

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Applications of WorldCom, Inc. and)
MCI Communications Corporation for)
Transfer of Control of MCI Communications)
Corporation to WorldCom, Inc.)

CC Docket No. 97-211

To: The Commission

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AMENDMENT TO APPLICATIONS OF WORLDCOM, INC. FOR
TRANSFER OF CONTROL OF MCI COMMUNICATIONS CORPORATION

MCI COMMUNICATIONS
CORPORATION

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Dated: November 21, 1997

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To: The Commission

**AMENDMENT TO APPLICATIONS OF WORLDCOM, INC. FOR
TRANSFER OF CONTROL OF MCI COMMUNICATIONS CORPORATION**

WorldCom, Inc. ("WorldCom"), the Applicant in the above-captioned proceeding, and MCI Communications Corporation ("MCI") (collectively hereafter the "Joint Applicants"), by their undersigned counsel, hereby amend the applications filed by WorldCom on October 1, 1997 to: (1) withdraw WorldCom's "Step I" transfer applications, and the related request for Special Temporary Authority ("STA"), filed by WorldCom to transfer, on a temporary interim basis, MCI shares to an independent voting trustee; and (2) substitute MCI for the Voting Trustee as the transferor in WorldCom's "Step II" transfer applications so that those applications will now seek approval for a single, one-step transfer of control of MCI to WorldCom.

These amendments are necessitated by changed circumstances. On November 9, 1997, WorldCom and MCI agreed to a merger of the two companies pursuant to which MCI will

¹ To reflect this Amendment, WorldCom and MCI respectfully request that the Commission modify the caption of this proceeding as indicated to reflect both WorldCom, Inc. and MCI Communications Corporation as Applicants, and to delete reference to the Voting Trustee and the Request for Special Temporary Authority, which are no longer pertinent to the Applications.

become a wholly-owned subsidiary of WorldCom. As a result, WorldCom will not pursue the Exchange Offer for MCI which was contemplated when WorldCom filed its applications on October 1, 1997.

The Merger Agreement reflects the firm belief of both WorldCom and MCI that the companies' customers, shareholders, and employees, and telecommunications consumers generally, will realize substantial benefits from the merger. The merger will give MCI WorldCom² enhanced capabilities in the form of capital, marketing ability, and state-of-the-art networks to compete more effectively with incumbent monopoly and dominant carriers both domestically and abroad. More specifically, the combined company is the industry leader in building competitive local facilities to meet the needs of residential and business customers. At closing, MCI WorldCom will have local facilities in over 100 markets. With an existing national long distance customer base in residential and business markets, MCI WorldCom will seek to provide its customers with a comprehensive array of local, long distance, data, wireless, and international telecommunications services. The combined company intends to move as aggressively as regulatory conditions permit to offer competitive choices to consumers and business customers. Combining the assets, expertise, and entrepreneurial spirit with the existing customer base MCI and WorldCom represents the most significant step toward breaking open local monopoly markets to competition through a strategy of deploying new alternative networks across the country.

² The Agreement and Plan of Merger contemplates that WorldCom will be renamed "MCI WorldCom" following the merger, and that its MCI subsidiaries will retain their current names.

A. The Applications Filed by WorldCom on October 1, 1997 Sought Approval of a Two-Step Transfer of Control to Effect WorldCom's Exchange Offer

Because MCI's subsidiaries hold numerous Title II and Title III radio licenses and authorizations and cable landing licenses issued by the Commission (the "MCI Authorizations"),³ the transfer of control of MCI to WorldCom is subject to, among other things, Commission approval.⁴ On October 1, 1997, WorldCom and Professor Howard A. White, an independent Voting Trustee, filed a three-volume set of applications seeking Commission approval of a proposed Exchange Offer by WorldCom to acquire all the issued and outstanding shares of common stock of MCI (the "October Applications").⁵ In the absence, at that time, of a merger agreement between WorldCom and MCI, the October Applications were filed pursuant to the Commission's *Policy Statement on Tender Offers and Proxy Contests*,⁶ which was adopted specifically to address tender offers and potentially hostile corporate ownership contests.

