

EXHIBIT A
PLAN OF REORGANIZATION

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re :
WORLD COM, INC., et al., : **Chapter 11 Case No.**
 : **02-13533 (AJG)**
 : **(Jointly Administered)**
Debtors. :
-----X

**DEBTORS' JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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**UNITED STATES BANKRUPTCY COURT
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In re :
WORLD COM, INC., et al., : Chapter 11 Case No.
 : 02-13533 (AJG)
 :
 : (Jointly Administered)
 Debtors. :
-----X

**DEBTORS' JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

WorldCom, Inc. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession, propose the following joint plan of reorganization under section 1121(a) of title 11 of the United States Code:

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

Definitions. As used herein, the following terms have the respective meanings specified below:

1.01. 364-Day Facility means that certain \$2.65 billion 364-day revolving credit facility, dated as of June 8, 2001, among WorldCom as borrower and Bank of America, N.A. and The Chase Manhattan Bank as co-administrative agents, Banc of America Securities LLC and J.P. Morgan Securities Inc. as joint lead arrangers and joint book managers, Banc of America Securities LLC, J.P. Morgan Securities Inc., Salomon Smith Barney Inc., ABN Amro Bank N.V., and Deutsche Banc Alex Brown Inc. as co-arrangers, Citibank, N.A. as syndication agent, ABN Amro Bank N.V. and Deutsche Bank AG New York Branch as co-documentation agents, and several banks and other financial institutions as lenders.

1.02. Access Provider means an entity providing telecommunications services to the Debtors pursuant to an executory contract or a tariff filed by such entity with the Federal Communications Commission or a relevant state commission.

1.03. Administrative Expense Claim means any right to payment constituting a cost or expense of administration of any of the Chapter 11 Cases under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the estates of the Debtors, any actual and necessary costs and expenses of operating the business of the Debtors, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the

conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under section 330 or 503 of the Bankruptcy Code, and any fees or charges assessed against the estates of the Debtors under section 1930 of chapter 123 of title 28 of the United States Code.

1.04. Allowed means, with reference to any Claim, (i) any Claim against the Debtors which has been listed by the Debtors in their Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim has been filed, (ii) any Claim allowed hereunder, (iii) any Claim which is not Disputed, (iv) any Claim that is compromised, settled, or otherwise resolved pursuant to the authority granted to the Reorganized Debtors pursuant to a Final Order of the Bankruptcy Court or under Section 7.06 of the Plan, or (v) any Claim which, if Disputed, has been Allowed by Final Order; *provided, however*, that Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered “Allowed Claims” hereunder. Unless otherwise specified herein or by order of the Bankruptcy Court, “Allowed Administrative Expense Claim” or “Allowed Claim” shall not, for any purpose under the Plan, include interest on such Administrative Expense Claim or Claim from and after the Commencement Date.

1.05. ASR means a document known in the telecommunications industry as an “Access Service Request” under which an entity elects to purchase certain non usage-sensitive telecommunications services from an Access Provider for a specified period of time. Solely for purposes of the Plan, ASRs under which the Debtors elected to purchase certain non usage-sensitive telecommunications services for a term of more than thirty (30) days are treated as executory contracts. For purposes of the Plan, ASRs under which the Debtors elected to purchase certain non usage-sensitive telecommunications services for a term of thirty (30) days or less are excluded from this definition of ASRs and shall be treated as Tariff Services.

1.06. Ballot means the form distributed to each holder of an impaired Claim that is entitled to vote to accept or reject the Plan on which is to be indicated (i) acceptance or rejection of the Plan, (ii) in the case of Class 5 WorldCom Senior Debt Claims, Class 11 Intermedia Senior Debt Claims, and Class 13 Intermedia Subordinated Debt Claims, whether such holder elects to receive New Common Stock or New Notes, and (iii) in the case of Class 6 WorldCom General Unsecured Claims and Class 12 Intermedia General Unsecured Claims that are Allowed in an amount greater than forty thousand (\$40,000) dollars, whether such holder elects to treat its Claim as a Convenience Claim under the Plan.

1.07. Bank Claims means all Claims of the Banks arising under the 364-Day Facility and the Revolving Credit Facility.

1.08. Bankruptcy Code means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases.

1.09. Bankruptcy Court means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases.

1.10. Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, and any Local Rules of the Bankruptcy Court.

1.11. Banks means, collectively, the banks and financial institutions that are parties to the 364-Day Facility and the Revolving Credit Facility and their successors and assigns.

1.12. Business Day means any day other than a Saturday, Sunday, or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

1.13. Cash means legal tender of the United States of America.

1.14. Causes of Action means, without limitation, any and all actions, causes of action, liabilities, obligations, rights, suits, damages, judgments, Claims, and demands whatsoever, whether known or unknown, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Commencement Date or during the course of the Chapter 11 Cases, including through the Effective Date.

1.15. Chapter 11 Cases means the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors styled *In re WorldCom, Inc., et al.*, Chapter 11 Case No. 02-13533 (AJG), which are currently pending before the Bankruptcy Court.

1.16. Claim shall have the meaning set forth in section 101 of the Bankruptcy Code.

1.17. Class means a category of holders of Claims or Equity Interests as set forth in Article III of the Plan.

1.18. Collateral means any property or interest in property of the estates of the Debtors subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

1.19. Commencement Date means July 21, 2002 with respect to the Debtors identified on Exhibit A1 hereto and November 8, 2002 with respect to the Debtors identified on Exhibit A2 hereto.

1.20. Committee means the statutory committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.

1.21. Company means WorldCom together with approximately 225 direct and indirect domestic Debtor and Non-Debtor Subsidiaries and 200 foreign Non-Debtor Subsidiaries and affiliates.

1.22. Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

1.23. Confirmation Hearing means the hearing held by the Bankruptcy Court to consider confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

1.24. Confirmation Order means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.25. Convenience Claim means any General Unsecured Claim that is (i) Allowed in an amount of forty thousand (\$40,000) dollars or less or (ii) Allowed in an amount greater than forty thousand (\$40,000) dollars but which is reduced to forty thousand (\$40,000) dollars by an irrevocable written election of the holder of such Claim made on a properly delivered Ballot; *provided, however*, that (y) individual General Unsecured Claims of a single holder that are Allowed in an amount of forty thousand (\$40,000) dollars or less will not be treated as separate Convenience Claims if the aggregate of all General Unsecured Claims held by such holder exceeds forty thousand (\$40,000) dollars and (z) any General Unsecured Claim that was originally Allowed in excess of forty thousand (\$40,000) dollars may not be subdivided into multiple General Unsecured Claims of forty thousand (\$40,000) dollars or less for purposes of receiving treatment as a Convenience Claim.

1.26. Debtors in Possession means the Debtors in their capacity as debtors in possession in the Chapter 11 Cases pursuant to sections 1101, 1107(a), and 1108 of the Bankruptcy Code.

1.27. Debtors means each of the entities listed on Exhibits A1 and A2 hereto.

1.28. Director Restricted Stock shall have the meaning set forth in Section 9.07 of the Plan.

1.29. Disbursing Agent means any Debtor entity in its capacity as Disbursing Agent pursuant to Section 6.03 of the Plan.

1.30. Disclosure Statement means the disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

1.31. Disputed means, with reference to any Claim, any Claim proof of which was timely and properly filed, and in such case or in the case of an Administrative Expense Claim, any Administrative Expense Claim or Claim which is disputed under the

Plan or as to which the Debtors have interposed a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, and any Claim, proof of which was required to be filed by order of the Bankruptcy Court but as to which a proof of claim was not timely or properly filed. A Claim that is Disputed by the Debtors as to its amount only, shall be deemed Allowed in the amount the Debtors admit owing, if any, and Disputed as to the excess.

1.32. Effective Date means the first Business Day on which the conditions specified in Section 11.01 of the Plan have been satisfied or waived.

1.33. Electing Noteholder means, collectively, the holders of WorldCom Senior Debt Claims, Intermedia Senior Debt Claims, and Intermedia Subordinated Debt Claims that elect on the Ballot to receive New Notes.

1.34. Equity Interest means any share of common or preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire any such interest.

1.35. Final Order means an order of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, on and after the Effective Date, the Reorganized Debtors, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument, or rehearing shall have been denied and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

1.36. General Unsecured Claim means any Claim other than an Administrative Expense Claim, Priority Tax Claim, Other Priority Claim, Secured Tax Claim, Other Secured Claim, WorldCom Senior Debt Claim, WorldCom Subordinated Claim, MCIC Senior Debt Claim, MCIC Subordinated Debt Claim, Intermedia Senior Debt Claim, or Intermedia Subordinated Debt Claim.

1.37. Insured Claim means any Claim arising from an incident or occurrence that is covered under the Debtors' insurance policies.

1.38. Intermedia means Intermedia Communications Inc., a Delaware corporation.

1.39. Intermedia Avoidance Claims means the Claims and Causes of Action, if any, under sections 105, 544, 547, and 548 of the Bankruptcy Code relating to the issuance of the Intermedia Intercompany Note to Intermedia.

1.40. Intermedia Debtors means, collectively, Access Network Services, Inc., Access Virginia, Inc., Business Internet, Inc., Express Communications, Inc., ICI Capital LLC, Intermedia, Intermedia Capital, Inc., Intermedia Communications of Virginia, Inc., Intermedia Investment, Inc., Intermedia Licensing Company, Intermedia Services LLC, National Telecommunications of Florida, Inc., Netwave Systems, Inc., NTC, Inc., WorldCom Intermedia Communications Corporation f/k/a Shared Technologies Fairchild Communications Corporation, WorldCom Intermedia Telecom, Inc. f/k/a Shared Technologies Fairchild Telecom, Inc., or WorldCom Intermedia, Inc. f/k/a Shared Technologies Fairchild, Inc.

1.41. Intermedia Equity Interests means any Equity Interest in Intermedia issued and outstanding on the Commencement Date other than the Intermedia Preferred Stock.

1.42. Intermedia General Unsecured Claim means any General Unsecured Claim against any of the Intermedia Debtors other than Convenience Claims.

1.43. Intermedia Intercompany Note means the Note, dated July 1, 2001, issued by WorldCom to Intermedia.

1.44. Intermedia Intercompany Note Claim means the Claim of Intermedia arising under the Intermedia Intercompany Note. The Intermedia Intercompany Note Claim shall be treated as a WorldCom General Unsecured Claim.

1.45. Intermedia Preferred Stock means all 13.5% series B redeemable exchangeable preferred stock of Intermedia issued and outstanding on the Commencement Date.

1.46. Intermedia Senior Debt Claims means any Claim arising under the Intermedia Senior Notes Indentures.

1.47. Intermedia Senior Notes Indentures means, collectively, (i) the senior discount notes indenture, dated July 9, 1997, between Intermedia and Suntrust Bank, Central Florida, N.A. as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date; (ii) the senior notes indenture, dated October 30, 1997, between Intermedia and Suntrust Bank, Central Florida, N.A. as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date; (iii) the senior notes indenture, dated December 23, 1997, between Intermedia and Suntrust Bank, Central Florida, N.A. as indenture

trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date; (iv) the senior notes indenture, dated May 27, 1998, between Intermedia and Suntrust Bank, Central Florida, N.A. as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date; and (v) the senior notes indenture, dated February 24, 1999, between Intermedia and Suntrust Bank, Central Florida, N.A. as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date.

1.48. Intermedia Subordinated Debt Claims means all Claims arising under the Intermedia Subordinated Notes Indenture.

1.49. Intermedia Subordinated Notes Indenture means the senior subordinated notes indenture, dated February 24, 1999, between Intermedia and Suntrust Bank, Central Florida, N.A. as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date.

1.50. Lien shall have the meaning set forth in section 101 of the Bankruptcy Code.

1.51. Management Restricted Stock shall have the meaning set forth in Section 9.06 of the Plan.

1.52. MCIC means MCI Communications Corporation, a Delaware corporation.

1.53. MCIC Senior Debt Claims means all Claims arising under the MCIC Senior Notes Indentures.

1.54. MCIC Senior Notes Indentures means, collectively, (i) the senior debt indenture, dated October 15, 1989, between MCIC and Law Debenture Trust Company of New York as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date and (ii) the senior debt indenture, dated February 17, 1995, between MCIC and Law Debenture Trust Company of New York as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date.

1.55. MCIC Subordinated Debt Claims means all Claims arising under the MCIC Subordinated Notes Indenture.

1.56. MCIC Subordinated Notes Indenture means the junior subordinated deferrable interest debentures indenture and the supplemental indenture #1, each dated May 29, 1996, between MCIC and HSBC Bank USA as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date.

1.57. Merger Subsidiary means New Intermedia Company, a first-tier, wholly-owned Subsidiary of WorldCom.

1.58. New Common Stock means the common stock of Reorganized WorldCom authorized and to be issued pursuant to the Plan. The New Common Stock shall have a par value of \$.01 per share and such rights with respect to dividends, liquidation, voting, and other matters as are provided for by applicable nonbankruptcy law or in the Reorganized WorldCom Certificate of Incorporation and the Reorganized WorldCom By-laws.

1.59. New Director Restricted Stock Plan means the Director Restricted Stock Plan to be adopted by Reorganized WorldCom, which shall be in substantially the form contained in the Plan Supplement.

1.60. New Management Restricted Stock Plan means the Management Restricted Stock Plan to be adopted by Reorganized WorldCom, which shall be in substantially the form contained in the Plan Supplement.

1.61. New Notes means the senior unsecured notes in a minimum principal amount of four billion five hundred million (\$4,500,000,000) dollars and a maximum principal amount of five billion five hundred million (\$5,500,000,000) dollars authorized and issued pursuant to the Plan by Reorganized WorldCom on the Effective Date, the terms of which are governed by the New Notes Indenture.

1.62. New Notes Indenture means the senior unsecured notes indenture, dated as of the Effective Date, between Reorganized WorldCom and [Indenture Trustee] as indenture trustee, governing the New Notes, which shall contain such customary terms and conditions so that the New Notes will trade at par value and which shall be in the form set forth in the Plan Supplement.

1.63. Non-Debtor Subsidiary means any direct or indirect Subsidiary of WorldCom that is not a Debtor.

1.64. Non-Electing Noteholder means, collectively, the holders of WorldCom Senior Debt Claims, Intermedia Senior Debt Claims, and Intermedia Subordinated Debt Claims that elect on the Ballot to receive New Common Stock.

1.65. Other Priority Claim means any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

1.66. Other Secured Claim means any Secured Claim, other than a Secured Tax Claim.

1.67. Oversubscription means that Electing Noteholders have elected to receive New Notes in an aggregate principal amount greater than three billion four hundred twenty-eight million (\$3,428,000,000) dollars.

1.68. Oversubscription Rate means the quotient of (i) three billion four hundred twenty-eight million (\$3,428,000,000) dollars divided by (ii) the aggregate principal amount of New Notes elected by the Electing Noteholders.

1.69. Personal Injury Claim means any Claim against any of the Debtors, whether or not the subject of an existing lawsuit, arising from a personal injury or wrongful death allegation. A Personal Injury Claim may also be an Insured Claim.

1.70. Plan means this chapter 11 plan of reorganization, including, without limitation, the Plan Supplement and all exhibits, supplements, appendices, and schedules hereto, either in its present form or as the same may be altered, amended, or modified from time to time.

1.71. Plan Supplement means the document containing the forms of documents specified in Section 13.08 of the Plan.

1.72. Priority Tax Claim means any Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.73. Pro Rated Claim means, with respect to a holder of a WorldCom Senior Debt Claim, Intermedia Senior Debt Claim, or Intermedia Subordinated Debt Claim, the product of (i) such holder's Allowed Claim multiplied by (ii) the Oversubscription Rate.

1.74. Record Date means the day that is five (5) Business Days from and after the Confirmation Date.

1.75. Registration Rights Agreement means a registration rights agreement to be entered into pursuant to Section 6.12 of the Plan.

1.76. Remaining Claim means, with respect to a holder of a WorldCom Senior Debt Claim, Intermedia Senior Debt Claim, and Intermedia Subordinated Debt Claim, the remainder of (i) such holder's Allowed Claim minus (ii) such holder's Pro Rated Claim.

1.77. Reorganized Debtors means, collectively, each of the Debtors on and after the Effective Date.

1.78. Reorganized WorldCom means WorldCom on and after the Effective Date.

1.79. Reorganized WorldCom By-laws means the amended and restated by-laws of Reorganized WorldCom, which shall be in substantially the form contained in the Plan Supplement.

1.80. Reorganized WorldCom Certificate of Incorporation means the amended and restated certificate of incorporation of Reorganized WorldCom, which shall be in substantially the form contained in the Plan Supplement.

1.81. Revolving Credit Facility means that certain \$1.6 billion revolving credit facility, dated as of June 8, 2001, among WorldCom as borrower and Bank of America, N.A. and The Chase Manhattan Bank as co-administrative agents, Banc of America Securities LLC and J.P. Morgan Securities Inc. as joint lead arrangers and joint book managers, Banc of America Securities LLC, J.P. Morgan Securities Inc., Salomon Smith Barney Inc., ABN Amro Bank N.V., and Deutsche Banc Alex Brown Inc. as co-arrangers, Citibank, N.A. as syndication agent, ABN Amro Bank N.V. and Deutsche Bank AG New York Branch as co-documentation agents, and several banks and other financial institutions as lenders.

1.82. Schedules means the schedules of assets and liabilities, the lists of holders of Equity Interests, and the statements of financial affairs filed by the Debtors pursuant to section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and all amendments and modifications thereto through and including the Confirmation Date.

1.83. Secured Claim means any Claim, to the extent reflected in the Schedules or upon a proof of claim as a Secured Claim, which is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code.

1.84. Secured Tax Claim means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code.

1.85. Securities Litigation Claim means any Claim against any of the Debtors, whether or not the subject of an existing lawsuit, arising from rescission of a purchase or sale of shares or notes, or any other securities of any of the Debtors or an affiliate of any of the Debtors, for damages arising from the purchase or sale of any such security, or, except as otherwise provided for in the Plan, for reimbursement, contribution, or indemnification allowed under section 502 of the Bankruptcy Code on account of any such Claim, including Claims based upon allegations that the Debtors made false and misleading statements and engaged in other deceptive acts in connection with the sale of securities.

1.86. Subsequent Distribution Date means the twentieth (20th) day after the end of each calendar quarter after the occurrence of the Effective Date and the twentieth (20th) day after the end of each subsequent calendar quarter.

1.87. Subsidiary means (i) any corporation, association, or other business entity of which more than fifty percent (50%) of the total voting power of shares or other voting securities outstanding thereof is at the time owned or controlled, directly or indirectly, by WorldCom or one or more of the other Subsidiaries of WorldCom (or any combination

thereof) and (ii) any partnership or limited liability company (a) the sole general partner, the managing general partner, or the managing member of which is WorldCom or one or more of the other Subsidiaries of WorldCom (or any combination thereof) or (b) the only general partners or members of which are WorldCom or one or more of the other Subsidiaries of WorldCom (or any combination thereof).

1.88. Tariff Services means telecommunications services required to be provided by an Access Provider pursuant to a tariff filed by such Access Provider with the Federal Communications Commission or a relevant state commission. For purposes of the Plan, the obligation of an Access Provider to provide Tariff Services does not arise under an executory contract, except to the extent expressly specified in an ASR.

1.89. Undersubscription means that Electing Noteholders have elected New Notes in the aggregate principal amount of less than two billion four hundred twenty-eight million (\$2,428,000,000) dollars, in which case, New Notes, in an amount equal to the shortfall, shall be distributed to all Non-Electing Noteholders on a percentage-allocation basis with a concomitant reduction in the amount of New Common Stock distributed to the Non-Electing Noteholders.

1.90. WorldCom means WorldCom, Inc., a Georgia corporation.

1.91. WorldCom Debtors means, collectively, each of the Debtors, other than the Intermedia Debtors.

1.92. WorldCom General Unsecured Claim means any General Unsecured Claim against any of the WorldCom Debtors other than Convenience Claims.

1.93. WorldCom Equity Interest means any Equity Interest in WorldCom issued and outstanding on the Commencement Date, including, without limitation, (i) 7.0% series D junior convertible preferred stock, (ii) 7.0% series E junior convertible preferred stock, and (iii) 7.0% series F junior convertible preferred stock.

1.94. WorldCom Note Claims means any Claim arising under the WorldCom Notes Indentures.

1.95. WorldCom Notes Indentures means, collectively, (i) the indenture, dated March 1, 1997, between WorldCom and Wilmington Trust Company as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date and (ii) the indenture, dated April 12, 2000, between WorldCom and Wilmington Trust Company as indenture trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date.

1.96. WorldCom Senior Debt Claims means (i) all Claims arising under the WorldCom Notes Indentures and (ii) the Bank Claims.

1.97. WorldCom Subordinated Claims means (i) all Securities Litigation Claims and (ii) all fines, penalties, or Claims for disgorgement against the Debtors.

Interpretation; Application of Definitions and Rules of Construction. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and the plural and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and neuter. Unless otherwise specified, all section, article, schedule, or exhibit references in the Plan are to the respective Section in, Article of, Schedule to, or Exhibit to, the Plan. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan. A term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

ARTICLE II

TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.01. Administrative Expense Claims. Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable; *provided, however,* that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors in Possession or liabilities arising under loans or advances to or other obligations incurred by the Debtors in Possession shall be paid in full and performed by the Reorganized Debtors in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

2.02. Professional Compensation and Reimbursement Claims. All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code shall (i) file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is ninety (90) days after the Effective Date or such other date as may be fixed by the Bankruptcy Court and (ii) if granted such an award by the Bankruptcy Court, be paid in full in such amounts as are Allowed by the Bankruptcy Court (a) on the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable or (b) upon such other terms as may be mutually

agreed upon between such holder of an Administrative Expense Claim and the Reorganized Debtors.

