TC97-019

KC/TS

DOCKET NO. TC97-019

In the Matter of IN THE MATTER OF THE APPLICATION OF MFS INTELENET OF SOUTH DAKOTA, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
2/25	97	Filed and Docketed;
2/27	97	TC for Filing;
4/28	97	Order Granting Amended COA;
4/28	97	Docket Closed

KATHLEEN L. GREENAN
ATTORNEY-AT-LAW
(NOT ADMITTED IN D.C.)

SWIDLER & BERLIN
CHARTERED

TC97-019

DIRECT DIAL
(202)945-6922

February 24, 1997

RECEIVED
FEB 25 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

Mr. William Bullard, Executive Director
South Dakota Public Utilities Commission
500 East Capitol, State Capitol Building
Pierre, South Dakota 57501

Re: **Application of MFS Intelenet of South Dakota, Inc.**

Dear Mr. Bullard:

On behalf of MFS Intelenet of South Dakota, Inc., enclosed for filing please find an original and ten (10) copies of an Application for Authority to Operate as a Competitive Local Exchange Carrier in those areas of the State of South Dakota where U S West Communications, Inc. is the Incumbent Local Exchange Carrier. Also enclosed is a check in the amount of $250.00 in payment of the requisite filing fee.

Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, stamped envelope. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Very truly yours,

Kathleen Greenan

Richard Rindler
Kathleen Greenan

Counsel for MFS Intelenet of South Dakota, Inc.

Enclosures

cc: John McCluskey
Andrew D. Lipman, Esq.

182570.1

3000 K STREET, N.W. ■ SUITE 300
WASHINGTON, D.C. 20007-5116
(202)424-7500 ■ FACSIMILE (202)424-7645

TC97-019

BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

In the Matter of the Application of	)	
	)	
MFS INTELENET OF SOUTH DAKOTA, INC.	)	
	)	Docket No. ________
for Authority to Operate as a Competitive Local Exchange Carrier in those areas of the State of South Dakota where U S West Communications, Inc. is the Incumbent Local Exchange Carrier	)	

APPLICATION OF MFS INTELENET OF SOUTH DAKOTA, INC.

I. INTRODUCTION

MFS Intelenet of South Dakota, Inc. ("MFSI-SD" or "Company"), by its undersigned counsel hereby applies, pursuant to S.D. Codified Laws Ann. § 49-31 and Administrative Rule 20:10:24:02, for a Certificate of Public Convenience and Necessity tc operate as a competitive local exchange carrier ("LEC") throughout those areas of the State of South Dakota in which U S West Communications, Inc. ("USWC") is the incumbent local exchange carrier ("ILEC"). MFSI-SD will provide service to customers through: (I) the resale of services and facilities provided by USWC, other authorized providers and entrant local exchange carriers ("ELEC"), including affiliates; (ii) through use of facilities MFSI-SD has or will deploy; or (iii) through some combination thereof. MFSI-SD soon will enter into negotiations with USWC, for the provision of wholesale services, interconnection, access to unbundled network elements, and interim number portability, subject to Sections 251 and 271 of the Telecommunications Act of 1996 ("the Act")[1], to enable MFSI-SD to begin operations.

Section II., infra, describes the applicant and its corporate organization. Section III., infra, describes MFSI-SD's technical, financial, and managerial resources and ability to provide local exchange telecommunications services.[2] Section IV, infra, provides a public convenience showing.

All correspondence, notices, inquiries and other communications regarding this Application should be addressed to:

Richard M. Rindler
Kathleen L. Greenan
Swidler & Berlin, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Phone: 202-424-7500

with copies to:

Ruth F. Durbin
Director, Regulatory Affairs - Central Region
MFS Communications Company, Inc.
One Tower Lane, Suite 1600
Oakbrook Terrace, IL 60181
Phone: 630-203-7058

MFSI-SD's entry as a competitive local exchange carrier will provide an enhanced range of telecommunications services, increase customer choice, encourage more efficient service at lower prices, provide users of telecommunications services with more responsive

---

[1] Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996).

[2] We note that the Commission previously has found MFSI-SD qualified to provide resold interexchange telecommunications services. *Order Granting Certificate of Authority*, South Dakota Public Utilities Commission, Docket No. TC94-042 (August 1, 1994).

customer service, and stimulate greater quality, reliability, innovations and responsiveness among all providers in the market. MFSI-SD's entry will be of particular value to its target market, small and medium-sized businesses, an often under-served community of users, yet one encompassing segments of the business community essential for the State's economic health.

II. DESCRIPTION OF THE APPLICANT AND CORPORATE AUTHORITY

1. Applicant's legal name is MFS Intelenet of South Dakota, Inc. Applicant maintains its principal place of business at:

MFS INTELENET OF SOUTH DAKOTA, INC.
3 Wing Drive, Suite 200
Cedar Knolls, NJ 07927
Telephone: 201-938-7400
Facsimile: 201-524-9575

2. The name and address of Applicant's registered agent in South Dakota is:

CT Corporation System
319 South Coteau Street
Pierre, SD 57501

3. Questions concerning the ongoing operations of MFS Intelenet of South Dakota, Inc. following certification should be directed to:

Ruth F. Durbin
Director, Regulatory Affairs - Central Region
MFS Communications Company, Inc.
One Tower Lane, Suite 1600
Oakbrook Terrace, IL 60181
Telephone: 630-203-7058
Facsimile: 630-203-0584

4. MFSI-SD is a wholly-owned subsidiary of MFS Intelenet, Inc., which, in turn, is a wholly-owned subsidiary of MFS Communications Company, Inc ("MFSCC"), which in

turn is a subsidiary of WorldCom, Inc. d/b/a LDDS WorldCom ("WorldCom"). WorldCom, a Georgia corporation, is publicly owned and traded over the NASDAQ.

MFSI-SD is a Delaware corporation incorporated on March 21, 1994. Attached as Exhibit 1 is a copy of Applicant's Articles of Incorporation and a copy of Applicant's authorization to transact business in the State of South Dakota. Applicant does not control or own any subsidiaries.

5. By this application, MFSI-SD proposes to add local exchange services to its previously approved interexchange offerings. In South Dakota, MFSCC has one certificated subsidiary: the Applicant which is authorized to provide resold interexchange services. In addition, WorldCom is the fourth largest long-distance carrier in the United States and a premier provider of advanced digital voice, data, and Internet services worldwide.

III. QUALIFICATIONS

MFSI-SD clearly meets all technical, managerial, financial and legal qualifications required of applicants for the certificate requested herein. MFSI-SD will draw heavily on the management resources of both MFSCC and its ultimate parent, WorldCom, for planning, marketing, network, service development, provisioning and delivery, and legal/regulatory assistance. MFSCC has been a leader in opening up the local exchange to competition throughout the United States. MFSCC operating subsidiaries operate local fiber optic networks in over three dozen metropolitan areas globally. Additionally, MFSCC operating subsidiaries have been offering competitive switched local exchange services in New York since July of 1993, in Illinois since August of 1995, in London, UK, since May of 1994, and in Maryland since October of 1995. Furthermore, MFSCC operating affiliates have received authority to provide local exchange services and have initiated or expect to initiate operations in the near future in the following states: Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas, Virginia, Washington and Wisconsin.[3] MFSCC operating affiliates expect to receive additional local exchange authority during 1997, including authority in the following states where applications are currently pending: Indiana, Louisiana, Minnesota, Missouri and North Dakota. Finally, WorldCom operating affiliates are currently authorized and provide long distance services throughout the continental United States, including international long distance and toll free services. As noted previously, Applicant is currently authorized and provides resold interexchange services in South Dakota.

Descriptions of the backgrounds of MFS Intelenet, Inc., MFSCC and WorldCom management, which demonstrate the extensive telecommunications experience and expertise of MFSI-SD's management team, are contained in MFSCC and WorldCom's Annual Reports to the Securities and Exchange Commission on Form 10-K for the year ending December 31, 1995 (at pp. 10-12). A copy of each of these Form 10-K reports are attached hereto as Exhibit 2. Attached as Exhibit 3 hereto is a list of officers and directors of MFSI-SD.

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[3] MFSCC has never been denied registration or certification in any state.

MFSI-SD will employ a combination of its own equipment, services, and services and facilities purchased from other entities (including, but not limited to, its corporate affiliates), in providing the proposed services. MFSCC's switching and network systems, which MFSI-SD will employ, feature advanced common channel signaling (sometimes referred to as "CCS" or "SS7") and database capabilities. MFSCC, has set up multiple Network Operations Control Centers ("NOCC") which are manned 24 hours per day, 365 days per year. The NOCCs monitor the operations of all switches, transport equipment and systems, all peripherals, and all network facilities on a continuous basis.

MFSI-SD, with the resources of its corporate parent, possesses the sound financial support necessary to procure, install and operate facilities and services, and to hire and train any additional personnel which may be required to exercise competently and effectively the additional service authority requested by this Application. The financial resources available to MFSI-SD from its parent, WorldCom, are identified in the MFSCC and WorldCom Form 10-K reports contained in Exhibit 2 hereto. Because MFSCC merged with WorldCom effective on December 31, 1996, no financial reports of the merged corporation are yet available. In addition, MFSCC and WorldCom's most recent, available quarterly financial reports on Form 10-Q also are included as part of Exhibit 2.

MFSI-SD will rely upon the substantial financial resources of its parent, WorldCom, to provide initial capital investment and to fund operating losses during the start-up phase. Estimated operating revenues and expenses have not yet been determined because certain of the primary factors affecting those items are likely to be the terms under which USWC will provide interconnection, reciprocal compensation, access to unbundled network elements, interim number portability and wholesale services for resale, which cannot be determined at this time.

All complaints and billing inquires may be sent to the Company's Customer Service Department in Omaha, Nebraska. The Company's customer service organization is available 24 hours per day, seven days per week to answer questions and handle billing inquiries. Customers may contact the Company by calling its toll-free customer service number 1-800-938-MFS1 (1-800-938-6371) or by writing to the company. Each customer inquiry is handled by a trained customer service representative who, if needed, will research the question and obtain pertinent information about the customers account. The customer representative will make any necessary adjustments or changes to a customers account or bill. The contact person responsible for customer complaints is Pam Robinson. She can be reached at 1-800-725-5023.

IV. PUBLIC CONVENIENCE AND NECESSITY

MFSI-SD's application for local exchange authority is in the public interest and serves the public convenience and necessity. Development of robust competition in the telecommunications market is in the public interest.

Competition for the provision of additional local exchange service is needed for South Dakota to maintain its position in its telecommunications market. In today's economy, a state's telecommunications infrastructure is as essential to economic development and business opportunities as highways and railroads in the past. The more fully the local exchange market is opened to competition, the greater will be the infusion of private investment resources in a state of the art telecommunications infrastructure for South Dakota.

States that have permitted and fostered local exchange competition, such as New York, Illinois, Maryland and Michigan, are experiencing infusions of private capital funding significant competitive infrastructure. Such private capital is underwriting the rapid development of a diverse, advanced and competitive network of networks offering a full complement of advanced dedicated and switched telecommunications services. All investments by MFSI-SD in its proposed competitive local exchange operations will be fully paid for by the shareholders of MFSI-SD's parent corporation, WorldCom, and capital and operating risks will be borne by WorldCom shareholders, alone.

Moreover, the impact on economic development of private investment in the telecommunications has become increasingly critical to the economic well being of these states and their citizens. Local exchange competition must be encouraged so that South Dakota businesses are not placed at a competitive disadvantage vis-a-vis businesses in other states because they do not have available to them the same level of services and technology as businesses in states embracing broad scale competition at the local exchange level. Indeed, encouraging local exchange competition will result in economic growth within the state that will benefit all the citizens of South Dakota.

V. REQUEST FOR WAIVERS AND STREAMLINED REGULATORY TREATMENT

Pursuant to Section 20:10:24:02, Applicant is requested to describe the geographic areas in which service will be provided and a map of the areas. As service will be provided on a statewide basis and will mirror the service areas of USWC, Applicant asks that the

Commission waive this requirement as the map submitted by MFSI-SD would be duplicative.

The Federal Telecommunications Act of 1996 establishes the framework for negotiation of rates, terms and conditions of interconnection between incumbent local exchange carriers and new entrants. Until Applicant negotiates an interconnection agreement with USWC and has access to USWC cost studies, MFSI-SD is unable to file a proposed tariff detailing its rates and providing cost support. As soon as such rates are available, and prior to the commencement of service, Applicant shall file a proposed tariff (containing its rates, terms, and conditions of service) with the Commission for its review. Applicant's marketing plan also depends on the outcome of interconnection negotiations and; therefore, marketing materials are not yet available.

Finally, Applicant requests that to the extent it offers local exchange dial tone services from central office switches it owns or substantially controls, that it be allowed to tariff and provide interconnection, reciprocal compensation and switched access to other carriers under comparable terms and at parity rates as interconnections, reciprocal compensation and switched access offered by USWC, and that such tariffs be allowed to take effect upon filing.

VI. CONCLUSION

The above recitations clearly demonstrate that MFSI-SD possesses all the requisite technical, managerial and financial qualifications required of an applicant, and that MFSI-SD's request for a Certificate of Public Convenience and Necessity to permit it to operate as a local exchange carrier within the areas in the State of South Dakota where USWC is the incumbent local exchange carrier is in the public interest, comports with the public convenience and necessity, meets pertinent legal and regulatory requirements[4] for such applications.

WHEREFORE, MFS Intelenet of South Dakota, Inc., respectfully requests that the Commission enter an Order granting a Certificate of Public Convenience and Necessity to authorize MFSI to operate as a Competitive Local Exchange Carrier within those areas in the State of South Dakota where U S West Communications, Inc. is the incumbent local exchange carrier.

Respectfully submitted,

MFS INTELENET OF SOUTH DAKOTA, INC.

By: [signature]

Richard M. Rindler, Esq.
Kathleen L. Greenan, Esq.
SWIDLER & BERLIN, CHARTERED
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Telephone: (202) 424-7834
Facsimile: (202) 424-7645

Ruth F. Durbin
Director Regulatory Affairs
Central Region
MFS COMMUNICATIONS
COMPANY, INC.
One Tower Lane, Suite 1600
Oakbrook Terrace, IL 60181
Telephone: (630) 203-7058

Dated: February 21, 1997

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[4] S.D. Codified Laws Ann. § 49-31 and Administrative Rule 20:10:24:02.

VERIFICATION

I, Ruth F. Durbin, declare under penalty of perjury that I am Director, Central Region Regulatory Affairs of MFS Communications Company, Inc., and that I have read the foregoing application and exhibits, and that the same are true and correct to the best of my knowledge, information or belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 21st day of February, 1997.

Ruth F Durbin

Ruth F. Durbin
Director, Central Region Regulatory Affairs

Sworn and subscribed to before me
this 21st day of February, 1997.

Mary Ann Ormiston

Notary Public

My Commission expires: 11/3/98

"OFFICIAL SEAL"
MARY ANN ORMISTON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 11/3/98

EXHIBIT 1

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "MFS INTELENET OF SOUTH DAKOTA, INC.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF MARCH, A.D. 1994, AT 3:30 O'CLOCK P.M.

Edward J. Freel, Secretary of State

2388363 8100

950069596

AUTHENTICATION: 7455314

DATE: 03-29-95

MAR 21 '94 03:12PM MFS LEGAL-OMAHA,NE 402-5363024

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:30 PM 03/21/1994
944045928 - 2388363

CERTIFICATE OF INCORPORATION
OF
MFS INTELENET OF SOUTH DAKOTA, INC.

1. The name of the corporation is: MFS Intelenet of South Dakota, Inc.

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of common stock which the corporation shall have authority to issue is Ten Thousand (10,000) and the par value of each of such shares is One Dollar ($1.00) amounting in the aggregate to Ten Thousand Dollars ($10,000.00).

5. The board of directors is authorized to make, alter or repeal the by-laws of the corporation. Election of directors need not be by written ballot.

6. The name and mailing address of the incorporator is:

Terrence J. Ferguson
200 Kiewit Plaza
Omaha, Nebraska 68131

I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 21st day of March, 1994.

Terrence J. Ferguson
Terrence J. Ferguson

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of MFS INTELENET OF SOUTH DAKOTA, INC. to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of MFS INTELENET OF SOUTH DAKOTA, INC.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this June 6, 1994.

JOYCE HAZELTINE
Secretary of State

JAN 14 1997 11:49AM

SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501
605-773-4845
FAX (605) 773-4550

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is MFS Intelenet of South Dakota, Inc.
(Exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

(3) State where incorporated Delaware Federal Taxpayer ID# 47-0776719

(4) The date of its incorporation is March 21, 1994 and the period of its duration is Perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is

1209 Orange St., Wilmington, Delaware Zip Code 19801

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is c/o C T Corporation System, 319 S. Coteau Street, Pierre, South Dakota Zip 57501
and the name of its proposed registered agent in the State of South Dakota at that address is

C T Corporation System

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: Telecommunication services

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
See attached list of directors and officers					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common	(No series)	$1.00

(S.D. - 258 - 9/10/92)

(10) The aggregate number of it issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is.

Number of shares	Class	Series	Par value per share or statement that shares are without par value
100	Common	(No series)	$1.00

(11) The amount of its stated capital is $ 100

(12) This application is accompanied by a CERTIFICATE OF FACT duly acknowledged by the secretary of state or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated June 2, 19 94

Terrence J Ferguson
(Signature) Terrence J. Ferguson

Secretary
(Title)

State of Nebraska
County of Douglas

On this 2 day of June, 19 94, before me Judith L Schmidt personally appeared Terrence J Ferguson, known to me, or proved to me, to be the Secretary of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

My commision expires: 11-5-95

Judith L Schmidt
(Notary Public)

Notarial Seal: GENERAL NOTARY-State of Nebraska JUDITH L. SCHMIDT My Comm. Exp. Nov. 5, 1995

* *

The consent of Appointment below must be signed by the registered agent.

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, C T Corporation System, hereby give my consent to serve as the
(name of registered agent)

registered agent for MFS Intelenet of South Dakota, Inc.
(corporate name)

Dated June 3, 19 94

C T CORPORATION SYSTEM
By Ellen T Coffey
(signature of registered agent)
Ellen T. Coffey
Assistant Vice President

Officers and Directors of MFS Intelenet of South Dakota, Inc.

Royce J. Holland
Director
6215 So. 103rd St.
Omaha, NE 68127

Kirby G. Pickle
Director, President & CEO
15 Canterbury Court
Mendham, NJ 07945

James DePolo
President, West Division
11624 Country Club Drive
Denver, CO 80234

Terrence J. Ferguson
Director and Secretary
5113 Nicholas St.
Omaha, NE 68132

David W. Crow
Assistant Secretary
3312 Fallen Tree Court
Alexandria, VA 22310

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF MFS INTELENET OF SOUTH DAKOTA FOR A CERTIFICATE OF AUTHORITY TO OPERATE AS A RESELLER OF LONG DISTANCE SERVICE WITHIN THE STATE OF SOUTH DAKOTA

ORDER GRANTING CERTIFICATE OF AUTHORITY

TC94-042

On May 11, 1994, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from MFS Intelenet of South Dakota (MFSI-SD).

MFSI-SD proposes to offer resold intrastate telecommunications services by reselling the facilities of a variety of interexchange carriers, and local exchange carriers where appropriate. The intrastate services will include but are not limited to MTS, 800 services, switched and special access, WATS, Calling Card service and operator service. A proposed tariff was filed by MFSI-SD. The Commission has classified long distance service as fully competitive.

On May 12, 1994, the Commission faxed notice of the filing and the intervention deadline of May 31, 1994, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled July 19, 1994, meeting, the Commission considered MFSI-SD's request for a certificate of authority. Commission Staff recommended granting a certificate of authority.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that MFSI-SD has met the legal requirements established for the granting of a certificate of authority. MFSI-SD has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves MFSI-SD's application for a certificate of authority. As the Commission's final decision in this matter, it is therefore

ORDERED, that MFSI-SD's application for a certificate of authority is hereby granted.

FURTHER ORDERED, that MFSI-SD shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 1st day of August, 1994.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Lori L. Waldron

Date: August 1, 1994

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Laska Schoenfelder

LASKA SCHOENFELDER, Chairman

Kenneth Stofferahn

KENNETH STOFFERAHN, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted August 1, 1994
Docket No. TC94-042

This is to certify that

MFS INTELENET OF SOUTH DAKOTA, INC.

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 1st day of August, 1994.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

Laska Schoenfelder
LASKA SCHOENFELDER, Chairman

Kenneth Stofferahn
KENNETH STOFFERAHN, Commissioner

James A. Burg
JAMES A. BURG, Commissioner

EXHIBIT 2

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PUBLIC DOCUMENT COUNT:		1
CONFORMED PERIOD OF REPORT:	19951231
FILED AS OF DATE:		19961119
SROS:			NASD

FILER:

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		STANDARD INDUSTRIAL CLASSIFICATION:	TELEPHONE COMMUNICATIONS (NO RADIO TELEPHONE
		IRS NUMBER:				470714388
		STATE OF INCORPORATION:			DE
		FISCAL YEAR END:			1231

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		SEC FILE NUMBER:	000-21594
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		CITY:			OMAHA
		STATE:			NE
		ZIP:			68131
		BUSINESS PHONE:		4022712890

	MAIL ADDRESS:
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 2

X ANNUAL REPORT PURSUANT TO SECTION 13 OR
15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1995

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 0-21594

MFS Communications Company, Inc.

A Delaware Corporation I.R.S. Employer No. 47-0714388

11808 Miracle Hills Drive, Omaha, Nebraska 68154
Telephone Number (402) 231-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, Par Value $.01
Series A Preferred Stock, Par Value $.01
Series B Preferred Stock, Par Value $.01

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Based on the closing sales price on March 11, 1996 the aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $3,731,037,199*.

At March 11,1996, 62,766,250 shares of the Registrant's common stock were outstanding.

*After the first anniversary date of the issuance of the Series B Preferred Stock, each share may be converted into .0231884 shares of the Company's common stock. Therefore, for purposes of determining the market value of the Series B Preferred Stock, each share has been given a value of $1.44 (.0231884 of the $62.25 market price per share of the Company's common stock on March 11, 1996).

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Item 13 of Part III of the Form 10-K of MFS Communications Company, Inc. ("MFS" or the "Company") for the fiscal year ended December 31, 1995 is amended and restated in its entirety as stated below.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. McCourt is a director and president of, and owns, directly or indirectly, approximately 17.5% of the voting stock of Metropolitan Fiber

Systems/McCourt, Inc. ("MFS/McCourt"). In 1995, the amount owed by MFS/McCourt to MFS Telecom, Inc., either in the form of preferential payments or shares of preferred stock held by MFS Telecom, Inc. or indebtedness by MFS Telecom, Inc., increased to $51.1 million from $44.9 million in 1994.

On May 5, 1995, the Company purchased Northeast Networks, Inc. a competitive access provider providing service to Westchester County, New York from C-TEC, of which Mr. McCourt is the Chairman and Chief Executive Officer, for a purchase price of $6.2 million. An affiliate of the Company, Metropolitan Fiber Systems of New Jersey, Inc. has a 66-2/3% interest in MFS/C-TEC, a New Jersey limited partnership. The remaining 33-1/3% interest is held by an affiliate of C-TEC. As of December 31, 1995, the Company had an outstanding cash advance to MFS/C-TEC of $289,545.

Mr. Andrew Lipman, Senior Vice President of the Company, is a partner in the law firm of Swidler & Berlin, Chartered, of Washington, D.C. The firm provides legal services to the Company and was paid fees of approximately $2.9 million, $2.9 million and $6.1 million in 1993, 1994 and 1995, respectively. Mr. Lipman has an arrangement with the Company under which he is expected to devote a substantial portion of his time to the Company's legal/regulatory matters.

The following information is provided with respect to John W. Sidgmore, the Chief Executive Officer of UUNET Technologies, Inc. ("UUNET"), a wholly owned subsidiary of MFS which was acquired by MFS in August 1996 through the merger of a wholly owned subsidiary of MFS with and into UUNET (the "Merger"). In May 1994, UUNET entered into an employment agreement with Mr. Sidgmore. Pursuant to the terms of the agreement, Mr. Sidgmore's base salary is $220,000 per year, plus a bonus targeted at $135,000 per year. Mr. Sidgmore received a $200,000 signing bonus in 1994, a $150,000 bonus in July 1995 for the period July 1, 1994 through June 30, 1995, and a bonus of $82,500 in February 1996 for the period July 1 through December 31, 1995. If UUNET terminates Mr. Sidgmore's employment without cause, he will receive severance payments totaling $300,000. UUNET granted to Mr. Sidgmore options to purchase at $0.16 per share 1,244,100 shares of UUNET Common Stock pursuant to the employment agreement (which options were exercised and certain of the shares issued remain subject to a right of repurchase, which right lapses over time). In the event of a change in control of UUNET (and subsequently, MFS) or an involuntary termination other than for cause of Mr. Sidgmore's employment by UUNET, UUNET's (and subsequently, MFS') right of repurchase lapses with respect to 50 percent of any of the shares subject to a right of repurchase at the time and such right also lapses over time (the "Repurchase Right").

Pursuant to option and stock purchase agreements between each of various officers and UUNET, upon consummation of the Merger, the vesting and lapse of repurchase rights accelerated with respect to 50% of (a) unvested options and (b) outstanding shares issued upon option exercise subject to a right of repurchase, in each case, as of the effective date of the Merger (the "Effective Date"). If as a result of such acceleration, any officer of UUNET incurred an excise tax pursuant to Section 4999 of the Internal Revenue Code of 1986 or corresponding provisions of applicable state law, UUNET paid such officer when due to the applicable tax authority an amount (the "Transfer") sufficient to pay (i) the excise tax and (ii) any and all federal, state and local taxes payable with respect to the receipt of the Transfer. The total amount that UUNET paid in connection with all Transfers was approximately $3.6 million. Of such amout, Mr. Sidgmore received a payment from UUNET of $2,182,654.

In addition, MFS agreed to, or to cause UUNET to, honor in accordance with their terms, all employment, severance and similar agreements to which UUNET or any of its subsidiaries is a party and all

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provisions for vested benefits or other vested amounts earned or accrued through the Effective Date under UUNET's benefit plans.

As of November 6, 1996 and as a result of the Merger, Mr. Sidgmore beneficially owned 1,984,495 shares of MFS Common Stock, which includes 44,131 shares of MFS Common Stock held by a trust of which Mr. Sidgmore is the sole trustee, with sole voting and disposition control. Of the 1,984,495 shares of MFS Common Stock, 421,282 shares of MFS Common Stock are held subject to the Repurchase Right, which lapses with respect to 13,164 shares of MFS Common Stock on the last day of each calendar month. In addition, Mr Sidgmore has an option to purchase 9,776 shares of MFS Common Stock (with an exercise price of $3.38 per share) and an option to purchase 7,067 shares of MFS Common Stock (with an exercise price of $21.80). The option to acquire the 9,776 shares of MFS Common Stock is currently exerciseable and the option to acquire 7,067 shares of MFS Common Stock is exerciseable as of December 31, 2002; provided, however, that if certain performance goals are met, the option will become exerciseable on March 31, 1997.

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Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized.

MFS COMMUNICATIONS COMPANY, INC.

Date: November 19, 1996

By: /s/ TERRENCE J. FERGUSON
Terrence J. Ferguson
Senior Vice President and Secretary

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PUBLIC DOCUMENT COUNT:		3
CONFORMED PERIOD OF REPORT:	19960930
FILED AS OF DATE:		19961112
SROS:			NASD

FILER:

	COMPANY DATA:
		COMPANY CONFORMED NAME:			MFS COMMUNICATIONS CO INC
		CENTRAL INDEX KEY:			0000898623
		STANDARD INDUSTRIAL CLASSIFICATION:	TELEPHONE COMMUNICATIONS (NO RADIO TELEPHONE
		IRS NUMBER:				470714388
		STATE OF INCORPORATION:			DE
		FISCAL YEAR END:			1231

	FILING VALUES:
		FORM TYPE:		10-Q
		SEC ACT:		1934 Act
		SEC FILE NUMBER:	000-21594
		FILM NUMBER:		96658772

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		STREET 2:		SUITE 200
		CITY:			OMAHA
		STATE:			NE
		ZIP:			68131
		BUSINESS PHONE:		4022712890

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 1996

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period ____________ to ____________

Commission file number 0-21594

MFS COMMUNICATIONS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	47-0714368
(State of Incorporation)	(I.R.S. Employer Identification No.)
11808 Miracle Hills Drive, Omaha, Nebraska	68154
(Address of principal executive offices)	(Zip Code)

402-231-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The number of shares outstanding of each class of the issuer's common stock, as of November 6, 1996:

Common Stock ($.01 par value) .... 222,066,879 shares

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MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Part I - Financial Information

Part II - Other Information

<PAGE>

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(unaudited)

<TABLE>
<CAPTION>

(dollars in thousands except per share data)	Three months ended September 30 1996	Three months ended September 30 1995	Nine months ended September 30 1996	Nine months ended September 30 1995
<S>	<C>	<C>	<C>	<C>
Revenue	$308,022	$153,717	$724,044	$412,062
Costs and expenses:				
Operating expenses	272,806	144,559	664,890	403,576
Depreciation and amortization	119,837	37,985	212,425	98,706
General and administrative expenses	50,901	32,019	119,655	85,743
	443,544	214,563	996,970	588,025
Loss from operations	(135,522)	(60,846)	(272,926)	(175,963)
Other income (expense):				
Interest income	19,897	3,571	30,688	10,383
Interest expense, net	(27,917)	(9,422)	(78,397)	(28,173)
Other	(482)	(292)	(2,109)	(1,772)
Total other income (expense)	(8,502)	(6,143)	(49,818)	(19,562)
Loss before income taxes	(144,024)	(66,989)	(322,744)	(195,525)
Income tax expense	(100)	(250)	(300)	(450)
Net loss	(144,124)	(67,239)	(323,044)	(195,975)
Dividends on preferred stock	(7,460)	(7,701)	(21,992)	(7,701)
Net loss applicable to common stockholders	$(151,584)	$(74,940)	$(345,036)	$(203,676)
Net loss per share applicable to common stockholders	($0.79)	($0.58)	($2.34)	($1.58)

</TABLE>

See accompanying notes to consolidated financial statements.

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MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(dollars in thousands, except per share data)

<TABLE>
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	September 30, 1996 (unaudited)	December 31, 1995
ASSETS		
<S>	<C>	<C>
Current assets:		

Cash and cash equivalents	$ 349,074	$ 51,182
Marketable securities	995,667	85,715
Accounts receivable	269,559	140,302
Costs and earnings in excess of billings on uncompleted contracts	91,669	45,142
Other current assets	63,494	51,703
Total current assets	1,769,463	374,044
Networks and equipment, at cost	1,950,617	1,315,952
Less accumulated depreciation and amortization	(330,878)	(213,548)
Networks and equipment, net	1,619,739	1,102,404
Goodwill, net	2,166,397	281,848
Other assets, net	261,188	108,838
Total assets	$5,816,787	$1,867,134

</TABLE>

See accompanying notes to consolidated financial statements.

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<PAGE>

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(dollars in thousands, except per share data)

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 1996 (unaudited)	December 31, 1995
<S>	<C>	<C>
Current liabilities:		
Current portion of notes payable and long-term debt	$ 9,256	$ 1,995
Current portion of capital lease obligations	4,737	1,922
Accounts payable	255,312	172,407
Accrued costs and billings in excess of revenue on uncompleted contracts	53,549	28,686
Accrued compensation	21,331	6,119
Other current liabilities	107,391	63,328
Total current liabilities	451,576	274,457
Notes payable and long-term debt, less current portion	1,354,286	692,059
Capital lease obligations, less current portion	33,825	31,412
Other liabilities	26,764	27,902
Minority interest	13,311	10,972
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $.01 par value. Authorized 25,000,000 shares:		
Series A, 8% cumulative convertible, issued 94,992 in 1996 and 95,000 in 1995, variable liquidation preference	1	1
Series B, 7 3/4% cumulative convertible, issued 15,000,000 in 1996 and 1995,		

liquidation preference $1.00 per share plus unpaid dividends	150	150
Common stock, $.01 par value. Authorized 400,000,000 shares; issued 221,642,709 in 1996 and 130,260,228 in 1995 (Note 5)	2,216	651
Additional paid-in capital	4,911,760	1,512,394
Other	1,172	(768)
Accumulated deficit	(978,274)	(555,221)
	3,937,025	957,207
Treasury stock, 5,800,000 shares, at cost	-	(126,875)
Total stockholders' equity	3,937,025	830,332
Total liabilities and stockholders' equity	$5,816,787	$1,867,134

</TABLE>

See accompanying notes to consolidated financial statements.

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MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity

For the Nine Months Ended September 30, 1996
(unaudited)

<TABLE>
<CAPTION>

(dollars in thousands)	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Other	Accumulated Deficit	Treasury Stock	To
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1996	$ 1	$ 150	$ 651	$1,512,394	$ (768)	$(555,221)	$(126,875)	$ 83
Issuance of common stock	-	-	357	1,280,639	-	-	-	1,28
Issuance of common stock and stock options for acquisition	-	-	582	2,113,508	-	-	-	2,11
Stock dividend on Series A Preferred Stock	-	-	5	21,211	-	(21,216)	-	
Stock options exercised	-	-	21	17,806	-	-	-	1
Amortization of deferred charge	-	-	-	-	1,017	-	-	
Foreign currency adjustment	-	-	-	-	651	-	-	
Change in unrealized investment gain (loss)	-	-	-	-	214	-	-	
Retirement of treasury stock	-	-	(29)	(48,053)	-	(78,793)	126,875	
Stock compensation plan additions	-	-	-	14,884	-	-	-	1
Two-for-one stock split	-	-	629	(629)	-	-	-	
Other	-	-	-	-	58	-	-	
Net loss	-	-	-	-	-	(323,044)	-	(32
Balance at September 30, 1996	$ 1	$ 150	$2,216	$4,911,760	$ 1,172	$(978,274)	$ -	$3,93

See accompanying notes to consolidated financial statements.

</TABLE>

<PAGE> 4

<PAGE>

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(unaudited)

<TABLE>
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(dollars in thousands)	Nine months ended September 30, 1996	Nine months ended September 30, 1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$ (323,044)	$ (195,975)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	212,425	98,706
Non cash interest expense	71,272	26,193
Non cash compensation expense	10,915	-
Loss on sale of investments	-	1,272
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable and other assets	(155,358)	(69,979)
Accounts payable and other liabilities	83,012	24,207
Net cash used in operating activities	(100,778)	(115,576)
Cash flows from investing activities:		
Purchases of networks and equipment	(533,122)	(367,701)
Proceeds from maturities and sales of marketable securities	411,985	499,795
Purchases of marketable securities	(1,306,689)	(297,801)
Purchases of minority interest in subsidiaries	-	(1,572)
Net cash acquired (used) in acquisitions of businesses	7,712	(14,858)
Additions to deferred costs and other	(20,940)	(13,159)
Net cash used in investing activities	(1,441,054)	(195,296)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt and notes payable	633,892	6,075
Proceeds from issuance of common stock	1,280,996	-
Proceeds from issuance of preferred stock	-	306,646
Payments on long-term debt, including current portion	(92,991)	(3,407)
Proceeds from exercise of stock options	17,827	5,128
Net cash provided by financing activities	1,839,724	314,442
Net change in cash and cash equivalents	297,892	3,570
Cash and cash equivalents at beginning of period	51,182	21,518
Cash and cash equivalents at end of period	$ 349,074	$ 25,088

</TABLE>

Supplemental schedule of non cash financing and investing activities:

The Company recognized common stock dividends on preferred stock of $21,992 and $7,701 in the nine month periods ended September 30, 1996 and 1995, respectively. The Company also issued 15,000,000 shares of Series B preferred stock in exchange for 5,800,000 of the Company's common stock during the third quarter of 1995.

The Company capitalized non-cash interest expense of $11,108 and $13,857 in the nine month periods ended September 30, 1996 and 1995, respectively.

In the third quarter of 1996, the Company purchased the stock and stock options of UUNET Technologies, Inc., for stock and stock options of the Company. In connection with the acquisition, liabilities were assumed as follows:

Fair value of tangible assets acquired	$ 164,005

Fair value of intangible assets acquired	2,076,388
Stock and stock options issued	(2,114,090)

Liabilities assumed	$ 126,303
	==========

See accompanying notes to consolidated financial statements.

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(unaudited)

Supplemental schedule of non cash financing and investing activities:

In the first nine months of 1995, the Company purchased the stock of companies that provide telecommunications services in Richmond, Virginia, Denver, Colorado and White Plains, New York for $12,655 in cash and the issuance of stock. In connection with the acquisitions, liabilities were assumed as follows:

Fair value of tangible assets acquired	$11,328
Fair value of intangible assets acquired	13,226
Cash paid for stock	(12,655)
Stock issued	(5,912)

Liabilities assumed	$ 5,987
	=======

See accompanying notes to consolidated financial statements.

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

1. Basis of Presentation:

The consolidated balance sheet of MFS Communications Company, Inc. and Subsidiaries (the "Company") at December 31, 1995 was obtained from the Company's audited balance sheet as of that date. All other financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments necessary for a fair presentation of financial position and results of operations and cash flows for the periods presented. Such adjustments consist only of normal recurring items. The Company's accounting policies and certain other disclosures are set forth in the notes to the annual consolidated financial statements.

2. Acquisition of UUNET Technologies, Inc.:

Effective August 12, 1996, the Company purchased the common stock, and options to purchase the common stock, of UUNET Technologies, Inc. ("UUNET"). UUNET is a provider of a comprehensive range of Internet access services, applications, and consulting services to businesses, professionals and on-line service providers. The total cost of the acquisition was approximately $2,114,090, excluding transaction costs and liabilities assumed. The Company issued approximately 58.2 million shares of common stock and approved options to purchase approximately 6.2 million shares of the Company's common stock in the acquisition.

The acquisition has been accounted for as a purchase and accordingly, the acquired assets and liabilities have been recorded at their estimated fair values at the date of the acquisition, and the results of operations have been included in the accompanying financial statements since the date of acquisition. The total purchase price in excess of the fair market of the net assets acquired, including identifiable intangibles, was recorded as goodwill. The goodwill is being amortized on a straight-line basis over a 5 year life.

The following unaudited pro forma information shows the results of the Company as though the acquisition occurred as of the beginning of each period indicated. These results include certain adjustments consistent with the Company's accounting policies related to amortization of intangible assets. These results are not necessarily indicative of the results that actually would have been obtained if the acquisition had been in effect at the beginning of each period or which may be attained in the future.

	Nine months ended September 30,	
	1996	1995
Revenue	$847,572	$466,871
Net loss	(585,333)	(527,021)
Loss per share applicable to common stockholders	(3.11)	(2.82)

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MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

3. Merger Agreement:

The Company and WorldCom, Inc. ("WorldCom") announced the execution of a merger agreement dated August 25, 1996. According to the terms of the merger agreement each share of MFS common stock will be exchanged for 2.1 shares of WorldCom common stock and each share of MFS Series A and Series B preferred stock will be exchanged for shares of WorldCom preferred stock. WorldCom is one of the largest long distance telecommunications companies in the United States, offering domestic and international voice, data and video products and services to business customers, other carriers and the residential market. The merger is expected to close in late 1996 or early 1997 following approval of various federal, state and local regulatory authorities. Approval of the shareholders of the Company and WorldCom is also required.

4. Income Taxes:

The income tax expense of $100 and $250 for the three months ended September 30, 1996 and 1995, respectively, and $300 and $450 for the nine months ended September 30, 1996 and 1995, respectively, resulted from estimated state and foreign tax liabilities.

5. Capital Stock:

In the first quarter of 1996, the Company retired the shares of common stock that were held in treasury. The value of the treasury shares reduced common stock, paid in capital and increased the accumulated deficit upon retirement. In addition, the Company's stockholders approved an amendment to the Company's restated certificate of incorporation to increase the number of authorized shares of common stock to 400,000,000.

On April 1, 1996 the Board of Directors declared a two-for-one common stock split. The stock split was effected in the form of a stock dividend that was payable to stockholders of record on April 16, 1996. The conversion features of the Company's Series A and Series B preferred stock were adjusted pursuant to their terms to maintain the proportionate rights of those preferred stocks. In this report, all per share amounts and numbers of shares have been restated to reflect the stock split. In addition, an amount equal to the $.01 par value of the shares outstanding at April 16, 1996 has been transferred from additional paid in capital to common stock.

6. Loss Per Share:

Loss per common share has been computed using the weighted average number of shares outstanding for each period. The number of shares used in computing loss per share, which have been adjusted due to the two-for-one stock split, was 190,697,000 and 147,455,000 for the three and nine month periods ended September 30, 1996 and 129,319,000 and 129,005,000 for the three and nine month periods ended September 30, 1995, respectively.

(dollars in thousands, except per share data)

7. Long Term Debt:

(a) Loan Agreement:
On January 2, 1996, the Company entered into a $20,000 loan agreement with an equipment manufacturer and a bank. The loans under the agreement, which include interest at a variable rate, will be used to purchase equipment supplied by the manufacturer. The loans are being repaid in semi-annual principal installments of $2,000 beginning June 20, 1996, subject to certain adjustments, and are collateralized by the equipment purchased. The agreement contains certain covenants and restrictions similar to the Company's Credit Facilities. The Company may prepay any amounts under the agreement without premium or penalty at any time.

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7. Long Term Debt: (continued)

(b) The 1996 Senior Discount Notes:
The Company issued 8 7/8% Senior Discount Notes on January 18, 1996 (the "1996 Senior Discount Notes") and recorded the net proceeds, exclusive of transaction costs, of approximately $600,000 as long-term debt. The Company is accruing to the principal amount of the 1996 Senior Discount Notes of $924,000 through January 15, 2001. Cash interest will not accrue on the 1996 Senior Discount Notes prior to January 15, 2001, however, the Company may elect to commence the accrual of cash interest at any time prior to that date. Commencing July 15, 2001, cash interest will be payable semi-annually.

The 1996 Senior Discount Notes mature on January 15, 2006. On or after January 15, 2001, the 1996 Senior Discount Notes will be redeemable at the option of the Company, in whole at any time or in part from time to time, at the following prices (expressed in percentages of the principal amount thereof at stated maturity) if redeemed during the twelve months beginning January 15 of the years indicated below, in each case together with interest accrued to the redemption date:

Year	Percentage
2001	103.32%
2002	102.21%
2003	101.11%
2004 and thereafter	100.00%

In addition, under certain conditions related to a change in control of the Company, the Company may be required to repurchase all or any part of the 1996 Senior Discount Notes as stipulated in the note agreement. The 1996 Senior Discount Notes are senior unsecured obligations of the Company, with a ranking equal to the 1994 Senior Discount Notes, and are subordinated to all current and future indebtedness of the Company's subsidiaries, including trade payables. The 1996 Senior Discount Notes contain certain covenants which, among other things, restrict the ability of the Company to incur debt, create liens, enter into sale and leaseback transactions, pay dividends, make certain restricted payments, enter into transactions with affiliates, and sell assets or merge with or into another company.

(c) UUNET debt:
In connection with the acquisition of UUNET in the third quarter of 1996, the Company assumed long-term debt of approximately $34,429. This debt is primarily related to an agreement that provides for the purchase of equipment used in the construction of a network to be used by Microsoft Corporation ("Microsoft") and UUNET (see Note 10). Principal and interest, at the higher of 7.74% or the applicable federal rate at the time of an advance (6.48% at September 30, 1996) are payable on each advance quarterly over five years. Borrowings under the agreement are collateralized by the

equipment purchased.

