ATTACHMENT 12

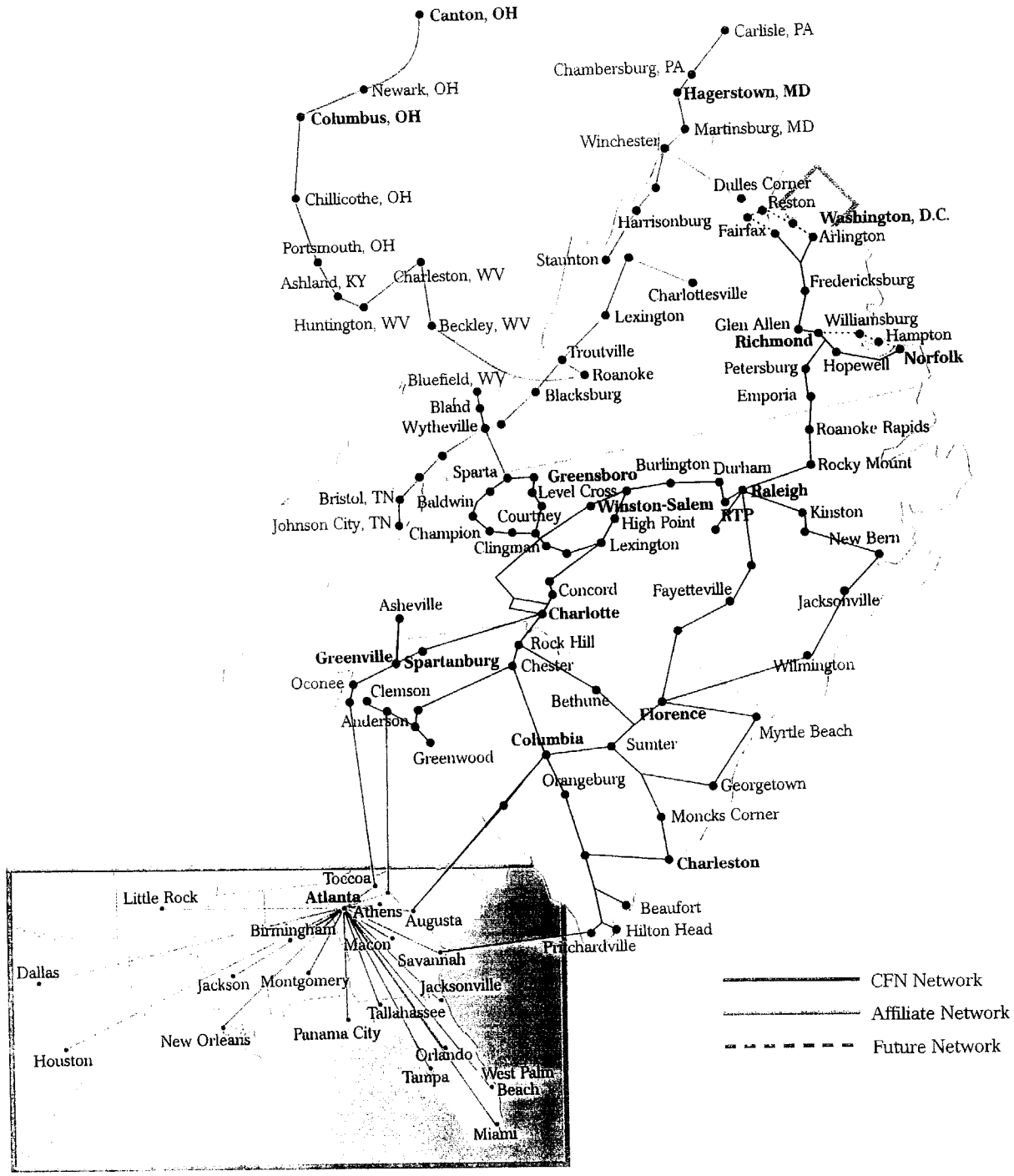
CFN FiberNet, Regional Network Map.