2.03. Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to six percent (6.0%), over a period through the sixth (6th) anniversary of the date of assessment of such Allowed Priority Tax Claim, or (iii) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims, other than Administrative Expense Claims and Priority Tax Claims, and Equity Interests, are classified for all purposes, including voting, confirmation, and distribution pursuant to the Plan, as follows:

Class	Designation	Impairment	Entitled to Vote
Class 1	Other Priority Claims	Unimpaired	No (deemed to accept)
Class 2	Secured Tax Claims	Impaired	Yes
Class 3	Other Secured Claims	Unimpaired	No (deemed to accept)
Class 4	Convenience Claims	Impaired	Yes
Class 5	WorldCom Senior Debt Claims	Impaired	Yes
Class 6	WorldCom General Unsecured Claims	Impaired	Yes
Class 7	WorldCom Subordinated Claims	Impaired	No (deemed to reject)
Class 8	WorldCom Equity Interests	Impaired	No (deemed to reject)
Class 9	MCIC Senior Debt Claims	Impaired	Yes
Class 10	MCIC Subordinated Debt Claims	Impaired	No (deemed to reject)
Class 11	Intermedia Senior Debt Claims	Impaired	Yes
Class 12	Intermedia General Unsecured Claims	Impaired	Yes
Class 13	Intermedia Subordinated Debt Claims	Impaired	Yes
Class 14	Intermedia Preferred Stock	Impaired	No (deemed to reject)
Class 15	Intermedia Equity Interests	Impaired	No (deemed to reject)

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.01. CLASS 1 - OTHER PRIORITY CLAIMS.

(a) Impairment and Voting. Class 1 is unimpaired by the Plan. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. Each holder of an Allowed Other Priority Claim shall receive Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Allowed Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

4.02. CLASS 2 - SECURED TAX CLAIMS.

(a) Impairment and Voting. Class 2 is impaired by the Plan. Each holder of an Allowed Secured Tax Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. Except to the extent that a holder of an Allowed Secured Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Secured Tax Claim shall receive, at the sole option of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Secured Tax Claim, including any interest on such Allowed Secured Tax Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Secured Tax Claim becomes an Allowed Secured Tax Claim, or as soon thereafter as is practicable or (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at a fixed annual rate equal to six percent (6.0%), over a period through the sixth (6th) anniversary of the date of assessment of such Allowed Secured Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Secured Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Secured Tax Claim.

4.03. CLASS 3 - OTHER SECURED CLAIMS.

(a) Impairment and Voting. Class 3 is unimpaired by the Plan. Each holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions/Reinstatement of Claims. Except to the extent that a holder of an Allowed Other Secured Claim agrees to a different treatment, at the sole option of the Reorganized Debtors: (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that

entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default; (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable; or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable.

4.04. CLASS 4 - CONVENIENCE CLAIMS.

(a) Impairment and Voting. Class 4 is impaired by the Plan. Each holder of an Allowed Convenience Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. Each holder of an Allowed Convenience Claim shall receive Cash in an amount equal to the lesser of (i) .40 multiplied by the Allowed amount of such Convenience Claim or (ii) sixteen thousand (\$16,000) dollars, in full and complete satisfaction of such Allowed Claim.

4.05. CLASS 5 - WORLDCOM SENIOR DEBT CLAIMS.

(a) Impairment and Voting. Class 5 is impaired by the Plan. Each holder of an Allowed WorldCom Senior Debt Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed WorldCom Senior Debt Claim may elect on the Ballot to receive on account of such Claim (i) 14.36 shares of New Common Stock for each \$1,000 of such holder's Allowed WorldCom Senior Debt Claim or (ii) New Notes in a principal amount equal to .359 multiplied by the Allowed amount of such WorldCom Senior Debt Claim, in full and complete satisfaction of such Allowed Claim. The distributions to Allowed WorldCom Senior Debt Claims shall be subject to modification on account of an Undersubscription.

(c) Oversubscription. In the event of an Oversubscription, each Electing Noteholder in Class 5 shall receive (i) New Notes in a principal amount equal to the product of .359 multiplied by such holder's Pro Rated Claim and (ii) 14.36 shares of New Common Stock for each \$1,000 of such holder's Remaining Claim.

4.06. CLASS 6 - WORLDCOM GENERAL UNSECURED CLAIMS.

(a) Impairment and Voting. Class 6 is impaired by the Plan. Each holder of an Allowed WorldCom General Unsecured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of a WorldCom General Unsecured Claim shall receive (i) 7.2 shares of New Common Stock for each \$1,000 of such holder's Allowed WorldCom General Unsecured Claim and (ii) Cash in an amount equal to .179 multiplied by the Allowed amount of such WorldCom General Unsecured Claim, in full and complete satisfaction of such Allowed Claim.

4.07. CLASS 7 - WORLDCOM SUBORDINATED CLAIMS.

(a) Impairment and Voting. Class 7 is impaired by the Plan. Each holder of a WorldCom Subordinated Claim is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of WorldCom Subordinated Claims shall not receive any distributions on account of such Claims and shall not retain any property under the Plan. The Plan shall neither impair nor create any right of any holder of a WorldCom Subordinated Claim to assert such Claim against any of the Debtors' insurance policies.

4.08. CLASS 8 - WORLDCOM EQUITY INTERESTS.

(a) Impairment and Voting. Class 8 is impaired by the Plan. Each holder of a WorldCom Equity Interest is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of WorldCom Equity Interests shall not receive any distributions on account of such interests. On the Effective Date, all WorldCom Equity Interests shall be extinguished.

4.09. CLASS 9 - MCIC SENIOR DEBT CLAIMS.

(a) Impairment and Voting. Class 9 is impaired by the Plan. Each holder of an Allowed MCIC Senior Debt Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed MCIC Senior Debt Claim shall receive (i) New Notes in a principal amount equal to .80 multiplied by the Allowed principal amount of such MCIC Senior Debt Claim, in full and complete satisfaction of such Allowed Claim.

4.10. CLASS 10 - MCIC SUBORDINATED DEBT CLAIMS.

(a) Impairment and Voting. Class 10 is impaired by the Plan. Each holder of an MCIC Subordinated Debt Claim is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of MCIC Subordinated Debt Claims shall not receive any distributions on account of such Claims as a result of subordination.

4.11. CLASS 11 - INTERMEDIA SENIOR DEBT CLAIMS.

(a) Impairment and Voting. Class 11 is impaired by the Plan. Each holder of an Allowed Intermedia Senior Debt Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Intermedia Senior Debt Claim may elect on the Ballot to receive on account of such Claim (i) 37.4 shares of New Common Stock for each \$1,000 of such holder's Allowed Intermedia Senior Debt Claim or (ii) New Notes in a principal amount equal to .935 multiplied by the Allowed amount of such Intermedia Senior Debt Claim, in full and complete satisfaction of such Allowed Claim. The distributions to Allowed Intermedia Senior Debt Claims shall be subject to modification on account of an Undersubscription.

(c) Oversubscription. In the event of an Oversubscription, each Electing Noteholder in Class 11 shall receive (i) New Notes in a principal amount equal to the product of .935 multiplied by such holder's Pro Rated Claim and (ii) 37.4 shares of New Common Stock for each \$1,000 of such holder's Remaining Claim.

4.12. CLASS 12 - INTERMEDIA GENERAL UNSECURED CLAIMS.

(a) Impairment and Voting. Class 12 is impaired by the Plan. Each holder of an Allowed Intermedia General Unsecured Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Intermedia General Unsecured Claim shall receive 16.64 shares of New Common Stock for each \$1,000 of such holder's Allowed Intermedia General Unsecured Claim and (ii) Cash in an amount equal to .416 multiplied by the Allowed amount of such Intermedia General Unsecured Claim, in full and complete satisfaction of such Allowed Claim.

4.13. CLASS 13 - INTERMEDIA SUBORDINATED DEBT CLAIMS.

(a) Impairment and Voting. Class 13 is impaired by the Plan. Each holder of an Allowed Intermedia Subordinated Debt Claim is entitled to vote to accept or reject the Plan.

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Intermedia Subordinated Debt Claim may elect on the Ballot to receive on account of such Claim (i) 18.56 shares of New Common Stock for each \$1,000 of such holder's Allowed Intermedia Subordinated Debt Claim or (ii) New Notes in a principal amount equal to .464 multiplied by the Allowed amount of such Intermedia Subordinated Debt Claim, in full and complete satisfaction of such Allowed Claim. The distributions to Allowed Intermedia Subordinated Debt Claims shall be subject to modification on account of an Undersubscription.

(c) Oversubscription. In the event of an Oversubscription, each Electing Noteholder in Class 13 shall receive (i) New Notes in a principal amount equal to the product of .464 multiplied by such holder's Pro Rated Claim and (ii) receive 18.56 shares of New Common Stock for each \$1,000 of such holder's Remaining Claim.

4.14. CLASS 14 - INTERMEDIA PREFERRED STOCK.

(a) Impairment and Voting. Class 14 is impaired by the Plan. Each holder of an Intermedia Preferred Stock Interest is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of Intermedia Preferred Stock Interests shall not receive any distributions on account of such interests. On the Effective Date, all Intermedia Preferred Stock Interests shall be extinguished.

4.15. CLASS 15 - INTERMEDIA EQUITY INTERESTS.

(a) Impairment and Voting. Class 15 is impaired by the Plan. Each holder of an Intermedia Equity Interest is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of Intermedia Equity Interests shall not receive any distributions on account of such interests. On the Effective Date, all Intermedia Equity Interests shall be extinguished.

ARTICLE V

IMPLEMENTATION OF THE PLAN

5.01. Substantive Consolidation of the WorldCom Debtors.

(a) Entry of the Confirmation Order shall constitute the approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the WorldCom Debtors for all purposes related to the Plan, including, without limitation, for purposes of voting, confirmation, and distribution. On and after the Effective Date, (i) all assets and liabilities of the WorldCom Debtors shall be treated as though they were merged, (ii) no distributions shall be made under the

Plan on account of any Claim held by a WorldCom Debtor against any other WorldCom Debtor, (iii) no distributions shall be made under the Plan on account of any Equity Interest held by a WorldCom Debtor in any other WorldCom Debtor, (iv) all guarantees of the WorldCom Debtors of the obligations of any other WorldCom Debtor shall be eliminated so that any Claim against any WorldCom Debtor and any guarantee thereof executed by any other WorldCom Debtor and any joint or several liability of any of the WorldCom Debtors shall be one obligation of the WorldCom Debtors, and (v) each and every Claim filed or to be filed in the Chapter 11 Case of any of the WorldCom Debtors shall be deemed filed against the WorldCom Debtors, and shall be one Claim against and obligation of the WorldCom Debtors.

(b) The substantive consolidation effected pursuant to Section 5.01(a) of the Plan shall not (other than for purposes related to funding distributions under the Plan and as set forth above in this section) affect: (i) the legal and organizational structure of the WorldCom Debtors, (ii) pre and post-Commencement Date guarantees, Liens, and security interests that are required to be maintained (y) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or (z) pursuant to the Plan, (iii) intercompany Claims between and among the WorldCom Debtors, and (iv) distributions out of any insurance policies or proceeds of such policies.

5.02. Substantive Consolidation of the Intermedia Debtors.

(a) Entry of the Confirmation Order shall constitute the approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Intermedia Debtors for all purposes related to the Plan, including, without limitation, for purposes of voting, confirmation, and distribution. On and after the Effective Date, (i) all assets and liabilities of the Intermedia Debtors shall be treated as though they were merged, (ii) no distributions shall be made under the Plan on account of any Claim held by an Intermedia Debtor against any other Intermedia Debtor, (iii) no distributions shall be made under the Plan on account of any Equity Interest held by an Intermedia Debtor in any other Intermedia Debtor, (iv) all guarantees of the Intermedia Debtors of the obligations of any other Intermedia Debtor shall be eliminated so that any Claim against any Intermedia Debtor and any guarantee thereof executed by any other Intermedia Debtor and any joint or several liability of any of the Intermedia Debtors shall be one obligation of the Intermedia Debtors, and (v) each and every Claim filed or to be filed in the Chapter 11 Case of any of the Intermedia Debtors shall be deemed filed against the Intermedia Debtors, and shall be one Claim against and obligation of the Intermedia Debtors.

(b) The substantive consolidation effected pursuant to Section 5.02(a) of the Plan shall not (other than for purposes related to funding distributions under the Plan and as set forth above in this section) affect: (i) the legal and organizational structure of the Intermedia Debtors, (ii) pre and post-Commencement Date guarantees, Liens, and security interests that are required to be maintained (y) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11

Cases or that have been or will be assumed or (z) pursuant to the Plan, (iii) intercompany Claims between and among the Intermedia Debtors, and (iv) distributions out of any insurance policies or proceeds of such policies.

5.03. Debtor Intercompany Claims. On the Effective Date, all intercompany Claims between and among the Debtors shall be eliminated by either offset, the contribution or distribution of such Claims, or otherwise (as determined by the Debtors).

5.04. Non-Debtor Intercompany Claims. All Claims held by any Debtor against any Non-Debtor Subsidiary or by any Non-Debtor Subsidiary against any Debtor shall be reviewed by the Reorganized Debtors and adjusted, continued, or discharged, as appropriate.

5.05. Restructuring Transactions. On the Effective Date, the following transactions shall be effectuated in the order set forth:

(a) WorldCom shall make a capital contribution of the New Common Stock, New Notes, and Cash to Merger Subsidiary in an amount sufficient to satisfy distributions to holders of Allowed Intermedia Senior Debt Claims, Allowed Intermedia General Unsecured Claims, and Allowed Intermedia Subordinated Debt Claims as of the Effective Date. Merger Subsidiary shall assume all of WorldCom's obligations under the Intermedia Intercompany Note, and WorldCom shall have no further obligations thereunder.

(b) Intermedia shall merge with and into Merger Subsidiary, with Merger Subsidiary surviving, pursuant to which holders of Allowed Intermedia Senior Debt Claims, Allowed Intermedia General Unsecured Claims, and Allowed Intermedia Subordinated Debt Claims against Intermedia will receive New Common Stock, New Notes, and Cash in accordance with Sections 4.11, 4.12, and 4.13 of the Plan, respectively. (Immediately following the Effective Date, Merger Subsidiary shall continue to be a first-tier, wholly-owned Subsidiary of WorldCom). As a result of such merger, the Intermedia Intercompany Note shall be extinguished.

(c) Merger Subsidiary shall make a capital contribution, either directly or indirectly, to any applicable Reorganized Debtor that is a subsidiary of Intermedia of the amount of New Common Stock and Cash to be distributed to holders of Allowed Intermedia General Unsecured Claims against such Debtor as of the Effective Date.

5.06. Compromise and Settlement.

(a) Intermedia Settlement. Pursuant to Bankruptcy Rule 9019, the Plan incorporates a proposed compromise and settlement of all issues relating to the validity, enforceability, and priority of the Intermedia Intercompany Note, including the Intermedia Avoidance Claims which were alleged by the Debtors and the holders of Allowed WorldCom Senior Debt Claims and disputed by the holders of Allowed Intermedia Senior Debt Claims. Pursuant to the Plan, and in consideration for the

distribution and other benefits under the Plan, upon the Effective Date, the Intermedia Avoidance Claims shall be extinguished and the Debtors and all parties who have held, hold, or may hold Claims against or Equity Interests in any or all of the Debtors are permanently enjoined from asserting or continuing in any manner the Intermedia Avoidance Claims.

(b) MCIC Settlement. Pursuant to Bankruptcy Rule 9019, the Plan incorporates a proposed compromise and settlement of issues relating to the substantive consolidation of the WorldCom Debtors. The Debtors and the holders of WorldCom Senior Debt Claims alleged that substantive consolidation of the WorldCom Debtors is appropriate. This allegation was disputed by the holders of MCIC Senior Debt Claims. Pursuant to the Plan, and in consideration for the distribution premium provided to the holders of MCIC Senior Debt Claims and other benefits under the Plan, upon the Effective Date, the WorldCom Debtors shall be substantively consolidated.

5.07. Exit Financing and Market Repurchase. Commencing as soon as practicable after the Effective Date and in accordance with applicable laws, Reorganized WorldCom will utilize Cash in excess of one billion (\$1,000,000,000) dollars available after payment by Reorganized WorldCom to the holders of Convenience Claims, WorldCom General Unsecured Claims, and Intermedia General Unsecured Claims pursuant to Sections 4.04, 4.06, and 4.12 of the Plan, respectively, to purchase shares of New Common Stock in the open market at prevailing market prices or otherwise distribute such Cash in respect of the New Common Stock, in each case, depending upon market and business conditions and other relevant factors. Reorganized WorldCom cannot predict the prevailing market price of New Common Stock at the time of any such market repurchase. In the event the Electing Noteholders elect less than three billion four hundred twenty-eight million (\$3,428,000,000) dollars in principal amount of New Notes and to the extent deemed appropriate by Reorganized WorldCom in its reasonable business judgment, Reorganized WorldCom will use reasonable efforts to obtain a term loan in the principal amount equal to the difference between five billion five hundred million (\$5,500,000,000) dollars and the aggregate principal amount of New Notes to be distributed under the Plan not to exceed one billion (\$1,000,000,000) dollars.

5.08. Corporate Name Change and Relocation. The Reorganized WorldCom Certificate of Incorporation and Reorganized WorldCom By-laws shall provide that, on the Effective Date, WorldCom shall change its name to MCI, Inc. and reincorporate as a Delaware corporation. On and after the Effective Date, the corporate offices of MCI, Inc. and the other Reorganized Debtors shall be located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.

5.09. Cancellation of Existing Securities and Agreements. On the Effective Date, any document, agreement, or instrument evidencing any Claim or Equity Interest, other than a Claim that is reinstated and rendered unimpaired under the Plan, shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors under such documents,

agreements, or instruments evidencing such Claims and Equity Interests, as the case may be, shall be discharged.

5.10. Hart-Scott-Rodino Compliance. Any shares of New Common Stock to be distributed under the Plan to any entity required to file a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall not be distributed until the notification and waiting periods applicable under such Act to such entity shall have expired or been terminated.

ARTICLE VI

PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN

6.01. Voting of Claims. Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan pursuant to Article IV of the Plan shall be entitled to vote separately to accept or reject the Plan as provided in such order as is entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

6.02. Nonconsensual Confirmation. If any impaired Class of Claims entitled to vote shall not accept the Plan by the requisite statutory majority provided in section 1126(c) of the Bankruptcy Code, the Debtors reserve the right to amend the Plan in accordance with Section 13.09 of the Plan or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject the Plan, the Debtors shall request that the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

6.03. Disbursing Agent. All distributions under the Plan shall be made by the Disbursing Agent.

6.04. Distributions of Cash. Any payment of Cash made by the Disbursing Agent pursuant to the Plan shall, at the Disbursing Agent's option, be made by check drawn on a domestic bank or wire transfer.

6.05. Timing of Distributions. In the event that any payment, distribution, or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or distribution or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

6.06. Distributions to Classes 4, 6, and 12. Subject to Bankruptcy Rule 9010, all distributions under the Plan to holders of Allowed Claims in Classes 4, 6, and 12 shall be made to the holder of each Allowed Claim at the address of such holder as listed on

the Schedules as of the Record Date, unless the Debtors or, on and after the Effective Date, the Reorganized Debtors, have been notified in writing of a change of address, including, without limitation, by the timely filing of a proof of claim by such holder that provides an address for such holder different from the address reflected on the Schedules. In the event that any distribution to any such holder is returned as undeliverable, the Disbursing Agent shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such distribution shall be made to such holder without interest; *provided, however*, that, at the expiration of one (1) year from the Effective Date such distributions shall be deemed unclaimed property and shall be treated in accordance with Section 6.17 of the Plan.

6.07. Distributions to Class 5. Distributions for the benefit of the holders of WorldCom Note Claims in Class 5 shall be made to Wilmington Trust Company as indenture trustee under the WorldCom Notes Indentures. Wilmington Trust Company shall, in turn, administer the distribution to the holders of WorldCom Note Claims in Class 5. Distributions for the benefit of the holders of Bank Claims in Class 5 shall be made to the Bank of America, N.A. as co-administrative agent under the 364-Day Facility and the Revolving Credit Facility. Bank of America, N.A. shall, in turn, administer the distribution to the holders of Bank Claims in Class 5. The distribution of New Common Stock or New Notes to Wilmington Trust Company or Bank of America, N.A. shall be deemed a distribution to the respective holder of an Allowed WorldCom Senior Debt Claim. Wilmington Trust Company and Bank of America, N.A. shall not be required to give any bond or surety or other security for the performance of their duties unless otherwise ordered by the Bankruptcy Court; and, in the event that such parties are so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be paid by the Reorganized Debtors. After the Effective Date, the reasonable fees and expenses of Wilmington Trust Company and Bank of America, N.A. incurred in connection with the distribution described in this Section 6.07, not including professional fees, shall be paid by the Reorganized Debtors.

6.08. Distributions to Class 9. Distributions for the benefit of the holders of MCIC Senior Debt Claims in Class 9 shall be made to Law Debenture Trust Company of New York as indenture trustee under the MCIC Senior Notes Indentures. Law Debenture Trust Company of New York shall, in turn, administer the distribution to the holders of MCIC Senior Debt Claims in Class 9. The distribution of New Notes to Law Debenture Trust Company of New York shall be deemed a distribution to the respective holder of an Allowed MCIC Senior Debt Claim. Law Debenture Trust Company of New York shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court; and, in the event that Law Debenture Trust Company of New York is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be paid by the Reorganized Debtors. After the Effective Date, the reasonable fees and expenses of Law Debenture Trust Company of New York incurred in connection with the distribution described in this Section 6.08, not including professional fees, shall be paid by the Reorganized Debtors.

6.09. Distributions to Class 11. Distributions for the benefit of the holders of Intermedia Senior Debt Claims in Class 11 shall be made to Suntrust Bank, Central Florida, N.A., as indenture trustee under the Intermedia Senior Notes Indentures. Suntrust Bank, Central Florida, N.A. shall, in turn, administer the distribution to the holders of Intermedia Senior Debt Claims in Class 11. The distribution of New Common Stock or New Notes to Suntrust Bank, Central Florida, N.A shall be deemed a distribution to the respective holder of an Allowed Intermedia Senior Debt Claim. Suntrust Bank, Central Florida, N.A. shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court; and, in the event that Suntrust Bank, Central Florida, N.A. is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be paid by the Reorganized Debtors. After the Effective Date, the reasonable fees and expenses of Suntrust Bank, Central Florida, N.A. incurred in connection with the distribution described in this Section 6.09, not including professional fees, shall be paid by the Reorganized Debtors.

6.10. Distributions to Class 13. Distributions for the benefit of the holders of Intermedia Subordinated Debt Claims in Class 13 shall be made to Suntrust Bank, Central Florida, N.A., as indenture trustee under the Intermedia Senior Notes Indenture. Suntrust Bank, Central Florida, N.A. shall, in turn, administer the distribution to the holders of Intermedia Subordinated Debt Claims in Class 13. The distribution of New Common Stock or New Notes to Suntrust Bank, Central Florida, N.A shall be deemed a distribution to the respective holder of an Allowed Intermedia Subordinated Debt Claim. Suntrust Bank, Central Florida, N.A. shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court; and, in the event that Suntrust Bank, Central Florida, N.A. is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be paid by the Reorganized Debtors. After the Effective Date, the reasonable fees and expenses of Suntrust Bank, Central Florida, N.A. incurred in connection with the distribution described in this Section 6.10, not including professional fees, shall be paid by the Reorganized Debtors.