³ MCI holds authorizations for "international wireline facilities, and a variety of wireless facilities, including point-to-point microwave stations, earth station licenses, private telephone maintenance radio service licenses, private business radio licenses, private aircraft stations licenses, and an 800 MHZ air-ground radiotelephone license . . . used to provide voice and video services. . . . [as well as] submarine cable landing licenses and a direct broadcast satellite (DBS) license." In the Matter of The Merger of MCI Communications Corporation and British Telecommunications plc, *Memorandum Opinion and Order*, GN Dkt. No. 96-245, FCC 97-302 at ¶ 21 (rel. Sept. 24, 1997) ("*BT/MCI Order*")

⁴ 47 U.S.C. §§ 214(a), 310(d).

⁵ The applications submitted with the October Applications were filed pursuant to Sections 63.18(e)(5) of the Commission's Rules with respect to the Section 214 authorizations; pursuant to the Cable Landing License Act and Sections 1.767 and 63.18(e)(5) with respect to the submarine cable landing licenses; and pursuant to Sections 21.39, 22.137, 25.118, 80.29, 87.31, 90.75, 90.79, 90.81, 90.153, and 100.80 with respect to the radio authorizations. 47 C.F.R. §§ 1.767, 63.18(e)(5), 87.31, 90.75, 90.79, 90.81, 90.153, and 100.80 (1996).

⁶ *Tender Offers and Proxy Contests*, Policy Statement, 59 Rad. Reg. d. (P&F) 1536, 1584 (1986), *appeal dismissed sub. nom. Office of Communication of the United Church of Christ v. F.C.C.*, 826 F.2d 101 (D.C. Cir. 1987) ("*Policy Statement*").

Pursuant to the Commission's *Policy Statement*, the October Applications requested:

- (1) approval of a proposed interim transfer of shares from the shareholders of MCI to the Voting Trustee (referred to as the "Step I" transfer);
- (2) issuance of an STA and approval of the Voting Trust arrangement to permit the Step I transfer to occur on an expedited basis; and
- (3) approval of the ultimate transfer of control of MCI to WorldCom which, in light of the Voting Trust arrangement, would take place through the transfer of MCI shares to WorldCom by the Voting Trustee (referred to as the "Step II" transfer).

Public Notice of WorldCom's October Applications for approval of the proposed two-step transfer of control was issued by the Commission on October 3, 1997,⁷ and amended by Public Notice dated October 9, 1997, which order revised the pleading schedule for the Step I phase of the two-step approval process.⁸

B. WorldCom and MCI Have Subsequently Agreed to Merge

Subsequent to the filing of the October Applications by WorldCom, as a result of negotiations among WorldCom, MCI, and British Telecommunications plc ("BT"), a 20 percent shareholder of MCI, which commenced after WorldCom announced its proposed Exchange Offer, on November 9, 1997 WorldCom and MCI executed an Agreement and Plan of Merger (the "Merger Agreement") to combine the two companies. The Boards of Directors of both companies have unanimously approved the transaction.

⁷ WorldCom Applies for Special Authority to Transfer Control to Trustee of MCI Licenses and Authorizations, *Public Notice*, CC Docket No. 97-211, DA 97-2137 (rel. Oct. 3, 1997).

