obtain the advertised rate, if different from the consumer's current billing method;

(e) if only one rate component of the calling plan is set forth, and the consumer must purchase the complete calling plan, the fact that other rate components of the plan may be higher;

(f) any requirement that consumers subscribe over the Internet; and

(g) other services that must be purchased in order to obtain the advertised rate.

10. Representations regarding rates to be charged for international calls unless:

(a) MCI charges the specific advertised per minute international calling rate;

(b) advertised discounts on MCI international calling rates are available and charged on the advertised days and during the advertised time periods; and

(c) with respect to advertisements regarding calling card calls to the United States, MCI customers can obtain the specified international per minute rates on such calls and the restrictions on obtaining those rates (e.g., that the calls must be made to the subscriber's home subscribed telephone number) are clearly and conspicuously disclosed.

11. Representations that a specified number of airline frequent flier miles or credits are available to consumers who switch their long distance service to MCI, unless the advertisements clearly and conspicuously disclose restrictions concerning the collection of the specified number of frequent flier miles represented as available, including but not limited to, the following items, as applicable:

(a) any requirements relating to the duration for which the consumer

must be an MCI subscriber to obtain the advertised miles;

(b) the time period (e.g., monthly) over which the miles will be credited to the customer's account;

(c) any limitation or restriction that the number of frequent flyer miles earned are limited (e.g., one) for each household, account, or telephone line (number) switched to MCI;

(d) any limitation or restriction on the receipt of miles by consumers who previously used MCI's long distance service and received frequent flyer miles, including that such a person is not eligible for additional frequent flier miles by switching back to MCI unless the consumer has not been an MCI subscriber for a stated amount of time, if such is the case;

(e) that subscribers are charged a federal tax surcharge on the value of the earned frequent flier miles, if such is the case;

(f) that current MCI subscribers are not eligible for frequent flier miles, if such is the case;

(g) that a consumer who becomes a subscriber will earn a specific number of frequent flier miles within a certain time frame, i.e., 1000 miles a month for each of the first six (6) months of service, unless MCI takes all steps necessary to ensure that the MCI partner airline receives all necessary information from MCI so that miles can be promptly posted after the subscriber has met each incremental time frame, even if the subscriber changes telephone service providers after completing the required time frame as an MCI subscriber.

12. Representations regarding MCI's 10-10-321 service, unless the advertisements clearly and conspicuously disclose the following items, as applicable:

(a) all advertisements for MCI's domestic 10-10-321 services clearly and conspicuously disclose the rate for using the advertised service in a

clear and prominent manner. If a flat fee will be charged for the call, the advertisement will state its total cost, excluding taxes that MCI is required by law to collect. If the call is billed based on duration, the advertisement will state the per-minute cost. If the call is billed on a variable rate basis, the advertisement will state both the cost of the initial portion of the call (including that there is a minimum charge for using the service, if there is, and the amount of that charge) and the rate(s) that will be charged for the remainder of the call (a representation such as the following, for example, would comply with this subparagraph: "Use [our] dial-around service, 80 cents flat charge for the first 10 minutes, 8 cents a minute thereafter.");

(b) all material terms relating to use of the advertised 10-10-321 service, including but not limited to additional fees, minimum charges, geographic restrictions, time of day restrictions, billing requirements, promotional offers, or other conditions, are clearly and conspicuously disclosed;

(c) all advertisements for 10-10-321 service include the name of the carrier providing the service (e.g., Telecom USA), a toll free number and a web site where consumers can obtain additional information regarding the service;

(d) all advertisements for 10-10-321 service that make comparative rate or savings claims clearly and conspicuously disclose by name the comparison product, the rate or value of each savings claim, whichever is more practicable, and if such rate is another provider's "basic rate," also clearly and conspicuously disclose that the "basic rate" is a non-discounted rate, if such is the case.