6.11. Surrender of Instruments. As a condition to receiving any distribution under the Plan, each holder of a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee, unless such certificated instrument or note is being reinstated or being left unimpaired under the Plan. Any holder of such instrument or note that fails to (i) surrender such instrument or note, or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance, and amount reasonably satisfactory to the Disbursing Agent before the first (1st) anniversary of the Effective Date shall be deemed to have forfeited all rights and Claims and may not participate in any distribution under the Plan. Any distribution so forfeited shall become property of the Reorganized Debtors.

6.12. Registration of New Common Stock and New Notes. Each holder of an Allowed Claim receiving a distribution of New Common Stock and/or New Notes

pursuant to the Plan that WorldCom determines is an underwriter as defined in section 1145 of the Bankruptcy Code and each holder of Director Restricted Stock and Management Restricted Stock shall have the right to become a party to the Registration Rights Agreement. The Registration Rights Agreement shall contain such terms and conditions as are customary under and appropriate in light of the circumstances, including the following:

(a) Reorganized WorldCom shall use reasonable commercial efforts to file with the Securities and Exchange Commission and cause to become effective within one hundred eighty (180) days after the Effective Date a registration statement on an appropriate form (the "Registration Statement") relating to all shares of New Common Stock and New Notes to be issued under the Plan for which registration is required for public resale thereof and shall use reasonable commercial efforts to cause such Registration Statement to be declared effective promptly upon its filing; and

(b) Reorganized WorldCom shall use reasonable commercial efforts to cause such Registration Statement to be continually effective, subject to customary exceptions, for a period of two (2) years from the date on which such Registration Statement is declared effective.

6.13. Minimum Distributions. No payment of Cash less than one hundred (100) dollars shall be made by the Reorganized Debtors to any holder of a Claim unless a request therefor is made in writing to the Reorganized Debtors.

6.14. Manner of Payment Under the Plan. All distributions of New Common Stock or Cash to the creditors of each of the Debtors under the Plan shall be made by, or on behalf of, the applicable Reorganized Debtor. Where the applicable Reorganized Debtor is a subsidiary of Reorganized WorldCom, Reorganized WorldCom shall make a capital contribution, either directly or indirectly, to the applicable Reorganized Debtor (and, in the case of the Intermedia Debtors, in accordance with Section 5.05 hereof) of an amount of New Common Stock or Cash to be distributed to the creditors of such Debtor, but only at such time as, and to the extent, the amounts are actually distributed to holders of Allowed Claims. All distributions of New Notes to the creditors of the Debtors shall be made by, or on behalf of, Reorganized WorldCom. To the extent that New Notes are issued by Reorganized WorldCom to holders of a Claim against a Debtor (other than WorldCom and Intermedia) in exchange for such holders' Claims, the portion of the Claims for which such New Notes are issued shall be treated as acquired by Reorganized WorldCom. Immediately thereafter, pursuant to the terms hereof, Reorganized WorldCom shall make a capital contribution of such Claims, either directly or indirectly, to the applicable Debtor and such Claims shall immediately be cancelled and discharged. Any distributions that revert to any of the Reorganized Debtors or are otherwise canceled (such as to the extent any distributions have not been claimed within one (1) year or are cancelled pursuant to Section 6.17 hereof) shall revert solely in Reorganized WorldCom, and any applicable Reorganized Debtor (other than Reorganized WorldCom) shall not have (nor shall it be considered to ever have had) any ownership interest in such amounts.

6.15. Fractional Shares. No fractional shares of New Common Stock shall be distributed under the Plan. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock that is not a whole number, the actual distribution of shares of New Common Stock shall be rounded as follows: (i) fractions of one-half ($\frac{1}{2}$) or greater shall be rounded to the next higher whole number; and (ii) fractions of less than one-half ($\frac{1}{2}$) shall be rounded to the next lower whole number. The total number of authorized shares of New Common Stock to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the rounding provided in this Section.

6.16. Fractional Notes. No New Notes shall be distributed in denominations of less than one thousand (\$1,000) dollars. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of an amount of New Notes that is not a multiple of one thousand (1,000), the actual distribution of New Notes shall be rounded as follows: (i) denominations of five hundred (\$500) dollars or greater shall be rounded up to one thousand (\$1,000) dollars; and (ii) denominations of four hundred ninety-nine (\$499) dollars or less shall be rounded down to zero (\$0.00). The total number of New Notes to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the rounding provided in this Section 6.16.

6.17. Unclaimed Distributions. All distributions under the Plan that are unclaimed for a period of one (1) year after distribution thereof shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and revested in the Reorganized Debtors and any entitlement of any holder of any Claim to such distributions shall be extinguished and forever barred.

6.18. Distributions to Holders as of the Record Date. As at the close of business on the Record Date, the Claims register shall be closed, and there shall be no further changes in the record holder of any Claim. The Reorganized Debtors shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. The Reorganized Debtors shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the Claims register as of the close of business on the Record Date.

6.19. Setoffs. The Debtors may, but shall not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), any Claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any such Claim the Debtors may have against the holder of such Claim.

6.20. Allocation of Plan Distributions Between Principal and Interest. To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes)

and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

ARTICLE VII

PROCEDURES FOR TREATING DISPUTED CLAIMS

7.01. Objections to Administrative Expense Claims and Claims. The Reorganized Debtors shall be entitled to object to Administrative Expense Claims and Claims. Any objections to Administrative Expense Claims and Claims shall be filed and served on or before the later of (i) one hundred eighty (180) days after the Effective Date, and (ii) such date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clause (i) above.

7.02. No Distributions Pending Allowance. Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

7.03. Personal Injury Claims. All Personal Injury Claims are Disputed Claims. No distributions shall be made on account of any Personal Injury Claim unless and until such Claim is liquidated and becomes an Allowed Claim. Any Personal Injury Claim which has not been liquidated prior to the Effective Date and as to which a proof of claim was timely filed in the Chapter 11 Cases, shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Effective Date or, if no action was pending on the Effective Date, in any administrative or judicial tribunal of appropriate jurisdiction. Any Personal Injury Claim determined and liquidated (i) pursuant to a judgment obtained in accordance with this Section and applicable nonbankruptcy law which is no longer appealable or subject to review, or (ii) in any alternative dispute resolution or similar proceeding as same may be approved by order of a court of competent jurisdiction, shall be deemed, to the extent applicable, an Allowed Claim in Class 4, 6, or 12, as applicable, in such liquidated amount and treated in accordance with Sections 4.04, 4.06, or 4.12 of the Plan; *provided, however*, that the Allowed amount of any Personal Injury Claim that also is an Insured Claim shall be limited as provided in Section 7.05 of the Plan. Nothing contained in this Section shall constitute or be deemed a waiver of any Claim, right, or Cause of Action that the Debtors may have against any person in connection with or arising out of any Personal Injury Claim, including, without limitation, any rights under section 157(b) of title 28 of the United States Code.

7.04. Distributions to Convenience Claims, WorldCom General Unsecured Claims, and Intermedia General Unsecured Claims After Allowance. After such time as a Disputed Convenience Claim, Disputed WorldCom General Unsecured Claim, or Disputed Intermedia General Unsecured Claim becomes an Allowed Claim, the Reorganized Debtors shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan. Such distributions to holders of

Allowed Convenience Claims shall be made on or before the date that is twenty (20) days after the order or judgment of the Bankruptcy Court allowing such Disputed Convenience Claim becomes a Final Order, without any post-Effective Date interest thereon. Such distributions to holders of Allowed WorldCom General Unsecured Claims and Allowed Intermedia General Unsecured Claim shall be made on the next Subsequent Distribution Date that is not less than twenty (20) days from the date upon which the order or judgment of the Bankruptcy Court allowing such Disputed WorldCom General Unsecured Claims or Disputed Intermedia General Unsecured Claim becomes a Final Order, without any post-Effective Date interest thereon.

7.05. Distributions Relating to Allowed Insured Claims. Distributions under the Plan to each holder of an Allowed Insured Claim shall be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified; *provided, however*, that in no event shall the Allowed amount of an Insured Claim exceed the maximum amount that the Debtors are required to pay in respect of such Insured Claim pursuant to any pertinent insurance policies and applicable law. Nothing contained herein shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any entity may hold against any other entity, including, without limitation, insurers under any policies of insurance.

7.06. Resolution of Administrative Expense Claims and Claims. On and after the Effective Date, the Reorganized Debtors shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Administrative Expense Claims and Claims and compromise, settle, or otherwise resolve Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court.

ARTICLE VIII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.01. Assumption or Rejection of Executory Contracts and Unexpired Leases. Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtors and any person or entity shall be deemed assumed by the Debtors, as of the Effective Date, except for any executory contract or unexpired lease (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) as to which a motion for approval of the rejection of such executory contract or unexpired lease has been filed and served prior to the Effective Date, or (iii) that is specifically designated as a contract or lease to be rejected on Schedule 8.01(A) (executory contracts) or Schedule 8.01(B) (unexpired leases) annexed hereto; *provided, however*, that the Debtors reserve the right, on or prior to the Confirmation Date, to amend Schedules 8.01(A) and 8.01(B) to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, respectively, assumed or rejected. The Debtors shall provide notice of any amendments to Schedules 8.01(A) and 8.01(B) to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on

Schedule 8.01(A) or 8.01(B) shall not constitute an admission by the Debtors that such document is an executory contract or an unexpired lease or that the Debtors have any liability thereunder.

8.02. Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed and assigned pursuant to Section 8.01 hereof, (ii) the extension of time, pursuant to section 365(d)(4) of the Bankruptcy Code, within which the Debtors may assume, assume and assign, or reject the unexpired leases specified in Section 8.01 hereof through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such unexpired leases, and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 8.01 hereof.

8.03. Inclusiveness. Unless otherwise specified on Schedules 8.01(A) and 8.01(B), each executory contract and unexpired lease listed or to be listed on Schedules 8.01(A) and 8.01(B) shall include modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedules 8.01(A) and 8.01(B).

8.04. Tariff Services. All Access Providers shall continue to provide without interruption all Tariff Services, specifically including usage-sensitive access services, provided to the Debtors prior to the Effective Date. Any Claim against a Debtor by an Access Provider for the provision of Tariff Services to such Debtor prior to the Commencement Date shall be treated in accordance with Sections 4.04, 4.06, and 4.12, as applicable.

8.05. Cure of Defaults. Except as may otherwise be agreed to by the parties, within thirty (30) days after the Effective Date, the Reorganized Debtors shall cure any and all undisputed defaults under any executory contract or unexpired lease assumed by the Debtors pursuant to the Plan, in accordance with section 365(b) of the Bankruptcy Code. All disputed defaults that are required to be cured shall be cured either within thirty (30) days of the entry of a Final Order determining the amount, if any, of the Reorganized Debtors' liability with respect thereto, or as may otherwise be agreed to by the parties.

8.06. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 8.01 of the Plan must be filed with the Bankruptcy Court and served upon the Debtors or, on and after the Effective Date, Reorganized WorldCom, no later than thirty (30) days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease,

(ii) notice of entry of the Confirmation Order, and (iii) notice of an amendment to Schedule 8.01(A) or 8.01(B). All such Claims not filed within such time will be forever barred from assertion against the Debtors and their estates or the Reorganized Debtors and their property.

8.07. Survival of Corporate Indemnities. Except as set forth on Schedules 8.01(A) and 8.01(B), any obligations of the Debtors pursuant to their corporate charters and by-laws or agreements entered into any time prior to the Effective Date, to indemnify current directors, officers, and/or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such directors, officers, and/or employees, based upon any act or omission for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors pursuant to the Plan, and shall continue as obligations of the Reorganized Debtors.

8.08. Insurance Policies. All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as executory contracts under the Plan. Notwithstanding the foregoing, distributions under the Plan to any holder of an Insured Claim shall be in accordance with the treatment provided under Article IV and Section 7.05 of the Plan. Nothing contained herein shall constitute or be deemed a waiver of any Cause of Action that the Debtors may hold against any entity, including, without limitation, the insurer under any of the Debtors' policies of insurance.

8.09. Compensation and Benefit Programs. Except as provided in Section 8.01 of the Plan, all savings plans, retirement plans, health care plans, performance-based incentive plans, retention plans, workers' compensation programs and life, disability, directors and officers liability, and other insurance plans are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Debtors in accordance with sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

8.10. Retiree Benefits. On and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, the Reorganized Debtors shall continue to pay all retiree benefits of the Debtors (within the meaning of section 1114 of the Bankruptcy Code), at the level established in accordance with section 1114 of the Bankruptcy Code, at any time prior to the Confirmation Date, for the duration of the period for which the Debtors had obligated themselves to provide such benefits.

ARTICLE IX

PROVISIONS REGARDING CORPORATE GOVERNANCE AND MANAGEMENT OF THE REORGANIZED DEBTORS

9.01. General. On the Effective Date, the management, control, and operation of Reorganized WorldCom and the Reorganized Debtors shall become the general responsibility of the Boards of Directors of Reorganized WorldCom and the Reorganized Debtors, respectively.

9.02. Directors and Officers of Reorganized WorldCom and the Reorganized Debtors.

(a) Reorganized WorldCom Board of Directors. The initial Board of Directors of Reorganized WorldCom shall be disclosed not later than ten (10) days prior to the Confirmation Hearing. Each of the members of such initial Board of Directors shall serve in accordance with the Reorganized WorldCom Certificate of Incorporation and Reorganized WorldCom By-laws, as the same may be amended from time to time.

(b) Reorganized WorldCom Officers. The officers of Reorganized WorldCom immediately prior to the Effective Date shall serve as the initial officers of Reorganized WorldCom on and after the Effective Date. Such officers shall serve in accordance with any employment agreement with Reorganized WorldCom and applicable nonbankruptcy law.

(c) Reorganized Debtors' Boards of Directors. The initial Boards of Directors of each of the Reorganized Debtors, other than Reorganized WorldCom, shall consist of at least one (1) individual selected by the Chief Executive Officer of Reorganized WorldCom. The names of the members of the initial Boards of Directors of each of the Reorganized Debtors shall be disclosed not later than ten (10) days prior to the Confirmation Hearing. Each of the members of such initial Boards of Directors shall serve in accordance with its certificate of incorporation and by-laws, as the same may be amended from time to time.

(d) Reorganized Debtors' Officers. The officers of the Reorganized Debtors, other than Reorganized WorldCom, immediately prior to the Effective Date shall serve as the initial officers of the Reorganized Debtors on and after the Effective Date. Such officers shall serve in accordance with any employment agreement with the Reorganized Debtors and applicable nonbankruptcy law.

9.03. Certificates of Incorporation and By-laws. The Reorganized WorldCom Certificate of Incorporation, the Reorganized WorldCom By-laws, and the certificates of incorporation and by-laws of each of the other Reorganized Debtors shall contain provisions necessary (i) to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such certificates of incorporation and by-laws as permitted by applicable law, (ii) to impose restrictions on the direct or indirect transferability of the common stock or other equity of Reorganized WorldCom such that (A) no person or entity may acquire or accumulate 4.75% or more (as determined under tax law principles governing the application of section 382 of the Internal Revenue Code of 1986, as amended) of the common stock or other equity of Reorganized WorldCom and (B) no person owning directly or indirectly (as determined under such tax law principles) on the Effective Date, after giving effect to the Plan, 4.75% or more of the common stock of Reorganized WorldCom may acquire additional shares of the common stock or other equity of Reorganized WorldCom, possibly subject to certain exceptions, and (iii) to effectuate the provisions of the Plan.

9.04. Authorization and Issuance of New Securities. The issuance of the following securities by Reorganized WorldCom is hereby authorized without further act or action under applicable law, regulation, order, or rule:

- (a) The New Notes in an aggregate principal amount of up to five billion five hundred million (\$5,500,000,000) dollars;
- (b) Two billion (2,000,000,000) shares of New Common Stock;
- (c) The Director Restricted Stock; and
- (d) The Management Restricted Stock.

9.05. Listing of New Common Stock. Reorganized WorldCom shall use commercially reasonable efforts to cause the shares of New Common Stock to be listed on the NASDAQ National Market System.

9.06. New Management Restricted Stock Plan. Prior to the Effective Date, Reorganized WorldCom shall adopt the New Management Restricted Stock Plan. Reorganized WorldCom shall, on the Effective Date, implement an equity-based program for certain of its employees, pursuant to which such employees shall receive restricted shares of New Common Stock (the “Management Restricted Stock”). The terms of the New Management Restricted Stock Plan shall be contained in the Plan Supplement.

9.07. New Director Restricted Stock Plan. Prior to the Effective Date, Reorganized WorldCom shall adopt the New Director Restricted Stock Plan. Reorganized WorldCom shall, on the Effective Date, implement an equity-based program for the members of the Board of Directors of Reorganized WorldCom, pursuant to which such members shall receive restricted shares New Common Stock (the “Director Restricted Stock”). The terms of the New Director Restricted Stock Plan shall be contained in the Plan Supplement.

ARTICLE X

EFFECT OF CONFIRMATION

10.01. Vesting of Assets. Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the estates of the Debtors shall vest in the Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges, and other interests, except as provided herein. From and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided herein.

10.02. Discharge of Claims and Termination of Equity Interests. Except as otherwise provided herein or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall be in exchange for and in complete satisfaction, discharge, and release of all existing debts and Claims, and shall terminate all Equity Interests, of any kind, nature, or description whatsoever, including any interest accrued on such Claims from and after the Commencement Date, against or in the Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan, upon the Effective Date, all existing Claims against the Debtors and Equity Interests in the Debtors, shall be, and shall be deemed to be, discharged and terminated, and all holders of Claims and Equity Interests shall be precluded and enjoined from asserting against the Reorganized Debtors, or any of their assets or properties, any other or further Claim or Equity Interest based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of Claim or proof of Equity Interest.

10.03. Discharge of Debtors. Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Equity Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Equity Interest in the Debtors.

10.04. Injunction. Except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all entities who have held, hold, or may hold Claims against or Equity Interests in any or all of the Debtors and other parties in interest, along with their respective present or former employees, agents, officers, directors, or principals, are permanently enjoined, on and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Equity Interest, (ii) enforcing, attaching, collecting, or recovering by any manner or means of any judgment, award, decree, or order against the Debtors or Reorganized Debtors on account of any such Claim or Equity Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors or Reorganized Debtors or against the property or interests in property of the Debtors or Reorganized Debtors on account of any such Claim or Equity Interest, (iv) commencing or continuing in any manner any action or other proceeding of any kind with respect to any Claims and Causes of Action which are extinguished or released pursuant to the Plan, and (v) taking any actions to interfere with the implementation or consummation of the Plan.

10.05. Term of Injunctions or Stays. Unless otherwise provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all injunctions or stays

arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in such applicable order.

10.06. Exculpation. None of the Debtors, the Reorganized Debtors, the Committee, or any of their respective members, officers, directors, employees, advisors, professionals, or agents shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtors, the Reorganized Debtors, the Committee, and each of their respective members, officers, directors, employees, advisors, professionals, and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

10.07. Avoidance Actions. From and after the Effective Date, the Reorganized Debtors shall have the right to prosecute any avoidance or recovery actions under sections 510, 542 through 551, and 553 of the Bankruptcy Code that belong to the Debtors or Debtors in Possession other than the Intermedia Avoidance Claims, which shall be extinguished pursuant to Section 5.06(a) of the Plan.

10.08. Retention of Causes of Action/Reservation of Rights.

(a) Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or which the Reorganized Debtors may choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all Claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtors, their officers, directors, or representatives, and (ii) the turnover of any property of the Debtors' estates.

(b) Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense which the Debtors had immediately prior to the Commencement Date, against or with respect to any Claim left unimpaired by the Plan. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such Claims, Causes of Action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Commencement Date fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any Claim left unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

ARTICLE XI

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

11.01. Effectiveness. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 11.03 of the Plan:

(a) The Confirmation Order, in form and substance acceptable to the Debtors, shall have been signed by the judge presiding over the Chapter 11 Cases, and there shall not be a stay or injunction in effect with respect thereto; and

(b) The Debtors shall have credit availability under a revolving capital facility in a principal amount of one billion (\$1,000,000,000) dollars, which shall be in a form set forth in the Plan Supplement, in form and substance acceptable to the Debtors;

(c) All actions, documents, and agreements necessary to implement the Plan shall have been effected or executed; and

(d) The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are determined by the Debtors to be necessary to implement the Plan.

11.02. Failure of Conditions. In the event that one or more of the conditions specified in Section 11.01 of the Plan have not occurred on or before one hundred eighty (180) days after the Confirmation Date, (i) the Confirmation Order shall be vacated, (ii) no distributions under the Plan shall be made, (iii) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iv) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

11.03. Waiver of Conditions. The Debtors, in their sole discretion, may waive one (1) or more of the conditions precedent to effectiveness of the Plan set forth in Section 11.01 of the Plan.

ARTICLE XII

RETENTION OF JURISDICTION

12.01. The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the

purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of cure amounts and Claims resulting therefrom;

(b) To hear and determine any and all adversary proceedings, applications, and contested matters;

(c) To hear and determine any objection to Administrative Expense Claims or Claims;

(d) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(e) To issue such orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(f) To consider any amendments to, or modifications of, the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(g) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

(h) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan;

(i) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(j) To recover all assets of the Debtors and property of the Debtors' estates, wherever located;

(k) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of tax under section 505(b) of the Bankruptcy Code);

(l) To resolve any Disputed Claims;

(m) To determine the scope of any discharge of any Debtor under the Plan or the Bankruptcy Code;

(n) To hear any other matter not inconsistent with the Bankruptcy Code; and

(o) To enter a final decree closing the Chapter 11 Cases.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.01. Effectuating Documents and Further Transactions. Each of the Debtors and Reorganized Debtors is authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan.