8. Stock Compensation Programs:

The Company has several stock based compensation programs in effect at September 30, 1996. The programs are described as follows:

(a) Stock Option Plans:
The Company's 1992 and 1993 Stock Plans authorize, among other things, the grant of options at not less than 100% of the fair market value at the date of the option grant. The Compensation Committee of the Board of Directors administers the stock plans. Options vest over a five-year period and are generally exercisable up to five years after the grant is completely vested. Options granted under the 1992 and 1993 plans during the first nine months of 1996 were not material.

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8. Stock Compensation Programs: (continued)

(b) Shareworks:
In 1995 the Company implemented an employee benefit plan which is comprised of a grant plan and a match plan jointly known as Shareworks. The grant plan enables the Company to grant shares of the Company's common stock to eligible employees based upon a percentage of the employee's eligible pay, up to 5%. The original grant vests after three years with any additional grants vesting immediately once the initial three year period has been met. On December 29, 1995, the Company granted approximately 128,000 shares of stock under this part of the plan. The Company has not granted any shares during 1996.

The match plan allows eligible employees to defer between 1% and 10% of eligible pay to purchase common stock of the Company at the stock price on each pay period date. The Company matches the shares purchased by the employee on a one-for-one basis. The stock which is credited to each employee's account to match the employee's purchase during any calendar quarter, vests three years after the end of that quarter. The amount deferred by employees for purchases of stock from January 1, 1996 through September 30, 1996 was $3,970.

(c) Shareworks Plus:
In 1996 the Company implemented a new employee stock compensation program which grants stock awards with a four-year life and immediate vesting to certain key executive employees under a program known as Shareworks Plus. Under this program, the value received by the employee upon exercise of the award is determined by the rate of increase in the Company's stock price compared to the rate of increase in the S&P 500 index, measured from the grant date. If the Company's common stock price performance is at or below the price performance of the S&P 500 index, or under certain other circumstances defined in the program, the value to be received by the employee upon exercise is $0. If the Company's common stock price performance is above the price performance of the S&P 500 index the value received by the employee upon exercise, which will normally be paid in common stock of the Company, increases. The Company granted approximately 1,392,000 awards under this plan during the first nine months of 1996. Subject to the approval of the Company's Compensation Committee of the Board of Directors, additional grants will be made quarterly. Terms of the Shareworks Plus program may be modified from time to time by the Compensation Committee of the Board of Directors.

In the first quarter of 1996, the Company adopted the accounting provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123). SFAS 123 encourages entities to adopt the fair value method of accounting for their stock-based compensation plans. Under the fair value based method, compensation cost for stock based compensation plans is measured at the grant date based on the fair value of the award and is recognized over the service period, which for the Company is the vesting period. For the Company's Shareworks Plus program, the fair value was determined using option-pricing models that take into account the stock price at the grant date, the exercise price, a two year expected life for the award, an estimated volatility of 30% for the Company's stock price, no expected dividends, and a risk-free interest rate of 5.27% over the expected life of the award. For the Company's other stock compensation plan, Shareworks, the fair value of the match shares was determined by reference to the market value of the stock that was purchased by the employee and the fair value of the grant shares was determined by the market value of the stock at the grant date.

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8. Stock Compensation Programs (continued)

The Company recognized compensation expense of $10,915 related to the Shareworks and Shareworks Plus programs in the nine month period ended September 30, 1996. The pro forma impact of adopting the fair value method of accounting in the nine month period ended September 30, 1995 was immaterial primarily because the number of options granted in that period under the 1992 and 1993 Stock Option Plans were not material and the fact that the Shareworks and Shareworks Plus programs were not yet implemented. During the initial phase-in period, the effects of applying SFAS 123 for recognizing compensation cost may not be representative of the effects on reported net loss or income for future quarters or years because the options in the Stock Option Plans and the match and grant shares made under the Shareworks program vest over several years and additional awards will be made in the future.

Under the Company's Shareworks Plus program, the Company granted approximately 1,392,000 awards during the first nine months of 1996, at initial exercise prices that range from $26.62 to $37.63. Approximately 337,000 awards were exercised during the nine month period ended September 30, 1996. The fair value of the awards granted was estimated to be $6.50 per award.

(d) UUNET Stock Option Plans:
The Company adopted UUNET's existing stock option plans upon acquisition. The exercise of options in those plans would result in the issuance of approximately 6.2 million shares of the Company's common stock. The effective exercise prices in those plans range from $0.03 to $42.19 per share.

9. Commitments and Contingencies:

In 1994, several former stockholders of MFS Telecom, a subsidiary of the Company, filed a lawsuit against the Company, the Company's former majority stockholder, Kiewit Diversified Group Inc. ("KDG"), and the Company's chief executive officer regarding the sale of their shares of MFS Telecom to the Company in September 1992. The plaintiffs alleged that certain information was concealed from them, which caused them to sell their shares at an inadequate price. KDG agreed to indemnify the Company against any claims asserted by the former stockholders. During July 1996 this lawsuit was settled with no cost to the Company.

The Company is also involved in various other claims and regulatory proceedings incidental to its business. Management believes that any resulting liability beyond that provided should not materially affect the Company's financial position, results of operations or cash flows.

10. Network Agreement:

UUNET and Microsoft are parties to an agreement (the "Microsoft Agreement") for the development, operation and maintenance of a high speed dial-up and ISDN TCP/IP access network (the "Dial-Up Network"). Microsoft is obligated to reimburse UUNET for the cost of the facilities and maintaining and operating the Dial-Up Network, as well as pay a management fee. The initial term of the Microsoft Agreement expires in March 2000, and it may be extended by Microsoft for an additional five-year term. UUNET also entered into a loan agreement with Microsoft which allows UUNET to borrow funds to finance the purchase of equipment for the construction of the Dial-Up Network (see Note 7). UUNET owns the network equipment, subject to Microsoft's security interest. UUNET controls and operates the Dial-Up Network and is able to sell a portion of the Dial-Up Network capacity to other customers. Revenues of the Company for the third quarter of 1996 include $18,239 related to this agreement.

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Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company was founded in 1987 and commenced operations in 1988. The Company operates through its subsidiaries in two business segments, communications services and network systems integration. The communications services segment is comprised of the MFS Telecom Companies, which provide telecommunications services to large customers, the MFS Intelenet Companies, which provide telecommunications services to small and medium sized customers, MFS International, which provides telecommunications services to customers internationally, and MFS Global Network Services, which manages the Company's network platform. With the acquisition of UUNET Technologies, Inc. ("UUNET" and with its subsidiaries, the "UUNET Companies") on August 12, 1996, the Company also provides Internet-related communications services to customers. The network systems integration segment provides services primarily through MFS Network Technologies. The Company's growth was funded by capital contributions from its former majority stockholder, Kiewit Diversified Group Inc. ("KDG"), until an initial public offering in 1993. Since that public offering, the Company has funded its growth through a combination of debt and equity financing including, most recently, a $1.3 billion common stock offering in July 1996.

Communications Services. The Company's communication services include integrated local and long-distance telecommunication services as well as special access, private line and high speed data communications services and Internet access, among others. These services predominantly result in monthly recurring revenues. The Company provides these services in an expanding number of major metropolitan areas. As of October, 1996, the Company provides services on its networks, through the resale of services, or has network operations under development in 57 major metropolitan areas in the United States and abroad.

The development of the Company's businesses and the installation and expansion of its networks require significant expenditures, a substantial portion of which is incurred before the realization of revenues. These expenditures, together with the associated early operating expenses, result in negative cash flow until an adequate customer base is established. As this customer base grows, incremental revenues are added with minimal additional expense, providing significant contributions to cash flow. The Company also incurs ongoing capital expenditures with respect to both existing and new networks which are directly related to the installation of new revenue producing circuits and Internet access facilities. These costs vary based on the specific type of circuit or facilities nstalled and the location.

The MFS Telecom Companies

Through the MFS Telecom Companies, the Company provides dedicated special access and private line services to businesses and government end users. These services are provided primarily over digital fiber optic telecommunications networks that the Company has either installed or acquired and subsequently expanded. The networks also establish a platform that can be used to provide additional enhanced voice, data and video services to its customers. MFS Telecom also offers local switched services to its customers in several areas utilizing the Company's integrated switching platform.

The Company also provides high-speed data communications services to business and government users over an international ATM network which the Company believes to be the most advanced in the world. This service is provided using the Company's networks for customers located in buildings where the Company already provides special access, private line or switched services, requiring significantly less capital expenditures because data communications customers can, to a certain extent, utilize existing fiber optic networks, electronics and building equipment rooms. The Company will incur additional capital costs for the installation of new revenue producing circuits. The level of costs may vary based upon the type of circuit installed and the location of the customer.

The MFS Intelenet Companies

Through the MFS Intelenet Companies, the Company provides a single source for integrated local and long distance telecommunications services and facilities management to small and medium sized businesses. By utilizing its existing networks and facilities, the Company minimizes capital expenditures for transmission facilities. However, significant capital costs have been and will be incurred for switching equipment, equipment maintained at customer locations and additional building wiring costs.

MFS International

Through MFS International, the Company provides telecommunication services to business and government users predominantly in several major European metropolitan areas as well as outbound international service from the United States and Europe. The Company is offering services over its networks, or through resale of international telecommunications services in London, Frankfurt, Paris, Stockholm, Zurich, Milan and Hong Kong and is preparing to provide service in Tokyo and Amsterdam.

UUNET Companies

Through the UUNET Companies, the Company provides a full range of Internet access options, applications and other services, including Web server hosting, client software and security products, to businesses, professionals and on-line service providers, both in the United States and internationally. The Company provides these services utilizing a network that provides both dedicated and dial-up internet access. The Company will incur additional capital costs to support the expansion of the network in the United States and internationally.

MFS Global Network Services

Through MFS Global Network Services, the Company manages the operation of its network and future network development in order to offer the services described above in a cost effective manner.

The incurrence of significant initial development and roll out expenses in advance of anticipated future revenues will continue to affect the operating results of the communications services segment. Anticipated sales growth in the communications services segment will also continue to drive increasing deployment of electronic equipment required to initiate customer service.

Network Systems Integration Services. The Company, primarily through MFS Network Technologies, designs, engineers, develops and manages the installation of the Company's new fiber optic networks and network expansions. In 1991, the Company began to offer network systems integration services to third parties. These services have been characterized by significant revenues concentrated in a relatively small number of large projects for third parties. In 1993, the Company also began to offer services related to Intelligent Transportation Systems ("ITS"). The Company recognizes revenue based upon the amount of network systems integration services performed. The amount of the Company's network systems integration services performed can vary on a quarterly basis depending upon individual customer contract requirements.

Results of Operations

The following table presents revenue, loss from operations and EBITDA from each

of the Company's reportable business segments for the periods presented:
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenue:				
Communications services...	$245,043	$131,432	$599,036	$352,299
Network systems integration services...	62,979	22,285	125,008	59,763
Total...	$308,022	$153,717	$724,044	$412,062
Loss from operations:				
Communications services...	$(134,043)	$(58,940)	$(269,408)	$(171,721)
Network systems integration services...	(1,479)	(1,906)	(3,518)	(4,242)
Total...	$(135,522)	$(60,846)	$(272,926)	$(175,963)
EBITDA: (1)				
Communications services...	$(11,010)	$(21,621)	$(48,570)	$(74,817)
Network systems integration services...	(645)	(1,240)	(1,016)	(2,439)
Total...	$(11,655)	$(22,861)	$(49,586)	$(77,256)

(1) EBITDA consists of earnings (losses) before interest, income taxes, depreciation, amortization, non cash stock-based compensation and other non-operating income or expenses. EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance. EBITDA is not intended to represent cash flow for the periods. See Consolidated Statements of Cash Flows.

Three Months Ended September 30, 1996 vs. Three Months Ended September 30, 1995

Communications Services

Communications services revenue increased to $245.0 million in the three months ended September 30, 1996 from $131.4 million in the three months ended September 30, 1995, an increase of $113.6 million or 86%. Revenues for each of the key elements of the communications segment were as follows, in millions:

	1996	1995	Increase
MFS Telecom Companies	$ 74.3	$ 51.2	$ 23.1
MFS Intelenet Companies	85.0	68.9	16.1
MFS International	43.0	11.3	31.7
UUNET Companies	42.7	-	42.7
	$245.0	$131.4	$ 113.6

The increase resulted from the acquisition of UUNET as of August 12, 1996, and from increased market penetration of all communications services of the Company. The especially large increase in revenues, measured on a percentage basis, from MFS International reflect strong sales in the United Kingdom and a growing revenue base in continental Europe.
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Since the end of 1993 the Company has separately tracked the MFS Telecom results of operations for the 14 network cities and expansions that were materially complete at year end 1993 (the "Base Cities Competitive Access Operations"). These Base Cities Competitive Access Operations produced revenue of $45.5 million in the three months ended September 30, 1996 and $33.9 million in the three months ended September 30, 1995, an increase of $11.6 million, or 34%. The increase in revenue from these operations resulted primarily from increased market penetration in these cities. Due to a modification of the Company's internal organization within the communications services segment it will become increasingly less meaningful to separate the Base Cities Competitive Access Operations from other operations because of the increasing commonality of revenues and costs within Base Cities Competitive Access Operations, expansions and types of services. For this reason, the Company may discontinue separate disclosure for these Base Cities Competitive Access Operations in the future. The Company continues to review other modifications to its financial disclosures which the Company believes will provide more meaningful information about its activities.

Annualized monthly recurring revenue increased to approximately $1,175 million at September 30, 1996 from approximately $565 million at September 30, 1995, an increase of 108%. The increase reflects the sales of additional services to current and new customers in existing and new markets and the acquisition of UUNET. Monthly recurring revenue represents monthly service charges billable to communications services customers as of the last day of the period indicated, but excludes non-recurring revenues for certain one-time services, such as installation fees or equipment charges.

Communications services operating expenses increased to $212.4 million or 86% of segment revenue in the three months ended September 30, 1996 from $125.3 million or 95% of segment revenue in the three months ended September 30, 1995, an increase of $87.1 million. The change includes an increase of $64.5 million in circuit charges, including local and long distance service costs, and personnel costs necessary to support the Company's growth. The remaining increase of $22.6 million relates to increased rent, utilities and other costs incurred to support the increased revenue base. Communication services operating expenses consist of costs associated directly with network operations, including salaries, sales commissions and related employee benefits, purchased local and long distance service costs, rent expense, right-of-way fees and other network costs.

Communications services depreciation and amortization expense increased to $119.3 million in the three months ended September 30, 1996 from $37.3 million in the three months ended September 30, 1995, an increase of $82.0 million. The increase is primarily related to amortization expense of approximately $60 million on the intangible assets recorded in the UUNET acquisition and to the expanded fixed asset base of the Company's networks.

Communications services general and administrative expenses increased to $47.4 million in the three months ended September 30, 1996 from $27.8 million in the three months ended September 30, 1995, an increase of $19.6 million or 71%. The change is primarily due to an increase of $7.9 million in personnel costs. Management of the Company expects general and administrative services to continue to increase during 1996 as the Company expands its services.

Communications EBITDA loss decreased to $(11.0) million in the three months ended September 30, 1996 from $(21.6) million in the three months ended September 30, 1995. EBITDA in 1996 and 1995 for each of the key elements of the telecommunications segment were as follows, in millions:

	1996	1995	Change
MFS Telecom Companies	$ 12.5	$ 7.1	$ 5.4
MFS Intelenet Companies	(20.9)	(18.3)	(2.6)
MFS International	(6.2)	(10.4)	4.2
UUNET Companies	3.6	-	3.6
	$(11.0)	$(21.6)	$ 10.6

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The increase at the MFS Telecom Companies reflects the high incremental margins inherent in the dedicated special access and private line services primarily provided over the Company's own facilities. The small increase in EBITDA loss at MFS Intelenet reflects the additional costs incurred to expand the integrated local and long distance telecommunications service markets including normal increases in operating expenses offset by the additional EBITDA margins provided by increased revenues resulting from a sales strategy that emphasized the provision of local switch services in connection with the implementation of the Telecommunications Act of 1996. The decrease in EBITDA loss at MFS International reflects the additional EBITDA margins provided by increased

revenues partially offset by the additional costs incurred to expand the Company's international service, particularly in new markets.

The Base Cities Competitive Access Operations produced EBITDA of $24.7 million before parent company allocations in the three months ended September 30, 1996 and $16.5 million in the three months ended September 30, 1995, an increase of $8.2 million, or 50%. For reasons noted earlier, the Company may discontinue separate disclosure for these Base Cities Competitive Access Operations in the future. The Company continues to review other modifications to its financial disclosures which the Company believes will provide more meaningful information about its activities.

Network Systems Integration Services

Third party revenue from services offered by the Company's network systems integration segment increased to $63.0 million in the three months ended September 30, 1996 from $22.3 million or 183%. The increase is due to an increase in the number of new projects, including a contract to provide design and construction services for a wireless personal communications system.

Network systems integration operating expenses increased to $60.4 million in the three months ended September 30, 1996 from $19.3 million in the three months ended September 30, 1995, an increase of $41.1 million or 213%. The increase is primarily due to the increased level of operating expenses related to the projects noted above, including the continuing development and investment in Intelligent Transportation Systems ("ITS") service projects. Network systems integration operating expenses consist of direct costs associated with the network systems integration projects.

Network systems integration general and administrative expenses decreased to $3.5 million in the three months ended September 30, 1996 from $4.2 million in the three months ended September 30, 1995, a decrease of $0.7 million. The decrease reflects decreases across several expense categories including legal and professional services and travel and entertainment costs.

Network systems integration EBITDA loss decreased to $(0.6) million in the three months ended September 30, 1996 from $(1.2) million in the three months ended September 30, 1995. This resulted primarily from the decrease in general and administrative costs noted above.

Other Income (Expense)

Other income (expense) increased to $(8.5) million of other expense in the three months ended September 30, 1996 from $(6.1) million of other expense in the three months ended September 30, 1995. The increase in other expense resulted primarily from additions to interest expense incurred in connection with the issuance of the 1996 Senior Discount Notes. This increase was partially offset by increased interest income from the investment of the proceeds of the 1996 Senior Discount Notes.

Income Taxes

The income tax expense of $.1 million and $.25 million for the three months ended September 30, 1996 and 1995, respectively, resulted from estimated state and foreign tax liabilities.

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Net Loss

Net loss increased to $144.1 million in the three months ended September 30, 1996 from $67.2 million in the three months ended September 30, 1995, an increase of $76.9 million. The increase resulted primarily from increased depreciation, amortization and interest expense.

Backlog. The network systems integration and facilities management services segment had third party backlog of approximately $184 million at September 30, 1996. Backlog consists of firm contracts less revenue recognized to date by the Company.

Nine Months Ended September 30, 1996 vs. Nine Months Ended September 30, 1995

Communications Services
- ------------------------

Communications services revenue increased to $599.0 million in the nine months ended September 30, 1996 from $352.3 million in the nine months ended September 30, 1995, an increase of $246.7, or 70%. Revenues for each of the key elements of the telecommunications segment were as follows, in millions:

	1996	1995	Increase
MFS Telecom Companies	$205.8	$136.7	$ 69.1
MFS Intelenet Companies	249.1	192.4	56.7
MFS International	101.4	23.2	78.2
UUNET Companies	42.7	-	42.7
	$599.0	$352.3	$246.7

The increase resulted from increased market penetration of all communications services of the Company and from the acquisition of UUNET. The especially large increase in revenues, measured on a percentage basis, from MFS International reflect strong sales in the United Kingdom and a growing revenue base in continental Europe.

The Base Cities Competitive Access Operations produced revenue of $127.2 million in the nine months ended September 30, 1996 and $93.7 million in the nine months ended September 30, 1995, an increase of $33.5 million, or 36%. The increase in revenue from these operations resulted primarily from increased market penetration in these cities. For reasons noted earlier, the Company may discontinue separate disclosure for these Base Cities Competitive Access Operations in the future. The Company continues to review other modifications to its financial disclosures which the Company believes will provide more meaningful information about its activities.

Communications services operating expenses increased to $549.5 million or 92% of segment revenue in the nine months ended September 30, 1996 from $351.4 million or 100% of segment revenue in the nine months ended September 30, 1995, an increase of $198.1 million. The change includes an increase of $141.6 million in circuit charges, including local and long distance service costs, and personnel costs necessary to support the Company's growth. The remaining increase of $56.5 million relates to increased rent, utilities and other costs incurred to support the increased revenue base.

Communications services depreciation and amortization expense increased to $210.6 million in the nine months ended September 30, 1996 from $96.9 million in the nine months ended September 30, 1995, an increase of $113.7 million. The increase is primarily related to amortization expense of approximately $60 million on the intangible assets recorded in the UUNET acquisition and to the expanded fixed asset base of the Company's networks.

Communications services general and administrative expenses increased to $108.3 million in the nine months ended September 30, 1996 from $75.7 million in the nine months ended September 30, 1995, an increase of $32.6 million or 43%. The change is primarily due to an increase of $17.6 million in personnel costs. Management of the Company expects general and administrative services to continue to increase during 1996 as the Company expands its services.

Communications EBITDA loss decreased to $(48.6) million in the nine months ended September 30, 1996 from $(74.8) million in the nine months ended September 30, 1995. EBITDA in 1996 and 1995 for each of the key elements of the telecommunications segment were as follows, in millions:

	1996	1995	Change
MFS Telecom Companies	$ 35.9	$ 15.7	$ 20.2
MFS Intelenet Companies	(64.1)	(60.4)	(3.7)
MFS International	(24.0)	(30.1)	6.1
UUNET Companies	3.6	-	3.6

$(48.6)	$(74.8)	$ 26.2

The increase at the MFS Telecom Companies reflects the high incremental margins inherent in the dedicated special access and private line services primarily provided over the Company's own facilities. The small increase in EBITDA loss at MFS Intelenet reflects the additional costs incurred to expand the integrated local and long distance telecommunications service markets including normal increases in operating expenses offset by the additional EBITDA margins provided by increased revenues resulting from a sales strategy that emphasized the provision of local switch services in connection with the implementation of the Telecommunications Act of 1996. The decrease in EBITDA loss at MFS International reflects the additional EBITDA margins provided by increased revenues partially offset by the additional costs incurred to expand the Company's international service, particularly in new markets.

The Base Cities Competitive Access Operations produced EBITDA of $67.6 million before parent company allocations in the nine months ended September 30, 1996 and $43.8 million in the nine months ended September 30, 1995, an increase of $23.8 million, or 54%. For reasons noted earlier, the Company may discontinue separate disclosure for these Base Cities Competitive Access Operations in the future. The Company continues to review other modifications to its financial disclosures which the Company believes will provide more meaningful information about its activities.

Network Systems Integration

Third party revenue from services offered by the Company's network systems integration segment increased to $125.0 million in the nine months ended September 30, 1996 from $59.8 million in the nine months ended September 30, 1995, an increase of $65.2 million or 109%. The increase is due to an increase in the number of new projects, including a contract to provide design and construction services for a wireless personal communications system.

Network systems integration operating expenses increased to $115.4 million in the nine months ended September 30, 1996 from $52.2 million in the nine months ended September 30, 1995, an increase of $63.2 million or 121%. The increase is primarily due to the increased level of operating expenses related to the projects noted above, including the continuing development and investment in ITS service projects.

Network systems integration general and administrative expenses increased to $11.3 million in the nine months ended September 30, 1996 from $10.0 million in the nine months ended September 30, 1995, an increase of $1.3 million. The increase reflects the increased third party work noted above.

Network systems integration EBITDA loss decreased to $(1.0) million in the nine months ended September 30, 1996 from $(2.4) million in the nine months ended September 30, 1995. This resulted from the increased margins realized from the increase in third party work noted above.

Other Income (Expense)

Other income (expense) increased to $(49.9) million of other expense in the nine months ended September 30, 1996 from $(19.6) million of other expense in the nine months ended September 30, 1995. The increase in other expense resulted primarily from additions to interest expense incurred in connection with the issuance of the 1996 Senior Discount Notes. This increase was partially offset by increased interest income from the investment of the proceeds of the 1996 Senior Discount Notes.

Income Taxes

The income tax expense of $.3 million and $.45 million for the nine months ended September 30, 1996 and 1995, respectively, resulted from estimated state and foreign tax liabilities.

Net Loss

Net loss increased to $323.0 million in the nine months ended September 30, 1996 from $196.0 million in the nine months ended September 30, 1995, an increase of $127.0 million. The increase resulted primarily from increased depreciation, amortization and interest expense.

Liquidity and Capital Resources

The Company's total assets have increased to $5.8 billion at September 30, 1996. The Company's growth was funded by capital contributions from its former majority stockholder, KDG, until an initial public offering in 1993. Since that public offering, the Company has funded its growth through a combination of debt and equity financing including, most recently, a $1.3 billion common stock offering in July 1996. The Company's current assets at September 30, 1996 of $1,769.5 million, including cash and marketable securities aggregating $1,344.7 million, exceeded current liabilities of $451.6 million, providing working capital of $1,317.9 million. Network and equipment, net of depreciation, comprise $1.6 billion of total assets.

The Company's operating activities used net cash of $100.8 million in the nine months ended September 30, 1996 and $115.6 million in the nine months ended September 30, 1995. The decrease in cash used by operating activities reflects improvement in the margins that the Company is generating as it grows its businesses, increased interest income, and an increase in liabilities, partially offset by an increase in cash used to support increased levels of accounts receivable and other assets.

In order to finance the Company's operations and network development, the Company has utilized a variety of financing vehicles including:

- -capital contributions from its former majority shareholder,
- -proceeds from its initial public offering and a follow-on public offering in 1993,
- -proceeds from 9 3/8% Senior Discount Notes in 1994,
- -availability of proceeds from various revolving credit facilities arranged in 1994 and 1995,
- -proceeds from a public offering of Depositary Shares which represent an interest in preferred stock of the Company, in 1995,
- -sale-leaseback transactions in 1995,
- -proceeds from 8 7/8% Senior Discount Notes in the first quarter of 1996 and,
- -proceeds from a public offering of common stock in July 1996.

Proceeds from these financing transactions that occurred in the nine month periods ended September 30, 1996 and 1995 resulted in net cash provided by financing activities of $1,839.7 million and $314.4 million, respectively.

During the first nine months of 1996, the Company's capital expenditures, including the acquisitions of businesses, were $525.4 million compared to $384.1 million in the first nine months of 1995. The capital expenditures are primarily for the construction or expansion of networks and the purchase of related equipment. Net cash used in all investing activities was $1,441.1 million in the first nine months of 1996 including the investment of the proceeds from the July 1996 common stock offering, and $195.3 million in the first nine months of 1995.

On May 7, 1996 the Company announced that it intends to undertake certain initiatives designed to take advantage of opportunities created by changes in telecommunications laws and the rapid development of Internet-based communications networks. These initiatives involve increasing the number of cities served, expanding its networks in existing cities, constructing or acquiring its own intercity and transoceanic high capacity network, accelerating central office interconnection, deployment of additional switches, and providing high-speed local Internet access.

Expenditures for the initiatives are subject to the Company's review of a number of factors including the cost of any additional capital required, technological developments and market conditions. In addition, each initiative may be implemented in whole or in part, and independently of any other initiative, ensuring that the Company retains maximum financial and operating flexibility. The Company anticipates that implementation of these initiatives including certain of the Internet-related initiatives, will, together with currently anticipated expenditures, result in total average annual capital expenditures of approximately $1.0 billion to $1.3 billion over the period of implementation, which the Company expects to be up to four years. Since a significant portion of the Company's capital expenditures are success-based (that is, related directly to revenue growth), actual capital expenditures may vary significantly from the above range depending on the level of incremental sales. This range is also subject to a number of factors, including the pace and extent of network development, levels of incremental sales, as well as regulatory actions by state, federal and international authorities, which, individually or in the aggregate, could cause material changes in capital expenditure requirements. The available liquidity at September 30, 1996 will be used to fund the initial capital expenditures of these initiatives. The Company expects to fund the balance of its capital requirements through existing resources, internally generated funds and additional debt or equity financing as appropriate.

Other Matters

The Company from time to time evaluates acquisitions in pursuit of its business strategy, either as an alternative to constructing networks, adding customers, or to the introduction of services that compliment existing and/or planned services. Such acquisitions may be significant in size and could use a substantial portion of the Company's available cash.

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From time to time, the Company has had discussions with other communications entities concerning the establishment of possible strategic relationships, including transactions involving substantial acquisitions, combinations and equity investments in the Company or one of its subsidiaries.

The Company and WorldCom, Inc. ("WorldCom") announced the execution of a merger agreement dated August 25, 1996. According to the terms of the merger agreement each share of MFS common stock will be exchanged for 2.1 shares of WorldCom common stock and each share of MFS Series A and Series B preferred stock will be exchanged for shares of WorldCom preferred stock. WorldCom is one of the largest long distance telecommunications companies in the United States, offering domestic and international voice, data and video products and services to business customers, other carriers and the residential market. The merger is expected to close in late 1996 or early 1997 following approval of various federal, state and local regulatory authorities. Approval of the shareholders of the Company and WorldCom is also required.

Accounting for Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation. SFAS 123 encourages entities to adopt a fair value based method of accounting for employee stock compensation plans, however it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting. Under the intrinsic value based method, many companies, including MFS, had not previously recognized compensation cost for many of their stock compensation plans.

The Company adopted the fair value based method of SFAS 123 in the first quarter of 1996. The Company believes that the fair value method of accounting more appropriately reflects the substance of the transaction between an entity that issues stock options, or other stock-based instruments, and its employees; that is, an entity has granted something of value to an employee (the stock option or other instrument) generally in return for their continued employment and services. The Company believes that the value of the instrument granted to employees should be recognized in financial statements because nonrecognition implies that either the instruments have no value or that they are free to employees, neither of which is an accurate reflection of the substance of the transaction. Although the recognition of the value of the instruments results in compensation expense in an entity's financial statements, the expense differs from other common forms of compensation expenses in that these charges typically will not be settled in cash, but rather through issuance of common stock.

The Company has introduced certain changes to its stock-based compensation plans, including a new award plan for key executive employees which ultimately have value to the employee only if the Company's stock price outperforms the S&P 500. The Company has granted approximately 1,392,000 awards under the new plan in the first nine months of 1996 and anticipates that additional grants may be made on a quarterly basis. The amount of non cash stock-based compensation expense recorded in the nine month period ended September 30, 1996, as measured under SFAS 123, was $10,915. The Company believes that these charges may continue in 1996 and thereafter. The amount of the non-cash charge will be dependent upon a number of factors, including the number of options and awards granted and the fair value estimated at the time of grant.

Effects of Inflation

Inflation has not had a significant effect on Company operations. However, there can be no assurance that inflation will not have a material effect on the Company's operations in the future.

Forward-looking Statements

The matters discussed in this Form 10Q contain forward-looking statements that involve risks and uncertainties including risk of changing market conditions, competitive and regulatory risk associated with the telecommunications and Internet industries, the impact of competitive services and pricing, the impact of the Telecommunications Act of 1996, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On March 4, 1994, several of the former minority stockholders of MFS Telecom, Inc., a subsidiary of the Company, filed a lawsuit against Kiewit Diversified Group Inc., the Company and its chief executive officer in the United States District Court for the Northern District of Illinois, Case No. 94C-1381, captioned Arthur Brantman et al. v. MFS Communications Company, Inc. et al. Plaintiffs alleged that MFS fraudulently concealed material information about its plans from them, causing them to sell their shares at an inadequate price and further alleged damages of at least $100 million. On July 9, 1996 this lawsuit was settled with no cost to the Company.

Item 4. Submission of Matters to a Vote of Security Holders

(a) The regular annual meeting of stockholders of the registrant was held August 10, 1996.

(b) At the annual meeting, the stockholders:

(i) approved the issuance of the Company's common stock in connection with either the Agreement and Plan of Merger between the Company and UUNET Technologies, Inc. ("UUNET") or a Stockholder Option, Voting and Proxy Agreement between the Company and certain stockholders of UUNET. The issuance was approved by a vote of the stockholders as follows:

Affirmative votes	181,198,824
Negative votes	612,693
Abstentions	184,467
Broker non-votes	22,747,116

(ii) voted to re-elect four directors of the Company. Each nominee for director was elected by a vote of the stockholders as follows:

	Affirmative Votes	Negative Votes	Votes Withheld
James Q. Crowe	202,912,949	1,830,152	-
Royce J. Holland	202,890,589	1,852,512	-
R. Douglas Bradbury	202,914,455	1,828,646	-
William J. Grewcock	202,646,961	2,096,140	-

The following directors have terms of office that continued after the meeting: Howard Gimbel, Richard R. Jaros, Robert E. Julian, David C. McCourt, Ronald W. Roskens, Walter Scott, Jr., Kenneth E. Stinson and Michael B. Yanney.

(iii) adopted amendments to the MFS 1993 Stock Plan. The amendments were approved by a vote of the stockholders as follows:

Affirmative votes	168,648,692
Negative votes	29,750,673
Abstentions	1,488,175
Broker non-votes	4,855,561

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(iv) adopted amendments to the MFS 1995 Deferred Stock Purchase Plan. The amendments were approved by a vote of the stockholders as follows:

Affirmative votes	195,745,108
Negative votes	3,776,335
Abstentions	1,501,142
Broker non-votes	3,730,516

(v) ratified the appointment by the Board of Directors of Coopers & Lybrand L.L.P. as independent auditors of the Company for the 1996 fiscal year. The appointment was ratified by a vote of the stockholders as follows:

Affirmative votes	202,407,040
Negative votes	2,166,136
Abstentions	169,925

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 Statement regarding computation of net loss per share applicable to common shareholders.

(b) A report on Form 8-K, dated August 1, 1996, was filed reporting under Item 5 the Company's results of operations for the 2nd quarter of 1996 in the form of a press release.

A report on Form 8-K, dated August 12, 1996, was filed reporting under Item 2 that the Company had completed the acquisition of UUNET Technologies, Inc.

A report on Form 8-K, filed August 26, 1996, reported under Item 5 that the Company had executed an agreement and plan of merger with WorldCom, Inc.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MFS COMMUNICATIONS COMPANY, INC.

/s/ R. Douglas Bradbury

Dated: November 12, 1996

R. Douglas Bradbury
Chief Financial Officer

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Exhibit 11

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

SCHEDULE COMPUTING CONSOLIDATED NET LOSS PER SHARE
APPLICABLE TO COMMON SHAREHOLDERS
(dollars in thousands, except per share data)

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	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Common shares outstanding				
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Common shares outstanding at beginning of period (1)	126,824,589	129,029,524	130,260,228	128,306,436
Add issuances	94,818,120	778,680	97,182,481	1,501,768
Less treasury share	-	(5,800,000)	(5,800,000)	(5,800,000)
Common shares outstanding at end of period	221,642,709	124,008,204	221,642,709	124,008,204

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	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Net loss per share applicable to common shareholders				
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Weighted average number of common shares outstanding	190,697,000	129,319,000	147,455,000	129,005,000
Net loss	$(144,124)	$(67,239)	$(323,044)	$(195,975)
Dividends on preferred stock	(7,460)	(7,701)	(21,992)	(7,701)
Net loss applicable to common shareholders	$(151,584)	$(74,940)	$(345,036)	$(203,676)
Net loss per share applicable to common shareholders	$ (0.79)	$ (0.58)	$ (2.34)	$ (1.58)

(1) All share data has been stated reflecting the common stock split in 1996.
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1995

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____ TO ____

Commission File No. 0-21594

MFS Communications Company, Inc.

A Delaware Corporation I.R.S. Employer No. 47-0714388
3555 Farnam, Suite 200, Omaha, Nebraska 68131
Telephone Number (402) 977-5300

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, Par Value $.01
Series A Preferred Stock, Par Value $.01
Series B Preferred Stock, Par Value $.01

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Registration S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Based on the closing sales price on March 11, 1996 the aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $3,731,037,199*.

At March 11, 1996, 62,766,250 shares of the Registrant's common stock were outstanding.

* After the first anniversary date of the issuance of the Series B Preferred Stock, each share may be converted into .0231884 shares of the Company's common stock. Therefore, for purposes of determining the market value of the Series B Preferred Stock, each share has been given a value of $1.44 (.0231884 of the $62.25 market price per share of the Company's common stock on March 11, 1996).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation A in connection with its 1996 Annual Meeting are incorporated by reference into Part III of this Report on Form 10-K.

Certain Exhibits filed with the Registrant's (i) Registration Statement on Form S-1 (Registiration No. 33-59358), as amended, (ii) Current Report on Form 8-K, dated January 31, 1994, (iii) Annual Report on Form 10-K for the fiscal year ended December 31, 1994, (iv) Current Report on Form 8-K, dated September 30, 1995, (v) Current Report on Form 8-K, dated June 15, 1995, (vi) Current Report on Form 8-K/A Amendment No. 1, dated November 21, 1995, (vii) Current Report on Form 8-K, dated April 27, 1995, and (viii) Current Report on Form 8-K, dated January 23, 1996, are incorporated by reference into Part IV of this Report on Form 10-K.

TABLE OF CONTENTS

MFS COMMUNICATIONS COMPANY, INC.

PART I

ITEM 1. BUSINESS

Introduction

MFS Communications Company, Inc. (the "Company" or "MFS") is a Delaware corporation. The Company was established in 1987. The principal offices of the Company are located at 3555 Farnam Street, Suite 200, Omaha, Nebraska 68131. The telephone number is (402) 977-5300. Unless otherwise indicated, or the context otherwise requires, the "Company" and "MFS" each refers to MFS Communications Company, Inc. and its subsidiaries. See "Glossary" for definitions of certain other terms.

The Company's strategy is to become the primary provider of telecommunications services to business and government end users. The Company believes business and government users have distinct telecommunications service requirements, including maximum reliability, consistent high quality, capacity for high-speed data transmission, responsive customer service and continuous attention to service enhancement and new service development. The Company believes it has significant advantages over its competitors as a result of the Company's: (i) focus on business and government end users; (ii) expertise in developing highly reliable, advanced digital fiber optic networks which offer substantial transmission capacity; (iii) centralized, real-time network monitoring and control provided by the Company's advanced network operations control centers; (iv) emphasis on providing comprehensive and responsive customer service; (v) economic benefits derived from being a national and international multi-service provider; (vi) ongoing development of new services, such as integrated local and long distance switched services and data transmission services which improve, enhance or reduce the cost of communications services for business and government end users; (vii) deployment of its networks in key domestic and international business markets to take advantage of regulatory changes that permit greater competition in the local market; and (viii) international network platform that serves customers with multiple offices in key business centers.

The Company is organized as a holding company and operates through its subsidiaries in two business segments: (i) telecommunications services, through (a) the MFS Telecom Companies, which include MFS Telecom, Inc. ("MFS Telecom") and MFS Datanet, Inc. ("MFS Datanet"), (b) the MFS Intelenet Companies, which include MFS Intelenet, Inc. ("MFS Intelenet") and (c) MFS International, Inc. ("MFS International") and (ii) network systems integration, primarily through MFS Network Technologies, Inc. ("MFS Network Technologies"). In addition, MFS Global Network Services, inc. ("Global Network Services") manages the operation and development of the Company's networks.

Telecommunications Services

On October 2, 1995, the Company announced that the Company's telecommunications service will be organized as follows:

- The MFS Telecom Companies serve the needs of large businesses and government customers and include the services provided by MFS Telecom--dedicated circuits for telecommunications needs--and MFS Datanet--high speed data communications.

- The MFS Intelenet Companies serve the needs of medium and small businesses and include the services provided by MFS Intelenet--integrated local and long distance telecommunications services--and the Company's RealCom Office Communications, Inc. subsidiary--shared tenant services.

- Global Network Services was organized to expand and manage the Company's international network platform which consists of the Company's own transmission facilities and switching platform as well as capacity leased from other service providers.

The Company's MFS International subsidiary provides business communications services between and within several international business centers, primarily in Western Europe. MFS International was created in 1993 to take advantage of international opportunities and to better serve MFS' existing customer base of multinational companies.

Network Systems Integration

MFS Network Technologies provides network systems integration for MFS and third parties who desire to deploy sophisticated networks. Such projects and applications include voice and data networks, interactive distance learning networks, security systems, combined cable television-telephone networks, and intelligent transportation systems.

Spin-off Transaction

On September 30, 1995, Peter Kiewit Sons', Inc. ("PKS") completed a tax-free distribution of all of its holdings in the Company. On that date, PKS distributed to certain of its stockholders 40,091,664 shares of Common Stock of the Company and 15,000,000 shares of Series B Cumulative Convertible Preferred Stock, par value $.01 per share (the "Series B Preferred Stock"). As a result of the distribution, the number of Common Stockholders of MFS increased by approximately 1,400.

The International Network Platform

The Company provides telecommunications services by utilizing its international network platform, which consists of Company-owned transmission and switching facilities and network capacity leased from other carriers both in the United States and Western Europe. The Company-owned portion of the international network platform consists of metropolitan area networks of fiber optic cables, integrated local and long distance switches, advanced electronics, ATM switching equipment, transmission equipment and associated wiring and equipment. In addition, the Company has ownership interests in several international submarine cables. These metropolitan area networks are generally linked to each other with leased high capacity fiber lines.

The fiber optic cable utilized in the Company's networks typically contain between 12 and 144 fiber strands, each of which is capable of providing multiple telecommunications channels or "circuits." Depending on transmission electronics, a single pair of glass fibers on the Company's networks currently can transmit 32,256 simultaneous voice conversations, whereas a typical pair of copper wires generally can carry a maximum of 24 simultaneous voice conversations. Although the LECs have historically used copper wire in their networks, they currently are deploying fiber optic cable to upgrade portions of their copper-based networks, particularly in areas served by the Company. The Company expects that continuing developments in telecommunications equipment will increase the capacity of each optical fiber, thereby providing even greater capacity at relatively low incremental cost.

Buildings are generally connected to the Company's international network platform by network extensions to one of a number of physical rings of fiber optic cable, which originate and terminate at the Company's central nodes. The Company also serves buildings not located on its network through unbundled local loops obtained from the LECs. The end user's transmission signals are generally transmitted through the network simultaneously on both primary and alternate protection paths. Most buildings served have a discrete Company presence (referred to as a "remote hub") located in the building. Within each building, Company-owned internal wiring generally connects the remote hub to the customer premises. Customer terminal equipment is connected to Company-provided electronic equipment generally located in the remote hub where customer transmissions are digitized, combined and converted to an optical signal. The traffic is then transmitted to the Company's central node where originating traffic can be reconfigured for routing to its ultimate destination.

The Company's ATM network utilizes the Company's intracity fiber connections to customers, Company-owned ATM switches and high capacity intercity fiber connections generally leased from other carriers. ATM is a recently commercialized switching and transmission technology based on encapsulation of information in short (53 byte) fixed-length packets or "cells." ATM switching was specifically developed to allow switching and transmission of mixed voice, data and video (sometimes referred to as "multimedia" information). In addition, certain characteristics of ATM switching allow switching information to be directly encoded in integrated circuitry rather than in software.

The Company provides international service through several means, including leasing submarine cable capacity from international carriers as well as taking ownership interests and obtaining indefeasible rights of use capacity on other submarine cables. The Company will continue to consider whether to purchase or lease submarine cable capacity on a case-by-case, site specific basis.

The following table illustrates the growth of the international network platform:

	As of December 31,		
	1995	1994	1993
Circuits in service	2,960,766	1,713,430	947,391
Buildings connected	5,720	2,754	1,583
Route miles	3,183	2,405	1,298
Fiber miles	199,726	107,919	62,154
Switches installed	16	12	1

Global Network Services

In 1992, the Company formed MFS Development as a division of the parent company to serve as a central resource for network development, technical and strategic planning and implementation. MFS Development contracted with MFS Network Technologies, which engineered and managed the construction of the fiber optic network. Thereafter, as each portion of the network was completed, it was delivered to the relevant Company operating subsidiary. Over time, the Company's network evolved from "islands" of advanced fiber networks within individual metropolitan areas, to an integrated international network platform consisting of fiber optic cables either owned or leased by the Company, integrated local and long distance switches, advanced electronics, ATM switching equipment, transmission equipment and associated wiring and equipment. The ownership and responsibility for each of these assets fell to several operating subsidiaries.