13. Any of the following representations regarding MCI's "directory assistance" 10-10-9000 service (or any comparable future service):

(a) that the MCI operator can connect the call for the consumer, unless

the MCI operator clearly and conspicuously discloses to non-presubscribed customers the rate per-minute, or range of rates per-minute, if applicable (including the existence of MCI's Federal Universal Service Fee, if such fee is charged), that the customer will be charged if he or she accepts the MCI operator's offer to connect the call, and to MCI presubscribed customers that the customer will be charged his or her plan rates if he or she accepts the MCI operator's offer to connect the call. Alternatively, if MCI adopts a flat rate for connected calls for all customers using this service, the MCI operator will clearly and conspicuously disclose the flat rate;

(b) that there is a specific charge, such as "99 cents for two listings," for obtaining telephone numbers from the service, if users of the service are billed the stated amount regardless of whether telephone number listings are found, unless the conditions under which a consumer will be charged for use of such service are clearly and conspicuously disclosed;

(c) that consumers can get any telephone listing anywhere in America, unless MCI's data base contains every listed telephone number in America or consumers are not charged for the search when numbers requested cannot be found.

E. Pursuant to Public Utilities Code section 2102, MCI is hereby permanently enjoined and restrained from directly or indirectly (such as through telemarketing representatives) engaging in any of the following acts or practices in connection with the provision of long distance service to California residents:

1. Switching the subscriber's long distance service unless, consistent with 47 C.F.R. section 63.1120 and California Public Utilities Code ("PUC") section 2889.5, MCI has:

(a) informed the subscriber about the rates and fees for these services as described in Paragraph H.1 below; and

(b) as required by California law, verified that the subscriber intends to make the change(s) in service by confirming with independent third-party verification the intent of the subscriber to switch service and the service(s) being switched. The independent third-party verifier shall verify each service being switched by separate question to the subscriber and shall electronically or digitally record and maintain copies of recordings for a period of three (3) years.

2. Notwithstanding the provisions of PUC section 2889.5, and any other applicable Commission Rule(s), failing to use its best efforts to mail, within seven (7) calendar days of switching the subscriber's service, written confirmation that describes the service being switched, the rates and fees for this service, and the existence and amount of any mandatory additional fees for this service.

3. If MCI uses a written document to obtain authorization for a switch in the subscriber's long distance service provider, failing to use a document that clearly and conspicuously discloses the service being switched, the plan rates and fees for this service, and the existence of any mandatory additional fees for this service, consistent with Paragraphs D.1 and D.2 of this Judgment. Any written order shall be verified in accordance with E.1.(b) above.

4. Providing a subscriber with or billing or causing a subscriber to be billed for any separate product or service the subscriber has not agreed to purchase.

5. Regarding any bills issued by MCI to subscribers for long distance service:

(a) billing consumers any additional plan fees, minimums, usage and/or surcharges accruing after (and not before) cancellation, including but not limited to, mandatory additional fees including a "Carrier Access Fee," "National Access Fee," "Federal Universal Service Fee," and/or a monthly plan fee or minimum;

(b) billing subscribers a "Carrier Access Fee" or a "National Access

Fee" or a charge for a personal 800 number in billing cycles when the subscriber has not incurred dialing charges;

(c) billing a subscriber when MCI has failed to obtain adequate verification that the subscriber authorized the charge; and/or

(d) in the event that their calling plan has been discontinued, billing subscribers higher plan rates unless MCI has provided at least twenty-five (25) days advance written notice stating:

(i) that the calling plan will be discontinued for all subscribers to that plan, when the plan will be discontinued, that the rate will be changed and that unless subscribers affirmatively choose another plan they will be charged a higher rate for future calls; or

(ii) when MCI has chosen to terminate a consumer's service, that such service will be discontinued, when such service will be discontinued and that unless the consumer affirmatively chooses another plan or provider s/he will be charged a higher rate for future calls.