⁸ Common Carrier Bureau Revises Pleading Schedule for WorldCom Application for Special Authority to Transfer Control to Trustee of MCI Licenses and Authorizations, *Public Notice*, CC Docket No. 97-211, DA 97-2179 (rel. Oct. 9, 1997)

Upon consummation of the transaction, MCI will merge with and into TC Investments Corp., a wholly-owned subsidiary of WorldCom, which will be renamed MCI Communications Corporation. That surviving company will be a wholly-owned subsidiary of WorldCom, which will be renamed MCI WorldCom. The Agreement proposes that MCI's Chairman, Bert C. Roberts, Jr., will become chairman of MCI WorldCom and WorldCom's President and Chief Executive Officer, Bernard J. Ebbers, will become Chief Executive Officer of MCI WorldCom. Under the terms of the Merger Agreement, holders of MCI Common Stock will receive shares of WorldCom Common Stock pursuant to an agreed upon Exchange Ratio.⁹ Upon completion of the merger, current holders of MCI's Common Stock will own approximately 45% of the combined company as determined by the Exchange Ratio as of the closing date. A copy of the Merger Agreement is attached hereto as Amendment Exhibit 1.

C. In Light of the Merger Agreement, This Amendment Withdraws WorldCom's Request for an STA and the Step I Applications Seeking Approval to Transfer MCI Shares to a Voting Trustee

To reflect the changed circumstances of this transaction, this amendment to the October Applications withdraws WorldCom's earlier request for approval of a two-step transfer process.

⁹ The actual number of shares of WorldCom common stock to be exchanged for each MCI share owned by investors in MCI other than BT will be determined by dividing \$51 by the 20-day average of the high and low sales prices for WorldCom common stock prior to closing, but will not be less than 1.2439 shares (if WorldCom's averages stock price exceeds \$41) or more than 1.7586 shares (if WorldCom's average stock price is less than \$29). In addition, under the Merger Agreement, BT will receive \$51 per share in cash for each of its shares of MCI Class A Common Stock upon consummation of the merger. As related matters, in a separate agreement among WorldCom, MCI, and BT (the "Three Party Agreement"), BT has agreed to buy out MCI's interest in the Concert joint venture upon consummation of the merger, and BT and MCI have terminated their earlier merger agreement which was approved by the Commission on September 24, 1997. See *BT/MCI Order*, *supra* note 3. A copy of the Three Party Agreement is attached hereto as Amendment Exhibit 2.

Specifically, because WorldCom and MCI have executed the Merger Agreement, and WorldCom will therefore not proceed with its proposed Exchange Offer, WorldCom no longer requests the extraordinary relief afforded by the Commission's *Policy Statement*. Accordingly, the STA request and Step I transfer applications which sought approval of the transfer of MCI shares to a Voting Trust are hereby withdrawn without prejudice to refileing.

D. In Light of the Merger Agreement, this Amendment Substitutes MCI as the Transferor in the Step II Applications in Lieu of the Voting Trustee, so that those Applications will Constitute Requests for Commission Approval of a Single-Step Transfer of Control of MCI to WorldCom

In light of the Merger Agreement, this Amendment also amends the Step II October Applications to reflect that MCI, together with WorldCom, are now Joint Applicants, and that MCI, and not the Voting Trustee, is now the Transferor in those Step II October Applications. Accordingly, attached hereto as Amendment Exhibit 3, are Amendments to the Step II October Applications, including signature pages which now contain the original signatures of C. Bolton-Smith, Jr., on behalf of MCI as the new Transferor.¹⁰

Pursuant to the Step II October Applications, as hereby amended, WorldCom and MCI jointly request the Commission's approval of the transfer of control of MCI to WorldCom. Such

¹⁰ The Step II October Applications were contained in Volume III of the October Applications filed by WorldCom and Howard A. White. Those Applications, as amended herein, continue to incorporate by reference the general background information relating to all of the October Applications, including the public interest benefits of the proposed merger, which was contained in Volume I of the October Applications. For the Commission's convenience and reference, Amendment Exhibit 4 hereto contains a copy of Volume I, as amended to delete WorldCom's request for authority to transfer MCI shares to a Voting Trustee and the related STA request. The Joint Applicants also note that this Amendment and Amendment Exhibit 1 hereto (the Merger Agreement) should be incorporated by reference in those portions of Volume I and the Step II October Applications which describe the structure of the transaction.