As it continued to build its network platform in the United States and Europe, and is customers continued to require high quality, end-to-end response and service, the Company determined that one subsidiary, Global Network Services, should be focused solely on optimizing the international network platform. While legal and regulatory constraints may dictate that certain assets including network facilities should continue to be owned by various operating subsidiaries, the development, expansion, management, operation and maintenance of the Company's entire international network platform is now the responsibility of Global Network Services.

Telecommunications Services

Unlike the BOCs (Bell Operating Companies) and other large LECs which were organized geographically in response to the regulatory environment that existed before the break-up of the Bell System (the "Divestiture"), the Company is organized to take advantage of ongoing technological, competitive and regulatory changes. As a part of the Company's strategy to be the primary provider of telecommunications services to business and government customers, MFS has developed a corporate structure which is organized around specific market segments.

The MFS Intelenet Companies. Small and medium sized businesses generally do not employ in-house telecommunications specialists to manage their facilities and negotiate local and long distance services with a number of different vendors. Through the MFS Intelenet Companies, the Company provides a single source for integrated local and long distance telecommunications services and facilities management. Its customers enjoy a level of convenience which has been largely unavailable to them since the Divestiture, with a single point of contact and a single bill, which is frequently at a discount from the combined rates charged by the BOCs and the long distance carriers. In addition, the Company provides a wide range of value-added services, including calling card, 800 number, voice mail, customized billing and management reporting.

In 1994, the Company organized MFS Intelenet to provide these services utilizing both the Company's network and switching platforms as well as facilities and services provided by others. That same year, the Company acquired Centex, Telemanagement, Inc. ("Centex"), the nation's largest telemanagement company, and RealCom Office Communications, Inc. ("RealCom"), the nation's second largest shared tenant service provider, neither of which possessed their own network facilities.

The MFS Telecom Companies. Large users of telecommunications services typically have experienced staff to help meet their growing need for data and video transmission in addition to their traditional need for local and long distance voice service. With the founding of MFS Telecom, the Company began providing dedicated special access and local private line services to large users over its multiple fiber optic networks.

The Company organized MFS Datanet to provide services to intensive data users that the Company believed were inadequately served by traditional telecommunications networks. The Company provides various data transmission services at a variety of LAN speeds and protocols. High speed LAN interconnect services include Frame Relay, Ethernet, Token Ring and FDDI utilizing the Company's ATM network. The Company also provides a variety of lower speed data services.

In August 1993, MFS announced the first national ATM network allowing customers to transmit data and information in wide area networks across metropolitan areas as well as across the country at the same speeds at which their local area networks operate. In early 1994, MFS unveiled the first step of its international ATM service, connecting the Company's network in the United States to its network in the United Kingdom for ATM transmissions. In August 1995, the Company became the first integrated service provider to offer voice, data and video transmission over an ATM network. By employing variable bit rate technology, which allocates network bandwidth capacity as needed, voice traffic shares the ATM network with data and video.

The Company plays a major role in making the Internet available to users across the nation through sales of data transmission services to Internet service providers. MFS Datanet is also one of several companies that manage the operation of Network Access Points ("NAPs"), through which traffic on the Internet must pass in order to move from one Internet service provider's system to another. MFS developed and manages NAPs that are known as MAE East in Washington, D.C., MAE West in San Jose, California and MAE Chicago in Chicago, Illinois.

MFS International. MFS International provides international communications services designed to better serve MFS' existing customer base of multinational companies and to appeal to other business and government users abroad.

In Europe, MFS International provides a full range of voice, data and video communications to businesses in greater London and Stockholm either over its own networks or by reselling services of the other carriers. MFS International also provides a growing range of communications services in certain other key European business centers and anticipates that it will continue to develop new markets throughout Europe as the anticipated liberalization of competition, facilities-based ownership and regulatory reform proceeds. MFS International provides international private line and enhanced services to end users and is authorized by the FCC to provide the full range of switched and private line voice and data services originating and terminating in the United States.

In 1995, MFS International announced: that it had obtained government authorizations to construct and operate the first alternative metropolitan area fiber network in Frankfurt; the granting of a full national and international operating license in Sweden; an agreement with Telecom Finland to interconnect the two companies' data networks; the receipt of a license to construct and operate the first alternative metropolitan area fiber optic network in Paris; and the offering of non-facilities based services in Zurich. The construction of the Frankfurt network has been completed, and data, private-line voice and closed user group switched voice service is now being offered to business customers in that city. In Paris, the installation of a network commenced in the first quarter of 1996 and the Company currently offers non-facilities based services in Paris similar to those being offered in Frankfurt.

Network Systems Integration

Initially created to design and build MFS' networks in a high quality and cost-effective manner, MFS Network Technologies also provides development, design and engineering, project management, construction and support of networks and systems to a range of third-party customers. It is an industry leader in the creation of advanced communication and transportation systems, through the integration of advanced technologies for telecommunications, transportation and security applications.

In 1995, MFS Network Technologies was awarded a contract by the South Jersey Transportation Authority to develop and provide an integrated electronic toll collection and traffic management system on the Atlantic City Expressway and was selected by the Massachusetts Turnpike Authority to design, integrate and install an electronic toll collection system at the Boston Harbor Tunnels and on the Massachusetts Turnpike.

Backlog. The network systems integration segment had a third party backlog of approximately $163 million at December 31, 1995 as compared to $127 million at December 31, 1994. Approximately $73 million of such backlog is not expected to be completed in 1996. A substantial portion of the backlog is related to federal, state or local government contracts which extend over multiple years. Although some of these contracts are subject to cancellation and/or to a revision of funding, the Company believes that it is adequately protected for all incurred costs and the reasonable costs of termination based upon provisions in these contracts that typically provide for the contractor to receive the contract price on completed work and the reimbursement of termination-oriented costs plus a reasonable profit on such costs.

Customers and Marketing

Telecommunications Services. The Company's marketing activities are directed toward business and government users. Sales and marketing activities are conducted primarily by direct sales and marketing forces in each business market and by national account managers. In addition, the Company markets its services through advertisements, trade journals, media relations, direct mail and participation in trade conferences. The Company's customers include a wide range of large corporations, financial services companies, governmental departments and agencies, and academic, scientific and other major institutions, as well as medium and small businesses and long distance carriers.

The Company's customers typically enter into service agreements of at least twelve months which usually convert into month-to-month agreements at the end of the term. Certain customers have entered into longer term agreements. Customer billings are divided into recurring and non-recurring charges (including one time installation charges).

Network Systems Integration Services. MFS Network Technologies' third party customers include major local and long distance telecommunications carriers, public utilities, cable television operators, agencies of federal, state and local government and large corporations. The Company's network systems integration segment revenues are and may continue to be dependent upon a small number of large projects. Accordingly, these revenues are likely to vary significantly from period to period.

Competition

Telecommunications Services. In each of its local markets, the Company faces significant competition for the telecommunications services it offers from the LECs, which currently dominate their local telecommunications markets and possess many advantages over their competitors. The LECs have long established relationships with their customers and provide those customers with various transmission and switching services that the Company has historically not been allowed by regulators to offer or, if allowed to offer, is currently in the process of only beginning to provide those services. The Company has sought and will continue to seek to achieve regulatory parity with the LECs in order to provide local telecommunications services on an economically efficient basis, including access to equipment rooms, right-of-way and comparable treatment with respect to the imposition of franchise fees. See "Government Regulation and Co-carrier Status." The Company continues to challenge, before federal and state regulators, many advantages which exist because of the LECs' historical status and will actively seek to utilize the opportunities created by the enactment of federal legislation for that purpose.

A continuing trend toward business combinations and alliances in the telecommunications industry may create significant new competitors to the Company. This development may be accelerated by the recent enactment of federal telecommunications legislation, which seeks to eliminate regulatory barriers to entry. Many of the Company's existing and potential competitors have financial, personnel and other resources significantly greater than those of the Company.

The Company also faces competition in most markets in which it operates from one or more CAPs or cable television providers operating fiber optic networks. Teleport Communications Group, Inc., which is owned by several major cable companies, offers certain services in many of the metropolitan areas in which the Company currently offers services. In addition to the LECs and the CAPs, competitors potentially capable of offering private line, special access and switched services include cable television companies, electric utilities, long distance carriers, microwave carriers, wireless telephone system operators and private networks built by large end users. In 1994, MCI Communications Corporation ("MCI") announced the creation of MCI Metro, a unit that reportedly will construct fiber optic rings and install local switching equipment in major metropolitan markets in the United States to provide direct connection to its customers and to provide alternative local telephone services. In addition, in March 1995, Sprint Corporation ("Sprint") and its cable television partners announced that they have agreed to spend a substantial amount of capital to provide local telephone services. Following enactment of federal legislation in 1996, AT&T also indicated that it may construct facilities and engage in other activities to compete in the local service market. In addition, AT&T, MCI, Sprint and other long distance carriers have expressed interest and obtained approval to resell LEC local services.

Although MFS believes that no single competitor offers integrated telecommunications services nationwide over its own local facilities primarily for business customers, each of its competitors currently provides some or all of the services MFS Intelenet offers or plans to offer. Moreover, it is likely, following the recent enactment of federal legislation that other companies, both larger and with greater resources than the Company, may seek to provide integrated telecommunications services on a nationwide basis. Under the recently enacted federal legislation, GTE is allowed immediately to offer long distance services. The BOCs will be allowed to offer long distance service in the region in which they offer local service following satisfaction of a competitive checklist embodied in the legislation and several other factors. Because MFS believes it has certain advantages relative to quality control, local network maintenance and cost savings resulting from its use of the Company's existing fiber optic networks, MFS Intelenet believes that it may enjoy certain advantages with respect to certain of its competitors.

Under the recently enacted federal legislation, barriers to local exchange competition in the individual states will be removed, likely increasing the number of possible competitors. Once they are permitted to offer long distance services, the BOCs will be in a position to offer single source service similar to that being offered by MFS Intelenet. Moreover, the entry of a BOC into long distance service will allow AT&T, MCI and Sprint to jointly market long distance service with resold services obtained from a BOC. Ultimately, the federal regulation will likely lead to many telecommunication providers offering integrated local and long distance offerings.

Although the Company believes that no single competitor currently offers high-speed end-to-end interstate LAN interconnection services over its own local facilities, potential competitors for these services include stand-alone data transmission entities as well as LECs, other CAPs and cable television companies.

Network Systems Integration. MFS Network Technologies' primary network systems integration competitors are the BOCs, long distance carriers, equipment manufacturers and major independent telephone companies. In certain circumstances, MFS Network Technologies may also compete with regional and local systems integration and construction firms for integration and installation projects. In the automatic vehicle identification market, MFS Network Technologies competes with specific manufacturers in several of the aerospace defense contractors that have indicated an intention to shift to commercial markets.

International Competition. The three international markets in which the Company competes are (i) international services from the United States, (ii) international services from certain countries in continental Europe and (iii) domestic service within and international services from the United Kingdom, Sweden, and several other European markets. The Company offers private line, high-speed LAN interconnect data, and voice services in each of these markets, subject to varying governmental authorizations.

The Company faces competition in international service from the United States where it competes with AT&T, MCI, Sprint, WorldCom Communications, Inc. and others. These companies own significant international cable capacity and have established operating agreements with government owned Post Telephone and Telegraph Administrations ("PTTs") in Europe, which reduces their cost to provide service.

The United Kingdom allows for direct facilities-based competition. The Company competes in the United Kingdom with other facilities-based licensed carriers for international and domestic services. Currently, there are fifteen direct competitors and forty-five licensed applicants in the United Kingdom. Several of these companies are larger and have greater resources than the Company.

In continental Europe the PTTs generally retain their monopoly on public services. The Company, however, was recently awarded licenses to operate as a facilities-based carrier in Frankfurt, Germany, Paris, France, and Stockholm, Sweden. With these exceptions, MFS must generally compete with the monopoly PTTs and other incumbent providers based on resale of their private line and voice services. Other companies which offer service on this resale basis include AT&T, MCI, British Telecommunications, PLC and Sprint.

Government Regulation and Co-carrier Status

Overview. The Company's services are subject to varying degrees of federal, state, local and foreign regulation. The FCC exercises jurisdiction over all facilities of, and services offered by, telecommunications common carriers to the extent those facilities are used to provide, originate or terminate interstate or international communications. Under newly enacted federal legislation, the state regulatory commissions retain jurisdiction over the same facilities and services to the extent they are used to originate or terminate intrastate communications to the extent those regulations are not inconsistent with the federal legislation as interpreted by the FCC. Foreign regulatory authorities exercise jurisdiction over the abilities of and services offered by, telecommunications companies in their respective jurisdictions. The Company holds various federal, state and international regulatory authorizations and actively seeks to initiate regulatory reform at the federal, state and international levels to open additional telecommunications markets to competition.

The recently enacted federal legislation, provides, among other things, that the BOCs and other LECs satisfy a competitive checklist, providing MFS and other competitors the services and facilities necessary to offer local switched services. The FCC and individual state commissions are directed to interpret and clarify these terms. The following table summaries the key factors of the legislative competitive checklist, often referred to as "co-carrier status," being pursued by the Company with the FCC and with state regulators and their anticipated effect on the Company's ability to provide fully competitive services on an economically efficient and technically feasible basis.

Issue	Definition	Anticipated Effect
Interconnection	Efficient network interconnection to transfer calls back and forth between LECs and competitive networks (including 911, 0+, directory assistance, etc.)	Allows MFS to provide service to customers not directly connected to its networks
Local Loop Unbundling	Allows competitors to selectively gain access at cost-based rates to LEC wires from central offices to customer premises	Reduces MFS' capital and operating costs to serve customers not directly connected to its networks
Reciprocal Compensation	Mandates reciprocal compensation for local traffic exchange between LECs and competitors	Improves MFS' margins for local service
Number Portability	Allows customers to change local carriers without changing numbers; true portability allows incoming calls to be routed directly to the customer; interim portability allows incoming calls to be routed through the LEC	Allows customers to switch to MFS-provided local service without changing phone numbers
Access to Phone Numbers	Allows competitors to assign new telephone numbers to their customers	MFS can provide telephone numbers to new customers on the same basis as the LEC

Legislation. On February 9, 1996 President Clinton signed into law comprehensive federal telecommunications legislation affecting all aspects of the telecommunications industry. The Telecommunications Act of 1996 ("the Act") establishes a national policy that promotes local exchange competition. At the heart of the Act is the requirement that all state barriers to entry into the local exchange market be removed. The Act establishes uniform standards under which the FCC and the state commissions are to implement co-carrier arrangements in the local exchange market. The Act imposes significant obligations on incumbent local exchange carriers, especially the BOCs, including the obligation to interconnect their networks with competitors. Each BOC would be required not only to open its network but also to unbundle the network so competitors may purchase only those portions of the network that they require. All LECs will be required to make available for resale all services they offer on a retail basis to non-telecommunications carriers.

The BOCs' incentive to comply with the Act's opening of the local exchange market to competition derives from the Act's provisions allowing the removal of the current ban on BOC provision of interLATA (local access transport areas) toll service, information services and equipment manufacturing. This ban will only be removed after the BOC demonstrates to the FCC, in consultation with the Department of Justice, that the BOC has met the requirements of a competitive checklist which details the basic co-carrier requirements. The BOC must also show that it has a facilities-based competitor in some portion of its region before offering long distance service or manufacturing telecommunications equipment.

While state-by-state regulatory activity brought co-carrier arrangements or initiatives to various stages of completion in approximately 25 states, the Act is intended to accelerate the process and create a competitive environment in all markets, eliminating state and local statutory and regulatory barriers to entry. This relaxation of regulatory restraints should, enhance the Company's ability to expand its service offerings nationwide.

The Company, as a facilities-based, multi-market competitive provider already active in emerging co-carrier environments, is now given legislative support to carry out its co-carrier concept in markets across the country. In addition to providing the Company with a national framework to achieve co-carrier status in local exchange markets, the Act permits MFS, as a telecommunications carrier with less than 5% of nationwide presubscribed access lines, to continue to offer single source services. AT&T, MCI and Sprint may not bundle their local and long distance offerings in a BOC's territory until the BOC is authorized to enter the interLATA long distance market.

The Act, by removing barriers to entry into the local exchange market and at the same time enabling BOCs to compete with the Company in the provision of local and long distance services, ultimately allowing the BOCs to offer their own packages of single source services, substantially increases the competition the Company will face.

The Act in some sections is self-executing, but in most cases the FCC must issue regulations that identify specific requirements before the Company and its competitors can proceed to implement the changes the Act prescribes. The FCC already has commenced some of these rulemakings, which are required to be completed anywhere from 30 days to over one year after enactment. In addition, the Act retains the authority of individual state utility commissions to impose their own regulation of local exchange services so long as such regulation is not inconsistent with the requirements of the Act. The Company is unable to predict the final form of such regulation and its potential impact on the market.

Federal Regulation. The Company maintains an active profile before federal regulators and has initiated and participated in many significant proceedings before the FCC, influencing the development of interstate telecommunications. As a result of rulings announced in September 1992 and August 1993 (the "Interconnection Decisions") by the FCC, the Company is able to offer interstate special access and switched access transport services to virtually every business and government end user in the metropolitan areas which the Company elects to have without being directly connected to such customers. The Interconnection Decisions enabled CAPs to compete for transport of switched long distance calls between LEC central offices and long distance carrier POPs. At the same time the LECs were granted greater pricing flexibility for those services. Portions of the Interconnection Decisions are currently subject to further review at the FCC and in the U.S. Court of Appeals for the District of Columbia. These issues are also likely to further be interpreted by the FCC as it construes the federal legislation.

In March 1995, MFS introduced an initiative before the FCC calling for the nationwide unbundling of the "local loops" controlled by the LECs in order to make those facilities available on a cost-based basis to all eligible local service providers, including MFS, following initiation of local competition. The local loop is the part of the LEC networks that physically connects the customer's premises to the central office and is used to receive and originate all local and long distance calls. The Company is simultaneously pursuing similar initiatives before individual state regulatory commissions. It is expected that the FCC will address this and related issues in connection with its interpretation of the federal legislation.

In July 1995, the FCC took two actions related to the assignment of telephone numbers, first mandating that over the course of the next year responsibility for administering and assigning local telephone numbers be transferred from the BOCs and a few other LECs to a neutral entity, and second, proposing a regulatory structure under which a wide range of number portability issues would be resolved. The FCC is expected to address these and other number portability issues in connection with its interpretation of the federal legislation. The Company envisions that the FCC will initiate many additional proceedings, as a result of the enactment of federal legislation, defining and construing the terms, conditions and prices of the various components necessary for local competition.

State Regulation. Certain of the Company's circuits may be classified as intrastate and therefore subjected to state regulation. As its local service business and product lines expand, the Company will be offering more intrastate service. In all states where certification is required, except the District of Columbia, the Company's operating subsidiaries are certificated as common carriers. In all states, the Company believes that it operates with the appropriate state regulatory authorization. The Company currently is authorized to provide intrastate toll or a combination of local and intrastate toll service in 48 states. These authorizations vary in the scope of the intrastate services permitted. In most of the jurisdictions where the Company has network facilities, it is authorized to provide competitive local exchange services. Following passage of the federal legislation, the Company is in the process of seeking to expand and improve upon the scope of its intrastate certification to offer competitive local switched services in all markets where it has network facilities. Further, the Company is initiating or furthering local interconnection discussions with LECs in all such markets.

In connection with passage of the federal legislation, which provides the states opportunity to construct the bill, the Company continues to support efforts at the state level to establish specific procedures introducing competition in local markets and to permit MFS to operate on the same basis and with the same rights as the LECs. Currently, a number of state public utility commissions have authorized varying degrees of co-carrier privileges to new competitors. MFS has obtained various degrees of co-carrier status as a result of regulatory action in a number of key states including California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, New York, Ohio, Oregon, Pennsylvania, Texas and Washington. As noted, MFS is in the process of obtaining or improving upon co-carrier arrangements in all jurisdictions where it has network facilities. As a result of co-carrier status, MFS expects to realize lower costs for providing switched local services, which is intrastate and currently subject to state regulation.

Under the federal legislation, MFS will be entering into interconnection arrangements with all LECs in areas where MFS conducts business. The Company has significant experience in this area. In January 1995, MFS entered into an interim agreement with New York Telephone company which addressed reciprocal compensation and number portability in the New York market. The Company believes that the New York agreement, was the first of its kind, and combined with a previous agreement on interconnection, direct assignment of numbers and local loop unbundling, served as a model for co-carrier agreements with other LECs. A similar agreement was concluded with New England Telephone and Telegraph Company. On November 20, 1995, the Company announced that it entered into a comprehensive agreement with Pacific Bell. The MFS-Pacific Bell agreement addresses number portability, reciprocal compensation, unbundled local loops and other significant financial and technical arrangements of co-carrier status with respect to Pacific Bell's operating territory in California, the Company's largest state market. This agreement with modest modifications has been approved by the PUC. The Company believes that this agreement could provide a model for future co-carrier arrangements with other LECs. On February 19,1996, the Company entered into a partial co-carrier agreement with GTE-Florida which is modeled on the MFS-Pacific Bell agreement.

Local Government Authorizations. The Company is required to obtain street opening and construction permits to install and expand its fiber optic networks. In some of the metropolitan areas where the Company provides network services, the MFS Telecom Companies pay license or franchise fees based on a percent of gross revenues. These fees are often higher than those paid by LECs. Under the new federal legislation, the Company may determine to challenge or re-negotiate certain of these agreements.

International. Historically, the European telecommunications market was a closed market consisting almost exclusively of PTTs or other incumbent monopoly operators. Recently, however, the regulatory framework in Europe has begun to change. The European Union in 1990 issued a directive to its members to liberalize telecommunications services other than voice services by opening their monopoly markets. The European Council of Ministers has established a January 1, 1998 deadline on liberalizing switched voice services in most European countries. The European Union has also issued a policy report proposing that its members permit facilities-based competition by 1998. Individual countries, like the United Kingdom and Sweden, have determined to allow local competition and competitive infrastructure prior to that prescribed deadline. Most countries have announced their intent to meet the European Union's competitive goal no later than January 1, 1998. The Company is seeking on a country-by-country basis to accelerate those dates. There is no assurance that the Company will be successful in these activities.

Executive Officers

Set forth below are the names, ages and positions of the executive officers of the Company:

	Age	Position
James Q. Crowe	46	Chairman of Board and Chief Executive Officer
Royce J. Holland	47	President, Chief Operating Officer and Director
R. Douglas Bradbury	45	Executive Vice President, Chief Financial Officer and Director
Ronald R. Beaumont	47	Executive Vice President
Kevin J. O'Hara	35	Executive Vice President
Kirby G. Pickle	39	Executive Vice President
Colin V.K. Williams	56	Executive Vice President
Albert L. Fenn, Jr.	53	Senior Vice President
Terrence J. Ferguson	53	Senior Vice President, Secretary and General Counsel
Michael R. Frank	42	Senior Vice President
Philip D. Hamlin	49	Senior Vice President and Chief Technical Officer
Joseph M. Howell, III	49	Senior Vice President
Steven R. Johnson	44	Senior Vice President and Chief Information Officer
Andrew D. Lipman	44	Senior Vice President
Kevin P. Moersch	42	Senior Vice President
Abraham L. Morris	37	Senior Vice President
Robert J. Ludvik	43	Vice President and Controller
Sunit S. Patel	34	Vice President and Treasurer

Mr. Crowe has been the senior executive officer of the Company since its inception. He has served as Chairman of the Board of the Company since 1988, Chief Executive Officer since November 1991 and was President (January 1988 - June 1989 and April 1990 - January 1992). Mr. Crowe has also served as President and Vice President of Kiewit Industrial Co., which is involved in large industrial construction projects, such as independent power projects, co-generation facilities, and, until 1988, telecommunications projects. Prior to joining PKS in 1986, Mr. Crowe was employed by Morrison-Knudsen Corporation, a major construction and engineering company based in Boise Idaho, where he held the position of Group Vice President with responsibility for the electric power market. Mr. Crowe is a Director of PKS, Kiewit Diversified Group, Inc. ("KDG"), RCN Corporation, a subsidiary of KDG ("RCN"), and California Energy Company, Inc., a geothermal energy producer, which is partially owned by KDG.

Mr. Holland has been a Director and the President and Chief Operating Officer of the Company since January 1992. He has been the Chairman of MFS Intelenet since November 1992. He was the President and Chief Executive Officer of MFS Telecom between April 1990 and November 1992. He was previously the President (June 1989 - April 1990) and Vice President (February 1988 - May 1989) of the Company. Before joining the Company, Mr. Holland held various management positions with Energy Factors, Inc., an independent power company based in San Diego, California, and Morrison-Knudsen Corporation. Mr. Holland is a Director of KDG.

Mr. Bradbury has been an Executive Vice President of the Company since August 1995, Chief Financial Officer since January 1992 and a Director since August 1994. Previously, Mr. Bradbury was a Senior Vice President of the Company--September 1992 to August 1995--and prior to September 1992 was Senior Vice President--Corporate Affairs for MFS Telecom. Before joining the Company in 1988, he was Executive Vice President and Chief Operation Officer at American Pioneer Telephone, Inc., a regional long distance carrier based in Orlando, Florida, and a Vice President of Manufacturers Hanover Trust Company in New York City and Milan, Italy.

Mr. Beaumont has been an Executive Vice President of the Company and President and Chief Executive Officer of the MFS Telecom Companies since August 1995; previously, he was President and Chief Executive Officer of MFS Telecom from November 1992. From September 1992 to August 1995 he was a Senior Vice President of the Company. He joined MFS Telecom as Senior Vice President of Operations and Engineering and had general management responsibilities over MFS Telecom's Southern Division, comprising seven metropolitan area networks. From 1987, Mr. Beaumont was Executive Vice President of Institutional Communications Company, the predecessor to Metropolitan Fiber Systems of Washington, D.C., Inc. prior to its acquisition by MFS Telecom in October 1991.

Mr. O'Hara has been an Executive Vice President of the Company and President and Chief ExecutiveOfficer of Global Network Services since August 1995. From October 1992 to August 1995, he was a Senior Vice President of the Company and the President and Chief Executive Officer of MFS Development. From 1990 to 1992 he was a Vice President of MFS Telecom, with successive responsibilities for engineering construction, network services and strategic development. Prior to joining MFS Telecom, he was the area manager for MFS Network Technologies with responsibility for the installation of the MFS Telecom Networks. Prior to joining the Company, Mr. O'Hara held various construction management positions with PKS.

Mr. Pickle has been an Executive Vice President of the Company and President and Chief Executive Officer of the MFS Intelenet Companies since August 1995; previously, he was President and Chief Executive Officer of MFS Intelenet from November 1992. From September 1992 to August 1995 he was a Senior Vice President of the Company. Previously, he was Senior Vice President of Sales and Marketing of MFS Telecom, and had general management responsibilities over MFS Telecom's Northern Division, comprising six metropolitan area networks. Prior to joining MFS Telecom in January 1991, he was Vice President of Marketing/Business Development for Sprint Corporation, and has held other sales, customer service and marketing positions with Sprint Corporation, MCI Communications Corporation and AT&T.

Mr. Williams has been Executive Vice President of the Company since August 1995, and was Senior Vice President of the Company from August 1993, and President and Chief Executive Officer of MFS Communications Limited since April 1993. From October 1988 to June 1992, Mr. Williams was a Corporate Director of British Telecom responsible for international business development. Mr. Williams held various other positions at British Telecom from 1982 to 1988.

Mr. Fenn has served as Senior Vice President of the Company since September 1992 and was President and Chief Executive Officer of MFS Datanet from January 1992 to August 1995. Before joining the Company, Mr. Fenn was Vice President of Business Development and Planning for British Telecom North America, Inc., Senior Vice President of BT Tymnet, a leading public data network, and President of McDonnell Douglas Network Systems Company.

Mr. Ferguson has been responsible for the legal affairs of the Company since its inception. He was elected Senior Vice President in September 1992, General Counsel in January 1992 and Secretary in November 1991. Before joining the Company in October 1992, Mr. Ferguson was employed as an attorney by PKS. From September 1976 to December 1981, Mr. Ferguson was an associate and then partner in the law firm of Kutak Rock.

Mr. Frank has been Senior Vice President of the Company since September 1994. He is the senior human resource executive for the Company. Before joining the Company, he was Vice President of Human Resources for the Consumer Products Division of The Walt Disney Company from November 1992 to September 1994. He also served as Vice President of Human Resources for Pepsico Inc.'s Taco Bell division and various other human resource management positions for Pepsico Inc. and General Mills, Inc.

Mr. Hamlin has been Senior Vice President and Chief Technical Officer of the Company since August 1995 and was Vice President and Chief Engineer of the Company from December 1991. He served as the Director of Engineering of the Company from 1987 to December 1991. Prior to joining the Company in 1988, Mr. Hamlin held various engineering and construction management positions with Morrison-Knudsen Corporation.

Mr. Howell has been Senior Vice President of the Company since June 1993. He is the senior marketing and communications executive for the Company. Before joining the Company, he was the President and Chief Executive Officer from November 1991, and Senior Vice President from August 1991 to November 1991 of Carl Byoir & Associates, Inc., an international communications and public relations company. Mr. Howell served as Senior Vice President from August 1989 to August 1991, and a Vice President from October 1988 to August 1989 of Hill and Knowlton, an international marketing and public relations company.

Mr. Johnson has been a Senior Vice President and Chief Information Officer of the Company since August 1995 and was a Vice President of the Company from May 1995. Prior to joining the Company, Mr. Johnson held various management information positions with Morrison-Knudsen Corporation.

Mr. Lipman has been Senior Vice President of the Company since September 1992 and has been Senior Vice President for Legal and Regulatory Affairs of MFS Telecom since July 1989. He is also a partner in the Washington, D.C. law firm of Swidler & Berlin, Chartered and heads that firm's telecommunications practice. Mr. Lipman has been engaged in the private practice of law and has performed legal services for the Company since 1988.

START

OF

RETAKE

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Mr. Pickle has been an Executive Vice President of the Company and President and Chief Executive Officer of the MFS Intelenet Companies since August 1995; previously, he was President and Chief Executive Officer of MFS Intelenet from November 1992. From September 1992 to August 1995 he was a Senior Vice President of the Company. Previously, he was Senior Vice President of Sales and Marketing of MFS Telecom, and had general management responsibilities over MFS Telecom's Northern Division, comprising six metropolitan area networks. Prior to joining MFS Telecom in January 1991, he was Vice President of Marketing/Business Development for Sprint Corporation, and has held other sales, customer service and marketing positions with Sprint Corporation, MCI Communications Corporation and AT&T.

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END

OF

RETAKE

Mr. Moersch has served as Senior Vice President of the Company since September 1992, as President and Chief Executive Officer of MFS Network Technologies since June 1989 and previously as Vice President and General Manager of MFS Network Technologies. Immediately prior to joining MFS Network Technologies, he was Vice President of Core-Mark International, Inc., a Canadian distribution holding company, and Chief Executive Officer of ASI Telesystems, Inc. and other Core-Mark subsidiaries. His prior related experience includes various sales and marketing, program management and operations positions with Ztel Inc., IteCom Inc., Rolm Corporation and General Dynamics Communications Corporation.

Mr. Morris has been a Senior Vice President of the Company since August 1995 and previously was Treasurer from August 1993 to August 1994 and a Vice President from August 1992 to August 1994. Prior to joining the Company, Mr. Morris was engaged in domestic and international merger and acquisition activities for KDG for over five years.

Mr. Ludvik has been Vice President and Controller of the Company since March 1993. Before joining the Company, Mr. Ludvik was the Assistant Controller of PKS. Prior to joining PKS in 1985, Mr. Ludvik was employed by Touche Ross & Co.

Mr. Patel has been Vice President and Treasurer of the Company since January 1995. He served as Director-Finance of the Company from July 1994 to December 1994. From December 1990 to June 1994, Mr. Patel served as Manager-Business Development with BJ Services Company. Prior to December 1990, Mr. Patel worked in various capacities with the investment banking firm of DJS/Inverness & Company in New York and The Inverness Group in Houston, Texas.

Employees

At December 31, 1995, the Company had 3,592 employees, of whom 3,009 were employed by the telecommunications services segment, 583 were employed by the network systems integration segment and 325 were members of the Company's corporate and development group.

Most of the employees are awarded stock options based on seniority and performance. As of December 31, 1995, employee stock options for approximately 10.5 million shares were outstanding. See Note 15 to the Company's Consolidated Financial Statements.

GLOSSARY

ATM (asynchronous transfer mode)--An information transfer standard that is one of a general class of packet technologies that relay traffic by way of an address contained within the first five bytes of a standard fifty-three byte long packet or cell. The ATM format can be used by many different information systems, including LANs, to deliver traffic at varying rates, permitting a mix of data, voice and video.

CAP (competitive access provider)--A company that provides its customers with an alternative to the LEC for local transport of private line and special access telecommunications services.

Central offices--The switching centers or central switching facilities of the LECs.

Co-carrier status--A regulatory scheme under which the incumbent LEC is required to integrate new, competing providers of local exchange service, such as the Company, into the systems of traffic exchange, inter-carrier compensation, and other inter-carrier relationships that already exist among LECs in most jurisdictions.

Collocation--The ability of a CAP such as the Company to connect its network to the LECs central offices. Physical collocation occurs when a CAP places its network connection equipment inside the LEC's central offices. Virtual collocation is an alternative to physical collocation pursuant to which the LEC permits a CAP to connect its network to the LEC's central offices on comparable terms, even though the CAP's network connection equipment is not physically located inside the central offices.

Dedicated--Telecommunications lines dedicated or reserved for use by particular customers.

Digital--A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. The precise digital numbers minimize distortion (such as graininess or snow in the case of video transmission, or static or other background distortion in the case of audio transmission).

Ethernet--A local area network technology used for connecting computers, printers, workstations, terminals, etc., within the same building. Ethernet operates over twisted wire or coaxial cable at speeds up to 100 megabits per second. Ethernet is the most popular LAN technology.

FCC--Federal Communications Commission.

FDDI (Fiber Distributed Data Interface)--Based on fiber optics, FDDI is a 100 megabit per second local area network technology used to connect computers, printers, and workstations at very high speeds. FDDI is also used as backbone technology to interconnect other LANs.

Fiber mile--The number of route miles installed (excluding pending installations) along a telecommunications path multiplied by the number of fibers along that path. See the definition of "route mile" below.

Frame relay--A form of data communications packet switching that uses smaller packets and requires less error checking than traditional technologies such as X.25 or SNA. Frame Relay is used in wide area networks to interconnect LANs and computer systems. Frame Relay was designed to operate at higher speeds on modern fiber optic networks.

Interconnection Decisions--Rulings by the FCC announced in September 1992 and August 1993, which require the BOCs and most other large LECs to provide interconnection in LEC central offices to any CAP, long distance carrier or end user seeking such interconnection for the provision of interstate special access and switched access transport services.

LANs (local area networks)--The interconnection of computers for the purpose of sharing files, programs and various devices such as printers and high-speed modems. LANs may include dedicated computers or file servers that provide a centralized source of shared files and programs.

Local exchange--A geographic area determined by the appropriate state regulatory authority in which calls generally are transmitted without toll charges to the calling or called party.

LECs (local exchange carrier)--A company providing local telephone services.

Long distance carriers (interexchange carriers)--Long distance carriers provide services between local exchanges on an interstate or intrastate basis. A long distance carrier may offer services over its own or another carrier's facilities.

Megabit--One million bits of information. The information-carrying capacity (i.e., bandwidth) of a circuit may be measured in "megabits per second." One megabit is approximately sufficient to encode a 3 inch by 5 inch photograph.

Network systems integration--Involves the creation of turnkey telecommunications networks and systems including: (i) route and site selection, (ii) rights of way and legal authorizations and/or acquisition; (iii) design and engineering of the system, including technology and vendor assessment and selection, determining fiber optic circuit capacity, and establishing reliability/flexibility standards, and (iv) project and construction management, including contract negotiations, purchasing and logistics, installation as well as testing and construction management.

Number portability--The ability of an end user to change local exchange carriers while retaining the same telephone number.

POPs (points of presence)--Locations where a long distance carrier has installed transmission equipment in a service area that serves as, or relays calls to, a network switching center of that long distance carrier.

PUC (public utility commission)--A state regulatory body, established in most states, which regulates utilities, including telephone companies providing intrastate services.

Private line--A dedicated telecommunications connection between end user locations.

Public switched network--That portion of a LEC's network available to all users generally on a shared basis (i.e., not dedicated to a particular user). Traffic along the public switched network is generally switched at the LEC's central offices.

Reciprocal compensation--The same compensation of a new competitive local exchange carrier for termination of a local call by the BOC on its network, as the new competitor pays the BOC for termination of local calls on the BOC network.

Route mile--The number of miles of the telecommunications path in which fiber optic cables are installed.

Switch--A device that opens or closes circuits or selects the paths or circuits to be used for transmission of information. Switching is a process of interconnecting circuits to form a transmission path between users.

Switched access transport services--Transportation of switched traffic along dedicated lines between the LEC central offices and long distance carrier POPs.

Switched traffic--Telecommunications traffic along the public switched network. This traffic is generally switched at the LEC's central offices.

Token Ring--A local area network technology used to interconnect personal computers, file servers, printers, and other devices. Token Ring LANs typically operate at either 4 megabits per second or 16 megabits per second.

ITEM 2. PROPERTIES

The Company leases space for sales office and/or administrative facilities, collector node, collocation sites, general storage space, and equipment rooms for switches and other peripheral equipment. Such leased properties do not lend themselves to description by character or location. Although additional space will be leased as networks are expanded, the Company considers its properties to be adequate for its present and foreseeable requirements. The Company's fiber optic network includes aerial and underground cable and conduit which is located on public streets and highways or on privately owned land. The Company has permission to use these lands pursuant to governmental consent or lease, permit, easement or other agreement. MFS Datanet owns an approximately 10,000 square foot building in Memphis, Tennessee housing its network operations center. The Company is constructing a new corporate headquarters building, which is expected to be completed June 1, 1996, at 11808 Miracle Hills Drive, Omaha, Nebraska on a site covering approximately five acres. The building will incorporate approximately 100,000 square feet of office space.

ITEM 3. LEGAL PROCEEDINGS

During 1992, the Company acquired the 20 percent of MFS Telecom's common stock then held by minority shareholders for $27.0 million. In April 1993, one of the persons who had been a minority shareholder met with representatives of the Company and alleged that the price paid for the MFS Telecom stock was unfair in comparison to the proposed initial public offering price. In May 1993, KDG agreed to indemnify the Company for any loss arising out of any claims that might be asserted by the former minority shareholders arising out of their sale of MFS Telecom common stock. On March 4, 1994, several of the former minority stockholders filed a lawsuit against KDG, the Company and its chief executive officer in the United States District Court for the Northern District of Illinois, Case No. 94C-1381, captioned Arthur Brantman et al. v. MFS Communications Company, Inc. et al. Plaintiffs allege that MFS fraudulently concealed material information about its plans from them, causing them to sell their shares at an inadequate price and further allege damages of at least $100 million. The Company believes that the price paid to the former minority shareholders for their MFS Telecom stock was fair and that it has meritorious defenses. The Company intends to vigorously contest this lawsuit. Although the trial date has not been scheduled, discovery has been completed, the Company's legal counsel believes that the trial will commence in 1996. The Company believes that any cost arising out of any such claim will not have a material adverse effect on its financial condition, results of its operations, or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 31, 1995.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

The Company's common stock trades on The Nasdaq National Market tier of The Nasdaq Stock Market[sm] under the symbol "MFST." The following table sets forth the high and low sale prices of the common stock as reported by The Nasdaq National Market for each of the quarters in the two year period ended December 31, 1995.

1994	High	Low
First Quarter	$41.25	$28.00
Second Quarter	$34.00	$20.50
Third Quarter	$36.75	$24.50
Fourth Quarter	$41.50	$32.50
1995	**High**	**Low**
First Quarter	$39.00	$30.75
Second Quarter	$37.25	$28.75
Third Quarter	$49.00	$31.75
Fourth Quarter	$53.75	$38.25

On March 11, 1996, the last reported sale price of the Company's common stock on the Nasdaq National Market was $62.25. As of March 11, 1996, there were approximately 2,035 stockholders of record of the common stock.

Dividend Policy

The Company has not paid any cash dividends on its capital stock. The Company intends to retain future earnings, if any, to finance the development and expansion of its businesses and, therefore, does not anticipate paying any cash dividends in the foreseeable future on its capital stock. The decision whether to pay cash dividends will be made by the Board of Directors in light of conditions then existing, including the Company's results of operations, financial condition and requirements, business conditions and other factors. Because the Company's principal assets are its investments in the equity securities of its subsidiaries, its cash flow and consequent ability to pay cash dividends will be dependent on the earnings of its subsidiaries, the distribution of those earnings to the Company and other business considerations of the subsidiaries. In addition, certain agreements to which the Company is a party limit the payment of dividends or other distributions on any capital stock of the Company.

During 1995, the Company issued depositary shares, each representing a one one-hundredth interest in a share of Series A 8% cumulative convertible preferred stock, par value $.01 per share (the "Series A Preferred Stock"). The shares of Series A Preferred Stock are entitled to receive dividends, when, as and if they are declared by the Board of Directors, accruing at the rate of $2.68 per share per annum, payable quarterly in arrears on each February 28, March 31, August 31, and November 30. Dividends are payable in cash or in shares of common stock, at the election of the Company. Certain of the Company's debt agreements restrict the Company's ability to pay cash dividends, and as a result, the Company does not anticipate that it will pay cash dividends on the Series A Preferred Stock for the foreseeable future. The Company paid the dividend on August 31 and November 30, 1995 and February 28, 1996 in common stock.

Also during 1995, the Company issued Series B 7 3/4% cumulative convertible preferred stock (the "Series B Preferred Stock"). Dividends on the Series B Preferred Stock accrue at the rate of 7 3/4% per annum and are payable in cash. Dividends will be paid only when, as and if declared by the Board of Directors of the Company. Certain of the Company's debt agreements restrict the Company's ability to pay cash dividends, and as a result the Company anticipates that, in the near future, dividends on the Series B Preferred Stock will not be declared but will continue to accrue. Upon conversion, accrued but unpaid dividends are payable in cash or shares of common stock at the Company's election.

ITEM 6. SELECTED FINANCIAL DATA

The development and acquisition by the Company of its networks and services during the periods reflected below materially affect the comparability of that data from one period to another. The following selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations. No cash dividends were declared or paid in any of the periods presented below.