6. Regarding collection activities for direct-billed MCI subscribers, or in any situation where MCI itself is collecting for any charges:

(a) failing to cease all collection actions regarding disputed amounts, taken against consumers who have made a consumer complaint about charges MCI has placed on their bills or otherwise raised a dispute to an MCI Collection Agent. MCI shall take no further action against any consumer who has made a consumer complaint until the consumer complaint is resolved or, if collection activity was stopped because the dispute was raised with an MCI Collection Agent, the dispute raised with the Collection Agent has been resolved;

(b) instituting any collection activity, regarding disputed amounts, against consumers who have made a consumer complaint about charges on

their bills prior to the time the consumer complaint is resolved;

(c) making any adverse credit reports against consumers for non-payment of charges that are the subject of a consumer complaint made to MCI or that the consumer otherwise disputed to an MCI Collection Agent until the consumer complaint is resolved or, when the dispute was raised with an MCI Collection Agent, the dispute raised with the Collection Agent has been resolved;

(d) using "certificates" or other promotional materials to make recompense to consumers, but rather shall make such refunds by check or through credits to current subscribers' bills;

(e) failing to post payments within 24 hours to the extent possible to the account indicated on the remittance form. MCI shall implement policies intended to assure that payments are posted within 24 hours of receipt of the file from its lockbox;

(f) failing to provide consumers with a facsimile machine telephone number or electronic mail address to which consumers can send correspondence about their accounts; and/or

(g) upon request of a subscriber, failing to notify any appropriate credit reporting agencies to remove any adverse credit reports about a consumer that were submitted while a dispute was unresolved.

7. Regarding the provision of customer service, failing to:

(a) establish, maintain, and staff a toll-free telephone number to resolve questions or inquiries about charges;

(b) ensure that consumers calling the toll-free telephone number are provided the option of speaking to a live MCI customer service representative by pressing a directed number given during the first level of prompts from an automated response menu;

(c) ensure that, upon request, MCI representatives responding to calls

made to the toll-free telephone number provide consumers with some form of identification so that the customer service representative can be subsequently identified if necessary;

(d) ensure that, within 120 days after the entry of this Judgment, consumers calling the toll-free telephone number who select an option routing them to a live representative shall be generally advised of the duration of the expected hold time to speak with the representative;

(e) ensure that MCI representatives responding to calls to the toll-free telephone number are trained to be reasonably knowledgeable so that they can either answer consumer inquiries or obtain the answer for the consumer and are authorized to remove charges, issue credits and order refunds, as appropriate, even if the caller is not an MCI subscriber;

(f) ensure that a supervisor, or equivalent, is available during all open hours at the toll-free telephone number to speak to consumers who so request;

(g) ensure that if MCI representatives who respond to calls to the toll-free telephone number cannot resolve a consumer's dispute during the call, the dispute shall be resolved within thirty (30) days of receipt of the call.

8. Regarding the issuance of bills for long distance service by MCI and the handling of consumer complaints, failing to:

(a) only use bills that clearly and conspicuously disclose the address to which consumers may write MCI;

(b) upon receipt of a consumer complaint:

(i) resolve the dispute within 30 days after receipt and provide the consumer with a written or verbal description of the resolution of the dispute, and provide, when the Commission has forwarded the consumer complaint onto MCI, a description of the resolution in writing to the Commission, unless otherwise agreed by MCI and

the Commission; and

(ii) maintain records of all complaints by California residents for a period of five (5) years after receipt.

9. Regarding the tracking of consumer complaints, failing to:

(a) within ninety (90) days of the entry of this Judgment, implement a system that monitors the reason for consumer complaints and evaluates the consumer complaints received to determine whether action is required for issues receiving the highest number of complaints; provided, however, that such review may be conducted with the assistance of counsel and its findings and conclusions may be protected from disclosure by appropriate evidentiary privileges and other legal doctrines;

(b) maintain records of all consumer complaints for a period of five (5) years after receiving the consumer complaint;

(c) within thirty (30) days of receipt of a written request from authorized representatives of the Commission, and without waiving any applicable evidentiary privileges by doing so, discuss with Commission selected representatives statistical trends and related information generated by its monitoring system.