13.02. Corporate Action. On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the stockholders or directors of one or more of the Debtors or Reorganized Debtors, including, without limitation, (i) the authorization to issue or cause to be issued the New Notes, the New Common Stock, the Director Restricted Stock, and the Management Restricted Stock, (ii) the effectiveness of the Reorganized WorldCom Certificate of Incorporation, the Reorganized WorldCom By-laws, the certificates of incorporation and by-laws of the other Reorganized Debtors, (iii) all restructuring transactions effectuated pursuant to the Plan, (iv) the election or appointment, as the case may be, of directors and officers of Reorganized WorldCom and the other Reorganized Debtors, (v) the authorization and approval of a new revolving capital facility, a new term loan, the New Management Restricted Stock Plan, the New Director Restricted Stock Plan, and the Registration Rights Agreement, and (vi) the qualification of Reorganized WorldCom or any of the Reorganized Debtors as a foreign corporation wherever the conduct of business by the Company requires such qualification, shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of the states in which the Debtors and the Reorganized Debtors are incorporated, without any requirement of further action by the stockholders or directors of the Debtors or Reorganized Debtors. On the Effective Date, or as soon thereafter as is practicable, Reorganized WorldCom and the Reorganized Debtors shall, if required, file their amended certificates of incorporation with the Secretary of State of the state in which each such entity is (or will be) incorporated, in accordance with the applicable general corporation law of each such state.

13.03. Withholding and Reporting Requirements. In connection with the consummation of the Plan, the Debtors or the Reorganized Debtors, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

13.04. Exemption from Transfer Taxes. Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax. All sale transactions consummated by the Debtors and approved by the Bankruptcy Court on and after the Commencement Date through and including the Effective Date, including, without limitation, the transfers effectuated under the Plan, the sale by the Debtors of owned property pursuant to section 363(b) of the Bankruptcy Code, and the assumption, assignment, and sale by the Debtors of unexpired leases of non-residential real property pursuant to section 365(a) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Plan and, thus, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

13.05. Payment of Statutory Fees. On the Effective Date, and thereafter as may be required, the Debtors shall pay all fees payable pursuant to section 1930 of chapter 123 of title 28 of the United States Code.

13.06. Post-Effective Date Fees and Expenses. From and after the Effective Date, Reorganized WorldCom and the Reorganized Debtors shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter incurred by Reorganized WorldCom and the Reorganized Debtors, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

13.07. Dissolution of the Committee. The Committee shall terminate on the Effective Date, except that the Committee may appear at the hearing to consider applications for final allowances of compensation and reimbursement of expenses and prosecute any objections to such applications, if appropriate.

13.08. Plan Supplement. The Reorganized WorldCom Certificate of Incorporation, the Reorganized WorldCom By-laws, the forms of certificates of incorporation and by-laws of each of the other Reorganized Debtors, Schedules 8.01(A) and 8.01(B) referred to in Section 8.01 of the Plan, a post-Effective Date revolving capital facility agreement, the New Notes Indenture, the New Director Restricted Stock Plan, the New Management Restricted Stock Plan, and the Registration Rights Agreement shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court at least ten (10) days prior to the last day upon which holders of Claims may vote to accept or reject the Plan; *provided, however*, that the Debtors may amend the Plan Supplement through and including the Confirmation Date. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or

Equity Interests may obtain a copy of the Plan Supplement upon written request to WorldCom in accordance with Section 13.16 of the Plan.

13.09. Amendment or Modification of the Plan. Alterations, amendments, or modifications of or to the Plan may be proposed in writing by the Debtors at any time prior to the Confirmation Date, provided that the Plan, as altered, amended, or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Plan may be altered, amended, or modified at any time after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended, or modified, satisfies the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended, or modified, under section 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments, or modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim of such holder.

13.10. Revocation or Withdrawal of the Plan. The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any Claims by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

13.11. Severability. If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

13.12. Expedited Tax Determination. The Reorganized Debtors may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, such Reorganized Debtors for all taxable periods through the Effective Date.

13.13. Governing Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit or schedule hereto or in the Plan Supplement provides otherwise, the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

13.14. Binding Effect. The Plan shall be binding upon and inure to the benefit of the Debtors, the holders of Claims and Equity Interests, and their respective successors and assigns, including, without limitation, the Reorganized Debtors.

13.15. Exhibits/Schedules. All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full herein.

13.16. Notices. All notices, requests, and demands to or upon the Debtors to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

WORLD.COM, INC.
22001 Loudoun County Parkway
Ashburn, VA 20147
Attn: Michael H. Salsbury, Esq.
General Counsel & Secretary
Telephone: (877) 624-1000
Facsimile: (703) 886-0742

-and-

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, NY 10153
Attn: Marcia L. Goldstein, Esq.
Lori R. Fife, Esq.
Telephone: (212) 310-8000
Facsimile: (212) 310-8007

-and-

WEIL, GOTSHAL & MANGES LLP
700 Louisiana, Suite 1600
Houston, TX 77002
Attn: Alfredo R. Perez, Esq.
Telephone: (713) 546-5000
Facsimile: (713) 224-9511

Dated: New York, New York
April 14, 2003

Respectfully submitted,

WORLDCOM, INC., *et al.*
(for itself and on behalf of each of the Debtors)

By: /s/ Michael H. Salsbury
Name: Michael H. Salsbury, Esq.
Title: General Counsel & Secretary

Counsel:

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and

Alfredo R. Perez, Esq.

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Telephone: (713) 546-5000
Facsimile: (713) 224-9511

Attorneys for Debtors and
Debtors in Possession

EXHIBIT A1

Debtor	Case No.	Debtor	Case No.
WorldCom Caribbean, Inc.	02-13532	FiberNet Rochester, Inc.	02-42197
WorldCom, Inc.	02-13533	Fibernet, Inc.	02-42198
Intermedia Communications Inc.	02-42154	Healan Communications, Inc.	02-42199
MCI Communications Corporation	02-42155	Intelligent Investment Partners, Inc.	02-42200
Access Network Services, Inc.	02-42156	Intermedia Capital, Inc.	02-42201
Access Virginia, Inc.	02-42157	Intermedia Communications of Virginia, Inc.	02-42202
ALD Communications, Inc.	02-42158	Intermedia Investment, Inc.	02-42203
BFC Communications, Inc.	02-42159	Intermedia Licensing Company	02-42204
Bittel Telecommunications Corporation	02-42160	Jones Lightwave of Denver, Inc.	02-42205
Brooks Fiber Communications of Arkansas, Inc.	02-42161	Marconi Telegraph Cable Company, Inc.	02-42206
Brooks Fiber Communications of Bakersfield, Inc.	02-42162	MCI Canada, Inc.	02-42207
Brooks Fiber Communications of Connecticut, Inc.	02-42163	MCI Equipment Acquisition Corporation	02-42208
Brooks Fiber Communications of Fresno, Inc.	02-42164	MCI Galaxy III Transponder Leasing, Inc.	02-42209
Brooks Fiber Communications of Massachusetts, Inc.	02-42165	MCI Global Access Corporation	02-42210
Brooks Fiber Communications of Michigan, Inc.	02-42166	MCI Global Support Corporation	02-42211
Brooks Fiber Communications of Minnesota, Inc.	02-42167	MCI International Telecommunications Corporation	02-42212
Brooks Fiber Communications of Mississippi, Inc.	02-42168	MCI International, Inc.	02-42213
Brooks Fiber Communications of Missouri, Inc.	02-42169	MCI International Telecommunications Holding Corporation	02-42214
Brooks Fiber Communications of Nevada, Inc.	02-42170	MCI Investments Holdings, Inc.	02-42215
Brooks Fiber Communications of New England, Inc.	02-42171	MCI Network Technologies, Inc.	02-42216
Brooks Fiber Communications of New Mexico, Inc.	02-42172	MCI Omega Properties, Inc.	02-42217
Brooks Fiber Communications of New York, Inc.	02-42173	MCI Research, Inc.	02-42218

Debtor	Case No.	Debtor	Case No.
Brooks Fiber Communications of Ohio, Inc.	02-42174	MCI Transcon Corporation	02-42219
Brooks Fiber Communications of Oklahoma, Inc.	02-42175	MCI Wireless, Inc.	02-42220
Brooks Fiber Communications of Rhode Island, Inc.	02-42176	MCI WORLDCOM Capital Management Corporation	02-42221
Brooks Fiber Communications of Sacramento, Inc.	02-42177	MCI WORLDCOM Communications of Virginia, Inc.	02-42222
Brooks Fiber Communications of San Jose, Inc.	02-42178	MCI WORLDCOM Communications, Inc.	02-42223
Brooks Fiber Communications of Stockton, Inc.	02-42179	MCI WORLDCOM Financial Management Corporation	02-42224
Brooks Fiber Communications of Tennessee, Inc.	02-42180	MCI WORLDCOM Global Networks U.S., Inc.	02-42225
Brooks Fiber Communications of Texas, Inc.	02-42181	MCI WORLDCOM International, Inc.	02-42226
Brooks Fiber Communications of Tucson, Inc.	02-42182	MCI WorldCom Management Company, Inc.	02-42227
Brooks Fiber Communications of Tulsa, Inc.	02-42183	MCI WORLDCOM Network Services of Virginia, Inc.	02-42228
Brooks Fiber Communications of Utah, Inc.	02-42184	MCI WORLDCOM Network Services, Inc.	02-42229
Brooks Fiber Communications-LD, Inc.	02-42185	MCI WORLDCOM Synergies Management Company, Inc.	02-42230
Brooks Fiber Properties, Inc.	02-42186	MCI/OTI Corporation	02-42231
BTC Transportation Corporation	02-42187	MCImetro Access Transmission Services of Virginia, Inc.	02-42232
Business Internet, Inc.	02-42188	Metrex Corporation	02-42233
Chicago Fiber Optic Corporation	02-42189	Metropolitan Fiber Systems of Arizona, Inc.	02-42234
Com Systems, Inc.	02-42190	Metropolitan Fiber Systems of Baltimore, Inc.	02-42235
COM/NAV Realty Corp.	02-42191	Metropolitan Fiber Systems of California, Inc.	02-42236
Cross Country Wireless, Inc.	02-42192	Metropolitan Fiber Systems of Connecticut, Inc.	02-42237
CS Wireless Battle Creek, Inc.	02-42193	Metropolitan Fiber Systems of Dallas, Inc.	02-42238
CS Wireless Systems, Inc.	02-42194	Metropolitan Fiber Systems of Delaware, Inc.	02-42239

Debtor	Case No.	Debtor	Case No.
E.L. Acquisition, Inc.	02-42195	Metropolitan Fiber Systems of Denver, Inc.	02-42240
Express Communications, Inc.	02-42196	Metropolitan Fiber Systems of Detroit, Inc.	02-42241
Metropolitan Fiber Systems of Florida, Inc.	02-42242	UUNET Holdings Corp.	02-42299
Metropolitan Fiber Systems of Houston, Inc.	02-42243	UUNET International Ltd.	02-42300
Metropolitan Fiber Systems of Indianapolis, Inc.	02-42244	UUNET Japan Ltd.	02-42301
Metropolitan Fiber Systems of Minneapolis/St. Paul, Inc.	02-42245	UUNET Technologies, Inc.	02-42302
Metropolitan Fiber Systems of New Hampshire, Inc.	02-42246	Virginia Metrotel, Inc.	02-42303
Metropolitan Fiber Systems of New Jersey, Inc.	02-42247	Wireless One, Inc.	02-42304
Metropolitan Fiber Systems of New Orleans, Inc.	02-42248	Wireless Video Services	02-42305
Metropolitan Fiber Systems of New York, Inc.	02-42249	WorldCom Broadband Solutions, Inc.	02-42306
Metropolitan Fiber Systems of Ohio, Inc.	02-42250	WorldCom East, Inc.	02-42307
Metropolitan Fiber Systems of Oregon, Inc.	02-42251	WorldCom ETC, Inc.	02-42308
Metropolitan Fiber Systems of Philadelphia, Inc.	02-42252	WorldCom Federal Systems, Inc.	02-42309
Metropolitan Fiber Systems of Pittsburgh, Inc.	02-42253	WorldCom ICC, Inc.	02-42310
Metropolitan Fiber Systems of Seattle, Inc.	02-42254	WorldCom International, Inc.	02-42311
Metropolitan Fiber Systems of St. Louis, Inc.	02-42255	WorldCom International Data Services, Inc.	02-42312
Metropolitan Fiber Systems/McCourt, Inc.	02-42256	WorldCom International Mobile Services, Inc.	02-42313
MFS CableCo U.S., Inc.	02-42257	WorldCom Overseas Holdings, Inc.	02-42314
MFS Datanet, Inc.	02-42258	WorldCom Ventures, Inc.	02-42315
MFS Telecom, Inc.	02-42259	WorldCom Wireless, Inc.	02-42316
MFS Telephone of Missouri, Inc.	02-42260	ICI Capital LLC	02-42317
MFS Telephone of New Hampshire, Inc.	02-42261	Intermedia Services LLC	02-42318
MFS Telephone of Virginia, Inc.	02-42262	MCI International Services, L.L.C.	02-42319

Debtor	Case No.	Debtor	Case No.
MFS Telephone, Inc.	02-42263	Tenant Network Services, Inc.	02-42292
MFSA Holding, Inc.	02-42264	TransCall America, Inc.	02-42293
Military Communications Center, Inc.	02-42265	Tru Vision Wireless, Inc.	02-42294
MobileComm Europe Inc.	02-42266	Tru Vision-Flippin, Inc.	02-42295
Mtel Asia, Inc.	02-42267	TTI National, Inc.	02-42296
Mtel Cellular, Inc.	02-42268	UUNET Australia Limited	02-42297
Mtel International, Inc.	02-42269	UUNET Caribbean, Inc.	02-42298
Mtel Latin America, Inc.	02-42270	MCI Payroll Services, LLC	02-42320
Mtel Microwave, Inc.	02-42271	MCI WORLDCOM Brands, L.L.C.	02-42321
Mtel Service Corporation	02-42272	MCI WORLDCOM Brooks Telecom, LLC	02-42322
National Telecommunications of Florida, Inc.	02-42273	MCI WORLDCOM MFS Telecom, LLC	02-42323
N.C.S. Equipment Corporation	02-42274	MCImetro Access Transmission Services LLC	02-42324
Netwave Systems, Inc.	02-42275	SkyTel Payroll Services, LLC	02-42325
networkMCI, Inc.	02-42276	UUNET Payroll Services, LLC	02-42326
Northeast Networks, Inc.	02-42277	WorldCom International Mobile Services LLC	02-42327
Nova Cellular Co.	02-42278	WorldCom Payroll Services, LLC	02-42328
NTC, Inc.	02-42279	WorldCom Purchasing, LLC	02-42329
Overseas Telecommunications, Inc.	02-42280	MFS/C-TEC	02-42330
Shared Technologies Fairchild Communications Corporation	02-42281		
Shared Technologies Fairchild Telecom, Inc.	02-42282		
Shared Technologies Fairchild, Inc.	02-42283		
SkyTel Communications, Inc.	02-42284		
SkyTel Corp.	02-42285		
Southernnet of South Carolina, Inc.	02-42286		
Southernnet Systems, Inc.	02-42287		
Southernnet, Inc.	02-42288		
Telecom*USA, Inc.	02-42289		
Teleconnect Company	02-42290		
Teleconnect Long Distance Services & Systems Co.	02-42291		

EXHIBIT A2

Debtor	Case No.	Debtor	Case No.
Western Business Network, Inc.	02-43305	Metropolitan Fiber Systems of North Carolina, Inc.	02-43328
1-800-Collect, Inc.	02-43306	Metropolitan Fiber Systems of Oklahoma, Inc.	02-43329
B.T.C. Real Estate Investments, Inc.	02-43307	Metropolitan Fiber Systems of Rhode Island, Inc.	02-43330
Brooks Fiber Communications of Idaho, Inc.	02-43308	Metropolitan Fiber Systems of Tennessee, Inc.	02-43331
Brooks Fiber Communications of Virginia, Inc.	02-43309	Metropolitan Fiber Systems of Virginia, Inc.	02-43332
BTC Finance Corp.	02-43310	Metropolitan Fiber Systems of Wisconsin, Inc.	02-43333
CC Wireless, Inc.	02-43311	MFS Foreign Personnel, Inc.	02-43334
Compuplex Incorporated	02-43312	Mtel American Radiodetermination Corporation	02-43335
Cross Country Telecommunications, Inc.	02-43313	Mtel Digital Services, Inc.	02-43336
CS Network Services, Inc.	02-43314	Mtel Space Technologies Corporation	02-43337
Fibercom of Missouri, Inc.	02-43315	Mtel Technologies, Inc.	02-43338
Institutional Communications Company	02-43316	Southern Wireless Video, Inc.	02-43339
J.B. Telecom, Inc.	02-43317	TMC Communications, Inc.	02-43340
Metropolitan Fiber Systems of Alabama, Inc.	02-43318	Wireless Video Enhanced Services	02-43341
Metropolitan Fiber Systems of Columbus, Inc.	02-43319	Wireless Video Enterprises, Inc.	02-43342
Metropolitan Fiber Systems of Hawaii, Inc.	02-43320	MCI Systemhouse L.L.C.	02-43343
Metropolitan Fiber Systems of Iowa, Inc.	02-43321	MCI WORLDCOM Brazil, LLC	02-43344
Metropolitan Fiber Systems of Kansas City, Missouri, Inc.	02-43322	MFS International Holdings, L.L.C.	02-43345
Metropolitan Fiber Systems of Kansas, Inc.	02-43323	New England Fiber Communications L.L.C.	02-43346
Metropolitan Fiber Systems of Kentucky, Inc.	02-43324	WorldCom Switzerland LLC	02-43347
Metropolitan Fiber Systems of Massachusetts, Inc.	02-43325		
Metropolitan Fiber Systems of Nebraska, Inc.	02-43326		
Metropolitan Fiber Systems of Nevada, Inc.	02-43327		

EXHIBIT B
DISCLOSURE STATEMENT ORDER

[TO BE INSERTED UPON ENTRY]

EXHIBIT C

**RESTATED BALANCE SHEETS FOR WORLDCOM DEBTORS
AND INTERMEDIA DEBTORS AS OF DECEMBER 31, 2002**

WORLD COM DEBTORS
UNAUDITED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2002

As more fully described under the caption "Recent Events and Investigations" in Note 1 and "Basis of Presentation" in Note 2 to the attached report, WorldCom, Inc. (the "Company") has previously announced that certain pre-tax earnings for 1999, 2000, 2001, and the first quarter of 2002 were improperly reported, that it intends to restate its financial statements for 2000, 2001, and the first quarter of 2002, and that it will record certain impairments of assets in connection with these restatements. WorldCom's external auditors, KPMG LLP ("KPMG"), are undertaking a comprehensive audit of the Company's 2000, 2001, and 2002 financial statements. The events leading up to these announcements are under investigation by the U.S. Attorney's Office for the Southern District of New York as well as by a Special Committee of the WorldCom's Board of Directors, and the Examiner appointed by the U. S. Bankruptcy Court for the Southern District of New York. On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved claims brought in a civil lawsuit by the SEC regarding WorldCom's past accounting practices. The injunction imposes certain ongoing obligations on the Company and permits the SEC to seek a civil penalty in the future. Until WorldCom has completed its final review and KPMG is able to complete an audit of 2000, 2001, and 2002, the total impact of the foregoing on its previously reported financial statements, including the financial statements included in the attached report, cannot be known. WorldCom intends to continue to announce unaudited changes to its previously reported financial statements, including previously issued monthly operating reports, once its review is complete.

WORLDCOM, INC, AND SUBSIDIARIES
(Excluding Intermedia Communications Inc. and Subsidiaries)
(DEBTORS-IN-POSSESSION)
CONSOLIDATED BALANCE SHEET
For the Month Ended December 31, 2002
(Unaudited Consolidated, In Millions, Except Share Data)

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 2,503
Accounts Receivable, Net	5,249
Other Current Assets	781
Assets of Operations Held for Sale	<u>513</u>
Total Current	9,046
Property, Plant, and Equipment	8,901
Intangible Assets	579
Other Assets	<u>1,642</u>
	<u><u>\$ 20,168</u></u>

LIABILITIES AND SHAREHOLDERS' INVESTMENT

Liabilities not Subject to Compromise:	
Accrued Income Tax	\$ 212
Accounts Payable and Accrued Line Costs	3,132
Liabilities of Operations Held for Sale	383
Other Current Liabilities	<u>1,917</u>
Total Current Liabilities not Subject to Compromise	5,644
Long Term Debt	184
Other Long Term Liabilities	<u>300</u>
Total Liabilities not Subject to Compromise	6,128
Total Liabilities Subject to Compromise	41,381
Minority Interests	4
Company obligated mandatory redeemable and other preferred securities	1,297
Shareholders' Investment	
Preferred Stock, Par Value \$.01 per share; authorized: 30,967,637 shares; none issued	
Common Stock:	
WorldCom group common stock, par value \$.01 per share;	
authorized: 4,850,000,000; issued and outstanding: 2,975,109,694 shares	30
MCI group common stock, par value \$.01 per share; authorized: 150,000 shares;	
issued and outstanding: 118,877,925 shares	1
Additional Paid in Capital	53,699
Retained Deficit	(81,531)
Unrealized holding gain (loss) in marketable Equity	(20)
Cumulative Foreign currency translation	(636)
Treasury Stock, at cost, 6,765,316 shares of WorldCom group stock and 270,611 shares of MCI group stock	(185)
Total Shareholders' Investment	<u>(28,642)</u>
	<u><u>\$ 20,168</u></u>

See accompanying notes to the unaudited consolidated balance sheet.

**WORLD COM DEBTORS
(DEBTORS-IN-POSSESSION)
NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEET**

(1) Background and Organization

Organized in 1983, WorldCom, Inc., a Georgia corporation (“WorldCom” or the “Company”), provides a broad range of communications services to both U.S. and non-U.S. based businesses and consumers. WorldCom is a global communications company utilizing a strategy based on being able to provide service through its own facilities throughout the world instead of being restricted to a particular geographic location. The Company serves as a holding company for its subsidiaries' operations. References herein to WorldCom or the Company include WorldCom, Inc. and its subsidiaries, unless the context otherwise requires.

Bankruptcy Filings

On July 21, 2002 (the “Commencement Date”), WorldCom, Inc. and substantially all of its direct and indirect domestic subsidiaries (the “Initial Filers”) filed voluntary petitions for relief in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). On November 8, 2002, the Company filed additional bankruptcy petitions for 43 of its subsidiaries (collectively with the Initial Filers, the “Debtors”), most of which were effectively inactive and none of which had significant debt. The Debtors continue to operate their businesses and manage their properties as debtors -in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. By orders dated July 22, 2002 and November 12, 2002, the Debtors’ Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered. Accordingly, pursuant to section 362 of the Bankruptcy Code, most of the litigation against the Company has been stayed.