an amendment is consistent with the Commission's recent decision in the ITT-Hilton matter.¹¹ In that case, the Commission constructively amended a "Step II" long-form application filed pursuant to the *Policy Statement* to instead request approval of the transfer of the target company directly to the acquiring company without use of the interim Voting Trust mechanism. Similarly, in order to facilitate a timely and orderly transition, and to eliminate unnecessary regulatory processes, WorldCom and MCI respectfully request to amend the Step II October Applications, and request expeditious consideration of their joint transfer of control application.¹²

E. A WorldCom-MCI Merger Serves the Public Interest.

As stated in Volume I of the October Applications, the proposed merger between WorldCom and MCI will capture synergies, efficiencies, and economies between the two companies. By combining the capital, management skills and expertise of WorldCom and MCI, two pioneering and entrepreneurial telecommunications companies, the merger will promote achievement of what the Commission has identified as the "overriding goal" of the Telecommunications Act of 1996: "to open all telecommunications markets to competition."¹³

¹¹ See *Application of HLT Corporation and Hilton Hotels Corporation for Consent to Interim Transfer of Control of ITT Broadcasting Corporation and HLT Corporation and Hilton Hotels Corporation for Consent to Transfer of Control of ITT Broadcasting Corporation*, Memorandum Opinion and Order, File Nos. BTCCT-970304IA, BTCCT-970304IB (rel. Nov. 6, 1997) at para. 3 (constructively amending long-form application).

¹² Amendment Exhibit 5 hereto contains the Form 159 pertaining to the amendment of the Earth Station Applications. For the Commission's reference, the Joint Applicants enclose a computer diskette, formatted in WordPerfect 5.1/5.2, containing the full text of this Amendment and the Amendment Exhibits hereto.

¹³ *BT/MCI Order*, *supra* note 4, at ¶ 6; see also *Telecommunications Act of 1996*, Pub. L. No. 104-104, 110 Stat. 56; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, *First Report and Order*, FCC Docket No. 96-98, FCC 96-325, (continued...)

As thoroughly discussed in Volume I of the October Applications, a merger of WorldCom and MCI will enhance competition in the areas of international, long distance, and most importantly, local exchange telecommunications. Recent discussions and due diligence between WorldCom and MCI confirm and reinforce WorldCom's earlier perception that the combined company will be well-positioned to compete against the dominant incumbents and to promote de-concentration of the local service sector. The greater resources, synergies, and efficiencies available to the combined company as a result of the merger will allow it to pursue local competition and interconnection opportunities even more aggressively than if the two companies pursued local entry individually.

Significantly, unlike the participants in the recently approved Bell Atlantic-NYNEX merger and the proposed acquisition of MCI by BT, neither WorldCom nor MCI controls bottleneck facilities, and neither WorldCom nor MCI is a dominant carrier in any telecommunications market. This eliminates a fundamental concern that the Commission weighs heavily, and negatively, in its cost-benefit merger analysis.¹⁴ The Joint Applicants are confident that when the Commission reviews the Step II October Applications, as amended herein, to

¹³(...continued)

at ¶ 4 (Aug. 8, 1996) ("*Local Competition Order*") (noting the importance of local competition not only in providing economical and innovative services to customers, but also in preventing incumbents from impeding competition through bottleneck control of facilities).

¹⁴ See In Re Application of NYNEX Corp., Transferor, and Bell Atlantic Corp., Transferee, for Consent to Transfer Control of NYNEX Corporation and its subsidiaries, *Memorandum Opinion and Order*, File No. NSD-L-96-10, FCC 97-286 (rel. Aug. 14, 1997) at ¶ 37 ("[W]e evaluate the effects of the merger on competition in the relevant market, such as whether the merger is likely to result in either unilateral or coordinated effects that enhance or maintain the market power of the merging parties."). See also *BT/MCI Order*, *supra* note 4, at ¶ 3 n.8.