10. Failing to extend until December 31, 2005, the expiration of the following terms of the Consent Decree adopted by the Federal Communications Commission on June 6, 2000:

(a) the Telemarketing Code of Conduct;

(b) mandatory Quality Training;

(c) the Employee Compensation Formula;

(d) the Employee Disciplinary Provisions;

(e) the "No Re-Hire" Provisions; and

(f) Telemarketing Call Summarization.

11. Regarding requests from consumers to terminate their long distance

service, failing to:

(a) disclose that the subscribers must contact their new preferred carriers or their LEC to switch service and that, absent this change of service, MCI will remain the subscriber's long distance carrier and that the consumer's rate will increase if the consumer does not switch carriers; and

(b) offer to provide the consumer, for major LECs or Interexchange Carriers, with the telephone number of the consumer's LEC or Interexchange Carrier that should be called to effectuate the change, and/or offer to transfer the consumer to the LEC or the Interexchange Carrier; or

(c) make available to the extent possible, after the exercise of MCI's best efforts, to all subscribers an automated process that clearly informs the subscriber that the subscriber must contact their LEC or their new preferred Interexchange Carrier to terminate service with MCI.

F. Pursuant to Public Utilities Code section 2102, MCI is hereby permanently enjoined and restrained from directly or indirectly engaging in any of the following acts or practices in connection with the provision of local exchange service to California residents:

1. Billing consumers for any additional charges or for any additional mandatory fees for local exchange services, including, but not limited to, usage charges, plan fees, including any minimum or monthly fees, taxes, and surcharges, accruing after (and not before) MCI receives notification:

(a) from the consumer's new LEC that the consumer's presubscribed local exchange carrier has been changed to a new provider; or

(b) from the consumer that the consumer has switched to a new provider and MCI takes action to verify that such switch has occurred by looking at customer usage.

2. Using bills that do not clearly and conspicuously disclose the address to which consumers may write MCI.

G. Pursuant to Public Utilities Code section 2102, MCI is hereby permanently enjoined and restrained from directly or indirectly (such as through telemarketing representatives) engaging in any of the following acts or practices in connection with the provision of dial-1 intrastate, including local toll, and interstate service to small business customers:

1. Switching the customer's service unless, consistent with 47 C.F.R. section 63.1120 and California Public Utilities Code ("PUC") section 2889.5, MCI has:

(a) informed the customer about the rates and fees for these services;

(b) obtained confirmation of authorization for the switch that complies with PUC section 2889.5;

(c) if third party verification is used to confirm a switch, verified that the customer intends to make the change(s) in service by confirming with independent third-party verification the intent of the customer to switch service and the service(s) being switched. The independent third-party verifier shall verify each service being switched by separate question to the customer and shall electronically or digitally record and maintain copies of recordings for a period of three (3) years.

2. Notwithstanding the provisions of PUC section 2889.5, and any other applicable Commission Rule(s), failing to use its best efforts to mail, within seven (7) calendar days of switching the customer's service, written confirmation that describes the service being switched, the rates and fees for this service, and the existence and amount of any mandatory additional fees for this service.

3. If MCI uses a written document to obtain authorization for a switch in the customer's PIC, failing to use a document that clearly and conspicuously discloses the service being switched, the plan rates and fees for this service, and the existence of any mandatory additional fees for this service, consistent with Paragraphs D.1 and D.2 of this Judgment. Any written order shall be confirmed in accordance with G.1.(b) above.

4. Providing a subscriber with or billing or causing a subscriber to be billed for any separate product or service the subscriber has not agreed to purchase.