Recent Events and Investigations

On June 25, 2002, the Company announced that as a result of an internal audit of the Company's capital expenditure accounting, it was determined that certain transfers from line cost expenses to capital accounts in the amount of \$3.9 billion during 2001 and the first quarter of 2002 were not made in accordance with generally accepted accounting principles (“GAAP”). The Company promptly notified its recently engaged external auditors, KPMG LLP (“KPMG”), and has engaged KPMG to undertake a comprehensive audit of the Company's financial statements for 2000, 2001 and 2002. The Company also notified Andersen LLP (“Andersen”), which audited the Company's financial statements for 2001 and reviewed such statements for first quarter 2002, promptly upon discovering these improperly reported amounts. On June 24, 2002, Andersen advised WorldCom that in light of the inappropriate transfers of line costs, Andersen's audit report on the Company's financial statements for 2001 and Andersen's review of the Company's financial statements for the first quarter of 2002 could not be relied upon.

On August 8, 2002, WorldCom announced that its ongoing internal review of its financial statements discovered an additional \$3.8 billion in improperly reported pre-tax earnings for 1999, 2000, 2001, and the first quarter of 2002. On November 5, 2002, the Company announced that expected a further restatement of earnings in addition to amounts previously announced and that the overall amount of the restatement could total in excess of \$9 billion.

On March 13, 2003, WorldCom announced it had completed a preliminary review of its goodwill and other intangible assets and property and equipment (“PP&E”) accounts. As previously indicated, this review has resulted in the write-off of all existing goodwill and a substantial write-down of the carrying value of PP&E and other intangible assets following an impairment analysis and other adjustments in accordance with GAAP. Specifics include:

The value of goodwill reflected on the Company's last reported balance sheet, \$45 billion, is impaired and has been written off completely; and the value of PP&E and other intangible assets reflected on the Company's last reported balance sheet, \$39.2 billion and \$5.6 billion, respectively, is impaired and has been adjusted to a value of approximately \$10 billion as of December 31, 2002.

A Special Committee of WorldCom's Board of Directors conducted an independent investigation of these matters, with the law firm of Wilmer, Cutler & Pickering as special counsel and PriceWaterhouseCoopers LLP as their financial advisors. WorldCom's accounting practices also are under investigation by the U.S. Attorney's Office for the Southern District of New York and by the Examiner appointed by the Bankruptcy Court, Richard Thornburgh, former Attorney General of the United States. On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved the claims brought in a civil lawsuit by the SEC regarding the Company's past public financial reports. The injunction imposes certain ongoing obligations on the Company and permits the SEC to seek a civil penalty in the future.

WorldCom has terminated or accepted the resignations of various financial and accounting personnel, including its chief financial officer and its corporate controller, and is continuing the process of investigating and restating its financial results for the years 2000-2002. Earlier years could also be impacted. Investors and creditors should be aware that additional amounts of improperly reported pre-tax earnings may be discovered and announced. Until the Company has completed its final review and KPMG is able to complete an audit of 2000, 2001, and 2002, the total impact on previously reported financial statements cannot be known. The Company intends to announce changes to previously reported financial statements once its review is complete.

In light of the foregoing events, all previous guidance regarding future financial performance issued by the Company is no longer in effect and should be ignored.

(2) Basis of Presentation

The Company cautions readers not to place undue reliance upon the information contained in this unaudited consolidated balance sheet (the "Balance Sheet"). This Balance Sheet contains unaudited information which is subject to further review and potential adjustments and may not be indicative of the Company's financial position. There can be no assurance that this Balance Sheet is complete and the Company undertakes no obligation to update or revise the Balance Sheet.

This Balance Sheet includes information for subsidiaries that are not debtors in these Chapter 11 cases.

The unaudited information in this Balance Sheet is subject to further review and potential adjustments upon the completion of the restatement process and the completion of its audits of the financial statements for the fiscal years 2000, 2001, and 2002, and accordingly this unaudited information may not be indicative of the Company's financial position.

Subject to the matters described in this Note 2 as well as Notes 1 and 6, the consolidated Balance Sheet included herein, is unaudited and has been prepared in accordance with GAAP for interim financial reporting, based on information currently known to us. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted for purposes of this Balance Sheet. Subject to the matter described in Note 6, the consolidated Balance Sheet includes the accounts of WorldCom, Inc. and its consolidated subsidiaries. All material intercompany balances and transactions have been eliminated except as discussed in Note 7.

The unaudited consolidated Balance Sheet has also been prepared in accordance with Statement of Position ("SOP") No. 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code".

The Company has not completed the process of reconciling its liabilities subject to compromise. Pursuant to court order, the Company has been authorized to pay certain pre-petition operating liabilities in the ordinary course of business. The Company intends to assess and may elect to reject certain of its pre-petition obligations within its rights under the Bankruptcy Code. The Company had approximately 33,000 proofs of claim filed in its bankruptcy proceedings. As a result and based upon the Company's ongoing evaluation, the Company's liabilities subject to compromise could change.

On October 15, 2002, the Bankruptcy Court entered a final order approving the Debtor-in-Possession ("DIP") facility from Citibank, N.A., JPMorgan Chase Bank and General Electric Capital Corporation in an amount of \$1.1 billion with a maturity date of the earlier of July 23, 2004 or the effective date of a plan of reorganization. The DIP facility contains restrictions on the Company's ability to grant future liens, incur indebtedness, make capital expenditures, make dividend payments and sell assets. As of December 31, 2002 the Company issued \$79 million of letters of credit under the facility.

(3) Summary of Significant Accounting Policies

Principles of Consolidation:

The unaudited consolidated balance sheet includes the accounts of WorldCom and its subsidiaries, except for Embratel Participações S.A. ("Embratel"), as discussed in Note 6 and Intermedia and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation, except as discussed in Note 6 and Intermedia and its subsidiaries. Investments in joint ventures and other equity investments in which the Company owns a 20% to 50% voting ownership interest and does not exercise control are accounted for by the equity method. Investments of less than 20% ownership, where the Company does not exercise control or significant influence, are accounted for by the cost method.

Cash and Cash equivalents:

The Company considers cash in banks and short-term investments with original maturities of three months or less as cash and cash equivalents.

Property and Equipment and Other Intangibles:

Property and equipment are stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Transmission equipment (including conduit).....	4 to 30 years
Communications equipment	5 to 10 years
Furniture, fixtures, buildings and other.....	4 to 39 years
Other Intangibles.....	5 to 15 years

Losses on property and equipment to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

The Company constructs certain of its own transmission systems and related facilities. Internal costs directly related to the construction of such facilities, including salaries of certain employees are capitalized.

Adoption of Accounting Standard SFAS No. 144

The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. The Company determines impairment by comparing undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. If quoted market prices for an asset are not available, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Foreign Currency Translation:

Assets and liabilities recorded in foreign currencies are translated at the exchange rate as of the balance sheet date. Translation adjustments are recorded as a separate component of shareholders' investment. Management has assessed the impact of foreign currency rates on cash and determined it to be immaterial.

Income Taxes:

The Company recognizes current and deferred income taxes and liabilities based upon all events that have been recognized in the consolidated financial statements as measured by the provisions of the enacted tax laws. Valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized.

Recently Issued Accounting Standards:

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143 "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets. SFAS No. 143 must be adopted by 2003. The Company has not yet quantified the impact of adopting SFAS No. 143 on its consolidated operations or financial position.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities. The provisions of SFAS No. 146 will be applied prospectively beginning in 2003 and will not impact the Company's previously reported consolidated financial position.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Additionally, management has made certain estimates and assumptions as to the nature and amount of the identified restatement items recorded in the unaudited consolidated balance sheet. These estimates are subject to change upon further analysis as discussed in Note 1, and additional adjustments may be identified which are not included in the accompanying unaudited consolidated balance sheet. Accordingly, other adjustments may be required to this Balance Sheet as additional information becomes known to us and as the restatement process is completed.

(4) Discontinued Operations

In June 2002, the Company announced it had approved a plan to divest its non-core wireless resale operations and its international telecommunications construction operations. In October 2002, the Company approved a plan to divest its wireless messaging services business and its fixed wireless Internet access operations. The financial position of these operations is shown in the accompanying unaudited financial consolidated balance sheet as assets held for sale. The Company anticipates the sale or disposal of these operations to be completed within a year.

(5) Income Taxes

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Additionally, the restructuring of the Company through the bankruptcy process may result in the utilization or loss of some portion or all of its deferred tax assets, the ultimate outcome of which is not currently determinable.

(6) Embratel Consolidation

WorldCom owns a 51.8% voting interest and a 19.35% economic interest in Embratel, Brazil's facilities-based national and international communications provider. During the second quarter of 2001, WorldCom reached a long-term strategic decision to restructure its investment in Embratel and deconsolidated Embratel's results effective January 1, 2001. As a result of its ongoing review of its financial statements, WorldCom has reevaluated the decision to deconsolidate Embratel and has concluded that the restructuring of its ownership in Embratel did not alter its control of Embratel to an extent that would warrant the deconsolidation. Accordingly, Embratel will be consolidated retroactive to January 1, 2001, providing continuous consolidation since date of acquisition. However, as a result of certain legal and contractual restrictions applicable to WorldCom and Embratel, WorldCom may only use the quarterly financial information released publicly by Embratel when preparing its own consolidated financial statements. As a result, the unaudited consolidated balance sheet and related footnote disclosures included in this Balance Sheet Report exclude Embratel's financial position as of December 2002. Additional disclosures regarding Embratel's financial position and the effect on WorldCom as of December 2002 will be provided in WorldCom's Balance Sheets as the quarterly information is made publicly available by Embratel.

(7) Contingencies

WorldCom is involved in legal and regulatory proceedings that are incidental to its business and has included loss contingencies in other current liabilities and other liabilities for these matters in its financial statements. In some instances, rulings by federal, state, and international regulatory authorities may result in increased operating costs to WorldCom. The results of these various legal and regulatory matters are uncertain and could have a material adverse effect on its consolidated results of operations or financial position.

Regulation.

The Company is subject to varying degrees of federal, state, local, and international regulation. In the United States, its subsidiaries are most heavily regulated by the states, especially for the provision of local exchange services. WorldCom's subsidiaries must be licensed separately by the public utility commission (PUC) in each state to offer local exchange and intrastate long distance services. No PUC, however, subjects WorldCom to rate of return regulation, nor is the Company currently required to obtain authorization from the Federal Communications Commission (FCC) for installation or operation of its network facilities used for domestic services, other than licenses for specific multichannel multipoint distribution services (MMDS), wireless communications services, terrestrial microwave, and satellite earth station facilities that utilize radio frequency spectrum. FCC approval is required, however, for the installation and operation of the Company's international facilities and services. The Company is subject to varying degrees of regulation in the foreign jurisdictions in which it conducts business, including authorization for the installation and operation of network facilities. Although the trend in federal, state, and international regulation appears to favor increased competition, no assurance can be given that changes in current or future regulations adopted by the FCC, state, or foreign regulators or legislative initiatives in the United States or abroad would not have a material adverse effect on WorldCom.

The FCC's Local Competition Rules. In August 1996, the FCC established nationwide rules pursuant to the Telecommunications Act of 1996, or the Telecom Act, designed to encourage new entrants to compete in local service markets through interconnection with the incumbent local exchange companies (ILECs), resale of ILECs' retail

services, and use of individual and combinations of unbundled network elements (UNEs) owned by the ILECs. UNEs are defined in the Telecom Act as any “facility or equipment used in the provision of a telecommunication service,” as well as “features, function, and capabilities that are provided by means of such facility or equipment.” One combination of UNEs, known as the unbundled network element platform (UNE-P), encompasses all the elements necessary to provide local telephone service. As a competitive local exchange carrier (CLEC), WorldCom relies upon UNEs, and in particular UNE-P, to provide local services, broadband services, and advanced services to consumer and business customers. Substantial reduction in ILEC unbundling requirements, including any near-term reduction in the availability of UNE-P, would foreclose WorldCom’s future range of options in provisioning local services to customers.

Numerous issues related to the FCC’s local competition rules have been reviewed by the courts and have been periodically reviewed by the FCC. In December 2001, the FCC initiated a “Triennial Review” of the UNE rules and began an examination of whether certain high capacity and broadband services offered by ILECs were subject to sufficient competition such that they no longer needed to be regulated as “dominant.” In February 2002, the FCC established another proceeding to consider whether broadband Internet access, or “DSL service,” provided by ILECs should be treated as an information service and not subject to common carrier regulation or unbundling requirements for Internet service providers (ISPs).

On February 20, 2003, the FCC announced a decision in the Triennial Review proceeding. Although the text of the Triennial Review order will not be published for several more weeks, the gist of the FCC’s announcement was that most aspects of the current unbundling rules will be maintained and that state PUCs will be given a major role in determining if and where use of UNE-P and other network elements will be permitted. The FCC also announced that the order will prohibit competitive broadband providers from using ILEC fiber loops to reach broadband customers and will phase out the practice of joint use of loops known as “line sharing.” Taken together, these aspects of the order will be significantly detrimental to the development of competition in broadband services because they would relegate competitors to inferior facilities for delivering broadband services.

RBOC Provision of Long Distance Services. The Telecom Act requires the largest ILECs, the Regional Bell Operating Companies (“RBOCs”), to petition the FCC for permission to offer long distance services for each state within their region. Under section 271 of the Telecom Act, for these applications to be granted, the FCC must find, among other things, that the RBOC has demonstrated it has satisfied a 14-point competitive checklist to open its local network to competition, and that granting the petition is in the public interest. To date, these challenges have focused on the availability and pricing of UNEs, including UNE-P, and on the adequacy of the RBOCs’ systems for provisioning UNEs. The FCC has granted RBOC 271 applications for thirty-seven states and the District of Columbia: Verizon (New York, Massachusetts, Connecticut, Pennsylvania, Rhode Island, Vermont, Maine, New Jersey, Delaware, New Hampshire, Virginia, Maryland, West Virginia, and the District of Columbia); SBC (Texas, Kansas, Oklahoma, Missouri, Arkansas, and California); BellSouth (Georgia, Louisiana, Alabama, Kentucky, Mississippi, North Carolina, South Carolina, Florida, and Tennessee); and Qwest (Washington, Utah, Wyoming, Montana, Colorado, Idaho, Iowa, Nebraska, and North Dakota). Both BellSouth and Verizon now have received 271 approval for all the states in their respective regions. SBC has applications for permission to offer long distance services pending for Michigan and Nevada, and Qwest has applications pending for Minnesota, New Mexico, Oregon, and South Dakota. Other applications may be filed at any time. WorldCom has challenged, and will continue to challenge, any application that does not satisfy the requirements of section 271 or the FCC’s local competition rules.

In addition, legislation was introduced in the 107th Congress that would have had the effect of allowing RBOCs to offer in-region long distance data services without satisfying section 271 of the Telecom Act, and/or of making it more difficult for competitors to resell incumbent local phone company high-speed data services or to lease the UNEs used to provide those services. Although such legislation passed the U.S. House of Representatives, the 107th Congress ended without the Senate taking any action on the legislation. WorldCom cannot predict prospects for passage of similar legislation in the 108th Congress.

“Do Not Call” Registries. The Telephone Consumer Protection Act of 1991 authorized the FCC to create a national database of residential telephone numbers to which, with limited exceptions, companies would be prohibited from placing telemarketing calls. In 1992, the FCC declined to establish such a database, instead requiring carriers to create their own “Do Not Call” lists. In December 2002, the Federal Trade Commission (FTC) issued rules

establishing a national Do Not Call registry. Lawsuits challenging the validity of these rules are pending in federal courts in Oklahoma and Colorado. Funding for the FTC's registry was approved as part of the 2003 omnibus budget. On March 11, 2003, the Do-Not-Call Implementation Act was enacted requiring the FCC, after consultation with the FTC, to create a national Do Not Call registry. This registry is scheduled to become effective in October 2003. Numerous states have enacted similar legislation requiring their PUCs to create such registries on a state-wide level. Because telemarketing has been MCI's primary sales acquisition tool, to the extent that the establishment of such registries affects the number of households to which MCI can place telemarketing calls, MCI's sales could be reduced.

Payphone Compensation. A group of payphone service providers (PSPs) has petitioned the FCC to double the rates paid by WorldCom and other carriers as compensation for dial-around service calls placed from the PSPs' payphones. If allowed, the higher rates would negatively impact MCI's revenues by more than \$25 million per year.

Reciprocal Compensation. In February 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking regarding the regulatory treatment of calls to ISPs. Prior to the FCC's order, over thirty state PUCs issued orders finding that CLECs, including WorldCom, are entitled to collect reciprocal compensation for completing calls to ISPs under the terms of their interconnection agreements with ILECs. WorldCom petitioned for review of the FCC's order in the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit), which vacated the order and remanded the case to the FCC for further proceedings. In April 2001, the FCC issued an order again asserting jurisdiction over calls to ISPs and establishing a three-year transitional scheme of decreasing reciprocal compensation rates. WorldCom again petitioned for review of the FCC's order and, on May 3, 2002, the D.C. Circuit again upheld the Company's challenge and remanded the case to the FCC, ruling that the FCC's legal analysis was based on a flawed reading of the Telecom Act. However, the court did not vacate the rules, opting to wait until the FCC had an opportunity to provide a sufficient legal justification for the proposed transitional scheme. Although the transitional scheme remains in place and the FCC will be looking at the issue on remand, it is unclear how any subsequent ruling will affect existing reciprocal compensation litigation.

Spectrum Rights. It is possible that spectrum rights held may be disrupted by FCC decisions to re-allocate some or all of that spectrum to other services. If this re-allocation were to occur, WorldCom cannot predict whether current deployment plans for its MMDS services will be sustainable.

Litigation.

The Company and various current or former directors, officers, and advisors have been named as defendants in a number of lawsuits alleging violations of federal and state securities laws and related claims. With the exception of the SEC Lawsuit, described below, the filing of the Chapter 11 Cases automatically stayed proceedings in those lawsuits as to the Company. The plan of reorganization will specify how pre-petition litigation claims against the Company will be treated following WorldCom's emergence from bankruptcy.

SEC Lawsuit. On June 26, 2002, the SEC filed suit against WorldCom for violations of sections 10(b) and 13(a) of the Exchange Act and SEC Rules 10b-5, 12b-20, 13a-1, and 13a-13, alleging that from at least the first quarter of 2001 through the first quarter of 2002, WorldCom defrauded investors by disguising its true operating performance via improper accounting methods that materially overstated its income by approximately \$3.8 billion. On November 5, 2002, the SEC filed an amended complaint that broadened the scope of the claims, including a claim under section 17(a) of the Securities Act, to reflect among other things the Company's disclosure that the overall restatements could total in excess of \$9 billion. On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved claims brought in this suit. The injunction imposes certain ongoing obligations on the Company and permits the SEC to seek a civil penalty from the Company in the future. The Court has ordered that all discovery proceedings relating to the SEC's claim for a civil penalty must be completed by May 30, 2003, and has scheduled a conference on June 11, 2003, to set a date for a hearing with respect to the potential penalty.

Securities Litigation Arising from the Restatement. Beginning on April 30, 2002, various groups of plaintiffs filed in excess of 60 complaints, purportedly on behalf of certain WorldCom shareholders and bondholders or classes thereof in federal courts in California, Minnesota, Mississippi, Missouri, and New York and in state courts in California, Florida, Georgia, Illinois, Montana, New York, Ohio, Tennessee, and West Virginia. Several non-

class action lawsuits were brought on behalf of individuals or small groups of shareholders in federal courts in Mississippi and Virginia and in state courts in Mississippi and Texas. All the cases filed initially in state court have been removed or are in the process of being removed to the federal courts for the districts in which they were filed. One derivative suit was filed in the federal court in New York. The complaints, which name as defendants WorldCom, various current and former WorldCom officers and directors, and, in some cases, WorldCom's former auditors and underwriters, generally allege that defendants misstated WorldCom's earnings in WorldCom's public filings and failed properly to account for goodwill and other intangible assets in connection with numerous acquisitions. The majority of these actions assert claims under sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. Certain bondholder actions assert claims for violation of section 11 of the Securities Act. Certain of the state court actions allege state law claims.

On August 15, 2002, Judge Denise L. Cote of the U.S. District Court for the Southern District of New York entered an order consolidating the cases in that district and appointing a lead plaintiff. On October 8, 2002, the Judicial Panel on Multidistrict Litigation (the "Panel") issued an order transferring 39 cases arising under the federal securities laws and other statutes to Judge Cote for consolidated or coordinated pretrial proceedings. Since then, the Panel has entered final orders transferring 12 additional cases to Judge Cote, and conditional orders that have not yet become final transferring 18 more cases to Judge Cote. Defendants have advised the Panel of additional cases that should be transferred to Judge Cote. On March 3, 2003, Judge Cote denied a motion to remand one of the consolidated cases to New York state court.

On October 11, 2002, the lead plaintiff filed a consolidated amended complaint that asserting claims under sections 11 and 15 of the Securities Act, sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5. On December 13, 2002, defendants moved to dismiss certain counts of the amended complaint pursuant to Fed.R.Civ.P.9(b) and 12(b)(6) and the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(b), asserting that the complaints failed to plead facts showing that WorldCom directors were involved in the alleged fraud, either directly or as control persons through their roles as members of the Board.

ERISA Litigation Arising from the Restatement. On March 18, 2002, one current and one former employee filed suit in federal court in California against WorldCom and two of its former executive officers on behalf of a putative class of participants in the WorldCom 401(k) plan and its predecessor plans, claiming that defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") with respect to the administration of the plans by, among other things, misrepresenting WorldCom's financial results and by allowing plan participants to continue to invest in WorldCom stock as one of their plan options. Following the Company's June 25, 2002 restatement announcement, participants in 401(k) plans for WorldCom and various affiliates filed approximately 15 additional putative class action suits against WorldCom and certain of its executive officers in federal courts in New York, Mississippi, Florida, Oklahoma, and the District of Columbia.

On September 18, 2002, Judge Cote entered an order consolidating the cases pending in the Southern District of New York, and thereafter designated lead plaintiffs for the consolidated cases. Thereafter, the Panel entered final orders transferring 15 additional cases to Judge Cote for consolidated or coordinated pretrial proceedings. On December 20, 2002, the lead plaintiffs filed a consolidated amended complaint alleging that defendants breached their fiduciary duties under ERISA and seeking damages and other relief. The complaint seeks to certify a class of persons who participated in the WorldCom 401(k) plan and certain predecessor plans during the period from September 14, 1998 to the present. On January 24, 2003, defendants filed motions to dismiss the amended complaint pursuant to Fed.R.Civ.P. 8(a), 9(b), and 12(b)(6), asserting that the complaint failed to allege that the individual defendants were ERISA fiduciaries of the 401(k) Salary Savings Plan and, therefore, cannot be liable for fiduciary breach claims.