	Fiscal Year Ended				
Statement of operations data:	1995	1994[1]	1993	1992	1991
	(dollars in thousands, except per share data)				
Revenue:					
Telecommunications services	$498,225	$228,707	$ 70,048	$ 47,585	$ 23,158
Network systems integration	84,969	58,040	71,063	61,122	14,065
Total	583,194	286,747	141,111	108,707	37,223
Costs and expenses:					
Operating expenses	562,300	273,431	102,905	76,667	33,963
Depreciation and amortization	142,496	73,869	34,670	20,544	11,761
General and administrative expenses	117,703	75,576	34,989	23,267	18,429
Total	822,499	422,876	172,564	120,478	64,153
Loss from operations	(239,305)	(136,129)	(31,453)	(11,771)	(26,930)
Other income (expense) net	(27,993)	(17,175)	8,464	(792)	(1,314)
Loss before income taxes	(267,298)	(153,304)	(22,989)	(12,563)	(28,244)
Income tax benefit (expense)	(600)	2,103	7,220	(566)	-
Net loss	(267,898)	(151,201)	(15,769)	(13,129)	(28,244)
Dividends on preferred stock	(15,064)	-	-	-	-
Net loss applicable to common stockholders	$(282,962)	$(151,201)	$(15,769)	$(13,129)	$(28,244)
Loss per share applicable to common stockholders[2]	$ (4.43)	$ (2.42)	$ (0.30)	$ (0.30)	
Number of shares[2]	63,893,000	62,437,000	52,882,000	44,085,000	
Balance sheet and other data:					
EBITDA[3]	$ (96,809)	$ (62,260)	$ 3,217	$ 8,773	$ (15,169)
Capital expenditures, including acquisitions of businesses, net of cash acquired	523,727	576,711	128,651	110,171	92,411
Networks and equipment	1,315,952	787,453	370,334	243,243	159,751
Total assets	1,867,134	1,584,546	906,937	363,299	204,819
Long-term obligations, less current maturities	723,471	548,333	143	169	7,659
Stockholders' equity	830,332	770,103	811,105	298,516	162,538

(1) Reflects the acquisition of Centex Telemanagement, Inc. as of May 18, 1994, Cylix Communications Corporation as of November 1, 1994 and RealCom Office Communications, Inc. as of November 14, 1994.
(2) See Note 2 to the Consolidated Financial Statements, which describes the calculation of loss per share.
(3) EBITDA consists of earnings (loss) before interest, income taxes, depreciation and amortization. EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance, leverage and liquidity. EBITDA is not intended to represent cash flows for the periods. See the Consolidated Statements of Cash Flows.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company was founded in 1987 and commenced operations in 1988. The Company operates through its subsidiaries in two business segments, telecommunications services and network systems integration. The telecommunications segment is comprised of the MFS Telecom Companies, which provides services to large customers through MFS Telecom and MFS Datanet, the MFS Intelenet Companies, which provides services to small and medium sized customers through MFS Intelenet, MFS International, which provides services to customers internationally and Global Network Services, which manages the Company's network platform. The network systems integration segment provides services primarily through MFS Network Technologies. Through December 31, 1995, the Company's growth, including its capital expenditure requirements, acquisition financing and working capital, has been funded by two common stock offerings in 1993, the offering of 9 3/8% Senior Discount Notes (the "1994 Senior Discount Notes") in 1994, a preferred stock offering in 1995 and prior to that, by capital contributions by Kiewit Diversified Group Inc., the Company's former majority stockholder ("KDG"). In January, 1996, the Company also issued 8 7/8% Senior Discount Notes (the "1996 Senior Discount Notes").

Telecommunications Services. The Company's telecommunications services predominately result in monthly recurring revenues. The Company provides these services in an expanding number of major metropolitan areas. As of February, 1996, the Company provides services on its networks, or through the resale of services, or has network operations under development in 50 major metropolitan areas in the United States and Europe.

The development of the Company's businesses and the installation and expansion of its networks require significant expenditures, a substantial portion of which is incurred before the realization of revenues. These expenditures, together with the associated early operating expenses, result in negative cash flow until an adequate customer base is established. As this customer base grows, incremental revenues are added with minimal additional expense, providing significant contributions to cash flow. The Company also incurs ongoing capital expenditures with respect to both existing and new networks which are directly related to the installation of new revenue producing circuits. These costs vary based on the specific type of circuit installed and the location of the customer.

The MFS Telecom Companies

Through MFS Telecom, the Company provides dedicated special access and private line service to business and government end users. These services are provided primarily over digital fiber optic telecommunications networks that the Company has either installed or acquired and subsequently expanded. The networks also establish a platform that can be used to provide additional enhanced voice, data and video services to its customers. MFS Telecom also offers local switched services to its customers in New York utilizing the Company's integrated switching platform.

Through MFS Datanet, the Company provides highspeed data communications services to business and government users over an international ATM network which the Company believes to be the most advanced in the world. MFS Datanet uses the Company's networks for customers located in buildings where the Company already provides special access, private line or switched services, requiring significantly less capital expenditures because data communications customers can, to a certain extent, utilize existing fiber optic networks, electronics and building equipment rooms. The Company will incur additional capital costs for the installation of new revenue producing circuits. The level of costs may vary based upon the type of circuit installed and the location of the customer.

The MFS Intelenet Companies

Through MFS Intelenet, the Company provides a single source for integrated local and long distance telecommunications services and facilities management to small and medium sized businesses. By utilizing its existing networks and facilities, the Company minimizes capital expenditures for transmission facilities. However, significant capital costs have been and will be incurred for switching equipment, equipment maintained at customer locations and additional building wiring costs.

MFS International

Through MFS International, the Company provides telecommunication services to business and government users in several major European metropolitan areas as well as outbound international service from the United States and Europe. The Company is offering services over its networks, or through resale of international telecommunications services in London, England, Frankfurt, Germany, Paris, France, Stockholm, Sweden and Zurich, Switzerland and has announced plans to provide service in Hong Kong.

Global Network Services

Through Global Network Services, the Company manages the operation of its network and future network development in order to offer the services described above in a cost effective manner.

The incurrence of significant initial development and roll out expenses in advance of anticipated future revenues will continue to affect the operating results of the Telecommunications Services segment. Anticipated sales growth in the telecommunication services segment will also continue to drive increasing deployment of electronic equipment required to initiate customer service.

Network Systems Integration Services. The Company, primarily through MFS Network Technologies, designs, engineers, develops and manages the installation of the Company's new fiber optic networks and network expansions. In 1991, the Company began to offer network systems integration services to third parties. These services have been characterized by significant revenues concentrated in a relatively small number of large projects for third parties. In 1993, the Company also began to offer services related to Intelligent Transportation Systems ("ITS"). The Company recognizes revenue based upon the amount of network systems integration services performed. The amount of the Company's network systems integration services performed can vary on a quarterly basis depending upon individual customer contract requirements.

Results of Operations

The following table presents revenue, income (loss) from operations and EBITDA from each of the Company's reportable business segments for the periods indicated:

	Fiscal Year Ended		
	1995	1994	1993
	(dollars in thousands)		
Revenue:			
Telecommunications services	$ 498,225	$ 228,707	$ 70,048
Network systems integration	84,969	58,040	71,063
Total	$ 583,194	$ 286,747	$ 141,111
Income (loss) from operations:			
Telecommunications services	$(234,055)	$(131,216)	$ (34,933)
Network systems integration	(5,250)	(4,913)	3,480
Total	$(239,305)	$(136,129)	$ (31,453)
EBITDA[1]			
Telecommunications services	$ (94,108)	$ (59,006)	$ (1,162)
Network systems integration	(2,701)	(3,254)	4,379
Total	$ (96,809)	$ (62,260)	$ 3,217

[1] EBITDA consists of earnings (losses) before interest, income taxes, depreciation and amortization. EBITDA is commonly used in the communications industry to analyze companies on the basis of operating performance, leverage and liquidity. EBITDA is not intended to represent cash flows for the periods. See Consolidated Statements of Cash Flows.

Year Ended 1995 vs. Year Ended 1994

Telecommunications Services

Telecommunications services revenue increased to $498.2 million in 1995 from $228.7 in 1994, an increase of $269.5 million, or 118%. Revenues in 1995 and 1994 for each of the key elements of the telecommunications segment were as follows:

	1995	1994	Increase
MFS Telecom Companies	$191.8	$109.5	$ 82.3
MFS Intelenet Companies	266.0	115.8	150.2
MFS International	40.4	3.4	37.0
	$498.2	$228.7	$269.5

The increases resulted from increased market penetration of all telecommunications services of the Company. The increase at MFS Intelenet Companies is also related to the acquisitions of Centex Telemanagement, Inc., ("Centex"), which was acquired in May 1994, and RealCom Office Communications, Inc., ("RealCom"), which was acquired in

November 1994. The increase at MFS Telecom Companies is also related to the acquisition of Cylix Communications Corporation ("Cylix"), which was acquired in November 1994.

During 1994 and 1995 the Company separately tracked the MFS Telecom results of operations for all 14 network cities and expansions that were materially complete at year end 1993 (the "Base Cities Competitive Access Operations"). These Base Cities Competitive Access Operations produced revenue of $129.7 million in 1995 and $93.9 million in 1994, an increase of $35.8 million, or 38%. The increase in revenue from these operations resulted primarily from increased market penetration in these cities. Due to a modification of the Company's internal organization along market segment lines it will become increasingly less meaningful to separate the Base Cities Competitive Access Operations from other operations because of the increasing commonality of revenues and costs within Base Cities Competitive Access Operations, expansions and types of services. For this reason, the Company may discontinue separate disclosure for these Base Cities Competitive Access Operations in the future. The Company continues to review other modifications to its financial disclosures which will provide greater information about the telecommunications services segment along organizational lines.

Annualized monthly recurring revenue increased to approximately $625 million at December 31, 1995 from approximately $380 million at December 31, 1994, an increase of 64%. The increase reflects primarily the sales of additional services to current and new customers in existing and new markets and additional market penetration resulting in new customers. Monthly recurring revenue represents monthly service charges billable to telecommunications services customers as of the last day of the period indicated, but excludes non-recurring revenues for certain one-time services, such as installation fees or equipment charges.

Telecommunications services operating expenses increased to $488.7 million or 98% of segment revenue in 1995 from $225.5 million or 99% of segment revenue in 1994, an increase of $263.2 million or 117%. The increase is primarily due to an increase of $137.8 million in network operating expense directly related to the increase in telecommunications service levels for existing and new customers. Network operating expenses primarily represents the portion of total operating expenses that are paid to third parties for local and long distance service costs, including right-of-way fees. The increase in total telecommunications services operating expenses also includes an increase of $66.4 million in personnel costs necessary to support the Company's revenue growth and expanded operations. The remaining increase of $59.0 million in total telecommunications services operating expense relates to increased rent, utilities and other costs incurred to support the Company's growth. Telecommunications services operating expenses consist of local and long distance service costs and costs associated directly with network operations, including salaries, sales commissions and related employee benefits, rent expense, right-of-way fees and other network costs.

Telecommunications services depreciation and amortization expense increased to $139.9 million in 1995 from $72.2 million in 1994, an increase of $67.7 million, or 94%. The increase is primarily related to the expanded fixed asset base of the Company's networks, which includes increasing amounts of electronic equipment with depreciable lives that are shorter than the Company's other major fixed asset categories, and an increase of $13.4 million in amortization of intangible assets resulting from the acquisitions of Centex, RealCom and Cylix.

Telecommunications services general and administrative expenses increased to $103.6 million in 1995 from $62.2 million in 1994, an increase of $41.4 million, or 67%. The increase is primarily due to increases of $14.3 million in personnel costs and $8.9 million in legal and other professional services costs necessary to support the Company's growth. The remaining increase of $18.2 million related primarily to rents and other costs necessary to support the expanding services of the Company.

Telecommunications services EBITDA decreased to $(94.1) million in 1995 from $(59.0) million in 1994, a decrease of $35.1 million. EBITDA in 1995 and 1994 for each of the key elements of the telecommunications segment were as follows:

	1995	1994	Change
MFS Telecom Companies	$25.9	$10.9	$15.0
MFS Intelenet Companies	(78.5)	(48.9)	(29.6)
MFS International	(41.5)	(21.0)	(20.5)
	$(94.1)	$(59.0)	$(35.1)

The decrease reflects the increasing operating and general and administrative costs noted earlier primarily caused by the Company's growth, including the expansion of MFS Intelenet, MFS Datanet and MFS International. The Base Competitive Access Operations produced EBITDA of $61.8 million before parent company allocations in 1995 and $35.8 million in 1994, an increase of $26.0 million, or 73%. Due to a modification of the Company's internal organization along market segment lines it will become increasingly less meaningful to separate the Base Cities Competitive Access Operations from other operations because of the increasing commonality of revenues and costs within Base Cities Competitive Access Operations, expansions and types of service. For this reason, the Company may discontinue separate disclosure for these Base Cities Competitive Access Operations in the future. The Company continues to review other modifications to its financial disclosures which will provide greater information about the telecommunications services segment along organizational lines.

Network Systems Integration Services

Third party revenue from services offered by the Company's network systems integration services segment increased to $85.0 million in 1995 from $58.0 million in 1994, an increase of $27.0 million, or 47%. The increase is primarily due to an increase in the amount of revenue recognized from the network systems integration projects for Bay Area Rapid Transit and other projects involving network systems integration and ITS services, which were partially offset by decreases in revenue recognized from other network systems integration projects. Services that the network systems integration segment provided to MFS Telecom, which are eliminated from revenue and cost in the Consolidated Financial Statements, amounted to $137.0 million in 1995 as compared to $97.8 million in 1994.

Network systems integration services operating expenses increased to $73.6 million in 1995 from $48.0 million in 1994, an increase of $25.6 million, or 53%. The increase is primarily due to the increased level of operating expenses for the network systems integration projects and to several projects involving ITS services noted earlier. Network systems integration services operating expenses consist of direct costs associated with the third party network systems integration projects.

Network systems integration services general and administrative expenses increased to $14.0 million in 1995 from $13.3 million in 1994, an increase of $.7 million, or 5%. The increase reflects primarily an increase in costs related to the increased third party work noted above.

Network systems integration services EBITDA increased to $(2.7) million in 1995 from $(3.3) million in 1994, an increase of $.6 million. The increase is primarily due to the increased third party work noted above.

Backlog. The network systems integration segment had backlog of approximately $163 million at December 31, 1995. Backlog consists of firm contracts less revenue recognized to date by the Company.

Other Income (Expense)

Other income (expense) increased to $(28.0) million in 1995 from $(17.2) million in 1994. The increase resulted primarily from decreased interest income from investments, due primarily to lower investment balances during 1995.

Income Taxes

The income tax expense of $.6 million for 1995 resulted from state and foreign tax liabilities. The income tax benefit of $2.1 million for 1994 resulted from the utilization of tax benefits recognized for losses incurred during 1994 that reduced the net deferred tax liability.

Net Loss

Net loss increased to $267.9 million in 1995 from $151.2 million in 1994, an increase of $116.7 million. The increase resulted primarily from increased depreciation and amortization, the increased operating losses incurred in expanding MFS Intelenet, MFS Datanet and MFS International and decreased interest income.

Year Ended 1994 vs. Year Ended 1993

Telecommunications Services

Telecommunications services revenue increased to $228.7 million in 1994 from $70.0 million in 1993, an increase of $158.7 million, or 227%. Over 70% of the increase relates to the acquisitions of Centex, RealCom and Cylix during 1994. The remaining increase resulted primarily from increased market penetration of all other telecommunications services of the Company. The Base Competitive Access Operations produced revenue of $18.7 million in the fourth quarter of 1993, $19.8 million in the first quarter of 1994, $22.3 million in the second quarter, $25.0 million in the third quarter and $26.8 million in the fourth quarter

Annualized monthly recurring revenue increased to approximately $380 million at December 31, 1994 from approximately $81 million at December 31, 1993, an increase of 369%. The increase reflects primarily the operations of Centex, RealCom and Cylix and the sales of additional services to current and new customers in existing and new markets, and to a lesser extent, additional market penetration resulting in new customers. Excluding acquisitions, annualized monthly recurring revenue would have been approximately $150 million at December 31, 1994, an increase of 84% over the year end 1993 amount.

Telecommunications services operating expenses increased to $225.5 million or 99% of segment revenue in 1994 from $47.7 million or 68% of segment revenue in 1993, an increase of $177.8 million, or 373%. The increase is primarily due to the operating expenses of the Centex, RealCom and Cylix operations which were acquired in 1994. The remaining increase includes higher costs associated with expansion activities of MFS Intelenet, MFS Datanet and MFS International and higher costs associated with new and expanded networks.

Telecommunications services depreciation and amortization expense increased to $72.2 million in 1994 from $33.8 million in 1993, an increase of $38.4 million, or 114%. The increase is primarily related to the expanded fixed asset base of the Company's networks and an increase of $13.5 million in amortization of intangible assets resulting from the acquisitions of Centex and RealCom in 1994. Depreciation and amortization relating to MFS Datanet and MFS Intelenet also increased $6.0 million, excluding acquisitions.

Telecommunications services general and administrative expenses increased to $62.2 million in 1994 from $23.0 million in 1993, an increase of $39.2 million, or 170%. The increase is primarily due to the acquisitions of the Centex, RealCom and Cylix operations which were acquired in 1994. The remaining increase is related to higher costs associated with expanding MFS Intelenet, MFS Datanet and MFS International.

Telecommunications services EBITDA decreased to ($59.0) million in 1994 from ($1.2) million in 1993. The decrease reflects the additional costs incurred developing the services of MFS Datanet, MFS Intelenet and MFS International offset by improving EBITDA generated by the MFS Telecom metropolitan area networks. EBITDA for the Base Competitive Access Operations was $35.8 million in 1994 before parent-company allocations. The Base Competitive Access Operations produced EBITDA of $5.9 million before parent-company allocations in the fourth quarter of 1993, $6.3 million in the first quarter of 1994, $8.0 million in the second quarter, $10.1 million in the third quarter and $11.4 million in the fourth quarter. EBITDA margin for these operations improved from 31.7% for the last quarter of 1993 to 42.6% for the last quarter of 1994. MFS Intelenet, MFS Datanet and MFS International generated EBITDA of ($87.2) million in 1994 and ($22.4) million in 1993, a decrease of $64.8 million.

Network Systems Integration

Third party revenue from services offered by the Company's network system integration segment decreased to $58.0 million in 1994 from $71.1 million in 1993, a decrease of $13.1 million, or 18%. The decrease is primarily due to a decrease in the amount of revenue recognized from the network systems integration project for the State of Iowa and to an increased focus on the design and construction of the Company's own networks. Services that the network systems integration segment provided to MFS Telecom, which are eliminated from revenue and cost in the Consolidated Financial Statements, amounted to $97.8 million in 1994 as compared to $44.9 million in 1993.

Network systems integration services operating expenses decreased to $48.0 million in 1994 from $55.2 million in 1993, a decrease of $7.2 million, or 13%. The decrease is primarily due to the decreased level of operating expenses for the network systems integration project for the State of Iowa, which was partially offset by increases in expenses recognized from other network systems projects.

Network systems integration services general and administrative expenses increased to $13.3 million in 1994 from $12.0 million in 1993, an increase of $1.3 million, or 11%. The increase reflects primarily the costs of additional employees, travel and consultants associated with the segment's increased marketing and proposal activity, including activity related to ITS services.

Network systems integration services EBITDA decreased to ($3.3) million in 1994 from $4.4 million in 1993. The decrease is primarily due to decreased operating margins from network system integration projects and to the increased marketing and proposal activity related to ITS services.

Backlog The network systems integration segment had backlog of approximately $127 million at December 31, 1994.

Other Income (Expense)

Other income (expense) decreased to $17.2 million of other expense in 1994 from $8.5 million of other income in 1993. The decrease resulted primarily from increased interest expense associated with the issuance of Senior Discount Notes in January 1994, offset by increased interest income from the investment of the proceeds of the debt issue.

Income Taxes

The income tax benefit of $2.1 million in 1994 resulted from the utilization of tax benefits recognized for losses incurred during 1994 that reduced the net deferred tax liability.

Net Loss

Net loss increased to $151.2 million in 1994 from $15.8 million in 1993, an increase of $135.4 million. The increase resulted primarily from the increased operating losses incurred in developing single-source telecommunications services and high-speed date communications, increased interest expense and increased depreciation and amortization.

Liquidity and Capital Resources

The Company's total assets have increased from $5.0 million at December 1988 to $1.9 billion at December 31, 1995. This growth has been funded by two stock offerings in 1993, the 1994 Senior Discount Notes, a preferred stock offering in 1995 and prior to that, by capital contributions from KDG. The Company's current assets of $374.0 million, including cash and marketable securities aggregating $136.9 million, exceeded current liabilities of $274.5 million, providing working capital of $99.5 million. Network and equipment, net of depreciation, comprise $1,102.4 million of total assets.

The Company's operating activities used net cash of $120.7 million in the year ended December 31, 1995 and $10.4 million in the year ended December 31, 1994. The increase in cash used by operating activities was primarily due to the increased loss from operations incurred expanding MFS Intelenet, MFS Datanet and MFS International which is partially offset by increased depreciation and amortization and an increase in cash used supporting increased levels of accounts receivable and other assets.

In late 1993, the Company announced its intention to accelerate the expansion of its customer base, service offerings and existing networks as well as the deployment of new networks. The Company estimated that this expansion would require the expenditure of approximately $1 billion over 3 to 5 years. As a part of the funding of that expansion plan, the Company issued the 1994 Senior Discount Notes, generating gross proceeds to the Company of approximately $500.0 million and arranged for revolving credit facilities with a syndicate of commercial banks (the "MFS Credit Facility" and the "MFS Telecom Credit Facility"), which provide for aggregate borrowings of $250.0 million.

As a result of the rapid pace of regulatory, legislative and competitive changes in the United States and abroad in 1994 and 1995, the Company identified the opportunity to offer a greater range of cost-effective telecommunications services sooner and in more business markets than had previously been expected. The Company believed these opportunities included the further acceleration of network development in the United States, deployment of additional switches resulting in the provision of switched services in approximately 50 metropolitan areas in the United States and the expansion of its international operations. The international expansions contemplate a total of approximately 25 business markets with an increasing focus on facilities-based operations primarily in Western Europe. In response to these opportunities, in May 1995, the Company raised approximately $318.3 million, prior to underwriting fees and other issue costs, in a public offering of Depositary Shares, each representing a one one-hundredth interest in a share of Series A 8% cumulative convertible preferred stock (the "Series A Preferred Stock"). The proceeds of this preferred stock offering are expected to provide the capital necessary to fund certain of these new business opportunities.

In addition, in July 1995, the Company finalized arrangements for two secured credit facilities which provide for aggregate borrowings of $120.0 million that can be used to purchase telecommunications equipment (the "Vendor Credit Facilities"). In November 1995 and December 1995, the Company finalized the arrangements for sale and leaseback transactions of approximately $40.0 million relating to SONET based fiber optic transmission equipment. On January 2, 1996, the Company finalized arrangements for a secured five-year term credit facility in the aggregate principal amount of $20.0 million for the purchase of certain SONET based fiber optic transmission equipment.

In 1995, the Company experienced greater than anticipated levels of demand in the United States, especially for the capital intensive local and long distance services offered by the MFS Intelenet Companies and the Internet access and wide area network (WAN) services offered by the MFS Telecom Companies' special access and private line businesses. To the extent that this trend continues, the Company foresees higher levels of capital expenditures in order to obtain increased revenues from providing more of these services. In response to this increased need for capital expenditures, in December 1995 the Company filed a shelf registration statement with the Securities and Exchange Commission to offer one or more series of unsecured debt or equity securities from time to time in the aggregate amount of $1 billion. In January 1996, the Company issued approximately $600 million (gross proceeds) of 1996 Senior Discount Notes due 2006, which represented a partial drawdown on the shelf registration. The notes bear interest at an annual rate of 8 7/8% and have a face value of $924 million. The proceeds from the 1996 Senior Discount Notes will be used, in part, to fund the higher levels of capital expenditures described above. With the proceeds of this offering, available credit facilities described above and the cash and marketable securities at December 31, 1995, the Company has, on a pro forma basis, over $1 billion in available liquidity.

During 1995, the Company's capital expenditures, which are primarily for the construction of networks and the purchase of related equipment, were $549.2 million, including acquisitions and deferred costs. The Company estimates capital expenditures in 1996, in support of the plans and opportunities described earlier, to be comparable to 1995 levels. This estimate is subject to a number of factors, including levels of incremental sales, as well as regulatory actions by state, federal and international authorities, which, individually or in the aggregate, could cause material changes in capital expenditure requirements. The Company anticipates that the proceeds of the 1996 Senior Discount Notes, the MFS Credit Facility, the MFS Telecom Credit Facility, the Vendor Credit Facilities, other collateralized credit and lease facilities and cash on hand, plus internally generated funds, will be sufficient to fund the estimated operating losses, working capital needs and capital spending requirements associated with its current business plan.

The Company intends to preserve financial flexibility in order to react to the rapidly evolving telecommunications marketplace and new opportunities in the United States arising out of the recently enacted federal legislation and in Europe as a result of changes in the European regulatory framework. The Company will continue to take advantage of favorable financing arrangements, including the sale of debt or equity securities in the public or private markets, to maintain this flexibility. The MFS Credit Facility and the Vendor Credit Facilities restrict the Company's ability to incur additional senior debt.

Other Matters

Pursuant to a planned restructuring of PKS' ownership in the Company's capital stock, on September 30, 1995, the Company issued 15,000,000 shares of Series B cumulative convertible preferred stock, par value $.01 per share (the "Series B Preferred Stock") to a wholly owned subsidiary of PKS in exchange for 2,900,000 shares of the Company's common stock, which are being held in treasury. Also pursuant to that restructuring, PKS purchased $1 million of the Company's common stock and then distributed all of its shares of the Company's common stock and the shares of Series B Preferred Stock to certain of its stockholders. The Series B Preferred Stock received by PKS' stockholders are subject to certain restrictions regarding sale or transfer through September 30, 2001.

The Company from time to time evaluates acquisitions in pursuit of its business strategy, either as an alternative to constructing networks, adding customers, or to the introduction of services that compliment existing and/or planned services. Such acquisitions may be significant in size and could use a substantial portion of the Company's available cash. The Company has no agreement, agreement in principle, understanding or arrangement with any person to acquire or effect any material acquisition.

From time to time, the Company has had discussions with other communications entities concerning the establishment of possible strategic relationships, including transactions involving substantial acquisitions, combinations and equity investments in the Company or one of its subsidiaries. In addition, certain acquisitions may provide the Company with the opportunity to acquire an established customer base. The Company intends to consider appropriate opportunities to establish strategic relationships.

Accounting for Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation. SFAS 123 encourages entities to adopt a fair value based method of accounting for employee stock compensation plans, however it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting. Under the intrinsic value based method, many companies, including MFS, have not recognized compensation cost for many of their stock compensation plans.

The Company believes that the fair value method of accounting more appropriately reflects the substance of the transaction between an entity that issues stock options, or other stock-based instruments, and its employees; that is, an entity has granted something of value to an employee (the stock option or other instrument) generally in return for their continued employment and services. The Company believes that the value of the instrument granted to employees should be recognized in financial statements because nonrecognition implies that either the instruments have no value or that they are free to employees, neither of which is an accurate reflection of the substance of the transaction. Although the recognition of the value of the instruments results in compensation expense in an entity's financial statements, the expense differs from other common compensation expenses in that these charges will not be settled in cash, but rather through issuance of common stock, typically.

The Company has introduced certain changes to its stock-based compensation plans, including a new option plan for key executive employees which ultimately have value to the employee only if the Company's stock price outperforms the S&P 500. The Company granted approximately 225,000 options under the new option plan on January 1, 1996, and anticipates that additional grants will be made on a quarterly basis. While the Company has not yet determined the total effect of adopting SFAS 123, it believes that the adoption of the standard will result in material non-cash charges to operations in 1996 and thereafter. The amount of the non-cash charge will be dependent upon a number of factors, including the number of options granted and the fair value estimated at the time of grant.

Effects of Inflation

Inflation has not had a significant effect on Company operations. However, there can be no assurance that inflation will not have a material effect on the Company's operations in the future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company are filed under this Item, beginning on page F-1 of this Report.

Selected quarterly financial data required under this item is included in Note 19 to the Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding Directors is incorporated by reference to the section entitled "Election of Directors-Information as to Nominees for Election as Directors" in the Company's definitive Proxy Statement to be filed with the

Securities and Exchange Commission in connection with the 1996 Annual Meeting of Stockholders (the "Proxy Statement"). Information regarding Executive Officers is set forth in Item 1 of Part I of this Report under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the section in the Proxy Statement entitled "EXECUTIVE OFFICER AND DIRECTOR COMPENSATION - Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the section in the Proxy Statement entitled "SECURITY OWNERSHIP OF SIGNIFICANT STOCKHOLDERS AND MANAGEMENT."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the section in the Proxy Statement entitled "CERTAIN TRANSACTIONS AND RELATIONSHIPS."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

	Page Number
(a) (1) The following financial statements are included in Part II Item 8:	
Report of Independent Accountants	F-2
Consolidated Statements of Operations For the Three Years Ended December 31, 1995	F-3
Consolidated Balance Sheets at December 31, 1995 and 1994	F-4
Consolidated Statements of Changes in Stockholders' Equity For the Three Years Ended December 31, 1995	F-5
Consolidated Statements of Cash Flows For the Three Years Ended December 31, 1995	F-7
Notes to Consolidated Financial Statements	F-10

(2) All Financial Statement Schedules are omitted because they are not applicable, immaterial, or the required information is shown in the financial statments or notes thereto.

(b) List of Exhibits:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation.[1]

3.2	Amendment No. 1 to Restated Certificate of Incorporation[2]
3.3	Amendment No. 2 to Restated Certificate of Incorporation[3]
3.4	By-laws[4]
4.1	Certificate of Designations, Number, Voting Powers, Preferences and Rights of the Series A 8% Cumulative Convertible Preferred Stock[5]
4.2	Certificate of Designations, Number, Voting Powers, Preferences and Rights of the Series B Convertible Preferred Stock[6]
4.3	Certificate of Designations, Number, Voting Powers, Preferences and Rights of the Series C Junior Participating Preferred Stock[7]
4.4	Indenture for the Company's 9-3/8% Senior Discount Notes due 2004, between MFS and IBJ Schroeder Bank & Trust Company, as the Trustee[8]

---

[1]Incorporated herein by reference to the Registrant's Registration Statement on Form S-1 (File no. 33-59358) as amended, originally filed with the Securities and Exchange Commission on March 11, 1993.

[2]Incorporated herein by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, as filed with the Securities and Exchange Commission on March 31, 1995.

[3]Incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, dated September 30, 1995.

[4]Incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, dated September 30, 1995.

[5]Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, dated June 15, 1995.

[6]Incorporated by reference to the Registrant's Current Report on Form 8-K, dated September 30, 1995.

[7]Incorporated by reference to Exhibit No. 1 to the Registrant's Current Report on Form 8-K/A Amendment No. 1, dated November 21, 1995.

[8]Incorporated by reference to the Registrant's Current Report on Form 8-K dated January 31, 1994.

Exhibit No.	Description
4.5	First Supplemental Indenture, dated as of March 31, 1995, amending the Indenture for the Company's 9-3/8% Senior Discount Notes due 2004[9]
4.6	Indenture for Senior Debt Securities, dated as of January 15, 1996, between MFS and IBJ Schroeder Bank and Trust Company, as trustee[10]
4.7	First Supplemental Indenture, dated as January 15, 1996, between MFS and IBJ Schroeder Bank and Trust Company, as trustee, relating to the Company's 8-7/8% Senior Discount Notes due 2006[11]
10.1	Rights Agreement, Dated as of September 30, 1995, between MFS and Continental Stock Transfer & Trust Company as Rights Agent, which includes the Form of Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock of MFS, as Exhibit A, the Form of Rights Certificate, as Exhibit B, and Summary of Rights to Purchase Preferred Stock, as Exhibit C[12]

10.2	Credit Agreement, dated as of April 14, 1995, among MFS, the banks listed on the signature page thereto, Chemical Bank as Administrative Agent and Bankers Trust Company, as Documentation Agent[13]
10.3	Credit Agreement, dated as of April 14, 1995, among MFS Telecom, Inc., the banks listed on the signature page thereto, Chemical Bank as Administrative Agent and Bankers Trust Company, as Documentation Agent.[14]
10.4	Registration Rights Agreement, dated as of September 28, 1995, among MFS, William L. Grewcock and Walter Scott, Jr.[15]

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[9]Incorporated by reference to Exhibit No. 10.3 to the Registrant's Current Report on Form 8-K, dated April 27, 1995.

[10]Incorporated by reference to Exhibit No. 4.1 to the Registrant's Current Report on Form 8-K, dated January 23, 1996.

[11]Incorporated by reference to Exhibit No. 4.2 to the Registrant's Current Report on Form 8-K, dated January 23, 1996.

[12]Incorporated by reference to Exhibit No. 1 to the Registrant's Current Report on Form 8-K/A Amendment No. 1, dated November 21, 1995.

[13]Incorporated by reference to Exhibit No. 10.1 to the Registrant's Current Report on Form 8-K, dated April 27, 1995.

[14]Incorporated by reference to Exhibit No. 10.2 to the Registran'ts Current Report on Form 8-K, dated April 27, 1995.

[15]Incorporated by reference to Exhibit No. 10.3 to the Registrant's Current Report on Form 8-K, dated September 30, 1995.

Exhibit No.	Description
10.5	The 1992 Stock Plan of the Company.[16]
10.6	The 1993 Stock Plan of the Company, as amended and restated on July 24, 1995 and further amended and restated as of December 15, 1995.
10.7	The 1995 Deferred Stock Purchase Plan of the Company, as amended and restated on August 28, 1995.
10.8	Instrument of Amendment to the 1995 Deferred Stock Purchase Plan of the Company, as amended and restated on August 28, 1995.
10.9	The 1996 Employee Stock Bonus Plan of the Company.
10.10	The Company's 401(k) Plan.[17]
10.11	Form of Indemnification Agreement between the Company and Kiewit Diversified Group.[18]
11	Statement computing consolidated net loss per share applicable to common stockholders.
21	Subsidiaries of the Registrant.
23	Consent of Coopers & Lybrand L.L.P.

24 Powers of Attorney

---

[16]Incorporated herein by reference to the Registrant's Registration Statement on Form S-1 (File no. 33-59358) as amended, originally filed with the Securities and Exchange Commission on March 11, 1993.

[17]Incorporated herein by reference to the Registrant's Registration Statement on Form S-1 (File no. 33-59358) as amended, originally filed with the Securities and Exchange Commission on March 11, 1993.

[18]Incorporated herein by reference to the Registrant's Registration Statement on Form S-1 (File no. 33-59358) as amended, originally filed with the Securities and Exchange Commission on March 11, 1993.

(c) Reports on Form 8-K

A report on Form 8-K, dated September 29, 1995 was filed reporting under Item 5 that the Company had amended its Restated Certificate of Incorporation and its Restated By-Laws as a result of actions taken at the 1995 Annual Meeting of Stockholders and the completion by Peter Kiewit Sons', Inc. ("PKS") of its tax-free distribution of all of the shares of capital stock of the Company held by PKS (the "spin-off").

The Form 8-K also reported the filing of a Certificate of Designation relating to the Company's Series B Preferred Stock issued in connection with the spin-off.

A report on Form 8-K, dated September 30, 1995, was filed reporting under Item 5 that the Company's Board of Directors had declared a dividend of one Right, as defined, for each outstanding share of common stock.

A report on Form 8-K, dated September 30, 1995, was filed reporting under Item 5 that PKS had completed its tax-free distribution to the holders of shares of its Class D Diversified Group Exchangeable Common Stock of all of the shares of capital stock of the Company held by PKS immediately prior to the distribution.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in Omaha, Nebraska, on March 25, 1996.

MFS Communications Company, Inc.

By: /s/ JAMES Q. CROWE
James Q. Crowe
Chief Executive Officer

March 25, 1996

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the date indicated.

/s/ JAMES Q. CROWE James Q. Crowe	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ R. DOUGLAS BRADBURY R. Douglas Bradbury	Chief Financial Officer (Principal Financial Officer and Director)
/s/ ROBERT J. LUDVIK Robert J. Ludvik	Vice President and Controller (Principal Accounting Officer)

Directors:

* By /s/ TERRENCE J. FERGUSON
(Terrence J. Ferguson, as Attorney-In-

Fact)

Howard Gimbel*
Royce J. Holland*
Richard R. Jaros*
Robert E. Julian*
David C. McCourt*
Ronald W. Roskens*
Walter Scott, Jr.*
Kenneth E. Stinson*
William J. Grewcock*
Michael B. Yanney*

March 25, 1996

Exhibit 11

MFS COMMUNICATIONS COMPANY, INC. AND SUBSIDIARIES

SCHEDULE COMPUTING CONSOLIDATED NET LOSS PER SHARE APPLICABLE TO COMMON STOCKHOLDERS

(dollars in thousands, except per share data)

Common shares outstanding	Year Ended December 31, 1995	Year Ended December 31, 1994	Year Ended December 31, 1993
Shares outstanding at beginning of period	64,153,218	61,448,708	100
Add issuances	976,896	2,704,510	61,448,608
	65,130,114	64,153,218	61,448,708
Less treasury shares	(2,900,000)	-	-
Shares outstanding at end of period	62,230,114	64,153,218	61,448,708

Net loss per share applicable to common stockholders

	Year Ended December 31, 1995	Year Ended December 31, 1994	Year Ended December 31, 1993
Weighted average number of common shares outstanding	63,893,000	62,437,000	52,882,000
Net loss	$(267,898)	$(151,201)	$(15,769)
Dividends on preferred stock	(15,064)	-	-
Net loss applicable to common stockholders	$(282,962)	$(151,201)	$(15,769)
Net loss per share applicable to common stockholders	$(4.43)	$(2.42)	$(0.30)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following registration statements of MFS Communications Company, Inc. on the following forms:

Form S-8 (registration no. 33-72374)
Form S-8 (registration no. 33-65996)
Form S-8 (registration no. 33-95964)
Form S-3 (registration no. 33-82252)
Form S-3 (registration no. 33-86816)
Form S-3 (registration no. 33-86812)
Form S-3 (registration no. 33-86814)

of our report dated February 14, 1996, on our audits of the consolidated financial statements of MFS Communications Company, Inc. as of December 31, 1995 and 1994, and for the years ended December 31, 1995, 1994 and 1993, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Omaha, Nebraska
March 25, 1996

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CONFORMED PERIOD OF REPORT:	19960930
FILED AS OF DATE:		19961112
SROS:			NASD

FILER:

	COMPANY DATA:
		COMPANY CONFORMED NAME:			WORLDCOM INC /MS/
		CENTRAL INDEX KEY:			0000723527
		STANDARD INDUSTRIAL CLASSIFICATION:	TELEPHONE COMMUNICATIONS (NO RADIO TELEPHONE
		IRS NUMBER:				581521612
		STATE OF INCORPORATION:			GA
		FISCAL YEAR END:			1231

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		SEC ACT:		1934 Act
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		CITY:			JACKSON
		STATE:			MS
		ZIP:			39201-2702
		BUSINESS PHONE:		6013608600

	FORMER COMPANY:
		FORMER CONFORMED NAME:	LDDS COMMUNICATIONS INC /GA/
		DATE OF NAME CHANGE:	19930916

	FORMER COMPANY:
		FORMER CONFORMED NAME:	RESURGENS COMMUNICATIONS GROUP INC
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ------------ to ------------

Commission file number: 0-11258

WorldCom, Inc.
(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	58-1521612 (I.R.S. Employer Identification No.)
515 East Amite Street, Jackson, Mississippi (Address of principal executive offices)	39201-2702 (Zip Code)

Registrant's telephone number, including area code : (601) 360-8600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes X No

The number of outstanding shares of the registrant's Common Stock, par value $.01 per share, was 409,245,881 on October 31, 1996.

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<PAGE> 2

FORM 10-Q
INDEX

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars, Except Per Share Data)

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ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,845	$ 41,525
Accounts receivable, net of allowance for bad debts of $66,338 in 1996 and $59,055 in 1995	670,140	532,571
Income taxes receivable	38,055	17,499
Deferred tax asset	22,959	16,899
Other current assets	75,915	50,792
Total current assets	825,914	659,286
Property and equipment:		
Transmission equipment	1,564,327	1,376,242
Communications equipment	306,749	401,454
Furniture, fixtures and other	259,978	279,705
	2,131,054	2,057,401
Less - accumulated depreciation	(365,507)	(487,370)
	1,765,547	1,570,031
Excess of cost over net tangible assets acquired, net of accumulated amortization	4,012,234	4,292,752
Other assets	251,271	117,655
	$ 6,854,966	$ 6,639,724
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 1,071	$ 1,113,670
Accounts payable	165,309	140,932
Accrued line costs	421,093	391,604
Other current liabilities	314,237	337,814
Total current liabilities	901,710	1,984,020
Long-term liabilities, less current portion:		
Long-term debt	3,276,641	2,278,791
Deferred income taxes payable	83,348	26,172
Other liabilities	150,925	163,873
Total long-term liabilities	3,510,914	2,468,836
Commitments and contingencies		
Shareholders' investment:		
Series 2 preferred stock, par value $.01 per share; authorized, issued and outstanding: none in 1996 and 1,244,048 shares in 1995 (liquidation preference of $31,101 in 1995)	--	12
Preferred stock, par value $.01 per share; authorized: 50,000,000 shares in 1996 and 48,755,952 shares in 1995; none issued	--	--
Common stock, par value $.01 per share; authorized: 750,000,000 shares; issued and outstanding: 408,408,243 shares in 1996 and 386,485,278 shares in 1995	4,084	3,876
Additional paid-in capital	2,184,633	1,900,809
Unrealized holding gain on marketable securities	44,922	--
Retained earnings	208,703	282,171
Total shareholders' investment	2,442,342	2,186,868
	$ 6,854,966	$ 6,639,724

</TABLE>

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

<TABLE>
<CAPTION>

	For the Three Months Ended September 30,		For the Nin Ended Sept
	1996	1995	1996
<S>	<C>	<C>	<C>
Revenues	$ 1,131,519	$ 938,884	$ 3,235,552
Operating expenses:			
Line costs	618,089	511,827	1,763,421
Selling, general and administrative	208,348	169,908	597,558
Depreciation and amortization	73,021	79,850	228,489
Provision to reduce carrying value of certain assets	--	--	402,000
Total	899,458	761,585	2,991,468
Operating income	232,061	177,299	244,084
Other income (expense):			
Interest expense	(55,014)	(62,556)	(167,946)
Miscellaneous	1,725	3,752	5,810
Income before taxes and extraordinary items	178,772	118,495	81,948
Provision for income taxes	69,721	46,424	129,843
Income (loss) before extraordinary items	109,051	72,071	(47,895)
Extraordinary items (net of income taxes of $15,621 in 1996)	--	--	(24,434)
Net income (loss)	109,051	72,071	(72,329)
Preferred dividend requirement	--	3,811	860
Special dividend payment to Series 1 preferred shareholder	--	15,000	--
Net income (loss) applicable to common shareholders	$ 109,051	$ 53,260	$ (73,189)
Earnings (loss) per common share -			
Net income (loss) applicable to common shareholders before extraordinary items:			
Primary	$ 0.27	$ 0.15	$ (0.12)
Fully diluted	0.27	0.14	(0.12)
Extraordinary items	$ --	$ --	$ (0.06)
Net income (loss) applicable to common shareholders:			
Primary	$ 0.27	$ 0.15	$ (0.18)
Fully diluted	0.27	0.14	(0.18)
Net income applicable to common shareholders before non-recurring charges and extraordinary items:			
Primary	$ 0.27	$ 0.18	$ 0.73
Fully diluted	0.27	0.18	0.73
Weighted average shares outstanding:			
Primary	415,189	390,028	393,869
Fully diluted	415,195	405,922	393,869

</TABLE>

The accompanying notes are an integral part of these statements.