5. Regarding any bills issued by MCI to subscribers for service:

(a) billing consumers any additional plan fees, minimums, usage and surcharges for switched services accruing after (and not before) cancellation, including but not limited to, mandatory additional fees including a "Carrier Access Fee," "National Access Fee," "Federal Universal Service Fee," and/or a monthly plan fee or minimum, or for any toll free ("800") number service after the customer has contacted MCI to terminate such service;

(b) billing a subscriber when MCI has failed to obtain adequate verification that the subscriber authorized the charge; and/or

(c) in the event that their calling plan has been discontinued, billing subscribers higher plan rates unless MCI has provided at least twenty-five (25) days advance written notice stating:

(i) that the calling plan will be discontinued for all subscribers to that plan, when the plan will be discontinued, that the rate will be changed and that unless subscribers affirmatively choose another plan they will be charged a higher rate for future calls; or

(ii) when MCI has chosen to terminate a consumer's service, that such service will be discontinued, when such service will be discontinued and that unless the consumer affirmatively chooses another plan or provider s/he will be charged a higher rate for future calls.

6. Regarding collection activities for direct-billed MCI subscribers, or in any situation where MCI itself is collecting for any charges:

(a) failing to cease all collection actions, regarding disputed amounts, taken against consumers who have made a consumer complaint about

charges MCI has placed on their bills or otherwise raised a dispute to an MCI Collection Agent. MCI shall take no further action against any consumer who has made a consumer complaint until the consumer complaint is resolved or, if collection activity was stopped because the dispute was raised with an MCI Collection Agent, the dispute raised with the Collection Agent has been resolved;

(b) instituting any collection activity, regarding disputed amounts, against consumers who have made a consumer complaint about charges on their bills prior to the time the consumer complaint is resolved;

(c) making any adverse credit reports against consumers for non-payment of charges that are the subject of a consumer complaint made to MCI or that the consumer otherwise disputed to an MCI Collection Agent until the consumer complaint is resolved or, when the dispute was raised with an MCI Collection Agent, the dispute raised with the Collection Agent has been resolved;

(d) using "certificates" or other promotional materials to make recompense to consumers, but rather shall make such refunds by check or through credits to current subscribers' bills;

(e) failing to post payments within 24 hours to the extent possible to the account indicated on the remittance form. MCI shall implement policies intended to assure that payments are posted within 24 hours of receipt of the file from its lockbox;

(f) failing to provide consumers with a facsimile machine telephone number or electronic mail address to which consumers can send correspondence about their accounts; and/or

(g) upon request of a subscriber, failing to notify any appropriate credit reporting agencies to remove any adverse credit reports about a consumer that were submitted while a dispute was unresolved.

7. Regarding the provision of customer service, failing to:

(a) establish, maintain, and staff a toll-free telephone number to resolve questions or inquiries about charges;

(b) ensure that consumers calling the toll-free telephone number are provided the option of speaking to a live MCI customer service representative by pressing a directed number given during the first level of prompts from an automated response menu;

(c) ensure that, upon request, MCI representatives responding to calls made to the toll-free telephone number provide consumers with some form of identification so that the customer service representative can be subsequently identified if necessary;

(d) ensure that, within 120 days after the entry of this Judgment, consumers calling the toll-free telephone number who select an option routing them to a live representative shall be generally advised of the duration of the expected hold time to speak with the representative;

(e) ensure that MCI representatives responding to calls to the toll-free telephone number are trained to be reasonably knowledgeable so that they can either answer consumer inquiries or obtain the answer for the consumer and are authorized to remove charges, issue credits and order refunds, as appropriate, even if the caller is not an MCI subscriber;

(f) ensure that a supervisor, or equivalent, is available during all open hours at the toll-free telephone number to speak to consumers who so request;

(g) ensure that if MCI representatives who respond to calls to the toll-free telephone number cannot resolve a consumer's dispute during the call, that the dispute shall be resolved within thirty (30) days of receipt of the call.

8. Regarding the issuance of bills for service by MCI and the handling of

consumer complaints, failing to:

(a) only use bills that clearly and conspicuously disclose the address to which consumers may write MCI.

(b) upon receipt of a consumer complaint:

(i) resolve the dispute within 30 days after receipt and provide the consumer with a written or verbal description of the resolution of the dispute, and provide, when the Commission has forwarded the consumer complaint onto MCI, a description of the resolution in writing to the Commission, unless otherwise agreed by MCI and the Commission; and

(ii) maintain records of all complaints by California residents for a period of five (5) years after receipt.