Third Quarter 2000 Securities Litigation. In November 2000, class action complaints were filed in federal courts in Mississippi, New York, and the District of Columbia against WorldCom and some of its executive officers. The cases were consolidated in the U.S. District Court for the Southern District of Mississippi and, in June 2001, the plaintiffs filed an amended complaint alleging, among other things, that WorldCom's financial disclosures and statements regarding the integration of MCI, the success of UUNet, and the expansion of WorldCom's network were misleading. On March 29, 2002, the district court entered an order dismissing all claims with prejudice. On April 4, 2002, plaintiffs appealed the judgment to the U.S. Court of Appeals for the Fifth Circuit. On September 23, 2002,

plaintiffs moved the district court for relief from judgment with respect to the individual defendants based on new evidence. On March 6, 2003, the district court denied this motion. Plaintiffs have appealed this decision.

MCI-BT Securities Litigation. In August 1997, three complaints were filed in the U.S. District Court for the District of Columbia as class actions on behalf of purchasers of MCI shares. In April 1988, the cases were consolidated and, in May 1998, the plaintiffs filed a consolidated amended complaint seeking damages and other relief and alleging, on behalf of purchasers of MCI's shares between July 11, 1997 and August 21, 1997, inclusive, that MCI and some of its officers and directors had failed to disclose material information about MCI, including that MCI was renegotiating the terms of the MCI-BT merger agreement. On May 3, 2002, the district court denied the defendants' motion to dismiss. On February 12, 2003, the district court issued a decision granting plaintiffs' motion for class certification.

Other Investigations. In addition, following WorldCom's June 25, 2002 announcement, various investigations have been initiated by the U.S. Attorney's Office for the Southern District of New York, several state agencies, and the U.S. Congress. These investigations are ongoing. WorldCom is cooperating fully in those inquiries.

INTERMEDIA DEBTORS
UNAUDITED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2002

The following report includes the Balance Sheet for Intermedia Communications Inc. (“Intermedia”) and certain of its subsidiaries (the “Intermedia Debtors”). Intermedia is a subsidiary of WorldCom, Inc. As more fully described under the caption “Recent Events and Investigations” in Note 1 and “Basis of Presentation” in Note 2 to the attached report, WorldCom Inc. previously has announced that certain pre-tax earnings for 1999, 2000, 2001, and the first quarter of 2002 were improperly reported, that it intends to restate its financial statements for 2000, 2001, and the first quarter of 2002, and that it will record certain impairments of assets in connection with these restatements. WorldCom’s external auditors, KPMG are undertaking a comprehensive audit of WorldCom’s 2000, 2001, and 2002 financial statements. The events leading up to these announcements are under investigation by the U.S. Attorney’s Office for the Southern District of New York as well as by a Special Committee of WorldCom’s Board of Directors, and the Examiner appointed by the U. S. Bankruptcy Court for the Southern District of New York. On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved claims brought in a civil lawsuit by the SEC regarding WorldCom’s past accounting practices. The injunction imposes certain ongoing obligations on WorldCom and permits the SEC to seek a civil penalty in the future. The foregoing events will likely have a significant impact on the financial statements of the Intermedia Debtors. Until WorldCom has completed its final review and KPMG is able to complete an audit of 2000, 2001, and 2002, the total impact of the foregoing on its previously reported financial statements, including the financial statements included in the attached report, cannot be known. WorldCom intends to announce unaudited changes to its previously reported financial statements, including previously issued monthly operating reports, once its review is complete.

INTERMEDIA COMMUNICATIONS INC, AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED BALANCE SHEET
For the Month Ended December 31, 2002
(Unaudited, In Thousands, Except Share Data)

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 39,728
Accounts Receivable, Net	12,372
Other Current Assets	13,604
Assets of Operations Held for Sale	-
Total Current	<u>65,704</u>
Property, Plant, and Equipment	140,463
Intangible Assets	2,900
Other Assets	<u>11,243</u>
	<u>\$ 220,310</u>

LIABILITIES AND SHAREHOLDERS' INVESTMENT

Liabilities not Subject to Compromise:	
Accrued Income Tax	\$ -
Accounts Payable and Accrued Line Costs	100,703
Liabilities of Operations Held for Sale	-
Other Current Liabilities	<u>5,049</u>
Total Current Liabilities not Subject to Compromise	105,752
Long Term Debt	-
Other Long Term Liabilities	<u>-</u>
Total Liabilities not Subject to Compromise	105,752
Total Liabilities Subject to Compromise	1,652,421
Minority Interests	
Redeemable preferred stock of subsidiary	45,580
Series B redeemable exchangeable preferred stock and accrued dividends, \$1.00 par value; 600,000 shares authorized; 587,640 shares issued and outstanding	604,685
Shareholders' Investment	
Junior Preferred Stock, \$1.00 par value; 70,750 shares authorized, issued and outstanding	5
Common stock, par value \$.01 per share; 150,000,000 shares authorized; 501,000 shares issued and outstanding	71
Additional Paid in Capital	8,736,813
Stock Subscription Receivable	(5,472,729)
Retained Deficit	(5,452,288)
Total Shareholders' Investment	<u>(2,188,128)</u>
	<u>\$ 220,310</u>

See accompanying notes to the unaudited consolidation balance sheet

**INTERMEDIA DEBTORS
(DEBTORS-IN-POSSESSION)
NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEET**

(1) Background and Organization

Bankruptcy Filings

On July 21, 2002 (the "Commencement Date"), WorldCom, Inc. ("WorldCom") and substantially all of its direct and indirect domestic subsidiaries (the "Initial Filers") including Intermedia Communication Inc. (Intermedia) except Digex Inc. and its subsidiaries, filed voluntary petitions for relief in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). On November 8, 2002, WorldCom filed additional bankruptcy petitions for 43 of its subsidiaries (collectively with the Initial Filers, the "Debtors"), most of which were effectively inactive and none of which had significant debt. WorldCom continues to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. By order dated July 22, 2002, WorldCom's Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered. Accordingly, pursuant to section 362 of the Bankruptcy Code, most of the litigation against WorldCom has been stayed.

Recent Events and Investigations

On June 25, 2002, WorldCom announced that as a result of an internal audit of WorldCom's capital expenditure accounting, it was determined that certain transfers from line cost expenses to capital accounts in the amount of \$3.9 billion during 2001 and the first quarter of 2002 were not made in accordance with generally accepted accounting principles ("GAAP"). WorldCom promptly notified its recently engaged external auditors, KPMG LLP ("KPMG"), and has engaged KPMG to undertake a comprehensive audit of WorldCom's financial statements for 2000, 2001 and 2002. WorldCom also notified Andersen LLP ("Andersen"), which audited WorldCom's financial statements for 2001 and reviewed such statements for first quarter 2002, promptly upon discovering these improperly reported amounts. On June 24, 2002, Andersen advised WorldCom that in light of the inappropriate transfers of line costs, Andersen's audit report on WorldCom's financial statements for 2001 and Andersen's review of WorldCom's financial statements for the first quarter of 2002 could not be relied upon.

On August 8, 2002, WorldCom announced that its ongoing internal review of its financial statements discovered an additional \$3.8 billion in improperly reported pre-tax earnings for 1999, 2000, 2001, and the first quarter of 2002. On November 5, 2002, WorldCom announced that it expected a further restatement of earnings in addition to amounts previously announced and that the overall amount of the restatements could total in excess of \$9 billion.

On March 13, 2003, WorldCom announced it had completed a preliminary review of its goodwill and other intangible assets and property and equipment ("PP&E") accounts. As previously indicated, this review has resulted in the write-off of all existing goodwill and a substantial write-down of the carrying value of PP&E and other intangible assets following an impairment analysis and other adjustments in accordance with GAAP. Specifics include:

The value of goodwill reflected on WorldCom's last reported balance sheet, \$45 billion, is impaired and has been written off completely; and the value of PP&E and other intangible assets reflected on WorldCom's last reported balance sheet, \$39.2 billion and \$5.6 billion, respectively, is impaired and has been adjusted to a value of approximately \$10 billion as of December 31, 2002.

A Special Committee of WorldCom's Board of Directors conducted an independent investigation of these matters, with the law firm of Wilmer, Cutler & Pickering as special counsel and PriceWaterhouseCoopers LLP as

their financial advisors. WorldCom's accounting practices also are under investigation by the U.S. Attorney's Office for the Southern District of New York and by the Examiner appointed by the Bankruptcy Court, Richard Thornburgh, former Attorney General of the United States. On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved the claims brought in a civil lawsuit by the SEC regarding WorldCom's past public financial reports. The injunction imposes certain ongoing obligations on WorldCom and permits the SEC to seek a civil penalty in the future.

WorldCom has terminated or accepted the resignations of various financial and accounting personnel, including its chief financial officer and its corporate controller, and is continuing the process of investigating and restating its financial results for the years 2000-2002. Earlier years also could be impacted. Investors and creditors should be aware that additional amounts of improperly reported pre-tax earnings may be discovered and announced. Until WorldCom has completed its final review and KPMG is able to complete an audit of 2000, 2001, and 2002, the total impact on previously reported financial statements including those of Intermedia cannot be known. WorldCom intends to announce changes to previously reported financial statements once its review is complete.

In light of the foregoing events, all previous guidance regarding future financial performance issued by WorldCom is no longer in effect and should be ignored.

(2) Basis of Presentation

Intermedia cautions readers not to place undue reliance upon the information contained in this unaudited consolidated balance sheet (the "Balance Sheet"). This Balance Sheet contains unaudited information which is subject to further review and potential adjustments and may not be indicative of Intermedia's financial position. There can be no assurance that this Balance Sheet is complete and Intermedia undertakes no obligation to update or revise the Balance Sheet.

This Balance Sheet includes information for subsidiaries that are not debtors in these Chapter 11 cases.

The unaudited information in this Balance Sheet is subject to further review and potential adjustments upon the completion of the restatement process and the completion of its audits of the financial statements for the fiscal years 2000, 2001 and 2002, for WorldCom and accordingly this unaudited information may not be indicative of Intermedia's financial position. Intermedia's financial position may be impacted by restatements of WorldCom's balance sheet although Intermedia's financial statements will not be reissued.

Subject to the matters described in this Note 2 as well as Notes 1, the consolidated Balance Sheet included herein, is unaudited and has been prepared in accordance with GAAP for interim financial reporting, based on information currently known to us. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted for purposes of this Balance Sheet.

The unaudited consolidated Balance Sheet has also been prepared in accordance with Statement of Position ("SOP") No. 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code".

Intermedia has not completed the process of reconciling its liabilities subject to compromise. Pursuant to court order, Intermedia has been authorized to pay certain pre-petition operating liabilities in the ordinary course of business. Intermedia intends to assess and may elect to reject certain of its pre-petition obligations within its rights under the Bankruptcy Code. As a result and based upon Intermedia's ongoing evaluation, Intermedia's liabilities subject to compromise could change.

On October 15, 2002, the Bankruptcy Court entered a final order approving the Debtor-in-Possession ("DIP") facility for WorldCom from Citibank, N.A., JPMorgan Chase Bank, and General Electric Capital Corporation in an amount of \$1.1 billion with a maturity date of the earlier of July 23, 2004 or the effective date of a plan of reorganization. The DIP facility contains restrictions on WorldCom's ability to grant future liens, incur indebtedness, make capital expenditures, make dividend payments, and sell assets. This facility is for the benefit of WorldCom and its subsidiaries and is guaranteed by among others Intermedia and certain subsidiaries. As of December 31, 2002 WorldCom issued \$79 million of letters of credit under the facility.

(3) Summary of Significant Accounting Policies

Principles of Consolidation:

The unaudited consolidated balance sheet includes the accounts of Intermedia and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash equivalents:

Intermedia considers cash in banks and short-term investments with original maturities of three months or less as cash and cash equivalents.

Property and Equipment and Other Intangibles:

Property and equipment are stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Transmission equipment (including conduit).....	4 to 30 years
Communications equipment.....	5 to 10 years
Furniture, fixtures, buildings and other.....	4 to 39 years
Other Intangibles.....	5 to 15 years

Losses on property and equipment to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

Intermedia constructs certain of its own transmission systems and related facilities. Internal costs directly related to the construction of such facilities, including salaries of certain employees are capitalized.

Previously filed financial statements classified certain leases as capital leases. Upon further review of these leases it was determined that they capital leases should be recorded as operating and accordingly this Balance Sheet reflects the correct classification.

Adoption of Accounting Standard SFAS No. 144

Intermedia evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. Intermedia determines impairment by comparing undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. If quoted market prices for an asset are not available, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Foreign Currency Translation:

Assets and liabilities recorded in foreign currencies are translated at the exchange rate as of the balance sheet date. Translation adjustments are recorded as a separate component of shareholders' investment. Management has assessed the impact of foreign currency rates on cash and determined it to be immaterial.

Income Taxes:

Intermedia recognizes current and deferred income taxes and liabilities based upon all events that have been recognized in the consolidated financial statements as measured by the provisions of the enacted tax laws. Valuation

allowances are established to reduce deferred tax assets to the amounts expected to be realized.

Recently Issued Accounting Standards:

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143 "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets. SFAS No. 143 must be adopted by 2003. Intermedia has not yet quantified the impact of adopting SFAS No. 143 on its consolidated operations or financial position.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities. The provisions of SFAS No. 146 will be applied prospectively beginning in 2003 and will not impact Intermedia's previously reported consolidated financial position.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Additionally, management has made certain estimates and assumptions as to the nature and amount of the identified restatement items recorded in the unaudited consolidated balance sheet included in this Balance Sheet. These estimates are subject to change upon further analysis as discussed in Note 1, and additional adjustments may be identified which are not included in the accompanying unaudited consolidated balance sheet. Accordingly, other adjustments may be required to this Balance Sheet as additional information becomes known to us and as the restatement process is completed.

(6) Stock Subscription Receivable from WorldCom Inc.

In connection with the merger with WorldCom, Intermedia issued 70,750 shares of Junior Preferred Stock in exchange for \$70,750 in cash and an intercompany note receivable in the amount of \$7,075 million. The note bore interest at an annual rate of 7.69% and was to mature in 2009. This note is subject to WorldCom's bankruptcy proceedings and as such Intermedia's funding requirements are no longer guaranteed. Since the acquisition date, WorldCom has prepaid \$1,602 million giving a note balance of \$5,470 million. Intermedia have reserved 100% of the uncollected interest on this note.

In accordance with the predominate practice, the note, less prepayments, has been classified as a stock subscription and off-set against Additional Paid In Capital. The note will also be subject to WorldCom's final Plan of Reorganization and may be valued at substantially less than is presently shown on the Balance Sheet.

(7) Income Taxes

In assessing the realizability of deferred tax assets, Intermedia considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Additionally, the restructuring of WorldCom through the bankruptcy process may result in the utilization or loss of some portion or all of its deferred tax assets, the ultimate outcome of which is not currently determinable.

(6) Contingencies

The following contingencies are related to WorldCom but could have an impact on Intermedia's financial position. WorldCom is involved in legal and regulatory proceedings that are incidental to its business and has included

loss contingencies in other current liabilities and other liabilities for these matters in its financial statements. In some instances, rulings by federal, state, and international regulatory authorities may result in increased operating costs to WorldCom. The results of these various legal and regulatory matters are uncertain and could have a material adverse effect on its consolidated results of operations or financial position.

Regulation.

WorldCom is subject to varying degrees of federal, state, local, and international regulation. In the United States, its subsidiaries are most heavily regulated by the states, especially for the provision of local exchange services. WorldCom's subsidiaries must be licensed separately by the public utility commission (PUC) in each state to offer local exchange and intrastate long distance services. No PUC, however, subjects WorldCom to rate of return regulation, nor is WorldCom currently required to obtain authorization from the Federal Communications Commission (FCC) for installation or operation of its network facilities used for domestic services, other than licenses for specific multichannel multipoint distribution services (MMDS), wireless communications services, terrestrial microwave, and satellite earth station facilities that utilize radio frequency spectrum. FCC approval is required, however, for the installation and operation of WorldCom's international facilities and services. WorldCom is subject to varying degrees of regulation in the foreign jurisdictions in which it conducts business, including authorization for the installation and operation of network facilities. Although the trend in federal, state, and international regulation appears to favor increased competition, no assurance can be given that changes in current or future regulations adopted by the FCC, state, or foreign regulators or legislative initiatives in the United States or abroad would not have a material adverse effect on WorldCom.

The FCC's Local Competition Rules. In August 1996, the FCC established nationwide rules pursuant to the Telecommunications Act of 1996, or the Telecom Act, designed to encourage new entrants to compete in local service markets through interconnection with the incumbent local exchange companies (ILECs), resale of ILECs' retail services, and use of individual and combinations of unbundled network elements (UNEs) owned by the ILECs. UNEs are defined in the Telecom Act as any "facility or equipment used in the provision of a telecommunication service," as well as "features, function, and capabilities that are provided by means of such facility or equipment." One combination of UNEs, known as the unbundled network element platform (UNE-P), encompasses all the elements necessary to provide local telephone service. As a competitive local exchange carrier (CLEC), WorldCom relies upon UNEs, and in particular UNE-P, to provide local services, broadband services, and advanced services to consumer and business customers. Substantial reduction in ILEC unbundling requirements, including any near-term reduction in the availability of UNE-P, would foreclose WorldCom's future range of options in provisioning local services to customers.

Numerous issues related to the FCC's local competition rules have been reviewed by the courts and have been periodically reviewed by the FCC. In December 2001, the FCC initiated a "Triennial Review" of the UNE rules and began an examination of whether certain high capacity and broadband services offered by ILECs were subject to sufficient competition such that they no longer needed to be regulated as "dominant." In February 2002, the FCC established another proceeding to consider whether broadband Internet access, or "DSL service," provided by ILECs should be treated as an information service and not subject to common carrier regulation or unbundling requirements for Internet service providers (ISPs).

On February 20, 2003, the FCC announced a decision in the Triennial Review proceeding. Although the text of the Triennial Review order will not be published for several more weeks, the gist of the FCC's announcement was that most aspects of the current unbundling rules will be maintained and that state PUCs will be given a major role in determining if and where use of UNE-P and other network elements will be permitted. The FCC also announced that the order will prohibit competitive broadband providers from using ILEC fiber loops to reach broadband customers and will phase out the practice of joint use of loops known as "line sharing." Taken together, these aspects of the order will be significantly detrimental to the development of competition in broadband services because they would relegate competitors to inferior facilities for delivering broadband services.

RBOC Provision of Long Distance Services. The Telecom Act requires the largest ILECs, the Regional Bell Operating Companies ("RBOCs"), to petition the FCC for permission to offer long distance services for each state within their region. Under section 271 of the Telecom Act, for these applications to be granted, the FCC must find, among other things, that the RBOC has demonstrated it has satisfied a 14-point competitive checklist to open its local network to competition, and that granting the petition is in the public interest. To date, these challenges have focused

on the availability and pricing of UNEs, including UNE-P, and on the adequacy of the RBOCs' systems for provisioning UNEs. The FCC has granted RBOC 271 applications for thirty-seven states and the District of Columbia: Verizon (New York, Massachusetts, Connecticut, Pennsylvania, Rhode Island, Vermont, Maine, New Jersey, Delaware, New Hampshire, Virginia, Maryland, West Virginia, and the District of Columbia); SBC (Texas, Kansas, Oklahoma, Missouri, Arkansas, and California); BellSouth (Georgia, Louisiana, Alabama, Kentucky, Mississippi, North Carolina, South Carolina, Florida, and Tennessee); and Qwest (Washington, Utah, Wyoming, Montana, Colorado, Idaho, Iowa, Nebraska, and North Dakota). Both BellSouth and Verizon now have received 271 approval for all the states in their respective regions. SBC has applications for permission to offer long distance services pending for Michigan and Nevada, and Qwest has applications pending for Minnesota, New Mexico, Oregon, and South Dakota. Other applications may be filed at any time. WorldCom has challenged, and will continue to challenge, any application that does not satisfy the requirements of section 271 or the FCC's local competition rules.

In addition, legislation was introduced in the 107th Congress that would have had the effect of allowing RBOCs to offer in-region long distance data services without satisfying section 271 of the Telecom Act, and/or of making it more difficult for competitors to resell incumbent local phone company high-speed data services or to lease the UNEs used to provide those services. Although such legislation passed the U.S. House of Representatives, the 107th Congress ended without the Senate taking any action on the legislation. WorldCom cannot predict prospects for passage of similar legislation in the 108th Congress.

“Do Not Call” Registries. The Telephone Consumer Protection Act of 1991 authorized the FCC to create a national database of residential telephone numbers to which, with limited exceptions, companies would be prohibited from placing telemarketing calls. In 1992, the FCC declined to establish such a database, instead requiring carriers to create their own “Do Not Call” lists. In December 2002, the Federal Trade Commission (FTC) issued rules establishing a national Do Not Call registry. Lawsuits challenging the validity of these rules are pending in federal courts in Oklahoma and Colorado. Funding for the FTC's registry was approved as part of the 2003 omnibus budget. On March 11, 2003, the Do-Not-Call Implementation Act was enacted requiring the FCC, after consultation with the FTC, to create a national Do Not Call registry. This registry is scheduled to become effective in October 2003. Numerous states have enacted similar legislation requiring their PUCs to create such registries on a state-wide level. Because telemarketing has been MCI's primary sales acquisition tool, to the extent that the establishment of such registries affects the number of households to which MCI can place telemarketing calls, MCI's sales could be reduced.

Payphone Compensation. A group of payphone service providers (PSPs) has petitioned the FCC to double the rates paid by WorldCom and other carriers as compensation for dial-around service calls placed from the PSPs' payphones. If allowed, the higher rates would negatively impact MCI's revenues by more than \$25 million per year.