19425-F Liverpool Parkway • Post Office Box 1217
Cornelius, North Carolina 28031

Home Page: www.cfnnetwork.com
E-Mail: tocfn@ix.netcom.com

704-896-4940 • Fax: 704-896-4945

800-686-4940



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ATTACHMENT - 12

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

In the Matter of	)	
	)	
Applications of WorldCom, Inc. and	)	
MCI Communications Corporation for	)	CC Docket No. 97-211
Transfer of Control of MCI Communications	)	
Corporation to WorldCom, Inc.	)	

To: The Commission

DECLARATION OF RONALD R. BEAUMONT

1. My name is Ronald R. Beaumont. I am the President of WorldCom Network Services, Inc., a subsidiary of WorldCom, Inc. ("WorldCom"), and I have been asked to provide information to supplement the record in the above-referenced proceeding. In my capacity as President of WorldCom Network Services, I have personal knowledge of matters related to the network operations of WorldCom.

2. In an *ex parte* presentation to the Commission, the Rainbow/PUSH Coalition ("Rainbow") asserts that the WorldCom and MCI local fiber optic networks evidence redlining on the part of the companies insofar as they appear not to be located in areas with high concentrations of African American residences and businesses. The conclusions that Rainbow draws do not show any such effort by either company.

3. First, the networks reflect the fact that they were initially designed and constructed to provide the very limited local services that were permitted by regulations and laws existing prior to the Telecommunications Act of 1996. The New York City, Los Angeles, Chicago, San Francisco and Atlanta networks cited by Rainbow were acquired by WorldCom from MFS and were designed to provide the limited services that competitive access providers or "CAPs" were authorized to offer: dedicated lines, special access, and private line services to businesses. For obvious reasons, these networks were designed to be near locations of business users with high volumes of telecommunications traffic since not many, if any, residential or small business users -- minority or non-minority -- are likely customers for these types

of services. Thus, these networks necessarily reflect a focus on business customers, and large businesses at that.

4. Second, the network maps that Rainbow uses to support its case are substantially out of date, and even so, they show network facilities deployed in African American communities. The five networks Rainbow cites have expanded considerably from the maps which it uses. Thus, while the networks started with the limited MFS downtown networks depicted on the maps attached to the Rainbow *ex parte* filing, they have grown from the nucleus of those initial configurations to include additional areas, including areas which have high concentrations of African Americans. As the Commission is aware, WorldCom's traditional focus has been the business market, and its network build out has, like MFS's, been designed to address the locations of its potential business customers. Post-merger, local network facility planning will also take into account the locations of the MCI residential customer base, which the companies expect will economically justify construction of fiber facilities and collocations at central offices which can be used to provide service to residential subscribers.

5. Third, the Rainbow *ex parte* filing appears to assume that if a fiber does not physically traverse a minority community, it cannot be used to serve that community. Contrary to this premise, fiber is not and will not for the foreseeable future typically be deployed to serve individual residential customers. The economics of providing local services to residential subscribers instead dictate that unbundled local loops be used to offer such competitive services. And, as mentioned above, WorldCom and MCI expect that their merger will enable the combined company to extend facilities to *more* central offices than they would be able to reach individually, not *fewer*. Significantly, the fiber facilities that WorldCom already has in place are frequently in or close to African-American communities, which location will make service to these communities perhaps more likely than service to more remote suburban residential areas.

6. Providing competitive service to urban residential communities will be most successful if the new entrant provides its own switches, since it is the switches that provide the intelligence to differentiate local switched (voice) products. Significantly, the proximity of local switches to the customer serving base is important to the economics of local entry -- dense concentrations of customers near a switching location are more economically served than scattered customers at locations distant from the switch. The merged company will have substantial number of switches located in inner city areas, including in geographic areas that are disproportionately represented by members of the Congressional Black and Hispanic Caucuses. As the merged company is able to build out its local networks, a process that will be influenced by network element and collocation pricing decisions -- for which ILECs have shown little cooperation with CLECs -- inner city areas are ideally suited to be among those areas where the merged company will be able to provide residential service.

7. The Commission staff also requested information regarding the size of WorldCom as a competitive local exchange carrier relative to other competitive local exchange carriers. Using the limited public data available, which has been compiled by the New Paradigm Resources Group in its 1998 survey, WorldCom currently operates local networks in 71 metropolitan statistical areas ("MSAs") nationwide. As of December 1997, the next five largest CLECs operating local networks were: Teleport Communications Group (54 MSAs); Intermedia Communications (44 MSAs); MCImetro (43 MSAs); e.spire (32 MSAs); and ICG Communications (31 MSAs).