9. Regarding the tracking of consumer complaints, failing to:

(a) within ninety (90) days of the entry of this Judgment, implement a system that monitors the reason for consumer complaints and evaluates the consumer complaints received to determine whether action is required for issues receiving the highest number of complaints; provided, however, that such review may be conducted with the assistance of counsel and its findings and conclusions may be protected from disclosure by appropriate evidentiary privileges and other legal doctrines;

(b) maintain records of all consumer complaints for a period of five (5) years after receiving the consumer complaint;

(c) within thirty (30) days of receipt of a written request from authorized representatives of the Commission, and without waiving any applicable evidentiary privileges by doing so, to discuss with Commission selected representatives statistical trends and related information generated by its monitoring system.

10. Failing to extend until December 31, 2005, the expiration of the following

terms of the Consent Decree adopted by the Federal Communications Commission on June 6, 2000:

(a) the Telemarketing Code of Conduct;

(b) mandatory Quality Training;

(c) the Employee Compensation Formula;

(d) the Employee Disciplinary Provisions;

(e) the "No Re-Hire" Provisions; and

(f) Telemarketing Call Summarization.

11. Regarding requests from consumers to terminate their service, failing to:

(a) disclose that the subscribers must contact their new preferred carriers or their LEC to switch service and that, absent this change of service, MCI will remain the subscriber's carrier and that the consumer's rate will increase if the consumer does not switch carriers; and

(b) offer to provide the consumer, for major LECs or Interexchange Carriers, with the telephone number of the consumer's LEC or Interexchange Carrier that should be called to effectuate the change, and/or offer to transfer the consumer to the LEC or the Interexchange Carrier.

H. Pursuant to Public Utilities Code section 2102, MCI is, so as to ensure its compliance with California law, hereby permanently ordered to take the following corrective actions with respect to California subscribers for MCI residential or small business long distance service:

1. MCI shall devise and adopt formal scripts for use in outbound telemarketing for MCI long distance service that include, at a minimum, an opening identifying the Company and the representative calling, a product description, providing all plan rates and plan fees and restrictions and material conditions pertaining to those represented rates and fees, including minimum or monthly fees, as well as (as applicable) in-state rates, and consistent with Paragraphs D.1 and D.2 of this Judgment, the existence of any mandatory

additional fees or charges for which the subscriber will be billed. MCI shall make applicable plan rates and fees for the long distance service readily available to telemarketing representatives, and the formal scripts shall also require affirmative consent from consumers to receive calling cards before MCI sends such cards to consumers. MCI shall use its best efforts (including monitoring a random sample of the telemarketers to ensure compliance with the scripts and taking appropriate disciplinary action, as necessary, if this mandatory policy is not followed) to ensure that the plan rates and plan fees for the long distance service are being disclosed;

2. With respect to inbound telemarketing calls for MCI's long distance services, in order to ensure that consumers receive complete and accurate information in response to their inquiries, MCI shall make readily available to its representatives and instruct such representatives that they are to inform consumers about applicable plan rates and plan fees and restrictions and material conditions pertaining to those represented rates and fees, including minimum or monthly fees, as well as (as applicable) in-state rates, and consistent with Paragraphs D.1 and D.2 of this Judgment, the existence of any mandatory additional fees or charges for which the subscriber will be billed.

I. MCI shall comply, with respect to the transaction in question, with CPUC Decision 01-07-030, and any subsequent amendment thereto.

J. Upon request of the Commission, MCI shall supply, within thirty (30) days or within such other time period as agreed to by the Commission and MCI, information pertaining to all verbal demands for a credit, or an unequivocal verbal challenge or inquiry regarding any of MCI's long distance service received from California consumers; provided, however, if MCI does not segregate the requested information by California consumers, then MCI shall supply such national information as will include the information for California consumers.