Reciprocal Compensation. In February 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking regarding the regulatory treatment of calls to ISPs. Prior to the FCC's order, over thirty state PUCs issued orders finding that CLECs, including WorldCom, are entitled to collect reciprocal compensation for completing calls to ISPs under the terms of their interconnection agreements with ILECs. WorldCom petitioned for review of the FCC's order in the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit), which vacated the order and remanded the case to the FCC for further proceedings. In April 2001, the FCC issued an order again asserting jurisdiction over calls to ISPs and establishing a three-year transitional scheme of decreasing reciprocal compensation rates. WorldCom again petitioned for review of the FCC's order and, on May 3, 2002, the D.C. Circuit again upheld WorldCom's challenge and remanded the case to the FCC, ruling that the FCC's legal analysis was based on a flawed reading of the Telecom Act. However, the court did not vacate the rules, opting to wait until the FCC had an opportunity to provide a sufficient legal justification for the proposed transitional scheme. Although the transitional scheme remains in place and the FCC will be looking at the issue on remand, it is unclear how any subsequent ruling will affect existing reciprocal compensation litigation.

Spectrum Rights. It is possible that spectrum rights held may be disrupted by FCC decisions to re-allocate some or all of that spectrum to other services. If this re-allocation were to occur, WorldCom cannot predict whether current deployment plans for its MMDS services will be sustainable.

Litigation.

WorldCom and various current or former directors, officers, and advisors have been named as defendants in a number of lawsuits alleging violations of federal and state securities laws and related claims. With the

exception of the SEC Lawsuit, described below, the filing of the Chapter 11 Cases automatically stayed proceedings in those lawsuits as to WorldCom. The plan of reorganization will specify how pre-petition litigation claims against WorldCom will be treated following WorldCom's emergence from bankruptcy.

SEC Lawsuit. On June 26, 2002, the SEC filed suit against WorldCom for violations of sections 10(b) and 13(a) of the Exchange Act and SEC Rules 10b-5, 12b-20, 13a-1, and 13a-13, alleging that from at least the first quarter of 2001 through the first quarter of 2002, WorldCom defrauded investors by disguising its true operating performance via improper accounting methods that materially overstated its income by approximately \$3.8 billion. On November 5, 2002, the SEC filed an amended complaint that broadened the scope of the claims, including a claim under section 17(a) of the Securities Act, to reflect among other things WorldCom's disclosure that the overall restatements could total in excess of \$9 billion. On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved claims brought in this suit. The injunction imposes certain ongoing obligations on WorldCom and permits the SEC to seek a civil penalty from WorldCom in the future. The Court has ordered that all discovery proceedings relating to the SEC's claim for a civil penalty must be completed by May 30, 2003, and has scheduled a conference on June 11, 2003, to set a date for a hearing with respect to the potential penalty.

Securities Litigation Arising from the Restatement. Beginning on April 30, 2002, various groups of plaintiffs filed in excess of 60 complaints, purportedly on behalf of certain WorldCom shareholders and bondholders or classes thereof in federal courts in California, Minnesota, Mississippi, Missouri, and New York and in state courts in California, Florida, Georgia, Illinois, Montana, New York, Ohio, Tennessee, and West Virginia. Several non-class action lawsuits were brought on behalf of individuals or small groups of shareholders in federal courts in Mississippi and Virginia and in state courts in Mississippi and Texas. All the cases filed initially in state court have been removed or are in the process of being removed to the federal courts for the districts in which they were filed. One derivative suit was filed in the federal court in New York. The complaints, which name as defendants WorldCom, various current and former WorldCom officers and directors, and, in some cases, WorldCom's former auditors and underwriters, generally allege that defendants misstated WorldCom's earnings in WorldCom's public filings and failed properly to account for goodwill and other intangible assets in connection with numerous acquisitions. The majority of these actions assert claims under sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. Certain bondholder actions assert claims for violation of section 11 of the Securities Act. Certain of the state court actions allege state law claims.

On August 15, 2002, Judge Denise L. Cote of the U.S. District Court for the Southern District of New York entered an order consolidating the cases in that district and appointing a lead plaintiff. On October 8, 2002, the Judicial Panel on Multidistrict Litigation (the "Panel") issued an order transferring 39 cases arising under the federal securities laws and other statutes to Judge Cote for consolidated or coordinated pretrial proceedings. Since then, the Panel has entered final orders transferring 12 additional cases to Judge Cote, and conditional orders that have not yet become final transferring 18 more cases to Judge Cote. Defendants have advised the Panel of additional cases that should be transferred to Judge Cote. On March 3, 2003, Judge Cote denied a motion to remand one of the consolidated cases to New York state court.

On October 11, 2002, the lead plaintiff filed a consolidated amended complaint that asserting claims under sections 11 and 15 of the Securities Act, sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5. On December 13, 2002, defendants moved to dismiss certain counts of the amended complaint pursuant to Fed.R.Civ.P.9(b) and 12(b)(6) and the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(b), asserting that the complaints failed to plead facts showing that WorldCom directors were involved in the alleged fraud, either directly or as control persons through their roles as members of the Board.

ERISA Litigation Arising from the Restatement. On March 18, 2002, one current and one former employee filed suit in federal court in California against WorldCom and two of its former executive officers on behalf of a putative class of participants in the WorldCom 401(k) plan and its predecessor plans, claiming that defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") with respect to the administration of the plans by, among other things, misrepresenting WorldCom's financial results and by allowing plan participants to continue to invest in WorldCom stock as one of their plan options. Following WorldCom's June 25, 2002 restatement announcement, participants in 401(k) plans for WorldCom and various affiliates filed approximately 15 additional putative class action suits against WorldCom and certain of its executive officers in federal courts in New York, Mississippi, Florida, Oklahoma, and the District of Columbia.

On September 18, 2002, Judge Cote entered an order consolidating the cases pending in the Southern District of New York, and thereafter designated lead plaintiffs for the consolidated cases. Thereafter, the Panel entered final orders transferring 15 additional cases to Judge Cote for consolidated or coordinated pretrial proceedings. On December 20, 2002, the lead plaintiffs filed a consolidated amended complaint alleging that defendants breached their fiduciary duties under ERISA and seeking damages and other relief. The complaint seeks to certify a class of persons who participated in the WorldCom 401(k) plan and certain predecessor plans during the period from September 14, 1998 to the present. On January 24, 2003, defendants filed motions to dismiss the amended complaint pursuant to Fed.R.Civ.P. 8(a), 9(b), and 12(b)(6), asserting that the complaint failed to allege that the individual defendants were ERISA fiduciaries of the 401(k) Salary Savings Plan and, therefore, cannot be liable for fiduciary breach claims.

Third Quarter 2000 Securities Litigation. In November 2000, class action complaints were filed in federal courts in Mississippi, New York, and the District of Columbia against WorldCom and some of its executive officers. The cases were consolidated in the U.S. District Court for the Southern District of Mississippi and, in June 2001, the plaintiffs filed an amended complaint alleging, among other things, that WorldCom's financial disclosures and statements regarding the integration of MCI, the success of UUNet, and the expansion of WorldCom's network were misleading. On March 29, 2002, the district court entered an order dismissing all claims with prejudice. On April 4, 2002, plaintiffs appealed the judgment to the U.S. Court of Appeals for the Fifth Circuit. On September 23, 2002, plaintiffs moved the district court for relief from judgment with respect to the individual defendants based on new evidence. On March 6, 2003, the district court denied this motion. Plaintiffs have appealed this decision.

MCI-BT Securities Litigation. In August 1997, three complaints were filed in the U.S. District Court for the District of Columbia as class actions on behalf of purchasers of MCI shares. In April 1988, the cases were consolidated and, in May 1998, the plaintiffs filed a consolidated amended complaint seeking damages and other relief and alleging, on behalf of purchasers of MCI's shares between July 11, 1997 and August 21, 1997, inclusive, that MCI and some of its officers and directors had failed to disclose material information about MCI, including that MCI was renegotiating the terms of the MCI-BT merger agreement. On May 3, 2002, the district court denied the defendants' motion to dismiss. On February 12, 2003, the district court issued a decision granting plaintiffs' motion for class certification.

Other Investigations. In addition, following WorldCom's June 25, 2002 announcement, various investigations have been initiated by the U.S. Attorney's Office for the Southern District of New York, several state agencies, and the U.S. Congress. These investigations are ongoing. WorldCom is cooperating fully in those inquiries.

EXHIBIT D
PROJECTED FINANCIAL INFORMATION

EXHIBIT D

PROJECTED FINANCIAL INFORMATION

The Debtors believe that the Plan meets the Bankruptcy Code's feasibility requirement that Plan confirmation is not likely to be followed by liquidation, or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the development of the Plan, and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. Management developed and refined a business plan and prepared financial projections (the "Projections") for the calendar years ending December 31, 2003 through 2005 (the "Projection Period").

The Debtors do not, as a matter of course, publish their business plans and strategies or projections, anticipated financial position or results of operations. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests after the Confirmation Date, or to include such information in documents required to be filed with the SEC or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared by the Debtors to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key economic variables and may be significantly affected by changes in the competitive environment, by regulatory changes and future changes in technology, and a variety of other factors. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less favorable or more favorable than as set forth. The Projections were substantially completed in March 2003.

ALTHOUGH EVERY REASONABLE EFFORT WAS MADE TO BE ACCURATE, THE PROJECTIONS ARE ONLY AN ESTIMATE, AND ACTUAL RESULTS MAY VARY CONSIDERABLY FROM THE PROJECTIONS. IN ADDITION, THE UNCERTAINTIES WHICH ARE INHERENT IN THE PROJECTIONS INCREASE FOR LATER YEARS IN THE PROJECTION PERIOD, DUE TO INCREASED DIFFICULTY ASSOCIATED WITH FORECASTING LEVELS OF ECONOMIC ACTIVITY AND PERFORMANCE AT MORE DISTANT POINTS IN THE FUTURE. CONSEQUENTLY, THE PROJECTED INFORMATION INCLUDED HEREIN SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE DEBTORS, THE DEBTORS' ADVISORS, OR ANY OTHER PERSON THAT THE DEBTORS WILL ACHIEVE THE PROJECTED RESULTS. THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARDS PUBLIC DISCLOSURE OR COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, THE PUBLISHED GUIDELINES OF THE SECURITIES AND EXCHANGE COMMISSION OR THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING PROJECTIONS OR FORECASTS. THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT CERTIFIED ACCOUNTANTS. CREDITORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FOLLOWING PROJECTIONS IN DETERMINING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

1. *Pro Forma Projected Balance Sheet (Unaudited)*^(a)
(As of September 1, 2003)

WorldCom and its Subsidiaries

<i>(dollars in millions)</i>	Estimated Pre-Reorg Balance Sheet	Reorganization Adjustments		Pro Forma Reorganized Balance Sheet
		Reorg Adj.	“Fresh Start” Adj.	
Assets:				
Cash and equivalents	\$3,447	(\$1,836) ^(b)	--	\$1,611
Accounts receivable, net.....	4,419	--	--	4,419
Discontinued operations	315	--	--	315
Other current assets	830	--	--	830
Total current assets	\$9,010	(\$1,836)	--	\$7,174
Net PP&E.....	8,760	--	2,198 ^(g)	10,958
Intangible assets.....	551	--	--	551
Other assets	1,625	--	--	1,625
Total assets	\$19,945	(\$1,836)	\$2,198	\$20,307
Liabilities and Shareholders' Equity:				
Accounts payable and accrued line costs	\$3,548	--	--	\$3,548
Discontinued operations liabilities	82	--	--	82
Accrued interest.....	70	--	--	70
Other current liabilities	2,564	--	--	2,564
Total current liabilities	\$6,264	--	--	\$6,264
Exit financing facility	--	--	--	--
New notes	--	5,500 ^(c)	--	5,500
Existing long term debt	345	--	--	345
Deferred taxes and other liabilities	275	--	--	275
Minority interest.....	(43)	--	--	(43)
Liabilities subject to compromise:				
Accounts payable and accrued line costs.....	\$2,940	(\$2,940) ^(d)	--	--
Accrued interest.....	587	(587) ^(d)	--	--
Total debt.....	32,221	(32,221) ^(d)	--	--
Liabilities subject to compromise	\$35,749	(\$35,749)	--	--
Total liabilities	\$42,591	(\$30,249)	--	\$12,342
Preferred equity.....	\$1,947	(\$1,947) ^(e)	--	--
Shareholders' equity	(24,592)	30,360 ^(f)	\$2,198 ^(h)	7,965
Total liabilities & shareholders' equity	\$19,945	(\$1,836)	\$2,198	\$20,307

NOTES TO PRO FORMA PROJECTED BALANCE SHEET

(dollars in millions unless otherwise noted)

- a. The pro forma balance sheet adjustments contained herein account for the reorganization and related transactions pursuant to the Plan using the principles of “fresh start” accounting as required by the Statement of Position 90-7 (“SOP 90-7”) issued by the American Institute of Certified Public Accountants (the “AICPA”). The fresh start adjustments are based on an estimated Reorganized WorldCom equity value of \$8.0 billion as more fully described in the Disclosure Statement (see Article X – Valuation). The estimated Reorganized WorldCom equity value may change depending on the amount of cash retained by the Company post-emergence and the actual principal amount of New Notes elected to be received by Classes 5, 11, and 13. Under SOP 90-7, reorganization value is allocated first to tangible assets, then to identifiable intangible assets, and lastly to excess reorganization value. Please note that although management has followed the principles of “fresh start” accounting, the actual adjustments will be determined at a later date and may be materially different than those presented herein upon completion of the required asset appraisals.
- b. Reflects the uses of cash pursuant to the Plan. Cash uses include (a) \$750 million for Administrative Expense Claims, including cure costs and Compensation and Reimbursement Claims, (b) \$500 million for Priority Tax Claims and Secured Tax Claims, and (c) \$586 million for distribution to holders of Claims in Classes 4, 6 and 12. The Debtors anticipate that a portion of the cash will be paid after the Effective Date thus resulting in a higher amount of cash on hand at closing than presented herein. The estimated sources and uses of cash may be subject to reduction in the event a civil penalty is imposed against the Debtors in connection with the SEC lawsuit.
- c. Reflects the issuance of \$5.5 billion of New Notes to pre-petition creditors. Depending on the number of creditors in Classes 5, 11, and 13 who choose to receive their recovery in the form of New Notes, the actual principal amount of New Notes at emergence will be between \$4.5 and \$5.5 billion.
- d. Liabilities subject to compromise eliminated at emergence pursuant to the Plan.
- e. Preferred stock eliminated at emergence pursuant to the Plan.
- f. Represents adjustments pursuant to the Plan and the reorganization adjustments described above.
- g. Under SOP 90-7, reorganization value is allocated first to tangible assets, then to identifiable intangible assets, and lastly to excess reorganization value. For purposes of this analysis, management has determined to allocate the excess reorganization value to Net PP&E. The actual adjustments will be determined at a later date and may be materially different than those presented herein upon completion of the required asset appraisals.
- h. Reflects the adjustment to shareholders’ equity based on the estimated equity value of Reorganized WorldCom in accordance with the “fresh start” accounting provisions of SOP 90-7.

2. *Projected Statements of Operations (Unaudited)*

WorldCom and its Subsidiaries

(dollars in millions)

	Projected		
	Fiscal Year Ended December 31,		
	2003	2004	2005
Revenue			
Business markets	\$13,706	\$14,597	\$16,102
Mass markets	6,751	6,663	6,775
International.....	3,680	4,051	4,552
Other	535	450	381
Total revenue	\$24,673	\$25,761	\$27,809
Line costs	13,562	13,676	14,229
Gross profit	\$11,110	\$12,085	\$13,580
SG&A	8,273	7,942	8,189
EBITDA	\$2,837	\$4,143	\$5,391
<i>% margin</i>	<i>11.5%</i>	<i>16.1%</i>	<i>19.4%</i>
Depreciation	\$1,470	\$1,638	\$1,714
Amortization.....	34	34	34
EBIT	\$1,333	\$2,471	\$3,643
Interest expense.....	\$166	\$397	\$360
Restructuring costs.....	764	--	--
EBT	\$403	\$2,074	\$3,283
Income taxes (expense)/benefit.....	\$0	(\$780)	(\$1,234)
Minority interest (income)/loss.....	55	24	(14)
Net income/(loss) from continuing operations	\$457	\$1,318	\$2,035
Income/(loss) from discontinued operations.....	39	37	37
Total net income	\$497	\$1,355	\$2,072

3. *Projected Balance Sheets (Unaudited)*

WorldCom and its Subsidiaries

(dollars in millions)

	Projected		
	Fiscal Year Ended December 31,		
	2003	2004	2005
Assets:			
Cash and equivalents	\$1,697	\$3,158	\$5,033
Accounts receivable, net.....	4,432	4,664	5,020
Discontinued operations	318	323	328
Other current assets	830	830	830
Total current assets	\$7,276	\$8,975	\$11,211
Net PP&E.....	\$10,949	\$11,087	\$11,374
Intangible assets.....	539	505	471
Other assets	1,625	1,625	1,625
Total assets	\$20,390	\$22,192	\$24,681
Liabilities and Shareholders' Equity:			
Accounts payable and accrued line costs	\$3,382	\$3,454	\$3,637
Discontinued operations liabilities	82	82	82
Accrued interest.....	70	70	70
Other current liabilities	2,564	2,564	2,564
Total current liabilities	\$6,099	\$6,171	\$6,353
Exit financing facility	--	--	--
New notes	\$5,500	\$5,500	\$5,500
Existing long term debt	296	148	--
Deferred taxes and other liabilities	200	747	1,116
Minority interest.....	(58)	(83)	(69)
Total liabilities	\$12,037	\$12,483	\$12,900
Shareholders' equity	8,353	9,709	11,780
Total liabilities and shareholders' equity	\$20,390	\$22,192	\$24,681

4. *Projected Statements of Cash Flow (Unaudited)*

WorldCom and its Subsidiaries	Projected		
	Fiscal Year Ended December 31,		
<i>(dollars in millions)</i>	2003	2004	2005
Cash flows from operating activities			
Net income before distributions and dividends	\$497	\$1,355	\$2,072
Net income from discontinued operations	(39)	(37)	(37)
Depreciation	1,470	1,638	1,714
Amortization	34	34	34
Restructuring charge (non-cash)	431	--	--
Minority interest	(55)	(24)	14
Changes in working capital	38	(160)	(174)
Advances to discontinued operations	32	32	32
Deferred taxes and other liabilities	(75)	547	369
Cash flows from operating activities	\$2,333	\$3,384	\$4,023
Cash flows from investing activities			
Capital expenditures	(\$1,187)	(\$1,775)	(\$2,000)
Cash flows from investing activities	(\$1,187)	(\$1,775)	(\$2,000)
Cash flows from financing activities			
Existing long term debt	(\$148)	(\$148)	(\$148)
Cash flows from financing activities	(\$148)	(\$148)	(\$148)
Beginning cash and cash equivalents balance	\$2,536	\$1,697	\$3,158
Net increase/(decrease) in cash	(839) ^(a)	1,461	1,875
Ending cash and equivalents balance	\$1,697	\$3,158	\$5,033

(a) Net increase/(decrease) in cash includes a cash adjustment at emergence of \$1.8 billion.

ASSUMPTIONS TO FINANCIAL PROJECTIONS

Projections

WorldCom prepared the projected consolidated financial results (the "Projections") for the three years ending December 31, 2005.

The Projections are based on a number of assumptions made by management with respect to the future performance of the Company's various lines of business. The Projections should be reviewed in conjunction with a review of these assumptions, including the qualifications and footnotes, set forth herein.

While management has prepared the Projections in good faith and believes the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will be realized. As outlined in Article XI and Section IX.B., a variety of risk factors could affect the Company's financial results and must be considered.

The projections are based upon a detailed build-up by product line. The following summarizes the underlying assumptions behind the Projections.

Key Assumptions

A. General

1. *Methodology.* The Projections are aggregated from operating forecasts for each of WorldCom's major revenue segments (Business Markets, Mass Markets, and International) as well as line costs, SG&A and capital expenditures.
2. *Plan Consummation.* The operating assumptions underlying the revenue and expense forecasts assume the Plan will be confirmed and consummated by the end of 2003. The "fresh start" accounting adjustments are more specifically based on an emergence at September 1st, 2003.
3. *Key Accounting/Reporting Elements.* The Projections include results for all WorldCom entities. The results for Embratel are currently not consolidated into the forecast but will be consolidated for external reporting purposes. In addition, discontinued operations are comprised of MMDS (fixed wireless) and SkyTel (paging) for the projected periods.
4. *Macroeconomic and Industry Environment.* The Projections assume a generally stable economic environment with low inflation, consistent with prevailing analyst forecasts. In addition, the Projections assume no significant change in the regulatory and competitive conditions under which the Company currently operates.

B. Projected Statements of Operations

1. *Revenues.* Consolidated revenues are forecast to decline by 14% to \$24.7 billion in 2003 and increase by 4% to \$25.8 billion in 2004 and 8% to \$27.8 billion in 2005. Major revenue categories consist of Business Markets, Mass Markets, and International.
 - Business markets revenues are expected to decline 18% in 2003 due to the negative impact of the bankruptcy on new sales in the first half and continued pricing pressure. The Projections

assume a significant increase in new sales for Business Markets in the second half of 2003, with sales productivity strengthening throughout the projection period and growth in data and Internet services offsetting declining voice revenues. As a result, Business Markets revenues are projected to increase 7% in 2004 and 10% in 2005.

- Mass markets revenues are expected to decline 10% in 2003 and remain relatively constant thereafter, with a 1% decline in 2004 and a 2% increase in 2005. Declines in stand-alone long distance products caused by continued pricing pressure, wireless substitution and other factors are offset by growth in the “The Neighborhood, built by MCI” bundled local and long distance product. Revenues are also driven by an increased focus on the small business market.
 - International revenues are expected to decline 5% in 2003 and increase 10% in 2004 and 12% in 2005. While the Projections assume continued competitive pressure and price erosion in traditional voice services, a greater focus on higher-value customers and services with respect to data and IP products is expected to drive revenue growth.
2. *Line Costs.* Line costs include telco costs, which consist of third-party network usage, and other costs of goods sold. Line costs are projected to decrease as a percent of consolidated revenue from 55% in 2003 to 53% in 2004 and 51% in 2005.
 3. *Gross Margin.* Gross margin is projected to grow from 45% in 2003 to 47% in 2004 and to 49% in 2005. Gross margin expansion is driven by network optimization savings, product mix changes in revenue, and restructuring-related savings of \$2.3 billion through 2005, with the bulk of this amount achieved in 2003.
 4. *Selling, General and Administrative Expenses.* SG&A includes employee salaries and benefits, real estate, bad debt, and other expenses. SG&A expense is forecast to decline from 34% of consolidated revenues in 2003 to 31% in 2004 and 29% in 2005. This improvement is driven primarily by reductions in headcount and facilities expense associated with ongoing restructuring activities.
 5. *Depreciation and Amortization.* Book depreciation is forecast based on estimates of useful life of the Company’s PP&E and intangibles and takes into account a substantial write-down of the carrying value of such assets. Depreciation related to PPE added during the projection period is forecast assuming a 10-year useful life.
 6. *Minority Interest.* Minority interest reflects the portion of Digex’s projected net loss in 2003 and 2004 and net income in 2005 attributed to shareholders other than WorldCom.
 7. *Interest Expense.* Interest expense reflects interest imputed on capital leases and the \$5.5 billion of New Notes issued pursuant to the Plan. These amounts are offset by estimated interest income equal to 1.5% of the projected cash balance at the beginning of each period, which continues through 2005.
 8. *Restructuring Costs.* Restructuring costs of \$764 million in 2003 consist of \$83 million of professional fees, \$194 million of cash payments associated with restructuring items, \$351 million of non-cash charges related to contract rejections, \$86 million of severance payments, \$80 million of non-cash charges related to PP&E writedowns associated with lease rejections, less \$30 million of interest income prior to emergence. No additional restructuring costs are forecast for 2004 and 2005 due to the Company’s assumed emergence from bankruptcy in late 2003.