<PAGE> 5

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

<TABLE>
<CAPTION>

	For the Nine Months Ended September 30,	
	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	$ (72,329)	$ 186,298
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Extraordinary items	24,434	--
Provision to reduce carrying value of certain assets	402,000	--
Depreciation and amortization	228,489	231,458
Provision for losses on accounts receivable	42,422	29,852
Provision for deferred income taxes	101,079	47,293
Change in assets and liabilities, net of effect of business combinations:		
Accounts receivable	(170,669)	(41,146)
Income taxes, net	12,718	66,526
Other current assets	(46,416)	(522)
Accrued line costs	7,489	49,882
Shareholder litigation reserve	--	(75,000)
Accounts payable and other current liabilities	(15,800)	(125,111)
Other	(16,673)	(6,349)
Net cash provided by operating activities	496,744	363,181
Cash flows from investing activities:		
Capital expenditures	(415,343)	(288,019)
Acquisitions and related costs	(18,535)	(2,713,765)
Increase in intangible assets	(71,240)	(6,350)
Increase in other assets	(106,866)	(19,489)
Decrease in other liabilities	(39,784)	(21,468)
Proceeds from sale of long-term assets	21,962	28,153
Other	--	1,000
Net cash used in investing activities	(629,806)	(3,019,938)
Cash flows from financing activities:		
Borrowings	95,500	2,717,650
Principal payments on debt	(19,174)	(127,438)
Common stock issuance	35,191	90,646
Dividends paid on preferred stock	(860)	(32,686)
Other	(275)	--
Net cash provided by financing activities	110,382	2,648,172
Net decrease in cash and cash equivalents	(22,680)	(8,585)
Cash and cash equivalents at beginning of period	41,525	19,770
Cash and cash equivalents at end of period	$ 18,845	$ 11,185

</TABLE>

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(A) GENERAL

The financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. These financial statements should be read in conjunction with the Annual Report of the Company on Form 10-K for the year ended December 31, 1995. The results for the nine month period ended September 30, 1996, are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

In the third quarter of 1996, the Company acquired Choice Communications, Inc. ("Choice"), a cellular resale company. This transaction was accounted for as a pooling-of-interests and, accordingly, the WorldCom financial statements for periods prior to the Choice acquisition have been restated to include the results of Choice for all periods presented.

(B) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid by the Company during the nine months ended September 30, 1996 and 1995 amounted to $170.8 million and $165.4 million, respectively. Income taxes paid during the nine months ended September 30, 1996 and 1995 were $16.0 million and $7.4 million, respectively. In conjunction with business combinations during the nine months ended September 30, 1996 and 1995, assumed assets and liabilities were as follows (in thousands):

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
<S>	<C>	<C>
Fair value of assets acquired	$ 12,065	$ 829,806
Excess of cost over net tangible assets acquired	60,698	2,199,415
Liabilities assumed	(30,877)	(302,606)
Common stock issued	(23,351)	(12,850)
Net cash paid	$ 18,535	$ 2,713,765

</TABLE>

(C) UNREALIZED HOLDING GAIN ON MARKETABLE SECURITIES

In the third quarter of 1996, one of the Company's equity investments became publicly traded. This investment, previously recorded at cost, has been classified as an available for sale security under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FASB 115"). Accordingly, this investment is recorded at its fair value of approximately $75 million at September 30, 1996, and is included in other assets in the accompanying consolidated financial statements. The unrealized holding gain on this marketable equity security is included as a component of shareholders' investment at September 30, 1996.

(D) LONG-TERM DEBT

On June 28, 1996, WorldCom replaced its then existing $3.41 billion credit facilities (the "Previous Facilities") with a new $3.75 billion revolving credit facility (the "Credit Facility"). Borrowings under the Credit Facility were used to refinance the Previous Facilities and will be used to finance capital expenditures and provide additional working capital. As a result of the refinancing, WorldCom recorded an extraordinary charge of $4.2 million, net of $2.7 million in taxes, related to the charge-off of the unamortized portion of costs associated with the refinanced debt.

The Credit Facility has a five-year term and bears interest, payable quarterly, at variable rates selected by the Company under the terms of the Credit Facility including a Base Rate or the London Interbank Offering Rate ("LIBOR"), plus applicable margin. The applicable margin for LIBOR rate borrowings varies from 0.35% to 0.875% based upon a specified financial test. The Credit Facility is unsecured and requires compliance with certain financial and other operating covenants which limit, among other things, the incurrence of additional indebtedness by WorldCom and restricts the payment of cash dividends to WorldCom's shareholders. The Credit Facility is also subject to an annual commitment fee not to exceed 0.25% of any unborrowed portion of the Credit Facility.

On July 15, 1996, WorldCom announced that it had exercised its option to redeem on August 16, 1996, all of the outstanding IDB WorldCom, Inc. 5% Convertible Subordinated Notes due 2003 (the "Notes"), at a price equal to 103.5% of the principal amount, plus accrued and unpaid interest. Prior to such redemption date, substantially all of the holders of the Notes elected to convert their notes into WorldCom common stock, resulting in the issuance of approximately 10.3 million shares of WorldCom common stock.

(E) STOCK SPLIT

On May 23, 1996, the Board of Directors authorized a 2-for-1 stock split in the form of a 100% stock dividend which was distributed on July 3, 1996 to shareholders of record on June 6, 1996. All per share data and numbers of common shares have been retroactively restated to reflect the stock split.

(F) PREFERRED STOCK

In connection with the announcement in May 1996, that the Company would redeem its Series 2 Preferred Stock on June 5, 1996, all of the remaining outstanding Series 2 Preferred Stock (1,244,048 shares) was converted into 5,266,160 shares of common stock of the Company in the second quarter of 1996.

(G) SHAREHOLDER RIGHTS PLAN

On August 25, 1996, the Board of Directors of WorldCom declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value $.01 per share, of the Company (the "Common Stock"). The dividend distribution was paid on September 6, 1996 to the shareholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series 3 Junior Participating Preferred Stock, par value $.01 per share (the "Preferred Stock") of the Company at a price of $160.00 per one one-thousandth of a share of Preferred Stock (the "Purchase Price"), subject to adjustment.

The Rights generally will be exercisable only after the close of business on the tenth business day following the date of public announcement or the date on which the Company first has notice or determines that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, 15% or more of the outstanding shares of voting stock of the Company without the prior express written consent of the Company, or the close of business on the tenth business day following the commencement of a tender offer or exchange offer, without the prior written consent of the Company, by a person which, upon consummation, would result in such party's control of 15% or more of the Company's voting stock. The Rights will expire, if not previously exercised, exchanged or redeemed, on September 6, 2006.

If any person or group acquires 15% or more of the Company's outstanding voting stock without prior written consent of the Board of Directors, each Right, except those held by such persons, would entitle each holder of a Right to acquire such number of shares of the Company's Common Stock as shall equal the result obtained by multiplying the then current Purchase Price by the number of one one-thousandths of a share of Preferred Stock for which a Right is then exercisable and dividing that product by 50% of the then current per-share market price of Common Stock.

If any person or group acquires more than 15% but less than 50% of the outstanding Common Stock without prior written consent of the Board of Directors, each Right, except those held by such persons, may be exchanged by the Board of Directors for one share of Common Stock.

If the Company were acquired in a merger or other business combination transaction where the Company is not the surviving corporation or where Common Stock is exchanged or changed or 50% or more of the Company's assets or earnings power is sold in one or several transactions without the prior written consent of the Board of Directors, each Right would entitle the holders thereof (except for the Acquiring Person) to receive such number of shares of the acquiring company's common stock as shall be equal to the result obtained by multiplying the then current Purchase Price by the number one one-thousandths of a share of Preferred Stock for which a Right is then exercisable and dividing that product by 50% of the then current market price per share of the common stock of the acquiring company on the date of such merger or other business combination transaction.

At any time prior to the time an Acquiring Person becomes such, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of the Rights will be to receive the Redemption Price.

(H) PROVISION TO REDUCE THE CARRYING VALUE OF CERTAIN ASSETS

In the second quarter of 1996, the Company incurred non-cash charges related to a write-down in the carrying value of certain assets, including goodwill and equipment. Because of events resulting from the passage of the Telecommunications Act of 1996 (the "Telecom Act"), and changes in circumstances impacting certain non-core operations, management estimates of the Company's fair value of operating assets within its core and non-core businesses resulted in a non-cash charge of $344 million after-tax or $.87 per share. On a pre-tax basis, the write-down was $402 million and included $139 million for network facilities and $263 million for non-core businesses, primarily operator services goodwill. Fair value of the non-core business was determined by estimating the present value of future cash flows to be generated from those operations while the majority of the network facilities were recorded at net salvage value due to anticipated early disposal.

In connection with the signing of agreements to provide long distance telecommunications services to certain local exchange carriers, and after the successful assimilation of recent facilities-based acquisitions, WorldCom evaluated the impact that the increased traffic volumes would have on the Company's network. This review resulted in the Company's current plans to expand and upgrade its existing network switching, transmission and other communications equipment. This capital project directly affected the estimated useful lives of certain network facilities which will result in replacement of these facilities prior to June 30, 1997.

Additionally, due to the decreasing emphasis on operator services, including non-renewal of existing long-term contracts, management adjusted the fair value of this non-core business based upon its projections of future cash flow. Operator services now comprises less than 3% of WorldCom's consolidated revenues.

(I) EXTRAORDINARY ITEMS

In the second quarter of 1996, the Company recorded extraordinary items totaling $24.4 million, net of income tax benefit of $15.6 million. The items consisted of $4.2 million in connection with the Company's debt refinancing, as discussed in Note D and $20.2 million related to a write-off of deferred international costs. Previously, a portion of the outbound call fee due the foreign carrier was deferred and accounted for as a cost attributable to the revenue associated with the inbound call. Currently, the outbound call fee due the foreign carrier is expensed as incurred.

(J) CONTINGENCIES

IDB RELATED INVESTIGATIONS. On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB Communication Group, Inc.'s ("IDB") financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to WorldCom, IDB and others, including certain former officers of IDB, in connection with its investigation. The National Association of Securities Dealers and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California (the "U.S. Attorney's Office") issued grand jury subpoenas to IDB and WorldCom in 1994 and 1995 seeking documents relating to IDB's first quarter of 1994 results, the resignation of Deloitte &

Touche LLP as IDB's auditors, trading in IDB securities and other matters. In October, 1996, the U.S. Attorney's Office entered into an agreement with WorldCom not to criminally prosecute IDB with respect to IDB's financial reporting on or before January 1, 1995 (including but not limited to the resignation of Deloitte & Touche LLP), trading in IDB securities, misuse of IDB's assets, attempts to obstruct the proceedings of the SEC and other matters. The agreement does not cover potential violations of the federal tax code and is expressly contingent upon the cooperation of IDB and WorldCom with the U.S. Attorney's Office, the Federal Bureau of Investigation and any other federal law enforcement agency, including the SEC.

OTHER. On February 8, 1996, President Clinton signed the Telecom Act, which permits, without limitation, the Bell Operating Companies (the "BOCs") to provide domestic and international long distance services to customers located outside of the BOC's home regions; permits a petitioning BOC to provide domestic and international long distance service to customers within its home region upon a finding by the Federal Communications Commission (the "FCC") that a petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest, and removes existing barriers to entry into local service markets. Additionally, there are significant changes in the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; procedures to revise universal service standards; and, penalties for unauthorized switching of customers. The FCC has instituted proceedings addressing the implementation of this legislation.

On August 1, 1996, the FCC announced its intention to conduct a proceeding in the fall of 1996 leading to the reform of access charges. Such charges are a principal component of the Company's line cost expense. The Company cannot predict whether or not the result of such a proceeding will have a material impact upon the Company.

On August 8, 1996 the FCC released its First Report and Order in the Matter of Implementation of the Local Competition Provisions in the Telecom Act (the "FCC Interconnect Order"). In the FCC Interconnect Order, the FCC established nationwide rules designed to encourage new entrants to participate in the local service markets through interconnection with the incumbent local exchange carriers ("ILEC"), resale of the ILEC's retail services and unbundled network elements. These rules set the groundwork for the statutory criteria governing BOC entry into the long distance market. The Company cannot predict the effect such legislation or the implementing regulations will have on the Company or the industry. Motions to stay implementation of the FCC Interconnect Order have been filed with the FCC and federal courts of appeal. Appeals challenging, among other things, the validity of the FCC Interconnect Order have been filed in several federal courts of appeal and assigned to the Eighth Circuit Court of Appeals for disposition. The Eighth Circuit Court of Appeals has stayed the pricing provisions of the FCC Interconnect Order. The Circuit Justice of the Supreme Court has declined to review the propriety of the stay. The Company cannot predict either the outcome of these challenges and appeals or the eventual effect on its business or the industry in general.

The Company is involved in other legal and regulatory proceedings generally incidental to its business. In some instances, rulings by regulatory authorities in some states may result in increased operating costs to the Company. While the results of these various legal and regulatory matters contain an element of uncertainty, the Company believes that the probable outcome of any of the legal or regulatory matters, or all of them combined, should not have a material adverse effect on the Company's consolidated results of operations or financial position.

(K) CONCENTRATION OF CREDIT RISK

A portion of the Company's revenues is derived from services provided to others in the telecommunications industry, mainly resellers of long distance telecommunications service. As a result, the Company has some concentration of credit risk among its customer base. The Company performs ongoing credit evaluations of its larger customers' financial condition and, at times, requires collateral from its customers to support its receivables, usually in the form of assignment of its customers' receivables to the Company in the event of nonpayment.

(L) MERGER AGREEMENT

As of August 25, 1996, WorldCom executed an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which a wholly owned subsidiary of the Company will be merged with and into MFS Communications Company, Inc. ("MFS"), a Delaware corporation (the "Merger"). Pursuant to the Merger Agreement, (i) each share of common stock of MFS will be converted into and represent the right to receive 2.1 shares of Common Stock of the Company, (ii) each share of Series A 8% Cumulative Convertible

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Preferred Stock, par value $.01 per share, of MFS will be converted into and represent the right to receive one (1) share of Series A 8% Cumulative Convertible Preferred Stock, par value $.01 per share, of the Company, and (iii) each share of Series B Convertible Preferred Stock, par value $.01 per share, of MFS will be converted into and represent the right to receive one (1) share of Series B Convertible Preferred Stock, par value $.01 per share, of the Company. The transaction is subject to customary closing conditions and shareholder and regulatory approval.

On August 25, 1996, the Company and MFS entered into an agreement pursuant to which, in the event the Merger Agreement is terminated under certain specified circumstances, the party terminating the Merger Agreement will be entitled to receive from the other party certain telecommunications services.

On August 25, 1996, pursuant to Stock Option Agreements, dated as of August 25, 1996, between the Company and MFS (the "Option Agreements"), the Company granted an option to MFS to purchase up to 81,224,137 or approximately 19.9% of the currently outstanding shares of Common Stock of the Company with an exercise price of $26.375 per share and MFS granted an option to WorldCom to purchase up to 43,953,073 or approximately 19.9% of the currently outstanding shares of common stock of MFS with an exercise price of $55.3875 per share, which options become exercisable upon the occurrence of certain events.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q may be deemed to include forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty, including financial, regulatory environment and trend projections. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The important factors that could cause actual results to differ materially from those in the forward looking statements herein include, without limitation, the Company's high degree of financial leverage, risks associated with debt service requirements and interest rate fluctuations, risks associated with acquisitions and the integration thereof, risks of international business, dependence on availability of transmission facilities, regulation risks including the impact of the Telecom Act, contingent liabilities, and the impact of competitive services and pricing, as well as other risks referenced from time to time in the Company's filings with the SEC. The following discussion and analysis relates to the financial condition and results of operations of the Company for the three and nine months ended September 30, 1996 and 1995, and should be read in conjunction with the consolidated financial statements and notes thereto.

GENERAL

The Company's continued emphasis on acquisitions has taken the Company from a small regional long distance carrier to one of the largest long distance telecommunications companies in the industry, serving customers domestically and internationally. The Company's operations have grown significantly in each year of its operations as a result of internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares and international expansion.

The Company's long distance revenues are derived principally from the number of minutes of use billed by the Company. Minutes billed are those conversation minutes during which a call is actually connected at the Company's switch (except for minutes during which the customer receives a busy signal or the call is unanswered at its destination). The Company's profitability is dependent upon, among other things, its ability to achieve economies of scale in line cost expenditures and to control and maintain selling, general and administrative overhead costs. The principal components of line costs are access charges and transport charges. Access charges are expenses incurred by all interexchange carriers ("IXCs") for accessing the local networks of the local exchange carriers ("LECs") in order to originate and terminate calls and payments made to foreign telephone administrations to complete calls made from the U.S. by the Company's customers. Transport charges are the expenses incurred in transmitting calls between or within local access and transport areas.

The most significant portion of the Company's line costs is access charges, which are highly regulated. The FCC regulates international communications services and interstate telephone service and certain states, through the appropriate regulatory agency, regulate intrastate telephone service. Accordingly, the Company cannot predict what effect continued regulation and increased competition between LECs and other IXCs will have on future access charges. However, the Company believes that it will be able to continue to reduce transport costs through effective utilization of its network, favorable contracts with carriers and network efficiencies made possible as a result of expansion of the Company's customer base by acquisitions and internal growth.

On February 8, 1996, President Clinton signed the Telecom Act which permits, without limitation, the BOCs to provide domestic and international long distance services to customers located outside of the BOC's home regions; permits a petitioning BOC to provide domestic and international long distance service to customers within its home region upon a finding by the FCC that a petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; and removes existing barriers to entry into local service markets. Additionally, there are significant changes in the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; procedures to revise universal service standards; and, penalties for unauthorized switching of customers. The FCC has instituted proceedings addressing the implementation of this legislation.

On August 1, 1996, the FCC announced its intention to conduct a proceeding in the fall of 1996 leading to the reform of access charges. Such charges are a principal component of the Company's line cost expense. The Company cannot predict whether or not the result of such a proceeding will have a material impact upon the Company.

In the FCC Interconnect Order, which was released on August 8, 1996, the FCC established nationwide rules designed to encourage new entrants to participate in the local service markets through interconnection with the ILEC, resale of the ILEC's retail services and unbundled network elements. These rules set the groundwork for the statutory criteria governing BOC entry into the long distance market. The Company cannot predict the effect such legislation or the implementing regulations will have on the Company or the industry. Motions to stay implementation of the FCC Interconnect Order have been filed with the FCC and federal courts of appeal. Appeals challenging, among other things, the validity of the FCC Interconnect Order have been filed in several federal courts of appeal and assigned to the Eighth Circuit Court of Appeals for disposition. The Eighth Circuit Court of Appeals has stayed the pricing provisions of the FCC Interconnect Order. The Circuit Justice of the Supreme Court has declined to review the propriety of the stay. The Company cannot predict either the outcome of these challenges and appeals or the eventual effect on its business or the industry in general.

As of August 25, 1996, WorldCom executed the Merger Agreement, pursuant to which a wholly owned subsidiary of the Company will be merged with and into MFS. Pursuant to the Merger Agreement, (i) each share of common stock of MFS will be converted into and represent the right to receive 2.1 shares of Common Stock of the Company, (ii) each share of Series A 8% Cumulative Convertible Preferred Stock, par value $.01 per share, of MFS will be converted into and represent the right to receive one (1) share of Series A 8% Cumulative Convertible Preferred Stock, par value $.01 per share, of the Company, and (iii) each share of Series B Convertible Preferred Stock, par value $.01 per share, of MFS will be converted into and represent the right to receive one (1) share of Series B Convertible Preferred Stock, par value $.01 per share, of the Company. The transaction is subject to customary closing conditions and shareholder and regulatory approval.

The combination of WorldCom, MFS and UUNET Technologies, Inc., which recently merged with MFS, will bring together the leading growth companies from four key telecom industry segments: long distance, local, Internet and international. The Merger would (1) enhance the combined entity's opportunities for future growth, (2) create a stronger competitor in the changing long distance and local telecommunications industry, (3) allow provision of end-to-end bundled long distance and local and internet services over a global network and (4) provide the opportunity for significant cost savings for the combined organization.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the Company's statement of operations as a percentage of its operating revenues.

<TABLE>
<CAPTION>

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenues	100.0%	100.0%	100.0%	100.0%
Line costs	54.6	54.5	54.5	55.0
Selling, general and administrative	18.4	18.1	18.5	18.3
Depreciation and amortization	6.5	8.5	7.1	8.6
Provision to reduce carrying value of certain assets	-	-	12.4	-
Operating income	20.5	18.9	7.5	18.1
Other income (expense):				
Interest expense	(4.9)	(6.7)	(5.2)	(7.0)
Miscellaneous	0.2	0.4	0.2	0.3
Income before income taxes and extraordinary items	15.8	12.6	2.5	11.4
Provision for income taxes	6.2	4.9	4.0	4.5
Net income (loss) before extraordinary items	9.6	7.7	(1.5)	6.9
Extraordinary items, net of taxes	-	-	(0.8)	-
Preferred dividend requirement	-	0.4	-	0.7
Special dividend payment to Series 1 preferred shareholder	-	1.6	-	0.5
Net income (loss) applicable to common shareholders	9.6%	5.7%	(2.3)%	5.7%

</TABLE>

Revenues for the three months ended September 30, 1996 increased 20.5% to $1.13 billion on 6.12 billion revenue minutes as compared to $938.9 million on 5.0 billion revenue minutes for the three months ended September 30, 1995. For the nine months ended September 30, 1996, revenues increased 19.6% to $3.24 billion on 17.41 billion revenue minutes versus $2.71 billion on 14.26 billion revenue minutes. The increase in total revenues and minutes is primarily attributable to internal growth of the Company.

In the third quarter of 1996, the Company acquired Choice Communications, Inc. ("Choice"), a cellular resale company. The transaction was accounted for as a pooling-of-interests and, accordingly, all prior period amounts have been restated to include the results of Choice.

Third quarter revenues for Choice increased 79% to $9.5 million on 21.1 million revenue minutes as compared to $5.3 million on 12.0 million revenue minutes for the comparable 1995 period. For the nine months ended September 30, 1996, revenues for Choice increased 104% to $25.6 million on 56.5 million revenue minutes versus $12.7 million on 20.7 million revenue minutes for the nine months ended September 30, 1995.

The Company's third quarter switched retail and wholesale revenue, excluding operator services and cellular traffic, increased 21.7% over 1995 results, while traffic growth from these businesses approximated 22.8%. Private line revenues for the three months ended September 30, 1996, also reflected growth, with an increase of 29.8% over the 1995 results.

Line costs as a percentage of revenues increased to 54.6% during the third quarter of 1996 as compared to 54.5% for the same period in the prior year. On a year-to-date basis, line costs as a percentage of revenues decreased to 54.5% in 1996 from 55.0% in 1995. These changes are attributable to changes in the product mix, and for the nine month period, synergies and economies of scale resulting from network efficiencies achieved from the assimilation of recent acquisitions into the Company's operations.

Selling, general and administrative expenses for the third quarter of 1996 increased to $208.3 million or 18.4% of revenues as compared to $169.9 million or 18.1% of revenues for the third quarter of 1995. On a year-to-date basis, these expenses increased to $597.6 million or 18.5% of revenues from $496.2 million or 18.3% of revenues for the nine months ended September 30, 1995. The increase in selling, general and administrative expenses results from the Company's expanding operations, primarily through internal growth.

Depreciation and amortization expense for the third quarter of 1996 decreased to $73.0 million or 6.5% of revenues from $79.9 million or 8.5% of revenues for the third quarter of 1995. This decrease reflects the reduction in depreciation and amortization

associated with the second quarter 1996 write-down in the carrying value of goodwill and equipment. On a year-to-date basis, this expense decreased to $228.5 million or 7.1% of revenues versus $231.5 million or 8.6% of revenues for the comparable 1995 period. This decrease reflects the reduction in depreciation and amortization associated with the second quarter write-downs offset by additional depreciation related to capital expenditures. The reduction in the percentage is due to a relatively stable dollar of amortization on a higher revenue base.

In the second quarter of 1996, the Company incurred non-cash charges related to a write-down in the carrying value of certain assets, including goodwill and equipment. Because of events resulting from the passage of the Telecom Act, and changes in circumstances impacting certain non-core operations, management estimates of the Company's fair value of operating assets within its core and non-core businesses resulted in a non-cash charge of $344 million after-tax or $.87 per share. On a pre-tax basis, the write-down was $402 million and included $139 million for network facilities and $263 million for non-core businesses, primarily operator services goodwill.

Interest expense in the third quarter of 1996 was $55.0 million or 4.9% of revenues, as compared to $62.6 million or 6.7% of revenues in the third quarter of 1995. For the nine months ended September 30, 1996, interest expense was $167.9 million or 5.2% of revenues, as compared to $189.4 million or 7.0% of revenues for the first nine months of 1995. The decrease in interest expense is attributable to lower interest rates in effect on the Company's long-term debt. For the nine months ended September 30, 1996 and 1995, weighted average annual interest rates were 6.29% and 7.26%, respectively, while weighted average annual levels of borrowing were $3.47 billion and $3.45 billion, respectively.

In the second quarter of 1996, the Company recorded extraordinary items totaling $24.4 million, net of income tax benefit of $15.6 million. The items included $4.2 million in connection with the Company's debt refinancing, and $20.2 million related to a write-off of deferred international costs. Previously, a portion of the outbound call fee due the foreign carrier was deferred and accounted for as a cost attributable to the revenue associated with the inbound call. Currently, the outbound call fee due the foreign carrier is expensed as incurred.

In the third quarter of 1995, Metromedia Company converted its Series 1 Preferred Stock into 43.8 million shares of WorldCom common stock and exercised warrants to acquire 6.2 million shares of WorldCom common stock and immediately sold its position of 61.7 million shares of WorldCom common stock in a public offering. In connection with the preferred stock conversion, WorldCom made a one-time non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

For the third quarter ended September 30, 1996, net income increased 60% to $109.1 million compared with $68.3 million, before the special preferred stock dividend payment in the 1995 third quarter. Fully diluted earnings per common share increased 50% to $0.27 compared with $0.18, before the one-time payment, a year ago.

For the nine months ended September 30, 1996, net income, before non-cash charges, increased 75% to $294.8 million compared with $168.6 million before the special dividend payment in the 1995 nine-month period. Fully diluted earnings per common share, before the non-cash charges increased 52% to $0.73 compared with $0.48 a year ago. Including the non- cash, after-tax charges, the Company reported a net loss of $73.2 million or $0.18 per share for the first nine months of 1996.

LIQUIDITY AND CAPITAL RESOURCES

On June 28, 1996, WorldCom replaced its then existing $3.41 billion credit facilities (the "Previous Facilities") with a new $3.75 billion revolving credit facility (the "Credit Facility"). Borrowings under the Credit Facility were used to refinance the Previous Facilities and will be used to finance capital expenditures and provide additional working capital. As a result of the refinancing, WorldCom recorded an extraordinary charge of $4.2 million, net of $2.7 million in taxes, related to the charge-off of the unamortized portion of costs associated with the refinanced debt.

The Credit Facility has a five-year term and bears interest, payable quarterly, at variable rates selected by the Company under the terms of the Credit Facility including a Base Rate or the LIBOR, plus applicable margin. The applicable margin for LIBOR rate borrowings varies from 0.35% to 0.875% based upon a specified financial test. The Credit Facility is unsecured and requires compliance with certain financial and other operating covenants which limit, among other things, the incurrence of additional indebtedness by WorldCom and restricts the payment of cash dividends to WorldCom's shareholders. The Credit Facility is also subject to an annual commitment fee not to exceed 0.25% of any unborrowed portion of the Credit Facility.

The Company has historically utilized cash flow from operations to finance capital expenditures and a mixture of cash flow, debt and stock to finance acquisitions. The Company is committed to a priority plan of accelerating operating cash flow to reduce debt. Additional capital availability may be generated through a combination of commercial bank debt and public market debt. Successful execution of the priority plan would provide continued compliance with required operating ratio covenants and improved interest rate spread pricing, and would eliminate any type of equity financing other than equity issued in connection with acquisitions. No assurance can be given that the Company will achieve its priority plan.

Borrowings under the Credit Facility bear interest at rates that fluctuate with prevailing short-term interest rates. To protect against the effect of rising interest rates, the Company has entered into financial hedging agreements with various financial institutions in connection with requirements under the Credit Facility. The hedging agreements establish capped fixed rates of interest ranging from 7.43% to 8.3125% on an aggregate notional value of $1.7 billion and mature in 1997. If interest rates do not reach this cap, the Company's interest rate remains variable.

For the nine months ended September 30, 1996, the Company's cash flow from operations was $496.7 million, increasing from $363.2 million in the comparable period for 1995. The increase in cash flow from operations was primarily attributable to internal growth.

The Company's existing $300.0 million receivables purchase agreement generated additional proceeds of $4.6 million in the first quarter of 1996. The Company used these proceeds to reduce outstanding debt under the Company's credit facilities. As of September 30, 1996, the purchaser owned an undivided interest in a $700.9 million pool of receivables which includes the $300.0 million sold.

Cash used in investing activities in the nine months ended September 30, 1996 totaled $629.8 million and included $293.0 million for normal capital expenditures and an additional $122.3 million for additional city pair network construction. Primary capital expenditures include purchases of switching, transmission, communication and other equipment. The Company's current budgeted capital expenditures for 1996 approximates $400.0 million. In addition to this amount, the Company has additional city pair network construction opportunities which could approximate $700.0 million to $800.0 million over the next two years.

Included in cash flows from financing activities are payments of $0.9 million for preferred dividend requirements. In connection with the announcement in May 1996, that the Company would redeem its Series 2 Preferred Stock on June 5, 1996, all of the remaining outstanding Series 2 Preferred Stock (1,244,048 shares) was converted into 5,266,160 shares of common stock of the Company in the second quarter of 1996. The fully diluted common shares outstanding were unaffected by the conversion and the Company has no further dividend requirements.

On July 15, 1996, WorldCom announced that it had exercised its option to redeem on August 16, 1996, all of the outstanding IDB WorldCom, Inc. 5% Convertible Subordinated Notes due 2003 (the "Notes"). Prior to the redemption date, substantially all of the holders of the Notes elected to convert their Notes into WorldCom common stock, resulting in the issuance of approximately 10.3 million shares of WorldCom common stock. The fully diluted common shares outstanding were unaffected by the conversion, and the Company has no further cash interest requirement related to the Notes.

Absent significant capital requirements for other acquisitions, the Company believes that cash flow from operations and funds available under the Credit Facility will be adequate to meet the Company's capital needs for the remainder of 1996.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material changes in the legal proceedings reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, filed on March 30, 1996 except as may be reflected in the discussion under Note J of the Notes to Consolidated Financial Statements in Part I, Item 1, above.

Item 2. Changes in Securities.

None

Item 3. Defaults upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

A. Exhibits

See Exhibit Index

B. Reports on Form 8-K

Current Report on Form 8-K dated August 25, 1996 (filed August 26, 1996), reporting under Item 5, Other Events, information relative to the Company's execution of an Agreement and Plan of Merger, pursuant to which a wholly owned subsidiary of the Company will be merged with and into MFS Communications Company, Inc.

Current Report on Form 8-K dated July 23, 1996 (filed August 26, 1996), as amended on Form 8 K/A dated August 25, 1996 (filed August 30, 1996), reporting under Item 5, Other Events, information relative to the Company's Shareholders' Rights agreement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by Scott D. Sullivan, thereunto duly authorized to sign on behalf of the registrant and as the principal financial officer thereof.

WORLDCOM, INC.

By: /s/ Scott D. Sullivan

Chief Financial Officer

Dated: November 12, 1996

EXHIBIT INDEX

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Exhibit No.	Description
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2.1	Agreement and Plan of Merger, dated as of August 25, 1996, among WorldCom, HIJ Corp., a Delaware corporation and a wholly owned subsidiary of WorldCom and MFS Communications Company, Inc., a Delaware corporation (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 25, 1996 (filed August 26, 1996))*
2.2	Stock Option Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc. (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated August 25, 1996 (filed August 26, 1996))
3(i)	Amended and Restated Articles of Incorporation of the Company (including preferred stock designations) as of September 15, 1993, as amended by Articles of Amendment dated May 26, 1994, as amended by Articles of Amendment dated May 25, 1995 (incorporated herein by reference to Exhibit 4.1 to the Annual Report on Form 10-K filed by the Company for the year ended December 31, 1995)
3(ii)	Articles of Amendment to the Amended and Restated Articles of Incorporation dated May 23, 1996 (incorporated herein by reference to Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996)
3(iii)	Bylaws of the Company, as amended (incorporated herein by reference to Exhibit 3(iii) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996)

4.1	Rights Agreement, dated as of August 25, 1996 between WorldCom, Inc. and The Bank of New York which includes the form of Certificate of Designations, setting forth the terms of the Series 3 Junior Participating Preferred Stock, par value $.01 per share, as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Preferred Stock Purchase Rights as Exhibit C. Pursuant to the Rights Agreement, printed Right Certificates will not be mailed until as soon as practicable after the earlier of the tenth day after public announcement that a person or group (except for certain exempted persons or groups) has acquired beneficial ownership of 15% or more of the outstanding shares of Common Stock or the tenth business day (or such later date as may be determined by action of the Board of Directors) after a person commences, or announces its intention to commence, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding shares of Common Stock (incorporated herein by reference Exhibit 4 to the Company's Current Report on Form 8-K/A dated August 25, 1996 (filed August 30, 1996))
10.1	Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 25, 1996 (filed August 26, 1996))

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10.2	Amended and Restated Credit Agreement among the Company, Nations Bank of Texas, N.A. (Managing Agent and Administrative Agent), Bank of America Illinois, The Bank of New York, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Chemical Bank, Credit Lyonnais New York Branch, First Union National Bank of North Carolina, The Industrial Bank of Japan, Limited, Atlanta Agency, The First National Bank of Chicago, The Long-Term Credit Bank of Japan, Limited, New York Branch, Toronto Dominion (Texas), Inc., and Wachovia Bank of Georgia N.A., (Agents) and the Lenders named therein (Lenders) dated as of June 28, 1996 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996)
10.3	WorldCom, Inc. Third Amended and Restated 1990 Stock Option Plan (incorporated herein by reference to Exhibit A to the Company's Proxy Statement dated April 22, 1996 used in connection with the Company's 1996 Annual Meeting of Shareholders) (Compensatory Plan)
10.4	WorldCom, Inc. Special Performance Bonus Plan (incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 22, 1996 used in connection with the Company's 1996 Annual Meeting of Shareholders) (Compensatory Plan)
11.1	Computation of Per Share Earnings
27.1	Financial Data Schedule
99.1	Stock Option Agreement, dated as of August 25, 1996, between

WorldCom, Inc. and MFS Communications Company, Inc.
(incorporated herein by reference to Exhibit 99.1 to the
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(filed August 26, 1996))

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* The Registrant hereby agrees to furnish supplementally a copy of any omitted schedules to this Agreement to the Securities and Exchange Commissipn upon request.

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Exhibit 11.1

WORLDCOM, INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS
(In thousands, except per share data)

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	For the Three Months Ended		For the
	September 30,		Sept
	1996	1995	1996
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Primary:			
Weighted average shares outstanding	402,881	353,288	393,86
Common stock equivalents	7,724	8,984	--
Common shares issuable upon conversion of:			
Series 1 preferred stock	--	25,206	--
Series 2 preferred stock	--	2,550	--
5% convertible notes	4,584	--	--
	415,189	390,028	393,86
Income (loss) applicable to common shareholders before extraordinary items	$ 109,051	$ 53,260	$ (48,75
Extraordinary items	--	--	(24,43
Income (loss) applicable to common shareholders	$ 109,051	$ 53,260	$ (73,18
Add back:			
Dividend paid on Series 1 preferred stock conversions	--	3,062	--
Dividend paid on Series 2 preferred stock conversions	--	243	--
Interest paid on 5% convertible notes conversions, net of taxes	1,489	--	--

Net income (loss) applicable to common shareholders	110,540	56,565	(73,18
One-time dividend payment on Series1 preferred stock conversion	--	15,000	--
Net income (loss) applicable to common shareholders before one-time dividend	$ 110,540	$ 71,565	$ (73,18
Primary earnings (loss) per share:			
Before one-time dividend payment to Series 1 preferred shareholder	$ 0.27	$ 0.18	$ (0.1
Applicable to common shareholders before extraordinary items	$ 0.27	$ 0.15	$ (0.1
Extraordinary items	$ --	$ --	$ (0.0
Applicable to common shareholders	$ 0.27	$ 0.15	$ (0.1
Fully diluted:			
Weighted average shares outstanding	402,881	353,288	393,86
Common stock equivalents	7,730	9,342	--
Common stock issuable upon conversion of:			
5% convertible notes	4,584	10,270	--
Series 1 preferred stock	--	25,206	--
Series 2 preferred stock	--	7,816	--
	415,195	405,922	393,86
Income (loss) applicable to common shareholders before extraordinary items	$ 109,051	$ 53,260	$ (48,75
Extraordinary items	--	--	(24,43
Add back:			
Interest on 5% convertible notes, net of taxes	1,489	1,491	--
Series 1 preferred dividend requirement	--	3,062	--
Series 2 preferred dividend requirement	--	749	--
Income (loss) applicable to common shareholders	$ 110,540	$ 58,562	$ (73,18
One-time dividend payment on Series 1 preferred stock conversion	--	15,000	--
Net income (loss) applicable to common shareholders before one-time dividend	$ 110,540	$ 73,562	$ (73,18
Fully diluted earnings per share:			
Before one-time dividend payment to Series 1 preferred shareholder	$ 0.27	$ 0.18	$ (0.1
Applicable to common shareholders before extraordinary items	$ 0.27	$ 0.14	$ (0.1
Extraordinary items	$ --	$ --	$ (0.0
Applicable to common shareholders	$ 0.27	$ 0.14	$ (0.1

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                STATE OF INCORPORATION:                 GA
                FISCAL YEAR END:                        1231

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1995
OR
[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ______________

Commission File Number 0-11258

WORLDCOM, INC.

(Exact name of registrant as specified in its charter)

<TABLE>

<S>	<C>
Georgia (State or other jurisdiction of incorporation or organization)	58-1521612 (I.R.S. Employer Identification No.)
515 East Amite Street, Jackson, Mississippi (Address of principal executive offices)	39201-2702 (Zip Code)

</TABLE>

Registrant's telephone number, including area code: (601) 360-8600

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, $.01 PAR VALUE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days).

Yes X No
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 15, 1996 was:
Common Stock, $.01 par value: $ 7,675,991,323
Series 2 6.50% Cumulative Senior Perpetual Convertible Preferred Stock:
$89,450,306

There were 194,043,449 shares of the registrant's Common Stock outstanding as of March 15, 1996.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes X No
--- ---

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the registrant for the registrant's 1996 Annual Meeting of Shareholders, which definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of December 31, 1995, are incorporated by reference into Part III.

==

GLOSSARY

ACCESS CHARGES -- Expenses incurred by an IXC and paid to LECs for accessing the local networks of the LECs in order to originate and terminate long distance calls and provide the customer connection for private line services.

AT&T -- AT&T COMMUNICATIONS, INC. -- An IXC wholly owned by American Telephone and Telegraph Company which provides interexchange services and facilities on a nationwide and international basis.

AT&T DIVESTITURE DECREE -- Entered on August 24, 1982, by the United States District Court for the District of Columbia. The AT&T Divestiture Decree, among other things, ordered AT&T to divest its wholly owned BOCs from its Long Lines Division and manufacturing operations and generally prohibited BOCs from providing long distance telephone service between LATAs.

BOC -- BELL SYSTEM OPERATING COMPANY -- A local exchange carrier owned by any of the seven Regional Bell Operating Companies, which are holding companies established following the AT&T Divestiture Decree to serve as parent companies for the BOCs.

EQUAL ACCESS -- Connection provided by a LEC permitting a customer to be automatically connected to the IXC of the customer's choice when the customer dials "1".

FCC -- Federal Communications Commission.

INBOUND "800" SERVICE -- A service that assesses long distance telephone charges to the called party.

IXC -- INTEREXCHANGE CARRIER -- A long distance carrier providing services between local exchanges.

LATAS -- LOCAL ACCESS AND TRANSPORT AREAS -- The approximately 200 geographic areas defined pursuant to the AT&T Divestiture Decree between which the BOCs are generally prohibited from providing long distance service.

LEC -- LOCAL EXCHANGE CARRIER -- A company providing local telephone services. Each BOC is a LEC.

LINE COSTS -- Primarily includes the sum of access charges and transport charges.

LOCAL EXCHANGE -- A geographic area generally determined by a PUC, in which calls generally are transmitted without toll charges to the calling or called party.

MCI -- MCI TELECOMMUNICATIONS CORPORATION -- An IXC which provides interexchange services and facilities on a nationwide and international basis.

NETWORK SWITCHING CENTER -- A location where installed switching equipment routes long distance calls and records information with respect to calls such as the length of the call and the telephone numbers of the calling and called parties.

OSP -- OPERATOR SERVICE PROVIDER -- Any common carrier or other person providing any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call initiated from an aggregator location, other than by means of automatic completion of the call with billing to the originating telephone or completion through an access code used by the consumer with billing to a previously established account.

PTT - POST TELEPHONE AND TELEGRAPH ADMINISTRATION -- The PTTs, usually controlled by their governments, provide telephone and telecommunications services in most foreign countries.

PUC -- PUBLIC UTILITY COMMISSION -- A state regulatory body empowered to establish and enforce rules and regulations governing public utility companies and others, such as the Company in many of its state jurisdictions (sometimes referred to as Public Service Commissions, or PSCs).

RBOC -- REGIONAL BELL OPERATING COMPANY -- Any of seven regional Bell holding companies which the AT&T Divestiture Decree established to serve as parent companies for the BOCs.

SPRINT -- SPRINT CORPORATION - An IXC which provides interexchange services and facilities on a nationwide and international basis.

SUBSCRIBERS -- Commercial and residential customers for which an IXC provides direct dial long distance telephone service. For operator assisted long distance telephone service, "Subscribers" refers to owners of pay telephones, owners of premises on which pay telephones are located, and multi-telephone facilities such as hotels and hospitals with which an OSP contracts to process and transmit operator assisted long distance telephone calls.

TARIFF -- The schedule of rates and regulations set by communications common carriers and filed with the appropriate federal and state regulatory agencies; the published official list of charges, terms and conditions governing provision of a specific communications service or facility, which functions in lieu of a contract between the Subscriber or user and the supplier or carrier.

TRANSPORT CHARGES -- Expenses paid to facilities-based carriers for transmission between or within LATAs.

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PART I

ITEM 1. BUSINESS

GENERAL

WorldCom, Inc., a Georgia corporation which conducts business under the name "LDDS WorldCom" ("WorldCom" or the "Company"), is one of the four largest long distance telecommunications companies in the United States based on 1994 revenues. The Company provides long distance telecommunications services to business, consumer and other carrier customers, through its network of fiber optic cables, digital microwave, and fixed and transportable satellite earth stations, with service to points throughout the nation and the world. The products and services provided by WorldCom include: switched and dedicated long distance products, 800 services, calling cards, operator services, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced faxed and data connections, television and radio transmission and mobile satellite communications.

WorldCom was organized in 1983. Its operations have grown as a result of management's emphasis on a four-point growth strategy, which includes internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares, and international expansion. On September 15, 1993, a three-way merger occurred whereby (i) Metromedia Communications Corporation, a Delaware corporation ("MCC"), merged with and into Resurgens Communications Group, Inc., a Georgia corporation ("Resurgens"), and (ii) LDDS Communications, Inc., a Tennessee corporation ("LDDS-TN"), merged with and into Resurgens (the "Prior Mergers").

At the time of the Prior Mergers, the name of Resurgens, the legal survivor, was changed to LDDS Communications, Inc. and the separate corporate existences of LDDS-TN and MCC terminated. For accounting purposes, however, LDDS-TN was the survivor because the former shareholders of LDDS-TN acquired majority ownership of the Company. Accordingly, unless otherwise indicated, all historical information presented herein reflects the operations of LDDS-TN. At the annual meeting of shareholders held May 25, 1995, shareholders of LDDS Communications, Inc. voted to change the name of the Company to WorldCom, Inc., effective immediately. Information in this document has also been revised to reflect the stock splits of the Company's common stock. See Note 1 of Notes to Consolidated Financial Statements.