8. The Commission staff has asked that I explain why the synergy savings indicated on the white paper filed with the Department of Justice were applied to only the MCI capital plans. It is important to understand the function of the synergy analysis and it relationship with future expense and capital expenditure programs to be undertaken by the combined company. The synergy analysis is a high level comparison of then forecasted expenditures in a stand alone and combined environment. The synergy

analysis discussed in the white paper only considers hard synergies. Once identified, those synergies were assigned to MCI's plans on the assumption that the overlap between those plans and the WorldCom plans would be eliminated from MCI's expenditure programs. This analysis is not meant to demonstrate how the synergies will be deployed in future expenditure programs under the combined company. The synergies will be available and will be achieved through consolidation of both companies' facilities expansion and consolidation plans, operations and common efficiencies. The future expenditure programs will directly meet the service demands for each service segment, and network reliability and growth projected over the expenditure period. Additional capital expenditures are also committed to meet service requirements that arise in unanticipated areas.

9. The Commission Staff also inquired about plans to incorporate MCI's network intelligence into the WorldCom network. The WorldCom network is a robust network designed to provide quality services using generic standards. It extends across local, long distance, and international boundaries. The MCI network is a highly intelligent network that provides high quality services in a very flexible manner, but it is concentrated on domestic long-haul facilities while WorldCom's network has greater reach into local and international markets. We anticipate that over time the combined entity will "bolt" the MCI network intelligence to the local and international reach of the WorldCom network to enable the combined entity to deliver the most advanced services to subscribers across all service segments,*e.g.*, the conceptual Global Centrex Mr. Grillo refers to in his Declaration being filed separately. *See* Declaration of Frank M. Grillo at ¶ 16. During the transition, specific customer offerings will be addressed through the network that most efficiently meets the service requirements of that offering. A migration plan will be implemented once the merger is completed and technical issues have been addressed. I would note that both networks are interconnected today and service quality will remain at the present high levels.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 7, 1998

Ronald R. Beaumont
President
WorldCom Network Services, Inc.

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To: The Commission

DECLARATION OF SUNIT PATEL

1. My name is Sunit Patel. I am the Treasurer of WorldCom, Inc. ("WorldCom"), and I have been asked to provide information to supplement the record in the above-referenced proceeding. In my capacity as Treasurer of WorldCom, I have knowledge of matters related to the financial condition of WorldCom.

2. I have been asked to respond to certain financial issues raised in the Communications Workers of America's ("CWA") *Ex Parte* Notice dated June 17, 1998. The CWA analysis cannot be credited for several significant reasons. The application of a synergy analysis to prior year statistical results distorts the future performance of the organization. Such an analysis omits consideration of growth between the statistical period and the synergy period, and the impact of acquisitions and revenue synergies. WorldCom's current revenue growth rate exceeds 30% per year, MCI's current growth rate exceeds 8% per year, and the acquisitions of Brooks Fiber, ANS, and CNS are significant to the analysis. Accordingly, the financial analysis that CWA presents must be discounted by the Commission.

3. Moreover, CWA's claim that WorldCom is paying an unreasonable premium for MCI is plainly wrong. Aside from two prominent investment firms giving fairness opinions to the Boards

of Directors of MCI and WorldCom, a simple comparison of the Standard & Poor's 500 multiples to the MCI purchase price indicates the fairness of the transaction. The S&P 500 is trading at a market capitalization to book value multiple of 6.0. The purchase price of MCI represents a multiple of 3.5 of book value. This result is well within the range for publicly traded companies of the type tracked by the S&P 500.

4. CWA attempts to demonstrate that WorldCom on a combined basis will be weaker because of the relationship of its Goodwill and Intangibles to other telecommunications companies. Without exploring which companies comprise CWA's universe of telecommunications companies, it is significant to note that few large telecommunications companies have grown through acquisitions. This fact is reflected in the percentages shown for the "New MCI-WorldCom" as compared to the "WorldCom" in Table 4. The CWA analysis ignores the more significant financial factors demonstrated by revenue growth and operating cash flow growth,[1] the independent determination of investment rating agencies,[2] and the strategic position of the MCI-WorldCom combined company in relation to its competitors.