9. *Income Taxes.* The Projections assume no income tax expense in 2003 due to the usage of net operating loss (“NOL”) carryforwards. After 2003, the Projections assume that NOLs are eliminated as a result of the discharge of indebtedness pursuant to the Plan and that income is taxed at an effective rate of 37.5%.

C. Projected Balance Sheet and Statements of Cash Flow

1. *Cash.* The cash shown on the projected balance sheets is net of outstanding checks.
2. *Working Capital.* Accounts receivable, net of \$1.3 billion of asserted setoff amounts, are projected to fluctuate slightly in the first half of 2003 and then remain constant at 59 days sales outstanding through 2005. Other current assets are also projected to remain constant throughout the projection period. Accounts payable and accrued line costs, net of \$440 million of excluded amounts, decline from 63 to 59 days payables outstanding over 2003 and remain constant at 59 days payables outstanding thereafter. Accrued interest and other current liabilities are constant throughout the projection period.
3. *Capital Expenditures.* Capital expenditures of \$1.2 billion in 2003 are forecast to increase 50% to \$1.8 billion in 2004 and a further 13% to \$2.0 billion in 2005. Growth in capital expenditures is primarily attributed to new product roll-outs, the development of new features for existing products, success-based volume growth and new strategic initiatives. In addition, the Company expects to spend approximately \$697 million over the projection period on cost-saving initiatives with respect to line costs and other operating costs.
4. *Asset Sales.* The Projections do not assume any proceeds from asset sales.

EXHIBIT E

LIQUIDATION ANALYSIS

EXHIBIT E

LIQUIDATION ANALYSIS

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the “Best Interest Test”), the Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. In determining whether the Best Interest Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors’ assets in chapter 7. The gross amount of Cash available would be the sum of the proceeds from the disposition of the Debtors’ assets and the Cash held by the Debtors at the commencement of their chapter 7 cases. Such amount then would be reduced by the costs and expenses of the liquidation. Prior to determining whether the Best Interest Test has been met for general unsecured creditors, further reductions would be required to eliminate Cash and asset liquidation proceeds that would be applied to Secured Claims and amounts necessary to satisfy chapter 11 Administrative Expense, tax, and priority Claims that are senior to general unsecured Claims, including any incremental Administrative Expense Claims that may result from the termination of the Debtors’ business and the liquidation of their assets. Any remaining Cash would be available for distribution to general unsecured creditors and Equity Interest holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The Liquidation Analysis below reflects the estimated Cash proceeds, net of liquidation-related costs that would be available to the Debtors’ creditors if the Debtors were to be liquidated in chapter 7 cases. Underlying the Liquidation Analysis are a number of estimates and assumptions regarding liquidation proceeds that, although developed and considered reasonable by management and Lazard, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Company and its management. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

The Liquidation Analysis was prepared by Lazard with the assistance of management and the Debtors’ other advisors, and assumes that the Debtors would announce a conversion to chapter 7 as of September 1, 2003. The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under the direction of a Court-appointed chapter 7 trustee and continue for 12 months, during which time all of the Company’s major assets either would be sold or conveyed to the applicable lienholders and the Cash proceeds, net of liquidation-related costs, would be distributed to creditors. Although some assets might be liquidated in less than 12 months, other assets would be more difficult to collect or sell, thus requiring a liquidation period of up

to 12 months. The liquidation period would allow for the collection of receivables, sales of assets, and wind-down of daily operations.

For certain assets, estimates of the liquidation proceeds were made for each asset individually. For other assets, liquidation values were assessed for general classes of assets by estimating the percentage recoveries that a chapter 7 trustee might achieve through their disposition. The Liquidation Analysis was performed on a consolidated basis, excluding Intermedia and Non-Debtor Subsidiaries, and assumes that the Debtors' liquidation proceeds would be distributed in accordance with Bankruptcy Code sections 726 and 1129(b). The following Liquidation Analysis should be read in conjunction with the accompanying notes.

IMPORTANT CONSIDERATIONS AND ASSUMPTIONS

1. *Substantive consolidation of the Debtors.* For the purposes of the Plan (See Section V of the Plan), the Liquidation Analysis has been prepared in two parts assuming the substantive consolidation of (i) the WorldCom Debtors and (ii) the Intermedia Debtors. The assets and liabilities of each of the WorldCom Debtors are treated for this analysis as if they were merged. The assets and liabilities of each of the Intermedia Debtors are treated for this analysis as if they were merged.

2. *Independent analysis of Intermedia.* The Debtors have prepared the Intermedia Debtors' Liquidation Analysis based on the assumption that a conversion to chapter 7 by the WorldCom Debtors would also result in the conversion to chapter 7 of the Intermedia Debtors' Chapter 11 Cases. Management has assumed that the proceeds resulting from the liquidation of the Intermedia Debtors' estates would be used to satisfy the obligations of the Intermedia Debtors' estates. Intermedia also holds a note receivable from the WorldCom Debtors which is estimated at approximately \$5.9 billion as of the Commencement Date. For the purposes of this analysis, management estimates that Intermedia would receive a recovery on its Claim against the WorldCom Debtors equal to the recovery received by third-party unsecured claimants. In analyzing the liquidation recovery to the Intermedia Debtors' estates, the Debtors estimated that the likely recovery on the debt obligations owed by Digex to Intermedia (as well as the approximately 60% common stock ownership stake by Intermedia in Digex), would range between \$50 million and \$150 million, with a midpoint of \$100 million. For purposes of this analysis, the general unsecured Claims against the Intermedia Debtors have been increased by \$1.7 billion (prior to the Commencement Date, WorldCom prepaid \$1.4 billion on account of the Intermedia Intercompany Note and made \$343 million in interest payments) to reflect a Claim by the WorldCom Debtors for prepetition payments made to Intermedia related to the Intermedia Intercompany Note, which may qualify as a Claim under section 502(d) of the Bankruptcy Code.

3. *Independent analysis of Non-Debtor Subsidiaries.* The Debtors have prepared the Liquidation Analysis based on the assumption that the conversion to chapter 7 by the Debtors would result in the insolvency and liquidation of each of the Non-Debtor Subsidiaries (Europe, Middle East and Africa or "EMEA"; Asia Pacific; and Latin America). In particular, it is assumed that the Debtors' conversion to chapter 7 cases

would lead to the loss of network and switch facilities which would render impractical the provision of service to local or international customers by the Non-Debtor Subsidiaries. The associated withdrawal of funding support from the Debtors, combined with the probable unwillingness of local vendors to extend payment terms to the Non-Debtor Subsidiaries under such circumstances, would likely result in significant constraints on liquidity. Directors of the individual Non-Debtor Subsidiaries would likely be forced to place these companies into administration proceedings. Management estimates that recovery to the WorldCom Debtors from such proceedings, assuming the WorldCom Debtors' intercompany Claims are *pari-passu* with third party Claims, would be approximately \$25 million. If the WorldCom Debtors' intercompany Claims were to be subordinated to third party Claims, management estimates that there would be no recovery to the WorldCom Debtors. For purposes of this analysis, intercompany Claims were assumed to be *pari-passu* with third party Claims.

4. *Execution risk of a liquidation.* A liquidation of the Debtors would be unprecedented in scale and scope. The assets of the Debtors include billions of dollars worth of integrated telecommunications equipment and thousands of miles of network infrastructure. The assets are located throughout the world, cross many national borders, and would be subject to the laws of virtually every state within the United States and numerous foreign jurisdictions. Given the complexity of such an undertaking, the Debtors believe significant execution risk exists if a liquidation were actually pursued. The Debtors are not aware of any successful liquidation of similar magnitude or complexity.

5. *Wind-down costs and length of liquidation process.* The Debtors have assumed that the Federal Communications Commission would require continuation of service to the Debtors' customers for 90 days after the decision to liquidate was announced. The Debtors have also assumed that the chapter 7 trustee would need an additional nine months to complete the liquidation process, although there can be no assurances that all assets would be completely liquidated during this time period.

Estimated Liquidation Proceeds — WorldCom Debtors

(\$ in millions)	Projected Book Value as of 9/1/03	(a)	Recovery Percent	Estimated Recovery Proceeds
Proceeds from Liquidation				
Cash and Cash equivalents (b)	\$3,353		100.0%	\$3,353
Accounts receivable, net (c)	4,097		22.8%	935
Other current assets (d)	595		3.9%	23
Property, plant and equipment, net (e)	5,559		16.4%	913
Other long term assets (f)	1,864		7.7%	143
Proceeds from Non-Debtor Subsidiaries (g)	--		--	25
	<hr/>			<hr/>
Gross liquidation proceeds	\$15,468			\$5,393
Chapter 7 Administrative Expense Claims				
Trustee and receiver fees (h)				\$61
Counsel for trustee and other professional fees (i)				24
Wind-down costs (j)				1,230
Chapter 7 Administrative Expense Claims				<hr/> \$1,315
Net proceeds available for distribution				\$4,078
Secured Claims (k)				\$15
<i>% Recovery</i>				<i>100.0%</i>
Net Proceeds available after Secured Claims				\$4,062
Less:				
Estimated aggregate unpaid Administrative Expense, priority, and tax Claims (l)				\$5,434
<i>% Recovery</i>				<i>74.8%</i>
Net Proceeds available after unsecured Claims				\$0
General unsecured Claims (m)				\$39,970
<i>% Recovery</i>				<i>0.0%</i>

Estimated Liquidation Proceeds — Intermedia Debtors

(\$ in millions)	Projected Book Value as of 9/1/03	(a)	Recovery Percent	Estimated Recovery Proceeds
Proceeds from Liquidation				
Cash and Cash equivalents (b)	\$17		100.0%	\$17
Accounts receivable, net (c)	22		22.8%	5
Other current assets (d)	32		3.1%	1
Property, plant and equipment, net (e).....	383		4.3%	16
Other long term assets (f).....	11		0.0%	0
Recovery on the Intermedia Intercompany Note (n)	5,947		0.0%	0
Proceeds from sale of Digex (o)	--		--	100
	<hr/>			<hr/>
Gross liquidation proceeds.....	\$6,412			\$139
Chapter 7 Administrative Expense				
Claims				
Trustee and receiver fees (h)				\$4
Counsel for trustee and other professional fees (i).....				6
Wind-down costs (j)				5
				<hr/>
Chapter 7 Administrative Expense Claims				\$15
Net proceeds available for distribution.....				\$124
Secured Claims (k)				\$1
<i>% Recovery</i>				<i>100.0%</i>
Net Proceeds available after Secured Claims				\$123
Less:				
Estimated aggregate unpaid Administrative Expense, priority, and tax Claims (l)				\$254
<i>% Recovery</i>				<i>48.4%</i>
Net Proceeds available after unsecured Claims				\$0
General unsecured Claims (m)				\$3,058
<i>% Recovery</i>				<i>0.0%</i>

NOTES TO LIQUIDATION ANALYSIS

- A** **Book value** Asset figures represent the projected book value as of September 1, 2003 for the WorldCom Debtors (exclusive of the Intermedia Debtors and Non-Debtor Subsidiaries). The asset figures for the WorldCom Debtors were derived by subtracting the actual asset book values for Intermedia and the Non-Debtor Subsidiaries as of December 31, 2002 from the projected asset book values as of September 1, 2003 for the consolidated Company. The asset figures for the Intermedia Debtors represent actual asset book values as of December 31, 2002 as a proxy for the asset figures that would likely be available as of September 1, 2003. The asset figures for the Intermedia Debtors exclude assets related to Digex and the estimated recovery related to Digex is described separately.
- B** **Cash** The Cash balance reflects management's projected estimate of Cash as of September 1, 2003. Management estimates that approximately \$3.4 billion of Cash will be held by the WorldCom Debtors and \$17 million will be held by the Intermedia Debtors. Cash includes Cash and Cash equivalents. There can be no assurance that the full amount of these funds will be available to creditors of the Debtors.
- C** **Accounts receivable** Estimated proceeds realizable from short-term and long-term accounts receivable under a liquidation are based on management's assessment of the collectibility of those receivables taking into consideration the credit quality of the counter-parties and the aging of the accounts. The liquidation value of accounts receivable was estimated by applying a collection rate of 70% on total eligible receivables as defined in a manner consistent with the definition in the Debtors' borrowing base certificate as of February 28, 2003, as required under the Debtors' postpetition secured super-priority financing. For the purposes of this analysis, management estimated that the Debtors could also collect approximately 10% of receivables aged over 90 days (a significant portion of which have been asserted as set-offs by various creditors) and 20% of receivables owed by various governmental and quasi-governmental customers. The result is assumed to be an estimate of the proceeds that would be available in an orderly liquidation scenario and takes into account the inevitable difficulty a liquidating company has in collecting its receivables and any concessions which might be required to facilitate the collection of certain accounts. Collections during a liquidation of the Debtors may be further impaired by the likely damage Claims for breaches of and/or the likely rejection of customer contracts as customers attempt to set off outstanding amounts owed to the Debtors against such Claims.
- D** **Other current assets** This asset account consists primarily of miscellaneous receivables, prepaid rents, prepaid property taxes, prepaid insurance, telecommunications equipment held in inventory, and employee advances. Management has reviewed the individual components of "other current assets" and has estimated a liquidation recovery of approximately \$23 million for the WorldCom Debtors and a \$1 million liquidation recovery for the Intermedia

Debtors. These recoveries consist primarily of expected payments on receivables and recoveries from marketable securities.

- E** **Property, plant & equipment, net (“PP&E”)** PP&E includes network assets, such as cable systems, points of presence, and transmission equipment, as well as construction-in-progress, fixtures and fittings, leasehold improvements, computer equipment, motor vehicles, and other various assets. Consideration was given to the “forced sale” nature of the liquidation, the need to disconnect or otherwise prepare the asset for sale, the physical location, and the accessibility of the asset in estimating the recovery rates. The overall average recovery rate across all fixed asset classes was determined to be 4.3% of net PP&E value before the recent asset writedowns as required per SFAS 121 and 144. As a result, the recovery represents approximately 16.4% of the WorldCom Debtors’ projected unaudited net PP&E as of September 1, 2003 which incorporates the asset writedown. The PP&E for the Intermedia Debtors after the writedown was not available at the time this analysis was prepared.
- F** **Other long-term assets** Other long-term assets consist primarily of long-term investments, prepaid rent, prepaid expenses, long-term receivables, prepaid equipment and assets of discontinued operations. Management has reviewed the individual account balances for this account and has estimated that in aggregate approximately \$143 million may be recovered by the WorldCom Debtors and zero by the Intermedia Debtors. These recoveries consist primarily of recoveries from long-term investments.
- G** **Proceeds from Non-Debtor Subsidiaries** Proceeds from Non-Debtor Subsidiaries consist of expected recoveries to the WorldCom Debtors of the Non-Debtor Subsidiaries’ administrative proceedings described under “Liquidation Analysis: Important Considerations and Assumptions.” Management estimates that the recovery to the WorldCom Debtors from such proceedings could range between zero and \$25 million depending on whether the WorldCom Debtors’ Claims are subordinated to, or *pari-passu* with, third party unsecured Claims against the Non-Debtor Subsidiaries. For purposes of this analysis, it has been assumed that the WorldCom Debtor intercompany Claims would be *pari-passu* with third party unsecured Claims against the Non-Debtor Subsidiaries.
- H** **Trustee and receiver fees** Compensation for the chapter 7 trustee will be limited to fee guidelines in section 326 of the Bankruptcy Code. For purposes of this analysis, management has assumed trustee fees of 3.0% of the proceeds recovered from non-Cash assets in the liquidation.
- I** **Counsel for trustee and other professionals** Compensation for the chapter 7 trustee’s counsel and other legal, financial, and professional advice during the chapter 7 proceedings is estimated to be approximately \$2.0 million per month for the WorldCom Debtors and \$0.5 million per month for the Intermedia Debtors.

J **Wind-down costs** The Debtors assume that the chapter 7 liquidation process will take 12 months to complete. For the first three months (90 days) it is assumed that the Federal Communications Corporation will require the Debtors to continue to provide service to its existing customer base in order to allow customers to transition to alternative providers.

During the wind-down period, customers are assumed to disconnect at an increasingly higher rate than in the normal course of business. The highest attrition during the 90-day period is expected to be experienced from the WorldCom Debtors' Mass Markets accounts. In addition, because no new accounts will be added, operating expenses (employee and real estate costs) are estimated to decrease to the lowest cost level required to support service while customers transition off of the WorldCom Debtors' network. After the 90-day period, operating costs are assumed to be reduced substantially as the chapter 7 trustee further rejects contracts and leases and manages the wind-down of the assets. A nominal workforce would be maintained for network maintenance, billings and collections, customer service, legal and finance functions. Other wind-down costs include employee severance costs, stay bonuses for those employees who are required during the wind-down process, and network access costs. Capital expenditures would also be reduced to nominal levels for network maintenance and value preservation prior to disposition.

K **Secured Claims** The WorldCom Debtors are estimated to have approximately \$356 million of capital leases. Management estimated the liquidation value of the assets securing these Claims by applying the 4.3% recovery rate estimated for net PP&E (pre-writedown) to the total Claim, resulting in a total Secured Claim of approximately \$15 million. The remaining \$341 million of Claims is reflected as a deficiency Claim in the WorldCom Debtors' general unsecured Claims. The Intermedia Debtors are estimated to have \$34 million of capital leases. Management estimated the liquidation value of the assets securing these Claims using the same methodology, resulting in a total Secured Claim of approximately \$1 million. The remaining \$33 million of Claims is reflected as a deficiency Claim in the Intermedia Debtors' general unsecured Claims.

L **Estimated aggregate unpaid Administrative Expense, priority, and tax Claims** Prior to determining what proceeds would be available for general unsecured creditors under the chapter 7 proceedings, Cash and asset liquidation proceeds would be reduced in order to satisfy chapter 11 Administrative Expense, tax, and priority Claims that are senior to general unsecured Claims, including any incremental Administrative Expense Claims that may result from the termination of the Debtors' business and the liquidation of their assets. These Claims represent postpetition chapter 11 accounts payable, access charges, accrued expenses, and professional fees related to the chapter 11 proceedings. For the WorldCom Debtors, this consists of an estimated \$400 million for Priority Tax Claims, \$100 million for Secured Tax Claims, \$50 million for unpaid chapter 11 compensation and reimbursement Claims, and \$2.6 billion of projected postpetition accounts payable and accrued line costs as of September 1, 2003 that

would become priority Claims upon the commencement of chapter 7 proceedings. For the Intermedia Debtors, this consists of approximately \$254 million of projected postpetition accrued payables and accrued line costs as of September 1, 2003 that would become priority Claims upon the commencement of chapter 7 proceedings. Management estimates that other Administrative Expense Claims against the Intermedia Debtors are *de minimis*. For both the WorldCom Debtors and the Intermedia Debtors, the amount of Administrative Expense Claims would also increase by the damage Claims associated with the termination of contracts previously assumed in the Chapter 11 Cases. Management estimates that Administrative Expense Claims associated with the rejection of previously assumed executory contracts for the WorldCom Debtors would be approximately \$2.3 billion. Any remaining Cash after satisfaction of these Claims would be available for distribution to general unsecured creditors and Equity Interest holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

M **General unsecured Claims** General unsecured Claims against the WorldCom Debtors include \$33.7 billion of Claims consisting of Class 4, Class 5, Class 6, Class 9, and Class 10 Claims, a \$5.9 billion intercompany note to Intermedia, and a deficiency Claim related to Secured Claims against the WorldCom Debtors of approximately \$341 million. General unsecured Claims against the Intermedia Debtors include \$1.3 billion of Claims consisting of Class 11, Class 12, and Class 13 Claims and a deficiency Claim related to Secured Claims against the Intermedia Debtors of \$33 million. For purposes of this analysis, the Debtors have also increased the general unsecured Claims against the Intermedia Debtors by \$1.7 billion (prior to the Commencement Date, WorldCom prepaid \$1.4 billion on the Intermedia Intercompany Note and made \$343 million in interest payments) to reflect a Claim by the WorldCom Debtors for prepetition payments made to Intermedia related to the Intermedia Intercompany Note which may qualify as a Claim under section 502(d) of the Bankruptcy Code. Management believes that if the Debtors enter chapter 7 proceedings, the amount of general unsecured Claims would increase dramatically as the number of customers, vendors, and counterparties to contracts and leases is significant, and each such party could file Claims for damages. Such Claims would be *pari-passu* with the Debtors' current general unsecured Claims, would significantly increase the Claims against the Debtors, and ultimately reduce the overall recovery to the general unsecured claimants.

N **Recovery on the Intermedia Intercompany Note** The Intermedia Debtors hold a receivable under the Intermedia Intercompany Note from the WorldCom Debtors in the amount of approximately \$5.9 billion. For the purposes of this analysis, management estimates that the Intermedia Debtors would receive a recovery on its Claim against the WorldCom Debtors equal to the recovery received by third-party unsecured claimants.

O **Proceeds from the sale of Digex** Proceeds from the sale of Digex represents management's estimate of proceeds that Intermedia claimants might receive if

Digex were sold to a third party. For purposes of this analysis, the Debtors estimated that the likely recovery on the debt obligations owed by Digex to Intermedia (as well as the approximately 60% common stock ownership stake by Intermedia in Digex), would range between \$50 million and \$150 million, with a midpoint of \$100 million.