BUSINESS COMBINATIONS

The Company's emphasis on acquisitions has taken the Company from a small regional long distance carrier to one of the largest long distance telecommunications companies in the industry, serving customers domestically and internationally.

On January 5, 1995, WorldCom completed the acquisition of the network services operations of Williams Telecommunications Group, Inc. ("WilTel"), a subsidiary of The Williams Companies, Inc. ("Williams"), for approximately $2.5 billion in cash (the "WilTel Acquisition"). Through this purchase, the Company acquired a nationwide common carrier network of approximately 11,000 miles of fiber optic cable and digital microwave facilities. The funds paid to Williams were obtained by WorldCom under a new credit facility entered into on December 21, 1994. See Note 4 of Notes to Consolidated Financial Statements.

On December 30, 1994, WorldCom, through a wholly owned subsidiary, merged with IDB Communications Group, Inc., a Delaware corporation ("IDB"). IDB operates a domestic and international communications network providing private line and public switched long distance telecommunications services, facsimile and data connections, television and radio transmission services, and mobile satellite communications capabilities. As a result of this merger (the "IDB Merger"), each share of common stock of IDB was converted into the right to receive 0.476879 shares of WorldCom common stock (the "Common Stock") resulting in the issuance of approximately 35,881,000 shares of Common Stock. In addition, WorldCom assumed, on a subordinated basis, jointly and severally with IDB, the obligations of IDB to pay the principal of and interest on $195.5 million 5% convertible subordinated notes due 2003, issued by IDB. The IDB Merger was accounted for as a pooling-of-interests and accordingly, the WorldCom financial statements for the periods prior to the IDB Merger have been restated to include the results of IDB for all periods presented.

In 1993, upon effectiveness of the Prior Mergers, each share of the outstanding common stock of LDDS-TN was converted into the right to receive 0.9595 shares of Common Stock. The 500,000 shares of LDDS-TN Series B 6.5% Cumulative Senior Perpetual Convertible Preferred Stock outstanding were converted into 2,000,000 shares of WorldCom Series 2 6.5% Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $25 per share and a conversion price of $11.81171 per share (the "Series 2 Preferred Stock"). As a result of the consummation of the Prior Mergers, Metromedia Company ("Metromedia"), the sole stockholder of MCC, received 2,758,620 shares of the Common Stock, 10,896,785 shares of WorldCom Series 1 $2.25 Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $50 per share and a conversion price of $24.9046875 per share (the "Series 1 Preferred Stock"), warrants to purchase 5,000,400 shares of the Common Stock at an average price of $8.35 per share, and $150.0 million in cash. The common stock of Resurgens was unchanged in the Prior Mergers.

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On August 23, 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of Common Stock and exercised warrants to acquire 3,106,976 shares of Common Stock and immediately sold its position of 30,849,548 shares of Common Stock in a public offering. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date). The Company did not receive any proceeds from the sale of the shares, but did receive approximately $33.7 million in proceeds from the exercise of the warrants, which were used to repay certain existing bank debt.

On December 4, 1992, LDDS-TN, through a wholly owned subsidiary, merged with Advanced Telecommunications Corporation ("ATC"). As a result of this merger (the "ATC Merger"), each share of common stock of ATC was converted into the right to receive 0.83 shares of common stock of LDDS-TN. The ATC Merger was accounted for under the pooling-of-interests method.

The following table sets forth certain data concerning the Company's acquisitions, during the past five years, of companies with annual revenues exceeding $50.0 million, other than the IDB Merger and the ATC Merger.

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Name	Acquisition Date	Revenues for Fiscal Year Preceding Acquisition (In thousands)
<S>	<C>	<C>
MidAmerican Communications Corporation	July 1991	$ 75,924
AmeriCall and First Phone	February 1992	65,028
World Communications, Inc.	December 1992	90,602
Dial-Net, Inc. ("Dial-Net")	March 1993	69,328
Metromedia Communications Corporation	September 1993	368,532
Resurgens Communications Group, Inc.	September 1993	151,963
TRT Communications, Inc. ("TRT")	September 1993	175,057
Williams Telecommunications Group, Inc.	January 1995	921,813

</TABLE>

In addition to the acquisitions reflected in the above table, WorldCom and its predecessors have completed other acquisitions involving companies each with annual revenues of less than $50.0 million.

COMPANY STRATEGY

The Company follows a four-point growth strategy, consisting of internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares, and international expansion.

A decentralized management system allows regional managers responsibility and authority for the development of area customers. Regional management directs resources toward attracting new accounts as well as expanding product usage by current customers.

A predominant share of the Company's total revenues is derived from commercial customers. Commercial customers typically use higher volumes of telecommunications services than residential customers and concentrate usage on weekdays during business hours when rates are highest. Consequently, commercial customers, on average, generate higher revenues per account than residential customers.

The Company has become a significant participant in the long distance wholesale market and intends to pursue opportunities, if any, for continued expansion in this area. While total revenues in the wholesale market are less than from commercial customers, expenses are generally reduced in servicing these customers as the result of fewer invoices, fewer customer service personnel and a smaller sales force.

The enactment of the Telecommunications Act of 1996 in early February has made it possible for WorldCom to participate in both the local and long distance markets. The Company has formed business associations to provide long distance telecommunications

services with certain LECs and the Company expects to pursue resale of local service in those markets where it is both economically and technically feasible.

In the first quarter of 1996, the Company signed agreements to provide long distance telecommunications services to GTE Long Distance, Ameritech Communications, Inc., and Southwestern Bell Mobile Systems, Inc. WorldCom also entered into an agreement to become a major provider of data telecommunications services for Electronic Data Systems Corporation ("EDS"), a global information services company.

Additionally, in response to the changing regulatory environment, WorldCom has filed applications with PUCs in several states to offer customers local telephone exchange services, an important capability that will serve as a complement to the Company's national and international service offerings. To date, WorldCom has received permission to provide local service on a resale basis in California, Connecticut, Florida, Illinois and Texas.

SERVICES

GENERAL. The Company is one of the four largest United States based long distance telecommunications companies in the industry, based on revenues, and serves its customers domestically and internationally. The products and services provided by the Company include switched and dedicated long distance products, 800 services, calling cards, operator services, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced faxed and data connections, television and radio transmission, and mobile satellite communications.

DOMESTIC LONG DISTANCE. There are several ways in which a customer can access the Company's network. In areas where equal access has been made available, a customer who has selected the Company as its IXC can utilize the Company's network for interLATA long distance calls through "one plus" dialing of the desired call destination. Equal access customers can access the Company's network for interLATA long distance calls and for intraLATA calls where intraLATA competition has been allowed.

Customers in areas without equal access or customers in equal access areas who do not select the Company as their IXC can utilize the Company's network for all their long distance calls through three methods of "dial-up access." They can dial a local telephone number to access the Company's computerized switching equipment and then enter a personal authorization code and the area code and telephone number of the desired call destination. Customers may also access the Company's network by dialing 10 plus the three digit Carrier Identification Number belonging to the Company and the area code and telephone number of the desired call location. High-volume customers can access the WorldCom network through the use of high-capacity dedicated circuits.

Customer billing is generated internally and through a facilities management agreement under which EDS performs significant data processing functions. See Note 6 of Notes to Consolidated Financial Statements.

INTERNATIONAL LONG DISTANCE. The Company offers international private line and public switched long distance telecommunications services to government, commercial and carrier organizations worldwide. The Company has over 200 switched voice and private line operating agreements in foreign countries, thereby making the Company a leading participant in the international telecommunications market.

Through these operating agreements, international long distance traffic is both delivered and received. Under these agreements, foreign carriers are obligated to adhere to the policy of the FCC whereby traffic from the foreign country is routed to international carriers of which the Company is one, in the same proportion as traffic carried into the foreign country.

The Company provides permanent and temporary domestic and international private line services to customers for a number of applications. These applications generally involve establishing private, international point-to-point communications links for customers who need special services, such as heavy data and voice usage, lower cost, and greater security. The Company has private line operating agreements with 160 foreign countries and is the carrier for many of the world's most critical communications links, including the Washington-Moscow hotline and launch control circuits for the NASA Space Program. The Company also provides international private line services for a range of financial, airline, commercial and governmental communications networks.

The Company also offers public switched international telecommunications services worldwide and provides direct services to approximately 60 foreign countries. The Company sells telecommunications services to both corporate customers and to domestic long distance carriers that lack transmission facilities to locations served by the Company or need more transmission capacity. Accessing the Company's international switching center via permanent domestic connections or via dial-up access code, customers can make international telephone calls.

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Such operations are subject to certain risks such as changes in foreign government regulations and telecommunications standards, licensing requirements, tariffs or taxes, and other trade barriers and political and economic instability. In addition, the Company's revenues and costs of sales are sensitive to changes in international settlement rates.

OTHER SERVICES. WorldCom provides its billing and collection and operator services to other IXCs. Due to the time and expense associated with the negotiation of billing and collection agreements, many IXCs choose not to establish operator services or to obtain billing and collection agreements. Using WorldCom's operator services enables IXCs to retain revenues by carrying operator assisted traffic over their own networks.

In addition, the Company offers a broad range of related services which enhance customer convenience, add value and provide additional revenue sources. Advanced "800" service offers features for caller and customer convenience, including a variety of call routing and call blocking options, customer reconfiguration, termination overflow to switched or dedicated lines, Dialed Number Identification Service (DNIS), real-time Automatic Number Identification (ANI), and flexible after-hours call handling services. The Company's travel cards offer worldwide calling services, caller-friendly voice mail with message waiting signal, message storage and delivery, conference calling, personal greetings, speed dialing, customer deactivation and reactivation of cards, customer card, and private-label card options. The Company is also a market leader for the prepaid calling card which allows a purchaser to pay in advance for a specific number of long distance minutes. The prepaid calling card is successful in the collectors market and continues to be a growing source of revenues for the Company.

The Company outsources the management of its broadcast operations, which provides radio and television broadcast transmission services for major network, cable, syndication, pay-per-view, sports and special event programmers.

The Company also designs, installs, and integrates "turnkey" transmission facilities and communications networks primarily for international customers. Services provided include fixed customer premise earth stations, network management systems, system integration consulting and project management.

TRANSMISSION FACILITIES

Domestically, the Company owns one of four nationwide fiber optic networks in the country, consisting of more than 15,000 miles of fiber optic cable and microwave equipment with access to over 50,000 miles of additional fiber optic network through lease agreements with other carriers. In January 1995, the Company acquired the majority of this network through the purchase of WilTel, which owned a network of approximately 11,000 miles of fiber optic cable and digital microwave facilities with access to approximately 30,000 miles of additional fiber optic network through lease agreements with other carriers.

Internationally, the Company owns fiber optic facilities on most major international cable systems in the Pacific and Atlantic Ocean regions, providing fiber optic cable connections between the United States and the Pacific Rim and the United States and Europe. WorldCom also owns fiber optic cable for services to the Commonwealth of Independent States, Latin America and South America.

Additionally, the Company owns 22 international gateway earth stations and approximately 50 domestic earth stations, which enable WorldCom to provide radio, television, private line and public switched telecommunications services to and from locations throughout the world. WorldCom also owns fixed earth stations located in 33 metropolitan areas, including seven international gateway earth stations in San Francisco and Washington D.C., which serve as central collection points for domestic traffic and connect the network with international satellites.

The Company's ability to generate profits is largely dependent upon its ability to optimize the different types of transmission facilities used to process and complete calls. These facilities are complemented by a least cost routing plan which is accomplished through digital switching technology and network routing software. Calls can be routed over fixed cost transmission facilities or variable cost transmission facilities. Fixed cost facilities, including the Company's owned networks are typically most cost effective for routes that carry high volumes of traffic. The Company's expansion has been to contiguous geographic areas which has enabled the Company to concentrate a significant portion of its traffic over fixed cost transmission facilities and thereby achieve an overall lower network cost. In addition, a variety of lease agreements for fixed and variable cost (usage sensitive) services ensure diversity in processing calls.

NETWORK SWITCHING

The Company owns or leases computerized network switching equipment that routes its customers' long distance calls. The Company presently maintains approximately 50 digital switching centers. The Company's digital switching equipment is interconnected with digital transmission lines. The Company's entire switching network utilizes SS7 common channel signaling, which increases efficiencies by eliminating connect time delays and provides "look ahead" routing. In addition to networking, the

Company's switching equipment verifies customers' pre-assigned authorization codes, records billing data and monitors system quality and performance.

In addition to the switching centers, the Company has a number of other network facility locations which are known as points of presence. These points of presence allow the Company to concentrate customers' traffic at locations where the Company has not installed switching equipment. The traffic is carried to switching centers over the Company's digital transmission network.

RATES AND CHARGES

LONG DISTANCE. The Company charges customers on the basis of minutes or partial minutes of usage at rates that vary with the distance, duration and time of day of the call. The rates charged are not affected by the particular transmission facilities selected by the Company's network switching centers for transmission of the call. Additional discounts are available to customers who generate higher volumes of monthly usage.

Domestic business services are billed in six-second increments; others are billed in partial minutes rounded to the next minute. Long distance services are billed in arrears, with monthly billing statements itemizing date, time, duration and charges; private line services are billed monthly in advance, with the invoice indicating the number of circuits and applicable rates.

The Company's rates are generally designed to be competitive with those charged by other long distance carriers. The rates offered by the Company may be adjusted in the future if other IXCs continue to adjust their rates.

OPERATOR ASSISTED LONG DISTANCE. The Company has billing and collection services agreements with each of the RBOCs and BOCs, as well as all major independent telephone companies, under which these companies bill the callers for operator assisted telephone calls processed and transmitted by the Company. Since January 1990, the Company has maintained access through a third party to the billing validation data bases of credit card issuers, the RBOCs and certain LECs. These data bases enable the Company to verify the validity of charge cards used by callers to pay for operator assisted long distance telephone calls. Validation reduces the Company's unbillable and uncollectible call expense because the operator can verify the validity of credit card numbers and collect or third party billing instructions before transmitting the call, which saves network expenses.

MARKETING AND SALES

WorldCom markets its long distance services primarily through a direct sales force of approximately 1,600 employees worldwide which are targeted at specific geographic markets. WorldCom markets its operator assisted services through telemarketing and trade shows. WorldCom's sales force also provides advanced sales specialization for the data and international marketplaces, including domestic and international private line services.

In each of its geographic markets, the Company employs full service support teams that provide its customers with prompt and personal attention. A customer service representative is assigned to each customer account whose monthly business exceeds $1,000. With offices nationwide, WorldCom's localized management, sales and customer support are designed to engender a high degree of customer loyalty and service quality.

COMPETITION

The Company faces intense competition in providing both domestic and international long distance telecommunications services. Domestically, WorldCom competes for interLATA and intraLATA services with AT&T, MCI, Sprint, the LECs, and other national and regional IXCs, where permissible; and with respect to operator service, with AT&T and other operator service providers. Internationally, the Company competes for services with other IXCs, including AT&T, MCI, and Sprint. Certain of these companies have substantially greater market share and financial resources than WorldCom, and some of them are the source of communications capacity used by WorldCom to provide its own services.

For most of the Company's communications services, the factors critical to a customer's choice of a service provider are cost, ease of use, speed of installation, quality, reputation and, in some cases, geography, and network size. WorldCom's objective is to be one of the most responsive service providers, particularly when providing customized communications services. WorldCom's array of communications facilities and international relationships, together with its engineering and operations capability, provide WorldCom with considerable flexibility in tailoring cost-effective communications services to meet its customers' requirements. This network allows WorldCom to implement complex permanent and temporary communications circuits to and from virtually any location in the world. WorldCom relies on its decentralized management structure and the local orientation of its operations and personnel to distinguish itself from larger, less personalized operations. In addition, WorldCom's understanding of international telecommunications technical and regulatory issues has often allowed WorldCom to provide prompt solutions to the diverse

communications needs of multinational corporations, government entities and other organizations. No assurance can be given, however, that the Company's strategies will be successful.

WorldCom expects to encounter continued competition from major domestic and international communications companies, including AT&T, MCI, and Sprint. In addition, the Company may be subject to additional competition due to the enactment of the Telecommunications Act of 1996, the development of new technologies and increased availability of domestic and international transmission capacity. The telecommunications industry is in a period of rapid technological evolution, marked by the introduction of new product and service offerings and increasing satellite and fiber optic transmission capacity for services similar to those provided by the Company. The Company cannot predict which of the many possible future product and service offerings will be important to maintain its competitive position or what expenditures will be required to develop and provide such products and services.

REGULATION

The Company operates in a highly regulated industry. The FCC regulates international communications services and interstate telephone service, and certain states, through the appropriate regulatory agency, regulate intrastate telephone service. In addition, the Company is subject to regulation in various foreign countries in connection with certain overseas business activities.

The regulation of the telecommunications industry is changing rapidly and the regulatory environment varies substantially from state to state. There can be no assurance that future regulatory changes will not have a material adverse impact on WorldCom. Recent developments include, without limitation, enactment of legislation that modifies the AT&T Divestiture Decree restrictions on the provision of long distance services by the BOCs between LATAs as defined in the AT&T Divestiture Decree, FCC and PUC action changing access rates charged by LECs and making other related changes to access and interconnection policies, certain of which could have adverse consequences for the Company; related FCC and state regulatory proceedings considering additional deregulation of LEC access pricing; a pending FCC rulemaking on "billed party preference" that could affect WorldCom's provision of operator services; and various legislative and regulatory proceedings that would result in new local exchange competition.

On February 8, 1996, President Clinton signed legislation, that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry. However, the Company believes that it is positioned to pursue business opportunities in the rapidly changing telecommunications market.

FCC REGULATION. As a non-dominant IXC, the Company is not required to obtain a certificate of public convenience and necessity from the FCC for its domestic interexchange services. The FCC retains general regulatory jurisdiction over the sale of interstate telecommunications services by IXCs, including the requirement that calls be charged on a nondiscriminatory, just and reasonable basis.

Transmissions from earth stations to all satellites, transmissions from microwave and other transmitters, reception from international satellites, and transmission of international traffic by any means, including operator assisted long distance service, satellite, and undersea cable, must be pursuant to license or other authorizations issued by the FCC. The Company, or an affiliate of the Company, has operating authority or has made other arrangements to transmit and/or receive signals from all locations where it currently offers satellite transmission and/or reception service.

Although the Company has never had a license application denied by the FCC, there can be no assurance that it will receive all authorizations or licenses necessary for new communications services or that delays in the licensing process will not adversely affect the Company's business. Domestic radio licenses issued by the FCC are for limited periods not to exceed 10 years. The Company must seek renewal of such licenses prior to their expiration. The Company knows of no facts that would result in the denial of any such renewals. WorldCom monitors compliance with federal, state and local regulations governing the discharge and disposal of hazardous and environmentally sensitive materials, including the emission of electromagnetic radiation. WorldCom believes that it is in compliance with such regulations. However, there can be no assurance that any such discharge, disposal or emission might not expose WorldCom to claims or actions that could have a material adverse effect on the Company's consolidated results of operations or financial position.

In conjunction with its approval of the transfer of control of IDB to the Company, the FCC indicated that a protest filed by Comsat Corporation raised sufficient question that there might have been a prior unauthorized transfer of control of IDB Mobile Communications, Inc. ("IDB Mobile"), an affiliate of IDB, to Teleglobe Inc., a Canadian corporation ("Teleglobe"), for it to initiate an investigation into IDB and Teleglobe's ownership and control of IDB Mobile. The Company is cooperating with the investigation. Although the Company cannot predict the outcome of the investigation, it believes that it will not result in a material adverse effect upon the Company's consolidated results of operations or financial position.

In October 1988, Judge Harold Greene, who oversees compliance with the AT&T Divestiture Decree ordered the RBOCs to provide for equal access to the BOC owned pay telephone long distance markets. The opinion accompanying the federal court order mandating presubscription of public pay telephones envisions that presubscription will be an interim measure pending perfection of a technical system permitting all "0 plus" calls from public payphones to be automatically routed to the billed party's presubscribed OSP. If implemented, "billed party preference" could route some previously presubscribed public traffic away from the Company. However, the technical and economic barriers to implementation of a "billed party preference" system are such that the RBOCs have been unable and unwilling to effect its implementation to date. A rulemaking proceeding is currently being conducted by the FCC on "billed party preference" to determine whether such a system will be required or if appropriate alternatives to "billed party preference" exist. The Company cannot predict the outcome of this proceeding. The Company is unaware of any other regulatory proceedings related to operator services that could have a material adverse effect upon its consolidated results of operations or financial position.

ALIEN OWNERSHIP. The Communications Act of 1934, as amended (the "Communications Act") prohibits any entity in which more than 20% of the capital stock is owned of record or voted by noncitizens or a foreign government or its representative, or which has any officer or director who is not a U.S. citizen, from receiving or holding a common carrier radio transmission license (including microwave). The Communications Act also prohibits subsidiaries of any entity of which more than 25% of the capital stock is owned by noncitizens, or where more than one-fourth of the directors or any officers are noncitizens, from receiving or holding common carrier radio transmission licenses (including microwave), if the FCC finds that the public interest would be served by the refusal or revocation of the licenses under those circumstances. The Company's charter restricts aggregate beneficial ownership of the Common Stock by certain foreign shareholders to 20% of the total outstanding stock, and subjects excess shares to redemption.

In November 1995, the FCC adopted new rules regarding foreign ownership of U.S. international common carrier service providers. The FCC will examine whether "effective competitive opportunities" ("ECO") exist for U.S. carriers in the destination markets of foreign carriers with market power seeking to enter the U.S. international services market through an "affiliation" with a U.S. facilities-based carrier. The FCC defined "affiliation" as an ownership interest of 25% or more, or a controlling interest. The FCC also reserved the right to review foreign carrier investment below the 25% threshold where such investment presents a significant potential impact on competition in the U.S. market for international services. WorldCom is not aware of any foreign carrier investment in the Company that would require FCC review under the ECO test.

STATE REGULATION. The Company's intrastate long distance telecommunications operations are subject to various state laws and regulations including, in many jurisdictions, certification requirements. Generally, the Company must obtain and maintain certificates of public convenience and necessity from regulatory authorities in most states in which it offers intrastate long distance services. In most of these jurisdictions the Company must also file and obtain prior regulatory approval of tariffs for its intrastate offerings. The Company currently provides intrastate services in each of the 48 contiguous states.

RISK FACTORS

An investment in the Common Stock involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information contained in this Form 10-K, in evaluating the Company and its business before purchasing shares of Common Stock. In particular, prospective investors should note that this Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and that actual results could differ materially from those contemplated by such statements. The factors listed below represent certain important factors the Company believes could cause such results to differ. These factors are not intended to represent a complete list of the general or specific risks that may affect the Company. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect the Company to a greater extent than indicated.

RISKS OF INCREASED FINANCIAL LEVERAGE, DEBT SERVICE, INTEREST RATE FLUCTUATIONS, POSSIBLE REDUCTION IN LIQUIDITY, DIVIDEND RESTRICTIONS AND OTHER RESTRICTIVE COVENANTS. As a result of the WilTel Acquisition and the financing thereof, the Company has a significantly higher degree of leverage than previously existed. At December 31, 1995, the Company reported $3.39 billion of long-term debt (including capital leases and current maturities) and a long-term debt to equity ratio of 1.55 to 1.

Borrowings under the Company's credit facilities bear interest at rates that fluctuate with prevailing short-term interest rates. Increases in interest rates, economic downturns and other adverse developments, including factors beyond the Company's control, could impair its ability to service its indebtedness under the credit facilities. In addition, the cash flow required to service the Company's debt may reduce its ability to fund internal growth, additional acquisitions and capital improvements. One facility (the

"Term Principal Debt") of the credit facilities, which totals $1.25 billion, matures in a single installment on December 31, 1996. The other facility (the "Revolving Facility Commitment"), which totals $2.16 billion, will be reduced at the end of each fiscal quarter, commencing on September 30, 1996, in varying amounts, and must be paid in full on December 31, 2000. In addition, these credit facilities restrict the payment of cash dividends and otherwise limit the Company's financial flexibility.

The Company is committed to a priority plan of accelerating operating cash flow to reduce debt. The Company anticipates that the existing debt balances including the $1.25 billion Term Principal Debt, which matures December 1996, will be refinanced with a new revolving commercial bank credit facility with similar terms. Additional capital availability may be generated through a combination of commercial bank debt and public market debt. Successful execution of the refinancings and the priority plan would provide continued compliance with required operating ratio covenants and would eliminate any type of equity financing other than equity issued in connection with acquisitions. No assurance can be given that the Company will achieve its priority plan or that any refinancing will be available on terms acceptable to WorldCom.

ACQUISITION INTEGRATION. A major portion of the Company's growth in recent years has resulted from acquisitions, which involve certain operational and financial risks. Operational risks include the possibility that an acquisition does not ultimately provide the benefits originally anticipated by management of the acquiror, while the acquiror continues to incur operating expenses to provide the services formerly provided by the acquired company. Financial risks involve the incurrence of indebtedness by the acquiror in order to effect the acquisition and the consequent need to service that indebtedness. In addition, the issuance of stock in connection with acquisitions dilutes the voting power and may dilute certain other interests of existing stockholders. In carrying out its acquisition strategy, the Company attempts to minimize the risk of unexpected liabilities and contingencies associated with acquired businesses through planning, investigation and negotiation, but such unexpected liabilities may nevertheless accompany acquisitions. There can be no assurance that the Company will be successful in identifying attractive acquisition candidates or completing additional acquisitions on favorable terms.

CONTINGENT LIABILITIES The Company is subject to a number of legal and regulatory proceedings, including certain legal proceedings pending against IDB prior to its merger with a wholly-owned subsidiary of WorldCom on December 30, 1994 (the "IDB Merger"). While the Company believes that the probable outcome of any of these matters, or all of them combined, will not have a material adverse effect on the Company's consolidated results of operations or financial position, no assurance can be given that a contrary result will not be obtained. See Item 3 - "Legal Proceedings."

In addition to a number of other pending legal proceedings, on May 23, 1994, Deloitte & Touche LLP ("Deloitte") resigned as IDB's independent auditors. Deloitte has stated it resigned as a result of events surrounding the release and reporting of IDB's financial results for the first quarter of 1994. In submitting its resignation, Deloitte informed IDB management and the Audit Committee of the IDB Board of Directors that there had been a serious breakdown in IDB's process of identifying, analyzing and recording IDB's business transactions which prohibited Deloitte from the satisfactory completion of a quarterly review, and that Deloitte was no longer willing to rely on IDB management's representations regarding IDB's interim financial statements. IDB announced Deloitte's resignation on May 31, 1994. On June 24, 1994, upon the recommendation of the independent members of IDB's Audit Committee, IDB retained Arthur Andersen LLP as its new independent auditors. On August 1, 1994, IDB announced that it would restate its reported financial results for the quarter ended March 31, 1994 to eliminate approximately $6.0 million of pre-tax income, approximately $5.0 million of which related to a sale of transponder capacity and approximately $1.0 million of which related to purchase accounting adjustments and on August 22, 1994, IDB filed Amendment No.1 on Form 10-Q/A restating its 1994 first quarter results in order to eliminate previously recorded items. Certain of these items were among those as to which Deloitte had expressed disagreement. On November 21, 1994, IDB filed Form 10-Q/A amendments to its reported first and second quarter financial results making the previously announced changes and reflecting the effect of IDB's method of accounting for international long distance traffic, thereby reducing its first quarter net income from $0.12 per share, as originally reported, to $0.05 per share and, when combined with adjustments for income tax effects, increasing its second quarter net loss from $0.20 per share, as originally reported, to $0.27 per share.

IDB is a party to indemnification agreements with IDB's former officers and directors, certain selling shareholders and certain underwriters. IDB's former officers and directors are not covered by any applicable liability insurance. The Company has agreed to provide indemnification to IDB's officers and directors under certain circumstances pursuant to the agreement relating to the IDB Merger.

On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB's financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to IDB and others, including certain former officers of IDB, in connection with its investigation. The National Association of Securities Dealers, Inc. ("NASD") and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California has issued grand jury subpoenas to IDB seeking documents relating to IDB's 1994 first quarter results, the Deloitte resignation, trading in IDB securities and other matters, including information

concerning certain entities in which certain former officers of IDB are personal investors and transactions between such entities and IDB. IDB has been informed that a criminal investigation has commenced. The U.S. Attorney's Office for the Central District of California issued a grand jury subpoena to the Company arising out of the same investigation seeking certain documents relating to IDB.

The outcome of any of the foregoing litigation or investigations, or of other pending legal proceedings, has not been determined. See Item 3 - "Legal Proceedings" for more information regarding the foregoing litigation and investigations, as well as other pending legal proceedings.

RISKS OF INTERNATIONAL BUSINESS. As a result of the IDB Merger, the Company derives substantial revenues by providing international communication services primarily to customers headquartered in the United States. Such operations are subject to certain risks such as changes in foreign government regulations and telecommunication standards, licensing requirements, tariffs or taxes and other trade barriers and political and economic instability. In addition, such revenues and costs of sales are sensitive to changes in international settlement rates. International rates may decrease in the future due to aggressiveness on the part of existing carriers, aggressiveness on the part of new entrants into niche markets, the widespread resale of international private lines, the consummation of joint ventures among large international carriers that facilitate targeted pricing and cost reductions, and the rapid growth of international circuit capacity due to the deployment of new transatlantic and transpacific fiber optic cables.

DEPENDENCE ON AVAILABILITY OF TRANSMISSION FACILITIES. The future profitability of the Company will be dependent in part on its ability to utilize transmission facilities leased from others on a cost-effective basis. The recent acquisitions of WilTel and IDB have reduced the leasing risk through the ownership of significant domestic and international assets, however, due to the possibility of unforeseen changes in industry conditions, the continued availability of leased transmission facilities at historical rates cannot be assured. See "Item 1 - Business - Transmission Facilities."

REGULATION RISKS. The Company is subject to extensive regulation at the federal and state levels, as well as in various foreign countries in connection with certain overseas business activities. The regulatory environment varies substantially by jurisdiction.

The regulation of the telecommunications industry is changing rapidly and the regulatory environment varies substantially from state to state. There can be no assurance that future regulatory changes will not have a material adverse impact on WorldCom. Recent developments include, without limitation, enactment of legislation that modifies the AT&T Divestiture Decree restrictions on the provision of long distance services by the BOCs between LATAs as defined in the AT&T Divestiture Decree, FCC and PUC action changing access rates charged by LECs and making other related changes to access and interconnection policies, certain of which could have adverse consequences for the Company; related FCC and state regulatory proceedings considering additional deregulation of LEC access pricing; a pending FCC rulemaking on "billed party preference" that could affect WorldCom's provision of operator services; and various legislative and regulatory proceedings that would result in new local exchange competition.

On February 8, 1996, President Clinton signed legislation, that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry.

The Company will need to comply with the applicable laws and obtain the approval of the regulatory authority of each country in which it provides or proposes to provide telecommunications services. The laws and regulatory requirements vary from country to country. Some countries have substantially deregulated various communications services, while other countries have maintained strict regulatory regimes. The application procedure can be time-consuming and costly, and terms of licenses vary for different countries.

Transmissions from earth stations to all satellites, transmissions from microwave and other transmitters, reception from international satellites, and transmission of international traffic by any means, including operator assisted long distance service, satellite, and undersea cable, must be pursuant to license or other authorizations issued by the FCC. The Company, or an affiliate of the Company, has operating authority or has made other arrangements to transmit and/or receive signals from all locations where it currently offers satellite transmission and/or reception service.

Although the Company has never had a license application denied by the FCC, there can be no assurance that it will receive all authorizations or licenses necessary for new communications services or that delays in the licensing process will not adversely affect the Company's business. Domestic radio licenses issued by the FCC are for limited periods not to exceed 10 years. The Company must seek renewal of such licenses prior to their expiration. The Company knows of no facts that would result in the denial of any

such renewals. WorldCom monitors compliance with federal, state and local regulations governing the discharge and disposal of hazardous and environmentally sensitive materials, including the emission of electromagnetic radiation. WorldCom believes that it is in compliance with such regulations. However, there can be no assurance that any such discharge, disposal or emission might not expose WorldCom to claims or actions that could have a material adverse effect on the Company's consolidated results of operations or financial position.

COMPETITION RISKS. The Company faces intense competition in providing both domestic and international long distance telecommunications services. Domestically, WorldCom competes for interLATA and intraLATA services with AT&T, MCI, Sprint, the LECs, and other national and regional IXCs, where permissible; and with respect to operator service, with AT&T and other operator service providers. Internationally, the Company competes for services with other IXCs, including AT&T, MCI, and Sprint. Certain of these companies have substantially greater market share and financial resources than WorldCom, and some of them are the source of communications capacity used by WorldCom to provide its own services.

WorldCom expects to encounter continued competition from major domestic and international communications companies, including AT&T, MCI, and Sprint. In addition, the Company may be subject to additional competition due to the enactment of the Telecommunications Act of 1996, the development of new technologies and increased availability of domestic and international transmission capacity.

For example, even though fiber-optic networks, such as that of the Company, are now widely used for long distance transmission, it is possible that the desirability of such networks could be adversely affected by changing technology. The telecommunications industry is in a period of rapid technological evolution, marked by the introduction of new product and service offerings and increasing satellite and fiber optic transmission capacity for services similar to those provided by the Company. The Company cannot predict which of many possible future product and service offerings will be important to maintain its competitive position or what expenditures will be required to develop and provide such products and services.

ANTI-TAKEOVER PROVISIONS. The Amended and Restated Articles of Incorporation of the Company contain provisions (a) requiring a 70% vote for approval of certain business combinations with certain 10% stockholders unless approved by a majority of the continuing Board of Directors or unless certain minimum price, procedural and other requirements are met; (b) restricting aggregate beneficial ownership of the capital stock of the Company by foreign stockholders to 20% of the total outstanding capital stock, and subjecting excess shares to redemption; and (c) requiring a two-thirds vote of the holders of the Company's Series 2 Preferred Stock to approve certain extraordinary transactions or, alternatively, redemption of such stock at a specified premium. In addition, the Bylaws of the Company (a) contain requirements regarding advance notice of nomination of directors by stockholders, and (b) restrict the calling of special meetings by stockholders to those owning shares representing not less than 40% of the votes to be cast. These provisions may have an "anti-takeover" effect.

EMPLOYEES

As of March 15, 1996, the Company employed approximately 7,500 full-time persons. Substantially all of the Company's employees are not represented by any labor union.

ITEM 2. PROPERTIES

The tangible assets of the Company include a substantial investment in telecommunications equipment. The aggregate value of the Company's transmission equipment and communications equipment which include network switches and customer premise equipment was $1.38 billion and $401.5 million, respectively, at December 31, 1995. Approximately $390.0 million has been budgeted for telecommunications equipment purchases in 1996 without regard to possible future acquisitions, if any.

The Company's rights-of-way for its fiber optic cable and 172 tower microwave transmission network are typically held under leases, easements, licenses or governmental permits. All other major equipment and physical facilities are owned in fee and are operated, constructed and maintained pursuant to rights-of-way, easements, permits, licenses or consents on or across properties owned by others.

WilTel has sold to independent entities and leased back its microwave system and its Kansas City to Los Angeles fiber optic system over primary lease terms ranging from 15 to 20 years. The leases have renewal options permitting WilTel to extend the leases for terms expiring during the years 2012 to 2019 and purchase options based upon the fair market value.

The Company attempts to structure its leases of space for its network switching centers and rights-of-way for its fiber optic network with initial terms and renewal options so that the risk of relocation is minimized. The Company anticipates that prior to termination of any of the leases, it will be able to renew such leases or make other suitable arrangements.

WorldCom believes that all of the Company's facilities and equipment are in good condition and are suitable for their intended purposes.

ITEM 3. LEGAL PROCEEDINGS

IDB RELATED INVESTIGATIONS. On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB's financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to WorldCom, IDB and others, including certain former officers of IDB, in connection with its investigation. The NASD and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California has issued grand jury subpoenas to IDB seeking documents relating to IDB's first quarter of 1994 results, the Deloitte & Touche LLP resignation, trading in IDB securities and other matters, including information concerning certain entities in which certain former officers of IDB are personal investors and transactions between such entities and IDB. IDB has been informed that a criminal investigation has commenced. The U.S. Attorney's Office has issued a grand jury subpoena to WorldCom arising out of the same investigation seeking certain documents relating to IDB. See Item 1 - "Business - Risk Factors - Contingent Liabilities."

AT&T PATENTS. AT&T has claimed that a number of long distance carriers, including the Company, make unauthorized use of AT&T patents in the provision of some of the carriers' long distance services. Effective December 15, 1995, the Company and AT&T entered into a two year patent licensing agreement which, among other things, released all claims by AT&T against the Company relating to any alleged patent infringement.

OTHER. On February 8, 1996, President Clinton signed legislation that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry. However, the Company believes that it is positioned to take advantage of business opportunities in the rapidly changing telecommunications market.

The Company is involved in other legal and regulatory proceedings generally incidental to its business. In some instances, rulings by regulatory authorities in some states may result in increased operating costs to the Company.

While the results of these various legal and regulatory matters contain an element of uncertainty, the Company believes that the probable outcome of any of the legal or regulatory matters, or all of them combined, should not have a material adverse effect on the Company's consolidated results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The shares of WorldCom Common Stock are quoted on the Nasdaq National Market. On May 25, 1995, the Company changed its name to WorldCom, Inc. and its trading symbol became WCOM. Prior to the name change, the Company's Common Stock was traded on the Nasdaq National Market under the trading symbol LDDS. The following table sets forth the high and low sales prices per share of WorldCom

Common Stock as reported on the Nasdaq National Market based on published financial sources, for the periods indicated.

<TABLE>
<CAPTION>

<S>	HIGH <C>	LOW <C>
1994		
First Quarter	$29.50	$23.25
Second Quarter	25.25	14.00
Third Quarter	25.00	16.50
Fourth Quarter	24.38	16.38
1995		
First Quarter	$26.25	$19.13
Second Quarter	27.38	23.13
Third Quarter	34.13	26.75
Fourth Quarter	35.88	29.75

</TABLE>

As of March 15, 1996, there were 194,043,449 shares of Common Stock issued and outstanding held by 6,406 shareholders of record.

The Company has never paid cash dividends on its Common Stock. The policy of the Company's Board of Directors has been to retain earnings to provide funds for the operation and expansion of its business. Also, the Company's credit facilities restrict the payment of dividends on its Common Stock. See Note 4 of Notes to Consolidated Financial Statements.

PREFERRED STOCK

The Company's Series 2 Preferred Stock has a liquidation value of $25 per share, a conversion price of $11.81171 per share and pays dividends at the rate of 6.5% annually, payable quarterly. There is no established public trading market for the Series 2 Preferred Stock. Except under certain circumstances, the Series 2 Preferred Stock may not be redeemed by the Company prior to June 5, 1996. Thereafter, the Series 2 Preferred Stock may be redeemed in whole or in part in integral multiples of $10.0 million, at prices which include premiums over the liquidation preference of $25 per share, which prices range from 108% in 1996 declining to 100% on and after June 5, 2002. As of March 15, 1996, there were 1,244,048 shares of the Series 2 Preferred Stock outstanding.

In March 1996, the Company's Board of Directors approved a resolution authorizing the Company to redeem on June 5, 1996 or such later date as the president of the Company may determine, all outstanding shares of the Series 2 Preferred Stock, including all accrued and unpaid dividends thereon. See Note 5 of Notes to Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of selected financial data of the Company as of and for the five years ended December 31, 1995. The historical financial data as of December 31, 1995 and 1994 and for the years ended December 31, 1995, 1994, and 1993 have been derived from the historical financial statements of the Company, which financial statements have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report included elsewhere herein. The report of Arthur Andersen LLP on the Consolidated Financial Statements of the Company as of and for the three years ended December 31, 1995 refers to their reliance on the report of other auditors in rendering an opinion on those financial statements. This data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements appearing elsewhere in this document.

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<PAGE> 16
<TABLE>
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	YEARS ENDED DECEMBER 31,				
	1995	1994	1993	1992	1991
	(In thousands, except ratios and per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Operating Results:					
Revenues	$3,639,875	$2,220,765	$1,474,257	$948,060	$719,214
Operating income	676,048	69,738	238,833	51,983	96,197
Income (loss) before extraordinary item	267,660	(122,158)	124,321	8,344	39,592
Extraordinary item	-	-	(7,949)	(5,800)	(1,283)
Net income (loss)	267,660	(122,158)	116,372	2,544	38,309
Preferred dividend requirement	33,191	27,766	11,683	2,112	-
Earnings (loss) per common share:					
Income (loss) before extraordinary item --					
Primary	1.30	(0.95)	0.82	0.06	0.39
Fully diluted	1.28	(0.95)	0.80	0.06	0.38
Net income (loss) --					
Primary	1.30	(0.95)	0.76	0.00	0.37
Fully diluted	1.28	(0.95)	0.74	0.00	0.37
Net income before special dividend payment to Series 1 preferred shareholder:					
Primary	1.37	(0.95)	0.76	0.00	0.37
Fully diluted	1.36	(0.95)	0.74	0.00	0.37
Weighted average shares --					
Primary	193,449	157,805	137,927	112,653	102,658
Fully diluted	201,495	157,805	140,796	113,053	103,103
Financial position:					
Total assets	$6,634,571	$ 3,430,192	$ 3,236,718	$ 1,241,278	$ 959,909
Long-term debt	3,391,281	794,001	730,023	448,496	457,767
Shareholders' investment	2,187,286	1,827,170	1,911,800	478,823	347,940
Ratio of earnings to combined fixed charges and preferred stock dividends	2.31:1	0.13:1	4.14:1	1.40:1	2.53:1
Deficiency of earnings to combined fixed charges and preferred stock dividends	$ -	$ (78,088)	$ -	$ -	$ -

</TABLE>

NOTES TO SELECTED FINANCIAL DATA:

(1) In 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of Common Stock and exercised warrants to acquire 3,106,976 shares of Common Stock and immediately sold its position of 30,849,548 shares of Common Stock in a public offering. In connection with the preferred stock conversion, WorldCom made a non- recurring payment of $15.0 million to Metromedia, representing a discount to the

minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

(2) As a result of the IDB Merger and the ATC Merger, the Company initiated plans to reorganize and restructure its management and operational organization and facilities to eliminate duplicate personnel, physical facilities and service capacity, to abandon certain products and marketing activities, and to take further advantage of the synergies available

to the combined entities. Also, during the fourth quarter of 1993, plans were approved to reduce IDB's cost structure and to improve productivity. Accordingly, in 1994, 1993 and 1992, the Company charged to operations the estimated costs of such reorganization and restructuring activities, including employee severance, physical facility abandonment and duplicate service capacity. These costs totaled $43.7 million in 1994, $5.9 million in 1993 and $79.8 million in 1992.

Also, during 1994 and 1992, the Company incurred direct merger costs of $15.0 million and $7.3 million, respectively, related to the IDB Merger (in 1994) and the ATC Merger (in 1992). These costs include professional fees, proxy solicitation costs, travel and related expenses and certain other direct costs attributable to these mergers.

(3) In connection with certain debt refinancing, the Company recognized in 1993 and 1992 extraordinary items of approximately $7.9 million and $5.8 million, respectively, net of income taxes, consisting of unamortized debt discount, unamortized issuance cost and prepayment fees. See Note 4 of Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis relates to the financial condition and results of operations of the Company for the three years ended December 31, 1995 after giving effect to the IDB Merger, which was accounted for as a pooling-of- interests. This information should be read in conjunction with the "Selected Financial Data" and the Company's Consolidated Financial Statements appearing elsewhere in this document.

GENERAL

The Company's emphasis on acquisitions has taken the Company from a small regional long distance carrier to one of the largest long distance telecommunications companies in the industry, serving customers domestically and internationally. The Company's operations have grown significantly in each year of its operations as a result of internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares, and international expansion.