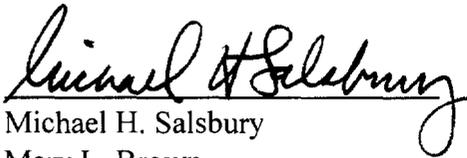
convenience, and necessity,¹⁵ it will concur that the merger will "secure for the public the broad aims of the Communications Act."¹⁶

CONCLUSION

WorldCom and MCI respectfully request the Commission grant the application, as amended.

Respectfully submitted,

**MCI COMMUNICATIONS
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Dated: November 21, 1997

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¹⁵ *BT/MCI Order*, *supra* note 4, at ¶ 2.

¹⁶ *Western Union Division, Commercial Telegraphers' Union, A.F. of L. v. United States*, 87 F. Supp. 324, 335 (D.D.C.), *aff'd*, 338 U.S. 864 (1949). *See also FCC v. RCA Communications, Inc.*, 346 U.S. 86, 93-95 (1953).

AMENDMENT EXHIBIT 1

**AGREEMENT AND PLAN OF MERGER
DATED AS OF NOVEMBER 9, 1997
AMONG
WORLDCOM, INC.
TC INVESTMENTS CORP.
AND
MCI COMMUNICATIONS CORPORATION**

AGREEMENT AND PLAN OF MERGER

DATED AS OF NOVEMBER 9, 1997

AMONG

WORLDCOM, INC.

TC INVESTMENTS CORP.

and

MCI COMMUNICATIONS CORPORATION

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Definition

Location of Definition

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WorldCom Series A Preferred Stock	§ 3.2(b)
WorldCom Series B Preferred Stock	§ 3.2(b)
WorldCom Stockholders Meeting	§ 5.1(c)
WorldCom Voting Debt	§3.2(b)(ii)
WorldCom SEC Reports	§ 3.2(d)

AGREEMENT AND PLAN OF MERGER, dated as of November 9, 1997 (this "Agreement"), among WORLDCOM, INC., a Georgia corporation ("WorldCom"), TC INVESTMENTS CORP., a Delaware corporation and a direct wholly-owned subsidiary of WorldCom ("Merger Sub"), and MCI COMMUNICATIONS CORPORATION, a Delaware corporation ("MCI").

W I T N E S S E T H:

WHEREAS, the respective Boards of Directors of World Com, Merger Sub and MCI have each determined that the merger of MCI with and into Merger Sub (the "Merger") is in the best interests of their respective stockholders, and such Boards of Directors have approved such Merger, upon the terms and subject to the conditions set forth in this Agreement, pursuant to which (a) each outstanding share of common stock, par value \$.10 per share, of MCI ("Ordinary Common Stock") issued and outstanding immediately prior to the Effective Time (as defined in Section 1.3), other than shares owned or held directly or indirectly by WorldCom or by MCI will be converted into the right to receive shares of common stock, par value \$.01 per share of WorldCom ("WorldCom Common Stock") as set forth in Section 1.8 and (b) each share of Class A common stock, par value \$.10 per share, of MCI ("Class A Common Stock" and, collectively with the Ordinary Common Stock, the "MCI Common Stock") will be converted into the right to receive \$51 in cash as set forth in Section 1.8;

WHEREAS, WorldCom, Merger Sub and MCI desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated hereby and also to prescribe various conditions to the transactions contemplated hereby;

WHEREAS, WorldCom, Merger Sub and MCI intend, by approving resolutions authorizing this Agreement, to adopt this Agreement as a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder;

WHEREAS, the MCI Board of Directors has determined that the transactions contemplated by this Agreement constitute a Superior Proposal (as defined in the Agreement and Plan of Merger dated as of November 3, 1996, as amended, among British Telecommunications plc, a public limited company incorporated under the laws of England and Wales ("BT"), MCI and Tadworth Corporation, a Delaware corporation and a wholly owned subsidiary of BT (the "BT Merger Agreement") (a "BT Superior Proposal");