K. This Judgment shall be effective on the date that it is entered by this Court, except

that if a specific Paragraph of this Judgment provides another date by which MCI must implement its terms, then that date is the effective date of the requirements of such specific Paragraph and except that MCI has until ninety (90) days after entry of this Judgment to implement Paragraphs D.11, D.12, D.13, E.2, E.3, E.4, E.5.(d), E.7.(b), E.8.(a), E.11.(b), E.11.(c), F.2, G.2, G.3, G.4, G.7.(b), G.8.(a), G.11.(b), G.11.(c) and H.1, hereof.

L. Pursuant to California Business and Professions Code sections 17206 and 17536, MCI shall pay to Plaintiff, as and for civil penalties, the sum of one million seven hundred fifty thousand dollars ($1,750,000.). The penalty shall be payable in eight (8) quarterly installments, due on the following dates (or on the next following business day): $308,824 due on April 15, 2002; $205,882 due on July 15, 2002; $205,882 due on October 15, 2002; $205,882 due on January 15, 2003; $205,882 due on April 15, 2003; $205,882 due July on 15, 2003; $205,882 due on October 15, 2003; and $205,882 due on January 15, 2004. If any such payment is more than fifteen (15) days late, the entire sum remaining unpaid shall become due and owing immediately. Said payments shall be paid by check made payable to the California Attorney General's Office, and delivered to Plaintiff at the following address: California Attorney General's Office, 110 West A Street, Suite 1100, San Diego, CA 92101, Attn: Supervising Deputy Attorney General Albert Norman Shelden.

M. Pursuant to California Public Utilities Code sections 2107, 2108 and 2889.9, subdivision (b), MCI shall pay to the California Public Utilities Commission the sum of two million eight hundred thousand dollars ($2,800,000.). The penalty shall be payable in eight (8) quarterly installments, due on the following dates (or on the next following business day): $494,118 due on April 15, 2002; $329,412 due on July 15, 2002; $329,412 due on October 15, 2002; $329,412 due on January 15, 2003; $329,412 due on April 15, 2003; $329,412 due on July 15, 2003; $329,412 due on October 15, 2003; and $329,412 due on January 15, 2004. If any such payment is more than fifteen (15) days late, the entire sum remaining unpaid shall become due and owing immediately. Said

payments shall be paid by check made payable to the California Public Utilities Commission, and delivered to the California Public Utilities Commission at the following address: 505 Van Ness Avenue, San Francisco, CA 94102, Attn: Gary M. Cohen, General Counsel.

N. MCI shall also pay the sum of three million nine hundred fifty thousand dollars ($3,950,000.) as costs of the investigation and prosecution of this matter, which shall be distributed as follows:

1. Two million five hundred thousand dollars ($2,500,000.) shall be payable to the Attorney General's Office;

2. One million four hundred fifty thousand dollars ($1,450,000.) shall be payable to the California Public Utilities Commission.

The sum to be paid to the Attorney General's Office shall be payable in eight (8) quarterly installments, due on the following dates (or on the next following business day): $441,176 due on April 15, 2002; $294,118 due on July 15, 2002; $294,118 due on October 15, 2002; $294,118 due on January 15, 2003; $294,118 due on April 15, 2003; $294,118 due on July 15, 2003; $294,118 due on October 15, 2003; and $294,118 due on January 15, 2004. The sum to be paid to the California Public Utilities Commission shall be payable in eight (8) quarterly installments, due on the following dates (or on the next following business day): $255,882 due on April 15, 2002; $170,588 due on July 15, 2002; $170,588 due on October 15, 2002; $170,588 due on January 15, 2003; $170,588 due on April 15, 2003; $170,588 due on July 15, 2003; $170,588 due on October 15, 2003; and $170,588 due on January 15, 2004. If any such payment is more than fifteen (15) days late, the entire sum remaining unpaid shall become due and owing immediately. Each such payment shall be made by two separate checks, one made payable to the California Attorney General's Office, which shall be delivered to the following address: California Attorney General's Office, 110 West A Street, Suite 1100, San Diego, CA 92101, Attn: Supervising Deputy Attorney General Albert Norman Shelden, and one made payable to the California Public Utilities Commission, which shall be delivered to

the following address: California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, Attn: Gary M. Cohen, General Counsel.