On January 5, 1995, the Company completed the acquisition of the network services operations of Williams Telecommunications Group, Inc. ("WilTel"), a subsidiary of The Williams Companies, Inc. ("Williams"), for approximately $2.5 billion in cash (the "WilTel Acquisition"). Through this purchase, the Company acquired a nationwide common carrier network of approximately 11,000 miles of fiber optic cable and digital microwave facilities. The WilTel Acquisition was accounted for as a purchase transaction for financial reporting purposes. The funds paid to Williams were obtained by the Company under new credit facilities entered into on December 21, 1994. See Note 4 of Notes to Consolidated Financial Statements.

The Company's long distance revenues are derived principally from the number of minutes of use billed by the Company. Minutes billed are those conversation minutes during which a call is actually connected at the Company's switch (except for minutes during which the customer receives a busy signal or the call is unanswered at its destination). The Company's profitability is dependent upon, among other things, its ability to achieve line costs that are less than its revenues. The principal components of line costs are access charges and transport charges. Access charges are expenses incurred by IXCs for accessing the local networks of the LECs in order to originate and terminate calls and payments made to PTTs to complete international calls made from the U.S. Transport charges are the expenses incurred in transmitting calls between or within LATAs.

The most significant portion of the Company's line costs is access charges which are highly regulated. The FCC regulates international communications services and interstate telephone service and certain states, through the appropriate regulatory agency, regulate intrastate telephone service. Accordingly, the Company cannot predict what effect continued regulation and increased competition between LECs and other IXCs will have on future access charges. However, the Company believes that it will be able to continue to reduce transport costs through effective utilization of its network, favorable contracts with carriers and network efficiencies made possible as a result of expansion of the Company's customer base by acquisitions and internal growth.

On February 8, 1996, President Clinton signed legislation, that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and, establishes penalties for unauthorized switching of customers. The enactment of this legislation has made it possible for the Company to form business associations to provide long distance telecommunications services with certain LECs and the Company expects to pursue resale of

local service in those markets where it is both economically and technically feasible. While the effects of this legislation on the Company and the industry remain uncertain, the Company believes that it is positioned to take advantage of business opportunities in the rapidly changing telecommunications marketplace.

In the first quarter of 1996, the Company signed agreements to provide long distance telecommunications services to GTE Long Distance, Ameritech Communications, Inc., and Southwestern Bell Mobile Systems, Inc. WorldCom also entered into an agreement to become a major provider of data telecommunications services for EDS, a global information services company.

Additionally, in response to the changing regulatory environment, WorldCom has filed applications with public utility commissions in several states to offer customers a full range of local telephone exchange services, an important capability that will serve as a complement to the Company's national and international service offerings. To date, WorldCom has received permission to provide local service on a resale basis in California, Connecticut, Florida, Illinois and Texas.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the Company's statement of operations as a percentage of its operating revenues.

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	1995	1994	1993
Revenues	100.0%	100.0%	100.0%
Line costs	54.7	65.2	59.8
Selling, general and administrative	18.1	19.4	16.7
Depreciation and amortization	8.6	7.4	6.9
Direct merger costs, restructuring and other charges	-	4.8	0.4
Operating income (expense):	18.6	3.1	16.2
Other income (expense):			
Interest expense	(6.8)	(2.1)	(2.4)
Shareholder litigation settlement	-	(3.4)	-
Miscellaneous	0.3	0.2	0.5
Income (loss) before income taxes and extraordinary item	12.1	(2.2)	14.2
Provision for income taxes	4.7	3.3	5.8
Net income (loss) before extraordinary item	7.4	(5.5)	8.4
Extraordinary item	-	-	(0.5)
Net income (loss)	7.4	(5.5)	7.9
Preferred dividend requirement	1.0	1.3	0.8
Net income (loss) applicable to common shareholders	6.4%	(6.8)%	7.1%

</TABLE>

YEAR ENDED DECEMBER 31, 1995 VS.
YEAR ENDED DECEMBER 31, 1994:

Revenues for 1995 increased 64% to $3.64 billion on 19.37 billion revenue minutes as compared to $2.22 billion on 10.97 billion revenue minutes for 1994.

On a pro forma basis, as though the acquisition of WilTel occurred at the beginning of 1994, revenues and traffic for 1995 increased 19% and 30%, respectively, compared with pro forma revenues of $3.07 billion on 14.60 billion revenue minutes for 1994. Revenue growth for 1995 was driven by strong performance from the Company's retail and wholesale switched services offset insignificantly by declines in operator services revenue. Switched retail revenues and traffic rose 18% and 22%, respectively. Wholesale revenues and traffic rose 26% and 47%, respectively. Operator services revenues and traffic decreased 6% and 15%, respectively, yet represented less than 5% of total Company revenues for 1995.

Private line revenues for 1995 also reflected positive growth, increasing 21% over 1994 pro forma results due to growth in commercial Internet business and other frame relay applications.

Line costs as a percentage of revenues decreased to 54.7% in 1995 compared to 65.2% for 1994. These decreases are attributable to changes in product mix, rate reductions resulting from favorable contract negotiations and synergies and economies of scale resulting from network efficiencies achieved from the assimilation of the IDB Merger and the WilTel Acquisition into the Company's

operations. Additionally, through the WilTel Acquisition, the Company has been able to achieve further network efficiencies associated with owning the WilTel nationwide fiber optic cable network rather than leasing similar capacity from other providers at a higher cost.

Selling, general and administrative ("SG&A") expenses for 1995 increased to $660.1 million or 18.1% of revenues as compared to $432.4 million or 19.4% of revenues for 1994. The increase in selling, general and administrative expenses results from the Company's expanding operations, primarily through the WilTel Acquisition and internal growth. The decrease in expense as a percentage of revenues reflects the assimiliation of recent acquisitions into the Company's strategy of cost control.

Depreciation and amortization expense for 1995 increased to $311.3 million or 8.6% of revenues from $163.8 million or 7.4% of revenues for 1994. This increase reflects depreciation and amortization of the additional property and equipment and goodwill from the WilTel Acquisition.

Interest expense in 1995 was $249.1 million or 6.8% of revenues, as compared to $47.3 million or 2.1% of revenues in 1994. The increase in interest expense was due primarily to an increase in the average debt outstanding by the Company to finance the WilTel Acquisition. Also, higher interest rates were in effect on the Company's long-term debt, reflecting higher prevailing interest rates in the market generally. For the year ended December 31, 1995 and 1994, weighted average annual interest rates were 7.2% and 6.2%, respectively. For the year ended December 31, 1995 and 1994, weighted average annual levels of borrowing were $3.51 billion and $795.8 million, respectively.

The effective income tax rate for 1995 was 39% of income before taxes versus a 1994 rate in excess of 100%. The 1995 effective rate of 39% includes the effect of a $7.0 million decrease in the Company's valuation allowance. The valuation allowance decreased due to the Company's ability to utilize net operating losses that management had previously determined would not be utilized under a "more likely than not" scenario. This is mainly attributable to the profitability of individual operating units in 1995. The remaining valuation allowance as of December 31, 1995 is $101.7 million. The unusually high income tax rate in 1994 was due to permanent items not deductible for tax purposes as well as a $90.0 million valuation allowance placed on the deferred tax asset in connection with IDB net operating losses.

In the third quarter of 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of Common Stock and exercised warrants to acquire 3,106,976 shares of Common Stock and immediately sold its position of 30,849,548 shares of Common Stock in a public offering. In connection with the preferred stock conversion, WorldCom made a non- recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

Net income applicable to common shareholders was $234.5 million for 1995 versus a $149.9 million loss in the comparable 1994 period. Operating results for 1995 include the non-recurring payment of $15.0 million to Metromedia. Excluding this payment, earnings for 1995 would have been $249.5 million or $1.36 per common share.

YEAR ENDED DECEMBER 31, 1994 VS.

YEAR ENDED DECEMBER 31, 1993

Revenues increased by 50.6% to $2.22 billion on 10.97 billion revenue minutes in 1994 from $1.47 billion on 6.94 billion revenue minutes in 1993. The overall increase in total revenues was primarily attributable to the inclusion of a full year's revenues from the 1993 acquisitions of Dial-Net, MCC, Resurgens and TRT and internal growth. See Note 2 of Notes to Consolidated Financial Statements.

Line costs increased from $881.5 million in 1993 to $1.4 billion in 1994. This increase is due to increased traffic volumes, partially offset by network efficiencies and rate reductions resulting from favorable contract negotiations. As a percentage of revenues, line costs increased to 65.2% in 1994 from 59.8% in 1993. This increase is attributable to the change in product mix including increased international traffic, which carries higher line costs. Additionally, IDB's margins decreased in 1994 as IDB was unable to deliver all of its inbound traffic over its existing facilities and had to use other carriers at a higher cost to deliver this overflow traffic. Also in 1994, IDB's carrier revenue as a proportion of total international traffic increased and these rates are typically lower than rates charged to commercial customers. Certain of these IDB carrier contracts provided either a break even or negative margin to the Company and accordingly, service to these customers was discontinued in December 1994.

SG&A increased to $432.4 million in 1994 from $246.1 million in 1993, and as a percentage of revenues, these expenses increased to 19.4% in 1994 from 16.7% in 1993. The increase in SG&A as a percentage of revenues is attributable to various IDB-related one-time adjustments which were recorded in 1994. These adjustments included $40.9 million to adjust the provision for doubtful

accounts receivable, $8.0 million in accounting and legal expenses incurred in connection with the resignation of IDB's prior auditors and $37.5 million related to various investment write-downs and other balance sheet accruals.

In 1994, the Company determined that adjustments to certain assets of IDB Broadcast were appropriate to properly reflect estimated net realizable values. Accordingly, the Company recorded adjustments of $48.5 million, to reduce the carrying value of these broadcast assets (primarily intangible assets and property and equipment) to the Company's best estimate of the net realizable value. See Note 3 of Notes to Consolidated Financial Statements. Although the Company continues to offer IDB Broadcast services, such services are not a part of the Company's core business operations. Accordingly, subsequent to December 31, 1994, the Company sold its simulcasting operations and entered into an agreement to outsource the management of the remaining IDB Broadcast operations.

As a result of the IDB Merger, the Company initiated plans to reorganize and restructure its management and operational organization and facilities. Accordingly, the Company charged to operations in 1994, the estimated costs of the IDB Merger and restructuring of $15.0 million and $43.7 million, respectively. In 1993, plans were approved to reduce IDB's cost structure and to improve productivity. Such plans included a reduction in the number of employees and the disposition of certain assets. In connection with this plan, $5.9 million was charged to operations in 1993. See Note 3 of Notes to Consolidated Financial Statements.

Depreciation and amortization expense, which includes depreciation of the Company's call transmission facilities, increased to $163.8 million from $101.9 million in 1993 or 7.4% and 6.9% of revenues in 1994 and 1993, respectively. The increase in such expenses was due primarily to depreciation and amortization of the additional property and equipment, customer bases and goodwill resulting from acquisitions by the Company during 1993.

Interest expense in 1994 was $47.3 million or 2.1% of revenues, as compared to $35.6 million or 2.4% of revenues in 1993. This decrease as a percentage of revenues was a result of several factors, including the Company's prepayment of long-term debt with funds obtained through the public offering of IDB common stock in May 1993 and the issuance by IDB in August 1993 of $195.5 million of 5% convertible subordinated notes due 2003. Additionally, as some of the Company's acquisitions were funded by a combination of stock and debt, the interest expense has not grown as rapidly as the revenues.

In the third quarter of 1994, the Company recorded a $76.0 million charge which represents an estimated shareholder litigation settlement of $75.0 million and $1.0 million in related legal costs. This liability was paid by the Company in April 1995.

The Company recorded a provision for income taxes of $73.8 million on a pretax loss of $48.3 million in 1994. Although the Company generated a consolidated pre-tax loss in 1994, permanent items aggregating approximately $113.0 million resulted in the recognition of taxable income. Also, because the current year net operating loss ("NOL") generated by IDB prior to the IDB Merger may be offset only by future taxable income generated at the IDB level of the Company's operations, the Company believed that only a portion of the current year NOL could be utilized under a "more likely than not" scenario. Accordingly, the Company placed a valuation allowance on the deferred tax asset attributable to approximately $90.0 million of the NOL.

LIQUIDITY AND CAPITAL RESOURCES

On January 5, 1995, in conjunction with the WilTel Acquisition, the Company utilized its $3.41 billion long-term credit facilities and repaid all debt under the Company's previous credit facilities and $123.0 million in senior notes. Total additional borrowings for 1995 were $2.7 billion. At December 31, 1995, the Company had access to an additional $251.1 million under its long-term credit facilities. The credit facility is comprised of a $2.16 billion, six-year reducing revolving credit facility (the "Revolving Facility Commitment") and a $1.25 billion, two-year term facility (the "Term Principal Debt"). The maximum principal amount permitted to be outstanding under the Revolving Facility Commitment will be reduced at the end of each fiscal quarter, commencing September 30, 1996, in varying amounts, and the outstanding balance must be paid in full on December 31, 2000. The Term Principal Debt matures in a single installment on December 31, 1996. The Revolving Facility Commitment and the Term Principal Debt bear interest, payable quarterly, at variable rates selected by the Company under the terms of the credit facilities. The Company is permitted to choose from several interest rate options including: a Base Rate plus applicable margin, the London Interbank Offering Rate ("LIBOR") plus applicable margin, or, for the Revolving Facility Commitment only, any Competitive Bid Rate. The applicable margin varies from 0% to 3/8% for Base Rate Borrowings and 1/2% to 1.5% for LIBOR Rate Borrowings from time to time based upon the lower of a specified financial test or the Company's long-term debt rating. The credit facilities are unsecured and require compliance with certain financial and other operating covenants which require the maintenance of certain minimum operating ratios and which limit, among other things, the incurrence of additional indebtedness by the Company and restricts the payment of cash dividends to WorldCom shareholders. See Note 4 to Notes to Consolidated Financial Statements.

In February 1995, to protect against the effect of rising interest rates, the Company entered into financial hedging agreements with various financial institutions, in connection with requirements under the credit facilities. The hedging agreements establish capped fixed rates of interest ranging from 8.25% to 8.3125% on an aggregate notional value of $1.7 billion. If interest rates do not reach this cap, the Company's interest rate remains variable. These contracts range in duration from one to two years with $845.4 million

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maturing in each of the years ending 1996 and 1997. The $845.4 million which matured in 1996, was replaced with a hedging agreement which caps the fixed interest at 7.43% and matures in 1997.

The Company is committed to a priority plan of accelerating operating cash flow to reduce debt. The Company anticipates that the existing debt balances including the $1.25 billion Term Principal Debt, which matures December 1996, will be refinanced with a new revolving commercial bank credit facility with similar terms. Additional capital availability may be generated through a combination of commercial bank debt and public market debt. Successful execution of the refinancings and the priority plan would provide continued compliance with required operating ratio covenants and would eliminate any type of equity financing other than equity issued in connection with acquisitions. No assurance can be given that the Company will achieve its priority plan or that any refinancing will be available on terms acceptable to WorldCom.

The Company has historically utilized cash flow from operations to finance capital expenditures and a mixture of cash flow, debt and stock to finance acquisitions. The Company will continue to analyze potential acquisitions utilizing primarily equity financing until the additional leverage from the WilTel Acquisition is reduced.

For 1995, the Company's cash flow from operations was $615.7 million, increasing from $246.6 million in 1994 and $159.0 million in 1993. The increase in cash flow from operations was primarily attributable to cash flow from acquired operations, internal growth and the sale of the Company's receivables as noted below.

Cash used in investing activities in 1995 totaled $3.22 billion and included $2.77 billion for acquisitions and related costs and $355.8 million for capital expenditures. Primary capital expenditures include purchases of switching, transmission, communication and other equipment. Current budgeted network capital expenditures for 1996 total approximately $390.0 million.

Included in cash flows from financing activities are payments of $18.2 million for preferred dividend requirements and $15.0 million for the non-recurring payment to Metromedia. All of the Series 1 Preferred Stock was converted by Metromedia in August 1995 and accordingly, no further dividends will be required on the Series 1 Preferred Stock. A portion of the Company's Series 2 Preferred Stock was also converted during the third quarter of 1995. The Series 2 Preferred Stock remaining is expected to be redeemed by the Company during 1996. Assuming that the redemption of the Series 2 Preferred Stock occurs, as approved by the Company's Board of Directors, on or about June 5, 1996, the 1996 dividend expense is not anticipated to exceed $1.0 million.

During 1995, the Company amended WilTel's existing $80.0 million receivables purchase agreement to include certain additional receivables and received additional proceeds of $215.4 million. The Company used these proceeds to reduce the outstanding debt under the Company's credit facilities and provide additional working capital. As of December 31, 1995, the purchaser owned an undivided interest in a $608.9 million pool of receivables which includes the $295.4 million sold. The aggregate purchase limit under this agreement was $300.0 million at December 31, 1995.

In April 1995, an additional $75.0 million was borrowed against the Company's long-term credit facilities to pay the IDB shareholder litigation settlement liability, which had been recognized by the Company during the third quarter of 1994.

During 1995, Metromedia exercised its right to purchase a total of 6.2 million shares of the Company's Common Stock under purchase warrants. Aggregate proceeds of $64.4 million from these exercises were used to reduce the outstanding debt under the Company's credit facilities.

Absent significant capital requirements for other acquisitions, the Company believes that cash flow from operations and funds available under the credit facilities will be adequate to meet the Company's capital needs for the remainder of 1996.

RECENTLY ISSUED ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This Statement is effective for financial statements for fiscal years beginning after December 15, 1995. WorldCom believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operations or financial position.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The Company expects to continue to apply the accounting provisions of APB Opinion 25 in determining its net income. However, additional disclosures will be made to disclose the estimated value of compensation expense under the method established by SFAS No. 123.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements and notes thereto are included elsewhere in this report on Form 10-K as follows:

<TABLE>
<CAPTION>

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

The information required by this Part III will be provided in the Company's definitive proxy statement for the Company's 1996 annual meeting of shareholders (involving the election of directors), which definitive proxy statement will be filed pursuant to Regulation 14A not later than 120 days following the Company's fiscal year ended December 31, 1995, and is incorporated herein by this reference to the following extent:

(a) ITEM 10.	Directors and Executive Officers of the Registrant - the information under the captions "ELECTION OF DIRECTORS - Information About Nominees and Executive Officers" and "EXECUTIVE COMPENSATION - Compliance with Section 16 of the Securities Exchange Act of 1934."
(b) ITEM 11.	Executive Compensation - the information under the captions "INFORMATION CONCERNING BOARD OF DIRECTORS - Compensation of Directors," and "EXECUTIVE COMPENSATION."
(c) ITEM 12.	Security Ownership of Certain Beneficial Owners and Management - the information under the captions "PRINCIPAL HOLDERS OF VOTING SECURITIES" and "SECURITY OWNERSHIP OF MANAGEMENT."
(d) ITEM 13.	Certain Relationships and Related Transactions - the information under the caption "EXECUTIVE COMPENSATION - Certain Relationships and Related Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1 and 2

Financial statements and financial statement schedules

See Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1 hereof.

(a) 3

Exhibits required by Item 601 of Regulation S-K

See Exhibit Index for the exhibits filed as part of or incorporated by reference into this Report. There are omitted from the exhibits filed with or incorporated by reference into this Annual Report on Form 10-K certain promissory notes and other instruments and agreements with respect to long-term debt of the Company, none of which authorizes securities in a total amount that exceeds 10% of the total assets of the Company on a consolidated basis. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the Company hereby agrees to furnish to the Securities and Exchange Commission copies of any such omitted promissory notes or other instruments or agreements as the Commission requests.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WorldCom, Inc.

By: /s/ Scott D. Sullivan

Scott D. Sullivan,
Chief Financial Officer

Date: March 29, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Name	Title	Date
<S>	<C>	<C>
/s/ Carl J. Aycock Carl J. Aycock	Director	March 29, 1996
/s/ Max E. Bobbitt Max E. Bobbitt	Director	March 29, 1996
/s/ Bernard J. Ebbers Bernard J. Ebbers	Director, President and Chief Executive Officer	March 29, 1996
/s/ Francesco Galesi Francesco Galesi	Director	March 29, 1996
/s/ Stiles A. Kellett, Jr. Stiles A. Kellett, Jr.	Director	March 29, 1996
/s/ Silvia Kessel Silvia Kessel	Director	March 29, 1996
/s/ John W. Kluge	Director	March 29, 1996

John W. Kluge		
John A. Porter	Director	March 29, 1996
/s/ Stuart Subotnick Stuart Subotnick	Director	March 29, 1996
/s/ Scott D. Sullivan Scott D. Sullivan	Director, Principal Financial Officer and Principal Accounting Officer	March 29, 1996
/s/ Lawrence C. Tucker Lawrence C. Tucker	Director	March 29, 1996
/s/ Roy A. Wilkens Roy A. Wilkens	Director	March 29, 1996

</TABLE>

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INDEX TO FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE

<TABLE>
<CAPTION>

</TABLE>

Schedules other than the schedule listed above have been omitted because of the absence of conditions under which they are required or because the information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To WorldCom, Inc.
and Subsidiaries:

We have audited the accompanying consolidated balance sheets of WorldCom, Inc. (a Georgia corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, shareholders' investment and cash flows for each of the years in the three-year period ended December 31, 1995. We did not audit the financial statements of IDB Communications Group, Inc., a company acquired during 1994 in a transaction accounted for as a pooling-of-interests, for the year ended December 31, 1993. Such statements are included in the consolidated financial statements of WorldCom, Inc. for the year ended December 31, 1993, and reflect 23 percent of consolidated total revenues for that year. These statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for IDB Communications Group, Inc., is based solely upon the report of the other auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of WorldCom, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Financial Statements and Financial Statement Schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, based on our audits and the report of other auditors, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Jackson, Mississippi,
March 6, 1996.

INDEPENDENT AUDITORS' REPORT

IDB COMMUNICATIONS GROUP, INC.:

We have audited the consolidated statements of operations, shareholders' equity and cash flows of IDB Communications Group, Inc. for the year ended December 31, 1993 (not presented separately herein). Our audit also included the financial statement schedule for the year ended December 31, 1993 listed in the Index to Financial Statements and Financial Statement Schedule (not presented separately herein). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and of cash flow of IDB Communications Group, Inc. and its subsidiaries for the year ended December 31, 1993 in conformity with generally accepted accounting principles. Also in our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Los Angeles, California
March 7, 1994

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars, Except Per Share Data)

<TABLE>
<CAPTION>

	December 31,	
	1995	1994
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,679	$ 19,259
Short-term investments	-	1,000
Accounts receivable, net of allowance for bad debts of $57,980 and $52,949 at December 31, 1995 and 1994, respectively	528,763	470,175

Income taxes receivable	17,499	-
Deferred tax asset	16,899	62,687
Other current assets	49,992	51,053
Total current assets	654,832	604,174
Property and equipment:		
Transmission equipment	1,376,242	472,737
Communications equipment	401,454	307,262
Furniture, fixtures and other	278,716	164,266
	2,056,412	944,265
Less - accumulated depreciation	(487,080)	(317,598)
	1,569,332	626,667
Excess of cost over net tangible assets acquired, net of accumulated amortization	4,292,752	2,070,709
Line installation costs, net of accumulated amortization	35,379	28,768
Deferred income taxes	-	14,120
Other assets	82,276	85,754
	$ 6,634,571	$ 3,430,192
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 1,112,853	$ 5,996
Accounts payable	137,342	138,101
Accrued line costs	391,604	258,053
Accrued restructuring costs	5,275	25,837
Shareholder litigation reserve	-	75,000
Income taxes payable	-	11,940
Other current liabilities	331,738	195,728
Total current liabilities	1,978,812	710,655
Long-term liabilities, less current portion:		
Long-term debt	2,278,428	788,005
Deferred income taxes payable	26,172	-
Other liabilities	163,873	104,362
Total long-term liabilities	2,468,473	892,367
Commitments and contingencies		
Shareholders' investment:		
Series 1 preferred stock, par value $.01 per share; authorized, issued and outstanding: none in 1995 and 10,896,785 shares in 1994 (liquidation preference of $544,839 in 1994)	-	109
Series 2 preferred stock, par value $.01 per share; authorized, issued and outstanding: 1,244,048 in 1995 and 2,000,000 shares in 1994 (liquidation preference of $31,101 in 1995 and $50,000 in 1994)	12	20
Preferred stock, par value $.01 per share, authorized: 48,755,952 shares in 1995 and 37,103,215 shares in 1994; none issued	-	-
Common stock, par value $.01 per share, authorized: 500,000,000 shares; issued and outstanding: 193,242,639 shares in 1995 and 159,643,312 shares in 1994	1,932	1,596
Additional paid-in capital	1,898,310	1,772,882
Retained earnings	287,032	52,563
Total shareholders' investment	2,187,286	1,827,170
	$ 6,634,571	$ 3,430,192

</TABLE>

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Revenues	$ 3,639,875	$ 2,220,765	$ 1,474,257
Operating expenses:			
Line costs	1,992,413	1,447,633	881,540
Selling, general and administrative	660,149	432,360	246,105
Depreciation and amortization	311,265	163,828	101,859
Provision to reduce carrying value of certain assets	-	48,500	-
Direct merger costs	-	15,002	-
Restructuring and other charges	-	43,704	5,920
Total	2,963,827	2,151,027	1,235,424
Operating income	676,048	69,738	238,833
Other income (expense):			
Interest expense	(249,062)	(47,303)	(35,557)
Shareholder litigation settlement	-	(76,000)	-
Miscellaneous	11,801	5,223	6,644
Income (loss) before income taxes and extraordinary item	438,787	(48,342)	209,920
Provision for income taxes	171,127	73,816	85,599
Net income (loss) before extraordinary item	267,660	(122,158)	124,321
Extraordinary item (net of income taxes of $5,639)	-	-	(7,949)
Net income (loss)	267,660	(122,158)	116,372
Preferred dividend requirement	18,191	27,766	11,683
Special dividend payment to Series 1 preferred shareholder	15,000	-	-
Net income (loss) applicable to common shareholders	$ 234,469	$ (149,924)	$ 104,689
Earnings (loss) per common share -			
Income (loss) before extraordinary item:			
Primary	$ 1.30	$ (0.95)	$ 0.82
Fully diluted	1.28	(0.95)	0.80
Extraordinary item	-	-	(0.06)
Net income (loss):			
Primary	1.30	(0.95)	0.76
Fully diluted	1.28	(0.95)	0.74
Net income (loss) before special dividend payment to Series 1 preferred shareholder:			
Primary	1.37	(0.95)	0.76
Fully diluted	1.36	(0.95)	0.74

</TABLE>

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
For the Three Years Ended December 31, 1995
(In Thousands)

<TABLE>
<CAPTION>

	Series 1 Preferred Stock		Series 2 Preferred Stock		Preferred Stock		Com
	Shares	Amount	Shares	Amount	Shares	Amount	Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, December 31, 1992	-	$ -	-	$ -	534	$ 64,014	116,862
Exercise of stock options	-	-	-	-	-	-	5,048
Conversion of preferred stock	-	-	-	-	(34)	(17,444)	2,937
Conversion of preferred stock into Series 2 Preferred Stock	-	-	2,000	20	(500)	(46,570)	-
Common stock issued	-	-	-	-	-	-	2,253
Common stock issued to repurchase debt	-	-	-	-	-	-	160
Tax adjustment resulting from exercise of stock options	-	-	-	-	-	-	-
Cash for fractional shares	-	-	-	-	-	-	(3
Shares issued for acquisitions	10,897	109	-	-	-	-	26,197
Net income	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Balances, December 31, 1993	10,897	109	2,000	20	-	-	153,454
Exercise of stock options	-	-	-	-	-	-	3,209
Common stock issued	-	-	-	-	-	-	2,195
Tax adjustment resulting from exercise of stock options	-	-	-	-	-	-	-
Shares issued for acquisitions	-	-	-	-	-	-	765
Net loss	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Balances, December 31, 1994	10,897	109	2,000	20	-	-	159,643
Exercise of stock options	-	-	-	-	-	-	9,483
Conversion of Series 1 Preferred Stock	(10,897)	(109)	-	-	-	-	21,877
Conversion of Series 2 Preferred Stock	-	-	(756)	(8)	-	-	1,600
Tax adjustment resulting from exercise of stock options	-	-	-	-	-	-	-
Cash for fractional shares	-	-	-	-	-	-	-
Shares issued for acquisitions	-	-	-	-	-	-	640
Net income	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Balances, December 31, 1995	-	$ -	1,244	$ 12	-	$ -	193,243

<CAPTION>

	Additional Paid-in Capital	Retained Earnings
<S>	<C>	<C>
Balances, December 31, 1992	$ 308,907	$ 104,733
Exercise of stock options	20,174	-
Conversion of preferred stock	17,415	-
Conversion of preferred stock into Series 2 Preferred Stock	46,550	-

Common stock issued	50,977	-
Common stock issued to repurchase debt	5,987	-
Tax adjustment resulting from exercise of stock options	20,770	-
Cash for fractional shares	(76)	-
Shares issued for acquisitions	1,230,010	-
Net income	-	116,372
Cash dividends on preferred stock	-	(11,683)
Balances, December 31, 1993	1,700,714	209,422
Exercise of stock options	15,895	-
Common stock issued	22,971	(6,935)
Tax adjustment resulting from exercise of stock options	15,918	-
Shares issued for acquisitions	17,384	-
Net loss	-	(122,158)
Cash dividends on preferred stock	-	(27,766)
Balances, December 31, 1994	1,772,882	52,563
Exercise of stock options	90,437	-
Conversion of Series 1 Preferred Stock	(110)	-
Conversion of Series 2 Preferred Stock	(8)	-
Tax adjustment resulting from exercise of stock options	22,280	-
Cash for fractional shares	(15)	-
Shares issued for acquisitions	12,844	-
Net income	-	267,660
Cash dividends on preferred stock	-	(33,191)
Balances, December 31, 1995	$ 1,898,310	$ 287,032

</TABLE>

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ 267,660	$ (122,158)	$ 116,372
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary item	-	-	7,949
Depreciation	185,702	97,089	64,239
Amortization	125,563	66,739	37,620
Provision for losses on accounts receivable	39,175	58,952	25,231
Provision for shareholder litigation	-	76,000	-

Provision to reduce the carrying value of certain assets	-	48,500	-
Provision for deferred income taxes	171,463	24,961	53,259
Change in assets and liabilities, net of effect of business combinations:			
Accounts receivable	(77,512)	(148,053)	(79,981)
Income taxes, net	(7,160)	21,215	18,362
Other current assets	2,182	(14,739)	3,622
Accrued line costs	63,830	18,629	49,585
Shareholder litigation reserve	(75,000)	75,000	-
Accounts payable and other current liabilities	(69,684)	26,601	(137,065)
Other	(10,539)	17,905	(185)
Net cash provided by operating activities	615,680	246,641	159,008
Cash flows from investing activities:			
Capital expenditures	(355,841)	(192,162)	(83,957)
Sale (purchase) of short-term investments, net	1,000	11,672	(12,672)
Acquisitions and related costs	(2,766,355)	(91,750)	(284,397)
Increase in intangible assets	(46,062)	(14,877)	(17,070)
Proceeds from disposition of other assets	21,294	-	-
Increase in other assets	(8,171)	(8,585)	(9,161)
Decrease in other liabilities	(62,604)	(30,947)	(7,379)
Payment for line installation costs	(20,949)	(11,071)	(13,936)
Proceeds from sale of property and equipment	13,676	2,000	6,118
Net cash used in investing activities	(3,224,012)	(335,720)	(422,454)
Cash flows from financing activities:			
Borrowings	2,702,650	77,600	391,050
Principal payments on debt	(129,224)	(40,707)	(126,178)
Common stock issuance	90,532	38,431	71,238
Dividends paid on preferred stock	(33,191)	(27,766)	(11,683)
Other	(15)	-	(5,667)
Net cash provided by financing activities	2,630,752	47,558	318,760
Net increase (decrease) in cash and cash equivalents	22,420	(41,521)	55,314
Cash and cash equivalents at beginning of period	19,259	60,780	5,466
Cash and cash equivalents at end of period	$ 41,679	$ 19,259	$ 60,780

</TABLE>

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995

(1) THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES -

DESCRIPTION OF BUSINESS AND ORGANIZATION:

WorldCom, Inc., a Georgia corporation ("WorldCom" or the "Company"), is one of the four largest long distance telecommunications companies in the United States, serving customers domestically and internationally. The Company provides long distance telecommunications services to business, consumer and other carrier customers, through its network of fiber optic cables, digital microwave, and fixed and transportable satellite earth stations, with service to points throughout the nation and the world. The products and services provided by WorldCom include: switched and dedicated long distance products, 800 services, calling cards, operator services, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced faxed and data connections, television and radio transmission, and mobile satellite communications.

THE MERGERS:

On December 30, 1994, WorldCom, Inc., through a wholly owned subsidiary, merged with IDB Communications Group, Inc., a Delaware corporation ("IDB"), and in connection therewith issued approximately 35,881,000 shares of WorldCom common stock, (the "Common Stock"), for all of the outstanding shares of IDB common stock, (the "IDB Merger"). In addition, WorldCom assumed, on a subordinated basis, jointly and severally with IDB, the obligations of IDB to pay the principal of and interest on $195.5 million 5% convertible subordinated notes due 2003, issued by IDB. The IDB Merger was accounted for as a pooling-of-interests and, accordingly, the Company's financial statements for periods prior to the IDB Merger have been restated to include the results of IDB for all periods presented.

On September 15, 1993, a three-way merger occurred whereby (i) Metromedia Communications Corporation, a Delaware corporation ("MCC"), merged with and into Resurgens Communications Group, Inc., a Georgia corporation ("Resurgens"), and (ii) LDDS Communications, Inc., a Tennessee corporation ("LDDS-TN"), merged with and into Resurgens (the "Prior Mergers").

At the time of the Prior Mergers, the name of Resurgens, the legal survivor, was changed to LDDS Communications, Inc., and the separate corporate existences of LDDS-TN and MCC terminated. For accounting purposes, however, LDDS-TN was the survivor because the former shareholders of LDDS-TN acquired majority ownership of the Company. Accordingly, unless otherwise indicated, all historical information presented herein reflects the operations of LDDS-TN. At the annual meeting of shareholders held May 25, 1995, shareholders of LDDS Communications, Inc. voted to change the name of the Company to WorldCom, Inc., effective immediately. Information in this document has also been revised to reflect the stock splits of the Company's Common Stock.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments in joint ventures and other equity investments in which the Company owns a 20% to 50% ownership interest, are accounted for by the equity method. Investments of less than 20% ownership are recorded at cost.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts for cash, short-term investments, accounts receivable, notes receivable, accounts payable and accrued liabilities approximate their fair value. The fair value of the long-term debt is determined based on the cash flows from such financial instruments discounted at the Company's estimated current interest rate to enter into similar financial instruments. At December 31, 1995, the fair value of the 5.0% convertible subordinated notes was $244.1 million. The recorded amounts for all other long-term debt of the Company approximate fair values.

PROPERTY AND EQUIPMENT:

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:

<TABLE>

<S>	<C>
Transmission equipment	5 to 30 years
Communications equipment	5 to 25 years
Furniture, fixtures and other	5 to 30 years

</TABLE>

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. All internal costs directly related to the construction of such facilities, including interest and salaries of certain employees, are capitalized. Such costs were $14.7 million ($4.9 million in interest), $6.8 million ($1.2 million in interest), and $8.3 million ($3.1 million in interest) in 1995, 1994, and 1993, respectively.

EXCESS OF COST OVER NET TANGIBLE ASSETS ACQUIRED:

The major classes of intangible assets are summarized below (in thousands):

<TABLE>
<CAPTION>

	Amortization Period	December 31, 1995	December 31, 1994
<S>	<C>	<C>	<C>
Goodwill	40 years	$4,417,964	$2,076,174
Customer acquisition cost	7 to 10 years	82,539	75,245
Other intangibles	5 years	96,147	61,290
		4,596,650	2,212,709
Less accumulated amortization		303,898	142,000
		$4,292,752	$2,070,709

</TABLE>

Intangible assets are amortized using the straight-line method for the periods noted above.

Goodwill is recognized for the excess of the purchase price of the various business combinations over the value of the identifiable net assets and customer bases. See Note 2. Realization of acquisition-related intangibles, including goodwill, is periodically assessed by the management of the Company based on the current and expected future profitability and cash flows of acquired companies and their contribution to the overall operations of WorldCom.

Customer acquisition costs represent costs incurred as a result of purchase business combinations and are recorded based upon the estimated value of the customer bases acquired. See Note 2.

LINE INSTALLATION COSTS:

The Company defers the costs associated with the installation of local access lines and other network facilities. Amortization of these costs is provided over five years using the straight-line method. Accumulated amortization on line installation costs was $41.0 million and $29.5 million as of December 31, 1995 and 1994, respectively.

OTHER LONG-TERM LIABILITIES:

At December 31, 1995 and 1994, other long-term liabilities includes $149.3 million and $80.1 million, respectively, related to estimated costs of closing duplicate facilities, and other non-recurring duplicative costs expected to be incurred as the result of various acquisitions and mergers. See Note 2.

RECOGNITION OF REVENUES:

The Company records revenues for long distance telecommunications sales at the time of customer usage. The Company also performs systems integration services consisting of design and installation of transmission equipment and systems for its customers. Revenues and related costs for these services are recorded under the percentage of completion method.

ACCOUNTING FOR INTERNATIONAL LONG DISTANCE TRAFFIC:

The Company enters into operating agreements with telecommunications carriers in foreign countries under which international long distance traffic is both delivered and received. Under these agreements, the foreign carriers are obligated to adhere to the policy of the Federal Communications Commission ("FCC") whereby traffic from the foreign country is routed to international carriers, of which the Company is one, in the same proportion as traffic carried into the foreign country. Mutually exchanged traffic between the Company and foreign carriers is settled in cash through a formal settlement policy that generally extends over a six-month period at an agreed upon tariff rate. Although the Company can estimate the amount of inbound traffic it will receive, under the FCC's proportional share policy, it generally must wait up to six months before it actually receives the inbound traffic.

The Company utilizes the net settlement concept that is inherent in the operating agreements as the basis for its accounting policy for international long distance traffic. Under this approach, the margin on outbound calls (recognizing that the proportionate return of the actual inbound call is received generally on a six-month lag) is normalized to reflect the implicit overall earning rate concept of the contract. Accordingly, a portion of the outbound call fee due the foreign carrier is deferred and accounted for as a cost attributable to the revenue

associated with the inbound call. All costs deferred are expensed six months later and offset against the revenues recognized upon receipt of return traffic.

LINE COSTS:

Line costs primarily include right-of-way payments and all payments to local exchange carriers ("LECs"), interexchange carriers and post telephone and telegraph administrations ("PTTs") primarily for access and transport charges.

INCOME TAXES:

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS 109 has as its basic objective the recognition of current and deferred income tax assets 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. See Note 9.

EARNINGS PER SHARE:

For the years ended December 31, 1995 and 1993, earnings per share are calculated based on the weighted average number of shares outstanding during the period plus the dilutive effect of stock options and warrants determined using the treasury stock method. For the year ended December 31, 1994, earnings per share were calculated based on the weighted average number of shares outstanding during the period. The effect of common stock equivalents was not considered in the 1994 period because the effect of such options and warrants would have been anti-dilutive.

Average common shares and common equivalent shares utilized were 193,449,000, 157,805,000, and 137,927,000, respectively, for primary earnings per share and 201,495,000, 157,805,000, and 140,796,000, respectively, for fully diluted earnings per share, for the years ended December 31, 1995, 1994 and 1993.

STOCK SPLITS:

On December 7, 1992, the Board of Directors authorized a 3-for-2 stock split in the form of a 50% stock dividend which was distributed on January 14, 1993 to shareholders of record on December 21, 1992. On November 18, 1993, the Board of Directors authorized a 2-for-1 stock split in the form of a 100% stock dividend which was distributed on January 6, 1994, to shareholders of record on December 7, 1993. Upon effectiveness of the Prior Mergers on September 15, 1993, each share of the outstanding common stock of LDDS-TN was converted into the right to receive 0.9595 shares of the Common Stock.

All per share data and numbers of common shares have been retroactively restated to reflect the effect of the stock splits, stock dividends and the exchange ratio of 0.9595.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:

The Company considers cash in banks and short-term investments with original maturities of three months or less as cash and cash equivalents. Highly liquid investments with original maturities beyond three months are classified as short-term investments and carried at fair value, which approximates cost. Short-term investments principally consist of tax exempt municipal bonds and corporate bonds.

RECENTLY ISSUED ACCOUNTING STANDARDS:

In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This Statement is effective for financial statements for fiscal years beginning after December 15, 1995. WorldCom believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operations or financial position.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The Company expects to continue to apply the accounting provisions of APB Opinion 25 in determining its net income. However, additional disclosures will be made to disclose the estimated value of compensation expense under the method established by SFAS No. 123.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for long-term contracts, allowance for doubtful accounts, depreciation and amortization, taxes, restructuring reserves and contingencies.

RECLASSIFICATIONS:

Certain consolidated financial statement amounts have been reclassified for consistent presentation.

(2) BUSINESS COMBINATIONS -

On January 5, 1995, WorldCom completed the acquisition of Williams Telecommunications Group, Inc. ("WilTel"), a subsidiary of The Williams Companies, Inc. ("Williams"), for approximately $2.5 billion in cash (the "WilTel Acquisition"). Through this purchase, the Company acquired a nationwide common carrier network of approximately 11,000 miles of fiber optic cable and digital microwave facilities. The funds paid to Williams were obtained by WorldCom under a new credit facility entered into on December 21, 1994. See Note 4.

In 1993, upon effectiveness of the Prior Mergers, each share of the outstanding common stock of LDDS-TN was converted into the right to receive 0.9595 shares of Common Stock. The 500,000 shares of LDDS-TN Series B 6.5% Cumulative Senior Perpetual Convertible Preferred Stock outstanding were converted into 2,000,000 shares of WorldCom Series 2 6.5% Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $25 per share and a conversion price of $11.81171 per share (the "Series 2 Preferred Stock"). As a result of the consummation of the Prior Mergers, Metromedia Company ("Metromedia"), the sole stockholder of MCC, received 2,758,620 shares of the Common Stock, 10,896,785 shares of WorldCom Series 1 $2.25 Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $50 per share and a conversion price of $24.9046875 per share (the "Series 1 Preferred Stock"), warrants to purchase 5,000,400 shares of the Common Stock, and $150.0 million in cash. The common stock of Resurgens was unchanged in the Prior Mergers.

For accounting purposes, LDDS-TN was the survivor because the former shareholders of LDDS-TN acquired majority ownership of the Company. The Prior Mergers have been accounted for as purchases, and the excess purchase price over net tangible assets acquired has been recorded based upon an estimate of fair values of assets acquired and liabilities assumed.

The Company has acquired other long distance companies offering similar or complementary services to those offered by the Company. Such acquisitions have been accomplished through the purchase of the outstanding stock or assets of the acquired entity for cash, notes, shares of the Company's common stock, or a combination thereof. The cash portion of acquisition costs has generally been financed through the Company's bank loan agreements. See Note 4.

Most of the acquisitions have been accounted for as purchases and resulted in an excess of the purchase costs over the net tangible assets acquired. These costs, composed primarily of goodwill, are amortized over 40 years using the straight-line method. The results of those purchased businesses have been included since the dates of acquisition. Business combinations which have been accounted for as poolings-of-interests have been included in all periods presented. The table below sets forth information concerning certain other recent acquisitions which were accounted for as purchases.

