

UNITED STATES SENATOR • IOWA  
**CHUCK GRASSLEY**  
RANKING MEMBER • SENATE COMMITTEE ON FINANCE

---

<http://grassley.senate.gov>  
[press\\_office@grassley.senate.gov](mailto:press_office@grassley.senate.gov)

Contact: Jill Kozeny, 202/224-1308  
Jill Gerber, 202/224-6522

For Immediate Release

Tuesday, July 2, 2002

Grassley Seeks Accountability for WorldCom Executive Bonuses

\_\_\_\_ WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today urged the Securities and Exchange Commission and WorldCom, Inc. to provide details of millions of dollars of bonuses that news reports say top company executives received before the company’s collapse.

“It’s critical that WorldCom’s new management, its creditors, the government and the courts work together to get the company back on its feet,” Grassley said. “We have nearly 5,000 workers in Iowa who shouldn’t have to lose their jobs because of gross mismanagement by top executives. We can’t allow senior management at WorldCom to treat the corporation as a personal piggy bank. The same thing happened with Enron. It appears more and more corporate executives viewed the 1990s as a time when they should manage corporations for their personal benefit instead of for shareholders and employees.”

Grassley today asked the Securities and Exchange Commission and the chief executive officer of WorldCom to provide him a list of all senior managers at WorldCom who received more than \$100,000 in bonuses in the past three years. “I think that managers who knew, or should have known, about the accounting gimmicks and deceptions should have to return that money to help keep WorldCom viable,” Grassley said.

Grassley said he also is considering an amendment to the accounting standards reform bill coming up immediately after Congress reconvenes after the July 4 holiday that would require the Securities and Exchange Commission or a division of the newly created public oversight board to engage in spot-checking of the accounting at publicly traded corporations.

“In a sense, this would be auditing the auditors,” Grassley said. “Such an arrangement could have caught the WorldCom problem earlier on without so much damage to employees and small shareholders. In addition, company brass and accountants might sharpen their pencils a little more if they know someone is watching over them.”

Grassley said better accounting rules or auditing standards will not go far enough to correct the problems in the accounting industry because some companies intentionally go against the rules. Clearly, the system demands better oversight of accounting practices, Grassley said.

Following are the text of Grassley’s letters to the Securities and Exchange Commission and WorldCom.

July 2, 2002

Mr. Harvey Pitt  
Securities and Exchange Commission  
450 5<sup>th</sup> St. NW  
Washington, D.C. 20549

Dear Mr. Pitt:

I am writing to you regarding the Securities and Exchange Commission (SEC) investigation of WorldCom. I commend you for taking action that bars WorldCom from paying its officers, directors or employees more than \$100,000 in severance. It appears that many top executives viewed WorldCom as their personal piggy bank, and that practice must be stopped.

While these recent actions hopefully shut the barn door, a lot of questionable bonuses and payments were made earlier by WorldCom. For example, Bernard J. Ebbers, the chief executive of WorldCom, got a \$10 million bonus, as did Scott Sullivan, the chief financial officer.

I fear that this is just the tip of the iceberg of bonuses and other compensation that was provided to top executives at WorldCom. For example, it is already reported that in one program -- the WorldCom retention program -- 558 top executives received roughly \$237 million in bonuses two years ago. We have seen that Enron Corp. provided approximately \$2 billion in bonuses and compensation to high executives for the last two to three years prior to bankruptcy. It seems that many corporations viewed the 1990s as a time to put management's interests before the concerns of shareholders and employees.

To provide a better picture of WorldCom, I would ask that you please provide me the dollar figure, name and title of every employee, director or officer of WorldCom who received a bonus (in any form) with a value of greater than \$100,000 (at the time it was awarded) for any year since January 1, 1999.

Please inform me of what authority the SEC has to force executives to disgorge bonuses or other payments provided in previous years -- particularly executives who did know or should have known about illegal/improper activities.

Thank you for your time and assistance. If you have any questions, please contact Mr. Dean Zerbe of my staff at 224-5315. Given Senate consideration of legislation on the accounting industry, I would ask that you please respond within 14 days.

Cordially yours,

Charles E. Grassley  
Ranking Member

July 2, 2002

Mr. John Sidgmore  
CEO  
WorldCom, Inc.  
22001 Loudon County Parkway  
Ashburn, VA 20147

Dear Mr. Sidgmore:

WorldCom, Inc. (WorldCom) has over 4,000 employees in Iowa, and I am concerned about their future as well as the future of the many small shareholders who invested in WorldCom. It appears from news reports that WorldCom will need additional financial resources as it seeks to go forward.

To that end, I am concerned about the amount in bonuses and other compensation that senior WorldCom executives received while the company was reportedly engaged in improper activities. For example, within the last two years Bernard J. Ebbers, the chief executive of WorldCom, got a \$10 million bonus, as did Scott Sullivan, the chief financial officer.

I fear that this is just the tip of the iceberg of bonuses and other compensation that was provided to top executives at WorldCom. For example, it is already reported that in one program -- the WorldCom retention program -- 558 top executives received roughly \$237 million in bonuses two years ago. We have seen that Enron Corp. provided approximately \$2 billion in bonuses and compensation to high executives for the last two to three years prior to bankruptcy.

To provide a more complete picture of WorldCom and senior management's actions, I would ask that you please provide me the dollar figure, name and title of every employee, director or officer of WorldCom who received a bonus (in any form) with a value of greater than \$100,000 (at the time it was awarded) for any year since January 1, 1999. Please inform me of what actions that WorldCom has taken, or is considering taking, to have bonuses returned (or to not provide a bonus) to the company to improve its financial situation.

Thank you for your time and assistance. If you have any questions, please contact Mr. Dean Zerbe of my staff at 224-5315. Given Senate consideration of legislation on the accounting industry, I would ask that you please respond within 14 days.

Cordially yours,

Charles E. Grassley  
Ranking Member