5. The investment analysts uniformly disagree with CWA's analysis of Asset Productivity and Income Generating Capacity Ratios. It is not surprising that the CWA would use a tax rate of 52% when all other analysts indicate the appropriate applicable rate to be between 42 and 44%. This tax effect, when coupled with the 1999 synergy view being imposed upon the 1997

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[1] *See* Salomon Smith Barney Company Report on WorldCom, Inc., April 9, 1998, Figure 20, "WorldCom Discounted Cash Flow Analysis," at 50.

[2] *See* Bloomberg L.P. Report on WorldCom, Inc., April 16, 1998, "WorldCom Ratings Raised by Moody's."

financial statistics, creates a total distortion of the strength of the MCI-WorldCom combined company balance sheet.

6. The Working Capital and Liquidity Ratios again must be discounted because of the inappropriate application of the 1999 synergies to 1997 data. Contrary to CWA's position, the company and the investment community believe that there will be a significant improvement in the free cash flow of the combined company resulting from both internal growth and realization of operating and capital synergies.[3] The capital expenditure synergies created by elimination of duplication and increased purchasing power will in fact make more funds available to increase capital investments. We submit that the liquidity of an investment grade company is appropriately measured by its access to capital markets and available credit lines. The combined company has over $4.5 billion in liquidity through its existing credit lines and the investment community has indicated that its ability to obtain additional funding will not be constrained. It should be noted that the effect of inappropriate application of the 1999 synergy's to 1997 data is amply demonstrated by using the first quarter 1998 financial statistics that would show an improvement of over $700 million in the working capital position.

7. A similar understatement of Earnings Before Income Taxes, Depreciation and Amortization ("EBITDA") by CWA drastically distorts the Interest Coverage and Leverage Ratios. CWA uses an EBITDA of $5.7 billion, while most analysts project the 1999 EBITDA to be $10 -12 billion.[4] Investment rating firms have indicated that the MCI-WorldCom combined company will

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[3] *Id.*

[4] *See* Salomon Smith Barney Company Report on WorldCom, Inc., April 9, 1998, Figure 17, "WorldCom Quarterly Income Statement, 1997-1999E with Brooks Fiber, CNS/ANS, and MCI (starting in 1999)," at 47.

be a strong investment grade company (S&P indicative rating of BBB+, with a positive outlook; Moody's: Baa2). These facts clearly demonstrate the market's confidence in the merged MCI-WorldCom.

8. The MCI-WorldCom combined company's cost improvement measures are in line with maintaining an economically efficient operating entity. It will eliminate a reasonable 8 to 10 percent of the combined operating expenses. Significant contribution to the improvement of profitability and income margin is expected to be achieved through network synergies and avoided local losses. In 1999 these savings are expected to be $1.6 billion climbing to approximately $4.4 billion in the year 2002. As these operating margins are achieved, the company will be able to increase its investment in its network through internally generated cash.

9. For the foregoing reasons, the Commission should discount the arguments of the CWA. The merger contemplated by WorldCom and MCI will create a stronger more financially viable competitor able to use its resources in an efficient and constructive manner.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 7, 1998

Sunit Patel
Treasurer
WorldCom, Inc.

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To: The Commission

DECLARATION OF FRANK M. GRILLO

1. My name is Frank M. Grillo. I am the Vice President of Marketing of WorldCom, Inc. ("WorldCom"), and I have been asked to provide information to supplement the record in the above-referenced proceeding. In my capacity as Vice President of Marketing, I have personal knowledge of matters related to the domestic retail business of WorldCom.

2. The communications marketplace is evolving from a traditional market divided on the basis of the regulated nature of a telecommunications call, e.g., local, intrastate/interstate, and international, to a communications market undefined by the transmission method or the calling destination, subject, of course, to the pro-competitive provisions of the Telecommunications Act of 1996. Traditional concepts of residential and business, telephone and data communications are being blurred by technology and changes in the commercial markets. Globalization, telecommuting, digitalized networks, and broadband local access, among other things, are causing these changes. MCI and WorldCom believe that those carriers positioned to participate across all of the traditional markets will be best able to compete in the future market.