WHEREAS, the BT Merger Agreement has been terminated by MCI and BT, and in accordance therewith the Alternative Transaction Fee and Expense Amount (as such terms are defined in the BT Merger Agreement) (collectively, the "BT Termination Fee") are being paid to BT by WorldCom on behalf of MCI; and

WHEREAS, BT, MCI and WorldCom have entered into an agreement dated as of the date hereof pursuant to which, among other things, BT has consented to and agreed to support the Merger and the other transactions contemplated by this Agreement (the "BT Agreement").

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the Delaware General Corporation Law (the "DGCL"), MCI shall be merged with and into Merger Sub at the Effective Time. Following the Merger, the separate corporate existence of MCI shall cease and Merger Sub shall continue as the surviving corporation (the "Surviving Corporation") under the name "MCI Communications Corporation".

1.2 Closing. The closing of the Merger (the "Closing") will take place on the fifth Business Day after the satisfaction or waiver (subject to applicable law) of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Closing Date) set forth in Article VI (the "Closing Date"), unless another time or date is agreed to in writing by the parties hereto. The Closing shall be held at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York, 10017, unless another place is agreed to in writing by the parties hereto.

1.3 Effective Time. As soon as practicable following the Closing, the parties shall (i) file a certificate of merger (the "Delaware Certificate of Merger") in such form as is required by and executed in accordance with the relevant provisions of the DGCL and (ii) make all other filings or recordings required under the DGCL. The Merger shall become effective at such time as the Delaware Certificate of Merger is duly filed with the Delaware Secretary of State or at such subsequent time as WorldCom and MCI shall agree and be specified in the Delaware Certificate of Merger (the date and time the Merger becomes effective being the "Effective Time").

1.4 Effects of the Merger. At and after the Effective Time, the Merger will have the effects set forth in the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of MCI and Merger Sub shall be vested in the Surviving Corporation, and all debts, liabilities and duties of MCI and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

1.5 Certificate of Incorporation. The certificate of incorporation of Merger Sub, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation, until thereafter changed or amended as provided therein or by applicable law, except that Article I of the Certificate of Incorporation of the Surviving Corporation shall be amended to read in its entirety as follows: "The name of this Corporation is 'MCI Communications Corporation'".

1.6 By-Laws. The by-laws of Merger Sub as in effect at the Effective Time shall be the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

1.7 Officers and Directors of Surviving Corporation. The officers of MCI as of the Effective Time shall be the officers of the Surviving Corporation, until the earlier of their resignation or removal or otherwise ceasing to be an officer or until their respective successors are duly elected and qualified, as the case may be. The directors of Merger Sub as of the Effective Time shall be the directors of the Surviving Corporation until the earlier of their resignation or removal or otherwise ceasing to be a director or until their respective successors are duly elected and qualified.

1.8 Effect on Capital Stock. (a) At the Effective Time by virtue of the Merger and without any action on the part of the holder thereof, (i) each share of Ordinary Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Ordinary Common Stock owned by WorldCom or Merger Sub or held by MCI, all of which shall be canceled as provided in Section 1.8(c)) shall be converted into the right to receive that number of shares of WorldCom Common Stock equal to the Exchange Ratio (as defined below) (the "Ordinary Common Stock Merger Consideration") and (ii) each share of Class A Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Class A Common Stock owned by WorldCom or Merger Sub or held by MCI, all of which shall be canceled as provided in Section 1.8(c)) shall be converted into the right to receive \$51 in cash, without interest thereon (the "Class A

Common Stock Merger Consideration", and, collectively with the Ordinary Common Stock Merger Consideration, the "Merger Consideration". "Exchange Ratio" means the quotient (rounded to the nearest 1/10,000) determined by dividing \$51.00 by the average of the high and low sales prices of WorldCom Common Stock as reported on The Nasdaq National Market ("NASDAQ") on each of the twenty consecutive trading days ending with the third trading day immediately preceding the Effective Time (the "Measurement Period"); provided, that the Exchange Ratio shall not be less than 1.2439 or greater than 1.7586.