O. This Court would have ordered that pursuant to Paragraphs L, M and N, above, MCI should have paid Plaintiff a total sum of ten million dollars ($10,000,000.), but such amount shall be reduced by a reduction of up to one million five hundred thousand dollars ($1,500,000.) to offset MCI's aggregate costs of implementing the terms of this Judgment. To determine the actual amount of the reduction, MCI shall provide Plaintiff with adequate documentation of the costs expended by it to comply with the provisions of this Judgment. If the reduction is determined to be any amount less than one million five hundred thousand dollars ($1,500,000.), the difference between the actual reduction amount and one million five hundred thousand dollars ($1,500,000.) shall be paid to the California Public Utilities Commission, pursuant to Paragraph N hereof, on April 15, 2003.

P. Jurisdiction is retained for the purpose of enabling any party to the Judgment to apply to the Court at any time for such further orders and directions as may be necessary and appropriate for the construction or carrying out of this Judgment, for the enforcement of compliance herewith, for the punishment of violations hereof or for the modification of any or all of the injunctive provisions hereof. However, no modification may be sought with respect to any payment required to be paid by MCI. Any such application to the Court for any purpose set forth in this Paragraph must be on proper notice to the other party herein.

Q. Conditioned upon MCI making full payment as provided under Paragraphs L, M and N of this Judgment, Defendants and all of their present and former officers, directors, shareholders, any parents or other affiliates, subsidiaries, employees, successors, predecessors and assigns (collectively, the "Released Parties") are discharged from all claims, to the extent permitted by state law, that the Attorney General or the Public Utilities Commission could bring or could have brought pursuant to Business and Professions Code sections 17200 *et seq.* or 17500 *et seq.* or Public Utilities Code sections

2102, 2107, 2108 and 2889.9, prior to the date of entry of this Judgment, for conduct falling within the allegations set forth in causes of action One through Seven of Plaintiff's Second Amended Complaint and the matters addressed in this Judgment. Furthermore, the Released Parties are discharged from any claim that the Commission could bring or could have brought against the Released Parties concerning the Released Parties' conduct in response to the Released Parties' Responses to data requests MCI-001 through MCI-008 issued by the Commission's Consumer Services Division prior to the filing of this lawsuit. Provided, however, notwithstanding any term of this Judgment or this paragraph, specifically reserved and excluded from the scope and terms of this paragraph as to any entity or person are any and all of the following:

1. Any criminal liability;

2. Any private right of action; provided, however, that nothing herein shall prevent the Defendants from raising the defense of set-off (or other applicable defense, other than that this Judgment prevents a private party from instituting an action against any of the Defendants) against a consumer who has received restitution;

3. Any personal injury, property damage, indemnification or contribution claims by the State;

4. Any environmental or tax liability;

5. Any obligations created under this Judgment;

6. Any unlawful conduct not covered by the injunctive terms of this Judgment; including, but not limited to, conduct regarding wireless service, prepaid calling cards and business customers not covered by this Judgment.

R. Nothing in this Judgment shall be deemed to permit or authorize any violation of any law of the State of California or regulation of the California Public Utilities Commission or otherwise be construed to relieve MCI of any on-going duty to comply with such applicable laws, rules and regulations, nor shall anything herein be deemed to constitute permission to engage in any acts or practices prohibited by such laws, rules or

regulations.

S. This Judgment shall take effect immediately upon the entry thereof.

T. The Second Amended Complaint on file herein against DOES 1 through 100, inclusive, is ordered dismissed.

U. The Clerk shall enter this Judgment forthwith.

Dated: ~~March , 2002~~ (JM)

MAR - 7 2002

ALFRED G. CHIANTELLI

ALFRED G. CHIANTELLI
JUDGE OF THE SUPERIOR COURT