3. Electronic commerce will place demands on carriers for new and innovative services that far exceed the capabilities now being implemented across numerous carrier networks, e.g., advanced 800 and Virtual Private Network ("VPN") services demanded by high-end customers and "Follow-Me" 800 services being requested by "small office/home office" ("SOHO") and employees at residences across America. The ability for one provider to offer multiple services is critical to accommodate demands from technically sophisticated users demanding ease of use, cost efficiency and access to burgeoning markets, such as the Internet. Carriers able to meet those demands while maintaining the ability to meet and grow with the ever increasing demand for telecommunications capacity will be positioned to meet the consumer needs in the next millennium.

4. To be appropriately positioned to compete in all of these markets, a successful carrier will have a significant facilities-based footprint, augmented by interconnection and facilities arrangements that will enable it to deploy its services within a local area as well as over long distances with a global reach. Today, WorldCom's competitors are amassing such resources. Incumbent local exchange carriers retain virtual monopolies on local networks. The RBOCs have extensive intraLATA toll networks and very high capacity idle in-region interLATA "official" networks that can quickly be equipped to offer region-wide services, and each has entered long-term agreements with other carriers to distribute inter-regional traffic. Sprint and GTE have their local monopoly bases and existing or rapidly emerging interstate networks. AT&T has proposed mergers with TCG and TCI. Other carriers like Qwest, Williams, IXC, and Level 3 are positioning themselves as "carriers' carriers" or IP technology based suppliers. WorldCom and MCI both need to expand the breadth and depth of their service offerings.

5. With this merger, WorldCom and MCI will be well on their way to becoming that globally competitive entity. Today, WorldCom possesses physical assets across the traditional bounds of local, domestic and international long distance markets. It is constructing or expanding local and regional networks in markets across the country and throughout the world. The ultimate objective is to bring its network directly to or to come very near to its end user customers with minimal reliance on other carrier networks or network elements. WorldCom's CLEC network has the largest reach of any CLEC. *See* Declaration of Ronald R. Beaumont ¶ 7. The WorldCom suite of advanced data services is among the industry leaders in its technology, capabilities, and scalability to meet customer demands. Coupled with its wholesale product set, which is presently expanding into the local market, WorldCom is strategically positioned to serve efficiently the lower to mid-range business customers and the carriers serving that service segment.

6. In general, WorldCom has served small- and medium-sized businesses (and a limited number of larger customers) with "plain-vanilla" telecommunications requirements. WorldCom has historically defined small businesses as those customers with switched access (rather than dedicated access) to WorldCom's long distance network. Typically, they spend between $100 to $5,000 per month in telecommunications service.

7. Medium-sized business are defined as those customers with long distance calling volumes sufficient to warrant dedicated access to WorldCom's interexchange network. Typically, they spend between $5,000 to $50,000 per month. Although $50,000 is a relative benchmark, the need for sophisticated services is really the predominant driver that defines WorldCom's addressable market. WorldCom has historically seen the requirements for sophisticated telecommunications products arise in customers that spend in excess of $50,000 per month for telecommunications

service. WorldCom does service a few very large, "plain-vanilla" customers (e.g., outbound telemarketing firms) that spend well in excess of $50,000 per month. However, WorldCom often has not been able to address the needs of small, medium, or large sized firms with sophisticated telecommunications needs.

8. As a general rule (but not always), very large business customers require more sophisticated telecommunications services (e.g., enhanced virtual networks, advanced toll-free features, customized billing and reporting) and are more likely to mix and match services of different carriers. WorldCom has not possessed the network capabilities to address the needs of these larger customers. If these type of customers use WorldCom, they do so for redundancy or as a secondary carrier for traditional or "plain vanilla" services.

9. WorldCom has chosen not to market directly to residential end-users. These customers are addressed indirectly through WorldCom's wholesale of "plain-vanilla" long distance. This business strategy was chosen based on the high acquisition cost versus return on residential revenues. The high cost of acquisition is related to the expense of funding a nationwide advertising campaign necessary to build a residential brand image strong enough to gain and retain significant residential market share.

10. In addition, WorldCom does not possess the "network intelligence" capabilities necessary to reach residential customers with sophisticated product needs (e.g., Friends & Family).

11. Today, MCI possesses physical assets primarily in the long distance market with networks deployed in significant market segments domestically and through partnerships in certain foreign countries. Its product line is targeted across all customer ranges, with an emphasis on the

high-end and large business customer segments. It provides sophisticated service offerings designed to satisfy the needs of sophisticated consumer and large business users alike.