(b) As a result of the Merger and without any action on the part of the holders thereof, at the Effective Time, all shares of MCI Common Stock shall cease to be outstanding and shall be canceled and retired and shall cease to exist, and each holder of a certificate which immediately prior to the Effective Time represented any such shares of MCI Common Stock (a "Certificate") (other than Merger Sub, WorldCom and MCI) shall thereafter cease to have any rights with respect to such shares of MCI Common Stock, except the right to receive the applicable Merger Consideration in accordance with Article II upon the surrender of such certificate.

(c) Each share of MCI Common Stock issued and owned or held by WorldCom, Merger Sub or MCI at the Effective Time shall, by virtue of the Merger, cease to be outstanding and shall be canceled and retired and no stock of WorldCom or other consideration shall be delivered in exchange therefor.

(d) Each share of common stock, par value \$.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time, shall remain issued, outstanding and unchanged as validly issued, fully paid and nonassessable shares of common stock, par value \$.01 per share, of the Surviving Corporation as of the Effective Time.

ARTICLE II

EXCHANGE OF CERTIFICATES

2.1 Exchange Fund. Prior to the Effective Time, WorldCom shall appoint The Bank of New York, or another commercial bank or trust company having net capital of not less than \$100,000,000, to act as exchange agent hereunder for the purpose of exchanging Certificates for the Merger Consideration (the "Exchange Agent"). At or prior to the Effective Time, WorldCom shall deposit with the Exchange Agent, in trust for the benefit of holders of shares of MCI Common Stock, certificates

representing the WorldCom Common Stock issuable pursuant to Section 1.8 in exchange for outstanding shares of Ordinary Common Stock and cash in the amount required to be exchanged for Class A Common Stock in the Merger pursuant to Section 1.8. WorldCom agrees to make available to the Exchange Agent from time to time as needed, cash sufficient to pay cash in lieu of fractional shares pursuant to Section 2.5 and any dividends and other distributions pursuant to Section 2.3. Any cash and certificates of WorldCom Common Stock deposited with the Exchange Agent shall hereinafter be referred to as the "Exchange Fund".

2.2 Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of a Certificate (i) a letter of transmittal which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent, and which letter shall be in customary form and have such other provisions as WorldCom may reasonably specify and (ii) instructions for effecting the surrender of such Certificates in exchange for the applicable Merger Consideration. Upon surrender of a Certificate to the Exchange Agent together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate, if it is a Certificate for Ordinary Common Stock shall be entitled to receive in exchange therefor (A) one or more shares of WorldCom Common Stock representing, in the aggregate, the whole number of shares that such holder has the right to receive pursuant to Section 1.8 (after taking into account all shares of MCI Common Stock then held by such holder) and (B) a check in the amount equal to the cash that such holder has the right to receive pursuant to the provisions of this Article II, including cash in lieu of any fractional shares of WorldCom Common Stock pursuant to Section 2.5, or if it is a Certificate for Class A Common Stock, a check in the amount equal to the cash that such holder has the right to receive pursuant to the provisions of this Article II, and in each case the Certificate so surrendered shall forthwith be canceled. No interest will be paid or will accrue on any cash payable pursuant to Section 1.8, Section 2.3 or Section 2.5. In the event of a transfer of ownership of MCI Common Stock which is not registered in the transfer records of MCI, one or more shares of WorldCom Common Stock evidencing, in the aggregate, the proper number of shares of WorldCom Common Stock, a check in the proper amount of cash in lieu of any fractional shares of WorldCom Common Stock pursuant to Section 2.5 and any dividends or other distributions to which such holder is entitled pursuant to Section 2.3, may be issued with respect to such MCI Common Stock