12. MCI WorldCom will become the most aggressive competitor in and across all markets. By combining the WorldCom facilities-based presence in major metropolitan areas, the Brooks Fiber Properties ("Brooks") facilities-based presence in so-called "second tier" metropolitan areas, and MCI's enormous long distance customer base and retail marketing expertise, MCI WorldCom is poised the challenge both the incumbent local carriers and other interexchange carriers in market reach and scope of service offerings. At the same time, the combined entity will maintain an efficient operational approach that will leave it nimble enough to respond to marketplace demands across all voice and data lines, including both retail and wholesale products. Combining the facilities-based presence of WorldCom with the customer base and marketing savvy of MCI will permit the combined company to reach far more customers in far more locations far sooner and much more efficiently than either company could reach acting alone. For example, MCI WorldCom would be able to offer an integrated package of local and long distance services to its current customer base. In cities where MCI and WorldCom both currently operate, the combined entity will have access to individual buildings that before the merger only one company was able to serve, thereby expanding the scope of the customer base that will be available to use the combined company's services. MCI's and WorldCom's collocation requirements will be much more efficiently distributed throughout incumbent carriers' network facilities when MCI and WorldCom are able to consolidate and share their network operations as a result of the merger.

13. By combining WorldCom's and MCI's long distance traffic, the merged company will be able to justify more direct connections from our toll switches to ILEC local offices. Not only

will this process reduce our access costs, it will also help justify facility expansion to more ILEC offices, collocation in more ILEC offices, and more efficient use of ILEC unbundled network elements. *See* Affidavit of Sunit Patel, Exhibit B to Second Joint Reply, ¶¶ 16-18.

14. One result of combining the networks of MCI and WorldCom will be the improved ability to provide one-network service to multi-location customers. For example, Chrysler Corporation facilities in Toledo, Ohio, and Albuquerque, New Mexico (Brooks local markets), as well as facilities in Detroit (WorldCom and MCImetro local markets), Indianapolis (WorldCom local market) and other cities, will now all be within the reach of the combined company.

15. Each carrier brings complementary strengths that will enable the combined MCI WorldCom to address consumer, commercial, wholesale, and global/national accounts with bundled services appropriate to each segment. It will have the ability to use technology enhancements to its networks across all of these segments. Through these innovative product combinations, MCI WorldCom will have the ability to compete more effectively against the incumbent local providers for the 98 percent of the local market share the incumbent carriers presently hold. These enhancements will be offered primarily over MCI WorldCom facilities under attractive terms to the users. Further erosion of the local monopoly will occur through the wholesale local offerings of the combined MCI WorldCom. Able to meet straightforward and complex consumer demand, MCI WorldCom will have both a highly advanced voice and data product line offering the full set of features and functionality that the marketplace demands. It will have an extensive set of local networks linked by a high capacity, highly reliable fiber backbone, with significant SONET restoration capabilities. MCI WorldCom will have the scale to maintain and grow its capacity to meet the increasing demands for bandwidth growth with a reliable high speed network.

16. The Commission Staff has requested that we identify the principle carrier participants in each of the foregoing service segments and provide a description of the effects of the merger in each segment:

> Residential segment: The principal service providers to the residential long distance segment are facilities based IXCs, including AT&T, MCI, Sprint, the incumbent local exchange carriers, including RBOCs (intraLATA only), GTE, other independent local exchange carriers, and hundreds of service and facilities resellers. The merger will enable the combined MCI-WorldCom to expand its provision of facilities-based local service to MCI's residential long distance customer base in numerous geographic markets not presently served by MCI Metro. The merger will enable the combined company to provide "all-distance" (communications and information) services to residential subscribers via direct connections using the combined company's facilities, plus individual or combinations of unbundled network elements provided by ILECs. This combination will allow the combined company to marry the full range of feature rich product offerings under one umbrella, bringing more features and functions to new service segments and geographic markets in an effective time to market.

> Small and medium business: The principle service providers to the service segment referred to as small and medium business are a broad range of carriers that choose to offer traditional communications services to users on a national, regional or limited geographic basis. Traditionally the larger IXCs have not addressed this segment with targeted products, leaving the lesser known carriers to focus on the segment, e.g., WorldCom, LCI, Frontier, GTE, Qwest, Coastal, CommuniGroup. Local exchange carriers, especially GTE and SNET, have been very active in this segment by coupling local service with long distance services designed to facilitate small business

efficiencies. The merger will allow the combined company to bring the technical advantages of the MCI network to the broad range of WorldCom customers in this service segment. Introduction of advanced services focused on the service segment will enable the combined company to effectively offset advantages that were inherently enjoyed by the incumbent local carriers. The combined company will be able to extend high end products such as VPN-like service (e.g. the ability to block international calling during non-business hours), advanced 800 services, and enhanced account control features to this service segment while maintaining competitive price levels. The combination will cause competing carriers to expand their service offerings and seek to provide differentiated services.

> Large business: The principle service providers here are the largest carriers: the RBOCs, AT&T, MCI, Sprint, BT, Cable & Wireless, Deutsches Bundespost, France Telecom, KDD and NTT. The merger will enable the combined company to provide "all distance" service to these businesses, which typically have multiple offices dispersed on a regional, national or global basis. The ability to provide specifically designed services complementary to the needs of the businesses in this segment over a global network will greatly enhance the ability of the combined company to succeed in this highly competitive market. The combination of MCI's service offerings with WorldCom's local and global facility networks enables the combined company to address service segments that individually neither company would have been able to independently address in the foreseeable future. Conceptually, products such as Global Centrex will become feasible and can be rapidly developed using the global network of the combined company.

17. I have also been asked to address an argument asserted by the Communications Workers of America ("CWA") that the merger of MCI and WorldCom will reduce, rather than

enhance, local competition. CWA relies upon a market report prepared by Merrill Lynch that states that the merger will remove competitors from the market and thereby reduce the pressure of local service pricing and eliminate significant local service expenditures by MCI and WorldCom. CWA's reliance on the Merrill Lynch statement is misplaced. Merrill Lynch's conclusion relies on the faulty presumption that MCI, WorldCom, and Brooks compete against each other, and that their merger will reduce local competition overall. As MCI and WorldCom stated in the First Joint Reply and the Second Joint Reply, the competition for the provision of local exchange service should not be measured between competitive carriers, but between the competitive carriers and the incumbent carriers. As noted in those filings, MCI and WorldCom networks in the same city frequently do not reach the same customers, do not serve the same buildings, do not traverse the same streets and are not configured in a similar manner. *See* Joint Reply at 16-17; Second Joint Reply at n.9. On the other hand, the incumbent carrier in each local market either serves or has the ability to serve every customer in the service area. Where the incumbent carriers retain close to 100 percent of the local service market, those infrequent occasions where MCI and WorldCom both have the ability to serve the same customers – and hence have the ability to compete head to head with each other as well as with the incumbent carrier – any reduction in local competition will clearly be *de minimis* in relation to the strengthened position of the combined company to compete with the dominant incumbent and make an inroad into the incumbents overwhelming market share.

18. Moreover, the differences in market entry strategies employed by MCI, WorldCom and Brooks illustrate that there has been little competition between the three companies in the markets where they do have some overlap. Brooks developed its facilities-based CLEC business in so-called "second tier" cities and offered only local services to its customers; MCI has offered

facilities-based local service bundled together with its facilities-based interexchange service primarily to large-sized business customers; and WorldCom has offered facilities-based local service bundled together with its facilities-based interexchange service primarily to small- and medium-sized business customers. The merger of MCI and WorldCom will carry forward the most successful components of all three business plans to form a stronger competitor with a wider geographic presence and an enormous potential customer base. The combined entity will enhance the level of competition with the incumbent carriers in all of the markets that it will serve, and will not reduce the level of competition with the incumbent carriers anywhere.

19. Finally, as WorldCom and MCI have shown in their previous filings, the elimination of "overlapping expenditures (both capital and marketing)" noted by CWA should have a pro-competitive effect rather than the anti-competitive effect suggested by CWA. The synergies resulting from combining the local service operations of WorldCom and MCI will permit the combined company to direct its resources into expanding service sooner than each company could acting alone. In this instance, a synergy saving in the local service market does not translate into a reduction of local service or a cutback in the business to expand those services. On the contrary, the reduction in duplicative expenditures in the local service market by the combined company will free up resources which can be used to increase local service competition beyond what either company could likely achieve on its own in the same time frame.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 7, 1998

Frank M. Grillo
Vice President of Marketing
WorldCom, Inc.