<TABLE>
<CAPTION>

		Purchase Price			Allocation of Over Tangible A
			Shares Issued		
Acquired Entity	Acquisition Date	Cash	Number	Value	Customer Acquisition Cos
		(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>

Dial-Net, Inc. ("Dial-Net")	March 1993	$ 31,200	2,746	$ 50,095	$ 10,139
MCC/Resurgens	September 1993	150,000	*	1,097,915	-
TRT Communications, Inc. ("TRT")	September 1993	1,000	6,760	79,000	-
Williams Telecommunications Group, Inc. ("WilTel")	January 1995	2,500,000	-	-	-

</TABLE>

* See the second paragraph of Note 2 for a description of the common and preferred shares and warrants issued.

In addition to those acquisitions listed above, the Company or its predecessors completed several smaller acquisitions during 1993 through 1995.

The following unaudited pro forma combined results of operations for the Company assume that the WilTel Acquisition as well as the 1993 acquisitions of Dial-Net, Resurgens, MCC and TRT were completed on January 1, 1993.

<TABLE>
<CAPTION>

<S>	For the Year Ended December 31, 1994 <C>	1993 <C>
	(In thousands, except per share data)	
Revenues	$3,067,994	$2,631,740
Loss before extraordinary item	(202,933)	(3,385)
Loss applicable to common shareholders	(202,933)	(11,334)
Loss per common share:		
Loss before extraordinary item	(1.29)	(0.02)
Net loss	(1.29)	(0.08)

</TABLE>

These pro forma amounts represent the historical operating results of these acquired entities combined with those of the Company with appropriate adjustments which give effect to interest expense, amortization and the common shares issued. These pro forma amounts are not necessarily indicative of operating results which would have occurred if Dial-Net, Resurgens, MCC, TRT and the WilTel Acquisition had been operated by current management during the periods presented because these amounts do not reflect full network optimization and the synergistic effect on operating, selling, general and administrative expenses.

(3) DIRECT MERGER COSTS, RESTRUCTURING AND OTHER CHARGES -

RESTRUCTURING AND OTHER CHARGES:

As a result of the IDB Merger, the Company initiated plans to reorganize and restructure its management and operational organization and facilities to eliminate duplicate personnel, physical facilities and service capacity, to abandon certain products and marketing activities, and to take further advantage of the synergies available to the combined entities. Accordingly, the Company charged to operations during the fourth quarter of 1994, the estimated costs of such reorganization and restructuring activities, including employee severance, physical facility abandonment, and duplicate service capacity.

During 1993, plans were approved to reduce IDB's cost structure and to improve productivity. Such plans included a reduction in the number of employees and the disposition of certain assets.

The following table reflects the components of the significant items shown as restructuring and other charges in 1994 and 1993 (in thousands):

<TABLE>
<CAPTION>

	For the Year Ended December 31,	
	1994	1993
<S>	<C>	<C>
Severance costs	$ 18,702	$ 691
Duplicate facilities and other restructuring	13,990	-
Provision for settlement of certain legal issues	8,000	-
Reduction in carrying amount of certain assets	2,423	4,954
Other	589	275
	$ 43,704	$ 5,920

</TABLE>

As of December 31, 1995 and 1994, the accompanying consolidated financial statements reflect $5.3 million and $25.8 million, respectively, in accrued restructuring costs and $5.6 million and $14.7 million, respectively, in other long- term liabilities, in connection with the IDB Merger.

DIRECT MERGER COSTS:

During 1994, the Company recorded direct merger costs of $15.0 million related to the IDB Merger. These costs included professional fees, proxy solicitation costs, travel and related expenses and certain other direct costs attributable to these mergers.

PROVISION TO REDUCE THE CARRYING VALUE OF CERTAIN ASSETS:

During 1994 several events occurred which caused the Company to evaluate the realization of its investment in the assets of IDB Broadcast. These events included a proposed but never consummated sale of IDB Broadcast at amounts significantly below book value, and the continued emergence of telecommunications as the core business of IDB (making IDB Broadcast a non-core operation). These factors, combined with broad economic factors adversely impacting broadcast assets in general, have caused a decline in the value of the Company's investment in these assets.

The Company has assessed the impact of these factors relative to its ability to recover the recorded values of these assets, and determined that such values should be reduced. Accordingly, the Company recorded adjustments of $48.5 million, to reduce the carrying value of these

broadcast assets (primarily intangible assets and property and equipment) to the Company's best estimate of the net realizable value. During 1995, the Company sold its simulcasting operations and entered into an agreement to outsource the management of the remaining IDB Broadcast operations.

(4) LONG-TERM DEBT -

Long-term debt outstanding consists of the following (in thousands):

<TABLE>
<CAPTION>

<S>	December 31, 1995 <C>	December 31, 1994 <C>
Reducing revolving credit agreements	$3,171,500	$ 468,850
Convertible subordinated notes	195,500	195,500
Senior notes	-	123,000
Other debt (maturing through 2000)	24,281	6,651
	3,391,281	794,001
Less: Short-term debt and current maturities	1,112,853	5,996
	$2,278,428	$ 788,005

</TABLE>

In December 1994, WorldCom entered into new credit facilities to finance the WilTel Acquisition, refinance WorldCom's existing credit facilities and provide additional working capital. The credit facility is comprised of a $2.16 billion, six-year reducing revolving credit facility (the "Revolving Facility Commitment") and a $1.25 billion, two-year term facility (the "Term Principal Debt"). The maximum principal amount permitted to be outstanding under the Revolving Facility Commitment will be reduced at the end of each fiscal quarter, commencing September 30, 1996, in varying amounts, and the outstanding balance must be paid in full on December 31, 2000. The Term Principal Debt matures in a single installment on December 31, 1996. The Revolving Facility Commitment and the Term Principal Debt bear interest, payable quarterly, at variable rates selected by the Company, under the terms of the credit facilities. The Company is permitted to choose from several interest rate options including: a Base Rate plus applicable margin, the London Interbank Offering Rate ("LIBOR") plus applicable margin, or, for the Revolving Facility Commitment only, any Competitive Bid Rate. The applicable margin varies from 0% to 3/8% for Base Rate Borrowings and 1/2% to 1.5% for LIBOR Rate Borrowings from time to time based upon the lower of a specified financial test or WorldCom's long-term debt rating. The credit facility is unsecured and requires compliance with certain financial and other operating covenants which limit, among other things, the incurrence of additional indebtedness by WorldCom and restricts the payment of cash dividends to WorldCom's shareholders. The credit facility is also subject to an annual commitment fee not to exceed 0.375% of any unborrowed portion of the credit facility.

The $3.41 billion credit facility was utilized by the Company on January 5, 1995, in conjunction with the WilTel Acquisition and all debt outstanding under WorldCom's previous credit facilities and the $123.0 million in senior notes was repaid. For the year ended December 31, 1995, the weighted average interest rate under the credit facilities was 7.3%. The aggregate principal repayments and reductions required in each of the years ending December 31, 1995 through December 31, 2000 and thereafter are as follows (in thousands):

<TABLE>

<S>	<C>
1996	$1,112,853
1997	300,868
1998	513,738
1999	500,783
2000	767,539
Thereafter	195,500
	$3,391,281

</TABLE>

In February 1995, in the event of rising interest rates, the Company entered into financial hedging agreements with various financial institutions, in connection with requirements under the credit facility. The hedging agreements establish capped fixed rates of interest ranging from 8.25% to 8.3125% on an aggregate notional value of $1.7 billion. If interest rates do not reach this cap, the Company's interest rate remains variable. These contracts range in duration from one to two years with $845.4 million maturing in each of the years ending 1996 and 1997. The $845.4 million which matured in 1996 was replaced with a hedging agreement which caps the fixed rate of interest at 7.43% and matures in 1997.

On August 20, 1993, IDB issued $195.5 million of convertible subordinated notes (the "Notes"), proceeds of which were approximately $189.6 million net of direct fees and expenses. Interest on the Notes is payable semiannually on February 15 and August 15 of each year at an interest rate of 5% per annum. The Notes are convertible at the option of the holder at anytime prior to maturity into WorldCom Common Stock at approximately $38.07 per share. The Notes include certain anti-dilution rights and rights with regard to certain changes in control. At its option, the Company may redeem the Notes at any time after August 1996, but will incur a redemption premium which ranges from 103.5% in 1996 declining to 100% on the maturity date. The Notes mature and are due in full on August 15, 2003.

IDB used the proceeds of this issue, together with the proceeds of a May 1993 common stock issuance to repay and defease substantially all of its then existing debt. The repayment and defeasance of this debt resulted in an extraordinary charge of $7.9 million, net of income tax benefit of $5.6 million, which represents payment of debt redemption premiums and the write-off of unamortized debt issuance costs.

(5) PREFERRED STOCK -

As a result of the Prior Mergers, 10,896,785 shares of the Series 1 Preferred Stock were issued to Metromedia, the sole stockholder of MCC. Also in 1993, the IDB convertible preferred stock issued in connection with the acquisition of World Communications, Inc. was converted into common stock of IDB.

In May 1992, the Company issued 500,000 shares of no par, 6.5% cumulative senior perpetual convertible preferred stock for $50 million. The net proceeds of the issue ($46.6 million after issuance costs) were used to reduce outstanding indebtedness. These shares were converted into 2,000,000 shares of the Series 2 Preferred Stock upon effectiveness of the Prior Mergers.

The Series 2 Preferred Stock has a liquidation value of $25 per share, a conversion price of $11.81171 per share and pays dividends at the rate of 6.5% annually, payable quarterly. There is no established public trading market for the Series 2 Preferred Stock. Except under certain circumstances, the Series 2 Preferred Stock may not be redeemed by the Company prior to June 5, 1996. Thereafter, the Series 2 Preferred Stock may be redeemed in whole or in part in integral multiples of $10.0 million, at prices which include premiums over the liquidation preference of $25 per share, which prices range from 108% in 1996 declining to 100% on and after June 5, 2002.

In March 1996, the Company's Board of Directors approved a resolution authorizing the Company to redeem on June 5, 1996 or such later date as the president of the Company may determine, all outstanding shares of the Series 2 Preferred Stock, including all accrued and unpaid dividends thereon.

In August 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of WorldCom Common Stock. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

The holders of the Series 2 Preferred Stock generally have the right to vote together as a single class with holders of Common Stock based on one vote for each share of Common Stock issuable upon conversion of the respective series of preferred stock. The approval of the holders of two-thirds of the shares of Series 2 Preferred Stock is required for certain extraordinary transactions or, alternatively, such shares must be redeemed at a specified premium.

(6) LEASES AND OTHER COMMITMENTS -

The Company leases office facilities and certain equipment under noncancellable operating leases having initial or remaining terms of more than one year. In addition, the Company leases a right-of-way from a railroad company under a fifteen-year lease with three fifteen-year renewal options. Rental expense under these operating leases was $45.1 million, $30.9 million, and $29.9 million in 1995, 1994 and 1993, respectively.

In prior years, WilTel sold to independent entities and leased back its microwave system and its Kansas City to Los Angeles fiber optic system over primary lease terms ranging from 15 to 20 years. The leases have renewal options permitting the Company to extend the leases for terms expiring during the years 2012 to 2019 and purchase options based upon the fair market value. The annual lease commitments pursuant to the sale-leaseback are included below under the heading Telecommunication Facilities.

At the end of 1995, minimum lease payments under noncancellable operating leases and commitments were as follows (in thousands):

<TABLE>
<CAPTION>

	MINIMUM LEASE PAYMENTS		
YEAR	OFFICE FACILITIES AND EQUIPMENT	TELECOMMUNICATION FACILITIES	TOTAL
<S>	<C>	<C>	<C>
1996	$ 43,442	$ 53,963	$ 97,405
1997	37,539	37,495	75,034
1998	33,904	35,519	69,423
1999	28,962	29,792	58,754
2000	22,047	29,519	51,566

</TABLE>

Certain of the Company's facility leases include renewal options, and all leases include provisions for rent escalation to reflect increased operating costs and/or require the Company to pay certain maintenance and utility costs.

WorldCom also has agreements with a company that installs, operates and maintains certain WorldCom data processing, telecommunications and billing systems. The agreements expire in 2000 and are renewable on an annual basis thereafter. The agreements require minimum annual payments of approximately $16.6 million.

During 1995, the Company amended WilTel's existing $80.0 million receivables purchase agreement to include certain additional receivables and received additional proceeds of $215.4 million. The Company used these proceeds to reduce the outstanding debt under the Company's credit facilities and provide additional working capital. As of December 31, 1995, the purchaser owned an undivided interest in $608.9 million pool of receivables which includes the $295.4 million sold. The aggregate purchase limit under this agreement was $300.0 million at December 31, 1995.

(7) CONTINGENCIES -

IDB RELATED INVESTIGATIONS. On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB's financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to WorldCom, IDB and others, including certain former officers of IDB, in connection with its investigation. The NASD and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California has issued grand jury subpoenas to IDB seeking documents relating to IDB's first quarter of 1994 results, the Deloitte & Touche LLP resignation, trading in IDB securities and other matters, including information concerning certain entities in which certain former officers of IDB are personal investors and transactions between such entities and IDB. IDB has been informed that a criminal investigation has commenced. The U.S. Attorney's Office has issued a grand jury subpoena to WorldCom arising out of the same investigation seeking certain documents relating to IDB.

AT&T PATENTS. AT&T has claimed that a number of long distance carriers, including the Company, make unauthorized use of AT&T patents in the provision of some of the carrier's long distance services. Effective December 15, 1995, the Company and AT&T entered into a two year patent licensing agreement which, among other things, released all claims by AT&T against the Company relating to any alleged patent infringement.

OTHER. On February 8, 1996, President Clinton signed legislation that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and, establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry. However, the Company believes that it is positioned to take advantage of business opportunities in the rapidly changing telecommunications market.

The Company is involved in other legal and regulatory proceedings generally incidental to its business. In some instances, rulings by regulatory authorities in some states may result in increased operating costs to the Company.

While the results of these various legal and regulatory matters contain an element of uncertainty, the Company believes that the probable outcome of any of the legal or regulatory matters, or all of them combined, should not have a material adverse effect on the Company's consolidated results of operations or financial position.

(8) EMPLOYEE BENEFIT PLANS -

STOCK OPTION PLANS

The Company has several stock option plans under which options to acquire up to 30.3 million shares may be granted to directors, officers and certain employees of the Company. Terms and conditions of the Company's options, including exercise price and the period in which options are exercisable, generally are at the discretion of the Compensation and Stock Option Committee of the Board of Directors; however, no options are exercisable for more than 10 years after date of grant. As of December 31, 1995, 24.8 million options had been granted under these plans, and 5.1 million options were fully exercisable.

Additional information regarding options and warrants granted and outstanding is summarized below.

<TABLE>
<CAPTION>

	Number of Options	Exercise Price
<S>	<C>	<C>
Balance, December 31, 1992	7,787,354	$ 0.29 - $ 10.85
Granted to employees/directors	2,665,875	17.46 - 30.13
Assumed in connection with acquisition	5,986,934	1.76 - 8.00
Granted in connection with acquisition	5,200,400	7.75 - 23.25
Exercised	(5,650,547)	1.45 - 17.46
Expired or canceled	(28,571)	0.29 - 26.46
Balance, December 31, 1993	15,961,445	0.59 - 30.13
Granted to employees/directors	1,750,710	17.75 - 19.25
Granted in connection with acquisition	61,550	22.02 - 23.00
Exercised	(3,209,233)	0.59 - 17.88
Expired or canceled	(167,417)	1.76 - 8.00
Balance, December 31, 1994	14,397,055	0.59 - 30.13
Granted to employees/directors	6,431,438	20.69 - 33.88
Granted in connection with acquisition	1,152,002	18.39 - 21.91
Exercised	(9,482,517)	0.59 - 30.13
Expired or canceled	(895,890)	3.17 - 30.13
Balance, December 31, 1995	11,602,088	$ 0.67 - $ 33.88

</TABLE>

401(K) PLANS:

The Company and its subsidiaries offer its qualified employees the opportunity to participate in one of its defined contribution retirement plans qualifying under the provisions of Section 401(k) of the Internal Revenue Code. Each employee may contribute on a tax deferred basis a portion of annual earnings not to exceed $9,240. The Company matches individual employee contributions up to a maximum level which in no case exceeds 6% of the employee's compensation.

Expenses recorded by the Company relating to its 401(k) plans were $3.6 million, $3.1 million, and $2.2 million for the years ended December 31, 1995, 1994, and 1993, respectively.

(9) INCOME TAXES -

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes." When SFAS No. 109 was adopted, the cumulative effect of this change in accounting principle was not material to the Company.

The provision for income taxes is composed of the following (in thousands):

<TABLE>
<CAPTION>

	1995	1994	1993
<S>	<C>	<C>	<C>
Current	$ (336)	$48,855	$ 32,340
Deferred	171,463	24,961	53,259
Total provision for income taxes	$171,127	$73,816	$ 85,599

</TABLE>

The following is a reconciliation of the provisions for income taxes to the expected amounts using the statutory rate:

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	1993 <C>
Expected statutory amount	35.0%	(35.0)%	35.0 %
Nondeductible amortization of excess of cost over net tangible assets acquired	4.5	37.1	3.8
State income taxes	2.9	5.7	2.0
Effect of Company Owned Life Insurance	(0.4)	(3.4)	(0.6)
Direct merger, restructuring and other charges	-	20.7	-
Writedown of assets	-	26.1	-
Valuation allowance	(1.6)	96.6	-
Other	(1.4)	4.9	0.6
Actual tax provision	39.0%	152.7 %	40.8 %

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes and the impact of available net operating loss carryforwards.

At December 31, 1995, the Company had unused net operating loss ("NOL") carryforwards of approximately $447.0 million which expire in various amounts during the years 2000 through 2009. These NOL carryforwards which include $90.0 million generated by IDB in 1994 are primarily attributable to the preacquisition operations of acquired companies. These NOL carryforwards result in a deferred tax asset of approximately $168.1 million at December 31, 1995. A valuation allowance of $101.7 million has been established related to deferred tax assets due to the uncertainty of realizing the full benefit of the NOL carryforwards. In evaluating the amount of valuation allowance needed, the Company considers the acquired companies' prior operating results and future plans and expectations. The utilization period of the NOL carryforwards and the turnaround period of other temporary differences are also considered.

Approximately $168.1 million of the Company's deferred tax assets are related to preacquisition NOL carryforwards or temporary differences attributable to entities acquired in transactions accounted for as purchases. Accordingly, any future reductions in the valuation allowance related to such deferred tax assets will result in a corresponding reduction in goodwill. If, however, subsequent events or conditions dictate an increase in the valuation allowance attributable to such deferred tax assets, income tax expense for the period of the increase will be increased accordingly.

The following is a summary of the significant components of the Company's deferred tax assets and liabilities as of December 31, 1995 and 1994 (in thousands):

<TABLE>
<CAPTION>

	December 31,			
	1995		1994	
<S>	Assets <C>	Liabilities <C>	Assets <C>	Liabilities <C>
Allowance for bad debts	$ 22,767	$ -	$ 7,740	$ -
Fixed assets	-	(56,129)	-	(35,926)

Intangible assets	-	(30,777)	-	-
Leases	3,796	-	3,981	-
Line installation costs	-	(13,303)	-	(10,817)
Accrued liabilities	6,790	-	19,164	-
NOL carryforwards	168,057	-	192,309	-
Restructuring and other charges	-	-	11,339	-
Other	3,093	(11,888)	10,604	(8,571)
	204,503	(112,097)	245,137	(55,314)
Valuation allowance	(101,679)	-	(113,016)	-
	$ 102,824	$(112,097)	$ 132,121	$ (55,314)

</TABLE>

In 1995, the valuation allowance decreased by $11.3 million due to the Company's ability to utilize net operating losses that management had previously determined would not be utilized under a "more likely than not" scenario. This is mainly attributable to the profitability of individual operating units in 1995. Accordingly, the valuation allowance was reduced resulting in reductions to goodwill and the provision for income taxes of $4.3 million and $7.0 million, respectively.

(10) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -

Interest paid by the Company during the years ended December 31, 1995, 1994 and 1993 amounted to $224.3 million, $48.5 million, and $35.7 million, respectively. Income taxes paid, net of refunds, during the years ended December 31, 1995, 1994 and 1993 were $7.3 million, $12.8 million, and $10.6 million, respectively.

In conjunction with business combinations during the years ended December 31, 1995, 1994, and 1993 (see Note 2), assets acquired, liabilities assumed and common stock issued were as follows (in thousands):

<TABLE>
<CAPTION>

	December 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Fair value of assets acquired	$ 805,482	$ 13,522	$ 503,449
Excess of cost over net tangible assets acquired	2,301,567	157,934	1,401,290
Liabilities assumed	(327,844)	(62,322)	(389,961)
Common and treasury stock issued	(12,850)	(17,384)	(1,230,381)
Cash paid	$2,766,355	$ 91,750	$ 284,397

</TABLE>

(11) UNAUDITED QUARTERLY FINANCIAL DATA -

<TABLE>
<CAPTION>

Quarter Ended						
March 31,		June 30,		September 30,		De
1995	1994	1995	1994	1995	1994	1995

	----	----	----	----	----	----	----
			(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	$865,035	$523,895	$894,719	$555,318	$933,560	$ 568,558	$946.5
Operating income (loss)	150,538	76,313	162,755	56,748	177,811	25,062	184.9
Net income (loss)	53,963	40,091	61,815	19,812	72,613	(111,756)	79.2
Preferred dividend requirement	6,939	6,938	6,936	6,952	3,811	6,938	5
Special dividend payment to Series 1 preferred shareholder	-	-	-	-	15,000	-	
Earnings (loss) per common share:							
Primary	$0.28	$0.20	$0.33	$0.08	$0.29	$ (0.75)	$0.
Fully diluted	0.28	0.20	0.32	0.08	0.29	(0.75)	0.
Earnings (loss) per common share before special dividend payment to Series 1 preferred shareholder:							
Primary	$0.28	$0.20	$0.33	$0.08	$0.37	$ (0.75)	$0.
Fully diluted	0.28	0.20	0.32	0.08	0.37	(0.75)	0.

</TABLE>

In August 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of WorldCom Common Stock. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

In the fourth quarter of 1994, the Company undertook restructuring and reorganizational activities in connection with the IDB Merger. As a result, direct merger costs of $15.0 million and restructuring charges of $43.7 million were charged to operations. See Note 3.

In the third quarter of 1994, the Company recorded a $76.0 million charge related to a shareholder litigation settlement. See Note 7. Also, in the third and fourth quarters of 1994, the Company recorded adjustments of $35.0 million and $13.5 million, respectively, related to the write-down of certain IDB Broadcast assets. See Note 3.

WORLDCOM, INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

<TABLE>
<CAPTION>

		Additions		Deductions	
Description	Balance at Beginning of Period	Charged to Costs and Expenses	From Purchase Transactions	Accounts Written Off	Balan End of
-----------	---------------	-----------	-------------	------------	------
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts:					
Accounts Receivable					
1995	$52,949	$39,175	$22,042	$56,186	$57.9

1994	26,613	58,952	1,090	33,706	52.9
1993	12,338	25,231	26,750	37,706	26.6

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
2.1	Agreement and Plan of Merger by and among IDB Communications Group, Inc., 123 Corp. and the Company dated as of August 1, 1994 (incorporated herein by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q filed by the Company (File No. 0-11258) for the quarter ended September 30, 1994)*
2.2	Stock Purchase Agreement by and among the Company, The Williams Companies, Inc. and WTG Holdings, Inc., dated as of August 22, 1994 (incorporated herein by reference to Exhibi 2.2 to the Quarterly Report on Form 10-Q filed by LDDS (File No. 0-11258) for the quart ended September 30, 1994)*
2.3	Amendment Number 1 to the Stock Purchase Agreement by and among the Company, The Willia Companies, Inc. and WTG Holdings, Inc., dated as of December 27, 1994 (incorporated herein by reference to Exhibit 2.3 to LDDS' Current Report on Form 8-K dated December 3 1994 (File No. 0-11258))
4.1	Amended and Restated Articles of Incorporation of the Company (including preferred stoc designations) as of September 15, 1993, as amended by Articles of Amendment dated May 2 1994, as amended by Articles of Amendment dated May 25, 1995.
4.2	Bylaws of the Company (incorporated herein by reference to Exhibit 3(ii) to Amendment N 1 to the Company's Registration Statement on Form S-3 (File No. 33-67340))
4.3	Stock Purchase Agreement between LDDS Communications, Inc., a Tennessee corporation ("LDDS-TN"), and The 1818 Fund, L.P., dated as of March 20, 1992 (incorporated herein b reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q filed by LDDS-TN (File No 0-7116) for the quarter ended March 31, 1992)
4.4	Registration Rights Agreement between LDDS-TN and The 1818 Fund, L.P., dated as of May 1992 (incorporated herein by reference to Exhibit 4.5 to the Quarterly Report on Form 1 Q filed by LDDS-TN (File No. 0-7116) for the quarter ended June 30, 1992)
4.5	Agreement to Amend Stock Purchase Agreement and Registration Rights Agreement and to Exchange Preferred Stock between LDDS-TN and The 1818 Fund, L.P., dated as of July 17, 1992 (incorporated herein by reference to LDDS-TN's Registration Statement on Form S-4 (File No. 33-49798))
4.6	Amendment to Stock Purchase Agreement and Registration Rights Agreement between LDDS-TN and The 1818 Fund, L.P., dated as of September 1, 1993 (incorporated herein by referenc to Exhibit 4.5 to the Company's Registration Statement on Form S-3 (File No. 33-69122))
4.7	Registration Rights Agreement, dated as of December 4, 1992, between LDDS-TN and ALLTEL Corporation (incorporated herein by reference to Exhibit 4.7 of the Company's Transitio Report on Form 10-K, as amended, for the period from December 31, 1992 to June 30, 1993 (File No. 1-10415) (the "Transition Report I"))

4.8	First Amendment to Registration Rights Agreement, dated as of September 14, 1993, betwe LDDS-TN and ALLTEL Corporation (incorporated herein by reference to Exhibit 4.8 of the Transition Report I)
4.9	Form of Option expiring July 7, 1996 (incorporated herein by reference to Exhibit 4.2 t LDDS-TN's Registration Statement on Form S-3 (File No. 33-46556))
4.10	Agreement to Issue Warrants between Resurgens and John D. Phillips, dated June 30, 1989 together with related form of Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 10.4 to Resurgens' Current Report on Form 8-K dated July 28, 1989 (File No. 1-10415))
4.11	Stock Registration Agreement among Resurgens, John D. Phillips and certain other holder of Warrants, dated June 30, 1989 (incorporated herein by reference to Exhibit 10.6 to Resurgens' Current Report on Form 8-K dated July 28, 1989 (File No. 1-10415))
4.12	Form of Selling Stockholder Agreement between Resurgens and certain Selling Stockholder dated 1993 (incorporated herein by reference to Exhibit 4.16 of the Company's Transitio Report on Form 10-K for the period from June 30, 1993 to December 31, 1993 (File No. 1-10415) (the "Transition Report II"))
4.13	Form of First Amendment to Selling Stockholder Agreement between Resurgens and certain Selling Stockholders, dated September 13, 1993 (incorporated herein by reference to Exhibit 4.17 of the Transition Report I)

</TABLE>

<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
10.1	Credit Agreement among the Company, NationsBank of Texas, N.A., (Managing Agent and Administrative Agent), The Bank of Nova Scotia, Credit Lyonnais Cayman Island Branch, First Union National Bank of North Carolina, The First National Bank of Chicago and the Long-Term Credit Bank of Japan, Limited (Agents) and the Lenders named therein (Lenders dated as of December 21, 1994 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated December 30, 1994 (File No. 0-11258))
10.2	Agreement between LDDS-TN and MCI Telecommunications Corporation, effective as of September 13, 1991 (incorporated herein by reference to the exhibits to LDDS-TN's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, as amended unde cover of Form 8 on February 3, 1992 (File No. 0-7116))
10.3	Amendment dated July 29, 1994, to the agreement between the Company and MCI Telecommunications Corporation (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed by the Company (File No. 1-10415) for the quarter ended June 30, 1994)
10.4	Amended and Restated Agreement for Information Technology Services between the Company and Electronic Data Systems Corporation ("EDS"), dated December 8, 1993 ("EDS Agreement (incorporated herein by reference to Exhibit 10.5 of the Transition Report II) *
10.5	Amendment No. 1 to the EDS Agreement dated December 8, 1993 (incorporated herein by reference to Exhibit 10.6 of the Transition Report II)
10.6	LDDS Communications, Inc. Second Amended and Restated 1990 Stock Option Plan (incorporated herein by reference to LDDS-TN's Proxy Statement used in connection with LDDS-TN's 1993 Annual Meeting of Shareholders (File No. 0-7116)) (compensatory plan)
10.7	LDDS Communications, Inc. 1988 Nonqualified Stock Option Plan (incorporated herein by reference to the exhibits to LDDS-TN's Registration Statement on Form S-4 (File No. 33-

	29051)) (compensatory plan)
10.8	LDDS Annual Performance Bonus Plan (incorporated by reference to the Company's Proxy Statement used in connection with the Company's 1994 Annual Meeting of Shareholders (Fi No. 1-10415)) (compensatory plan)
10.9	LDDS 1995 Special Performance Bonus Plan (incorporated herein by reference to Appendix to the Prospectus in the Company's Amendment No. 2 to Registration Statement on Form S- (File No. 33-56543)) (compensatory plan)
10.10	Employment Agreement between the Company and Gregory A. LeVert, dated December 5, 1994 (compensatory plan)
10.11	Employment Agreement between The Williams Companies, Inc., Williams Telecommunications Group, Inc. and Roy A. Wilkens dated as of January 1, 1990 as amended January 9, 1991 a January 1, 1994 (compensatory plan)*
11.1	Computation of Per Share Earnings
12.1	Statement regarding computation of ratio of earnings to combined fixed charges and preferred stock dividends.
21.1	Subsidiaries of the Company
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Deloitte & Touche LLP
27.1	Financial Data Schedule

</TABLE>

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* The Registrant hereby agrees to furnish supplementally a copy of any omitted schedules to this Agreement to the Securities and Exchange Commission upon its request.

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<SEQUENCE>2
<DESCRIPTION>AMENDED & RESTATED ARTICLES OF INCORPORATION
<TEXT>

<PAGE> 1

EXHIBIT 4.1

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
LDDS COMMUNICATIONS, INC.

1

The name of the corporation is "LDDS Communications, Inc." (the "Corporation").

2

Effective the date hereof, Article One of the Corporation's Amended and Restated Articles of Incorporation is amended, in its entirety, to read as follows:

ONE

The name of this corporation is WorldCom, Inc. This corporation is referred to hereinafter as the "Corporation."

3.

All other provisions of the Amended and Restated Articles of Incorporation, as previously amended, shall remain in full force and effect.

4.

The foregoing amendment was proposed by the Board of Directors of the Corporation and was duly approved and adopted by the shareholders of the Corporation in accordance with the provisions of Section 14-2-1003 of the Georgia Business Corporation Code this 25th day of May, 1995.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed and attested by its duly authorized officers this 25th day of May, 1995.

LDDS COMMUNICATIONS, INC.

By: /s/ Bernard J. Ebbers

Bernard J. Ebbers, President

[CORPORATE SEAL]

ATTEST:

By: /s/ Scott D. Sullivan

Scott D. Sullivan, Ass't. Secretary

<PAGE> 2

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
LDDS COMMUNICATIONS, INC.

1.

The name of the corporation is "LDDS Communications, Inc." (the "Corporation").

2.

Effective the date hereof, Section A of Article Four of the Corporation's Amended and Restated Articles of Incorporation is amended, in its entirety, to read as follows:

A. Common Stock. The authorized voting common stock of the Corporation is five hundred million (500,000,000) shares, par value $.01 per share.

3.

Effective the date hereof, Section B of Article Four of the Corporation's Amended and Restated Articles of Incorporation is amended, in its entirety, to read as follows:

B. Preferred Stock. The authorized preferred stock of the Corporation is fifty million (50,000,000) shares, par value $.01 per share. The Corporation, acting by its board of directors, without action by the shareholders, may, from time to time by resolution and upon the filing of such certificate or articles of amendment as may be required by the Georgia Business Corporation Code as then in effect, authorize the issuance of shares of preferred stock in one or more series, determine the preferences, limitations and relative rights of the class or of any series within the class, and designate the number of shares within that series.

4.

All other provisions of the Amended and Restated Articles of Incorporation shall remain in full force and effect.

<PAGE> 3

5.

The foregoing amendments were duly approved by the shareholders of the Corporation in accordance with the provisions of Section 14-2-1003 of the Georgia Business Corporation Code and adopted on May 26, 1994.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed and attested by its duly authorized officers this 26th day of May, 1994.

LDDS COMMUNICATIONS, INC.

By: ----------------------------

Bernard J. Ebbers, President

[CORPORATE SEAL]

ATTEST:

By: ------------------------------------

Charles T. Cannada, Ass't. Secretary

<PAGE> 4

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
LDDS COMMUNICATIONS, INC.

ONE

The name of this corporation is LDDS COMMUNICATIONS, INC. This corporation is referred to hereinafter as the "Corporation".

TWO

The Corporation shall have perpetual duration.

THREE

The Corporation has been organized as a corporation for profit pursuant to the Georgia Business Corporation Code, for the purpose of engaging in any lawful activities whatsoever.

FOUR

A. Common Stock. The authorized voting common stock of the Corporation is two hundred million (200,000,000) shares, par value $.01 per share.

B. Preferred Stock. The authorized preferred stock of the Corporation is twenty million (20,000,000) shares,
<PAGE> 5

par value $.01 per share. The Corporation, acting by its board of directors, without action by the shareholders, may, from time to time by resolution and upon the filing of such certificate or articles of amendment as may be required by the Georgia Business Corporation Code as then in effect, authorize the issuance of shares of preferred stock in one or more series, determine the preferences, limitations and relative rights of the class or of any series within the class, and designate the number of shares within that series.

FIVE

A series of the class of authorized preferred stock, par value $.01 per share, of the Corporation is hereby created having the designation and number of shares thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof, as are set forth on Exhibit A.
<PAGE> 6

SIX

A series of the class of authorized preferred stock, par value $.01 per share, of the Corporation is hereby created having the designation and number of shares thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof, as are set forth on Exhibit B.

SEVEN

Subject to the provisions of Article Twelve, each share of common stock of the Corporation shall have unlimited voting rights and shall be entitled to receive the net assets of the Corporation upon dissolution, except as expressly provided herein. The preferred stock of the Corporation shall have such voting rights as are set forth in Exhibit A or B hereto or in the certificate or articles of amendment filed to authorize the issuance of shares of preferred stock in one of more series and as are provided by law.
<PAGE> 7

EIGHT

Shareholders shall not have the pre-emptive right to acquire unissued shares of the Corporation.

The Corporation shall have perpetual duration.

THREE

The Corporation has been organized as a corporation for profit pursuant to the Georgia Business Corporation Code, for the purpose of engaging in any lawful activities whatsoever.

FOUR

A. Common Stock. The authorized voting common stock of the Corporation is two hundred million (200,000,000) shares, par value $.01 per share.

B. Preferred Stock. The authorized preferred stock of the Corporation is twenty million (20,000,000) shares,
<PAGE> 5

par value $.01 per share. The Corporation, acting by its board of directors, without action by the shareholders, may, from time to time by resolution and upon the filing of such certificate or articles of amendment as may be required by the Georgia Business Corporation Code as then in effect, authorize the issuance of shares of preferred stock in one or more series, determine the preferences, limitations and relative rights of the class or of any series within the class, and designate the number of shares within that series.

FIVE

A series of the class of authorized preferred stock, par value $.01 per share, of the Corporation is hereby created having the designation and number of shares thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof, as are set forth on Exhibit A.
<PAGE> 6

SIX

A series of the class of authorized preferred stock, par value $.01 per share, of the Corporation is hereby created having the designation and number of shares thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof, as are set forth on Exhibit B.

SEVEN

Subject to the provisions of Article Twelve, each share of common stock of the Corporation shall have unlimited voting rights and shall be entitled to receive the net assets of the Corporation upon dissolution, except as expressly provided herein. The preferred stock of the Corporation shall have such voting rights as are set forth in Exhibit A or B hereto or in the certificate or articles of amendment filed to authorize the issuance of shares of preferred stock in one of more series and as are provided by law.
<PAGE> 7

EIGHT

Shareholders shall not have the pre-emptive right to acquire unissued shares of the Corporation.

NINE

No director of the Corporation shall be liable to the Corporation or to its shareholders for monetary damages for breach of duty of care or other duty as a director, except for liability (i) for any appropriation, in violation of his duties, of any business opportunity of the Corporation; (ii) for acts or omissions which involve intentional misconduct or a knowing violation of the law; (iii) for the types of liability set forth in section 14-2-832 of the Revised Georgia Business Corporation Code; or (iv) for any transaction from which the director received an improper personal benefit. If the Georgia Business Corporation Code is amended to authorize corporate action further limiting the personal liability of directors, then the liability of a director of the Corporation shall be limited to the fullest extent permitted by the Georgia Business Corporation Code, as so amended. Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not

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adversely affect any right or protection of a director of the Corporation existing immediately prior to the time of such repeal or modification.

TEN

(a) In addition to the requirements of the provisions of any series of preferred stock which may be outstanding, and whether or not a vote of the shareholders is otherwise required, the affirmative vote of the holders of not less than seventy percent (70%) of the Voting Stock shall be required for the approval or authorization of any Business Transaction with a Related Person, or any Business Transaction in which a Related Person has an interest (other than only a proportionate interest as a shareholder of the corporation); provided, however, that the seventy percent (70%) voting requirement shall not be applicable if (i) the Business Transaction is Duly Approved by the Continuing Directors, or (ii) all of the following conditions are satisfied:

(i) the aggregate amount of cash and the fair market value of the property, securities or other consideration to be received per share (on the date of effectiveness of such Business Transaction) by holders of capital stock of the corporation (other than such Related Person) in connection with such Business

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Transaction is at least equal in value to such Related Person's Highest Stock Price;

(ii) the consideration to be received by holders of capital stock of the Corporation in connection with such Business Transaction is in (a) cash, or (b) if the majority of the shares of any particular class or series of stock of the Corporation as to which the Related Person is the Beneficial Owner shall have been acquired for a consideration in a form other than cash, in the same form of Consideration used by the Related Person to acquire the largest number of shares of such class or series of stock;

(iii) after such Related Person has become a Related Person and prior to the consummation of such Business Transaction, such Related Person shall not have become the Beneficial Owner of any additional shares of capital stock of the Corporation or securities convertible into capital stock of the Corporation, except (i) as a part of the transaction which resulted in such Related Person becoming a Related Person or (ii) as a result of a pro rata stock dividend or stock split;

(iv) prior to the consummation of such Business Transaction, such Related Person shall not have, directly or indirectly, except as Duly Approved by the Continuing Directors (i) received the benefit (other than only a proportionate benefit as a shareholder of the corporation) of any loans, advances, guarantees, pledges or other financial assistance or tax credits or tax advantages provided by the Corporation or any of its subsidiaries, (ii) caused any material change in the Corporation's business or equity capital structure, including, without limitation, the issuance of shares of capital stock of the Corporation, or other securities convertible into or exercisable for such shares, or (iii) caused the Corporation to fail to declare and pay at the regular date therefor quarterly cash dividends on the outstanding capital stock of the Corporation entitled to receive dividends, on a per share basis at least equal to the cash dividends being

paid thereon by the corporation immediately prior to the date on which the Related Person became a Related Person; and

(v) a proxy or information statement describing the proposed Business Transaction and complying with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder (or any subsequent provisions replacing the Act or such rules or regulations) shall be mailed to shareholders of the Corporation at least thirty (30) days prior to the consummation of such Business Transaction (whether or not such proxy or information statement is required to be mailed pursuant to the Act and such rules and regulations or subsequent provisions).

(b) For the purpose of this Article TEN:

(i) The term "Affiliate", used to indicate a relationship to a specified person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person.

(ii) The term "Associate", used to indicate a relationship with a specified person, shall mean (A) any corporation, partnership or other organization of which such specified person is an officer or partner, (B) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar fiduciary capacity, (C) any relative or spouse of such specified person who has the same home as such specified person or who is a director or officer of the corporation or any of its subsidiaries, and (D) any person who is a director, officer or partner of such specified person or of any corporation (other than the corporation or any wholly-owned subsidiary of the corporation), partnership or other entity which is an Affiliate of such Specified person.

(iii) The term "Beneficial Owner" shall be defined by reference to Rule 13d-3 under the Act as in effect on [Closing Date], 1993; provided, however, that any individual, corporation, partnership, group, association or other person or entity which has the right to acquire any capital stock of the corporation having voting power at any time in the future, whether such right is contingent or absolute, pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed the Beneficial Owner of such capital stock.

(iv) The term "Business Transaction" shall mean: (A) any merger, share exchange or consolidation involving the Corporation or a subsidiary of the Corporation; (B) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of related transactions), including, without limitation, a mortgage, pledge or any other security device of all or any

Substantial Part of the assets either of the Corporation or of a
subsidiary of the Corporation; (C) any sale, lease, exchange, transfer
or other disposition (in one transaction or a series of related
transactions) of all or any Substantial Part of the assets of any
entity to the Corporation or a subsidiary of the Corporation; (D) the
issuance, sale, exchange, transfer or other disposition (in one
transaction or a series of related transactions) by the Corporation or
a subsidiary of the Corporation of any securities of the Corporation
or any subsidiary of the Corporation in exchange for cash, securities
or other property, or a combination thereof, having an aggregate fair
market value of [$15 million] or more; (E) any merger, share exchange
or consolidation of the Corporation with any of its subsidiaries or
any similar transaction in which the Corporation is not the survivor
and the charter or certificate or articles of incorporation of the
consolidated or surviving Corporation do not contain provisions
substantially similar to those in this Article TEN; (F) any
recapitalization or reorganization of the Corporation or any
reclassification of the securities of the Corporation (including,
without

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limitation, any reverse stock split) or other transaction that would
have the effect of increasing the voting power of a Related Person or
reducing the number of shares of each class of voting securities
outstanding; (G) any liquidation, spin-off, split-off, split-up or
dissolution of the Corporation; and (H) any agreement, contract or
other arrangement providing for any of the transactions described in
this definition of Business Transaction or having a similar purpose or
effect.

(v) The term "Continuing Director" shall mean a
director who either was a member of the Board of Directors of the
Corporation on [Closing Date], 1993, or who became a director of the
Corporation subsequent to such date and whose election or nomination
for election by the Corporation's shareholders was Duly Approved by
the Continuing Directors then on the Board, either by a specific vote
or by approval of the proxy statement issued by the Corporation on
behalf of the Board of Directors in which such person is named as
nominee for director; provided, however, that in no event shall a
director be considered a "Continuing Director" if such director is a
Related Person and the Business Transaction to be voted upon is with
such Related Person or is one in which such Related Person has an
interest (other than only a proportionate interest as a shareholder of
the Corporation).

(vi) The term "Duly Approved by the Continuing
Directors" shall mean an action approved by the vote of at least a
majority of the Continuing Directors then on the Board; provided,
however, that if the votes of such Continuing Directors in favor of
such action would be insufficient to constitute an act of the Board of
Directors (if a vote by the entire Board of Directors were to have
been taken), then such term shall mean an action approved by the
unanimous vote of the Continuing Directors so long as there are at
least three (3) Continuing Directors on the Board of Directors at the
time of such unanimous vote.

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(vii) The term "Fair Market Value", in the case of
stock, means the highest closing sale price during the 30-day period
immediately preceding the date in question of a share of such stock on
the Composite Tape for New York Stock Exchange-Listed Stocks, or, if
such stock is not on such Exchange, on the principal United States
securities exchange registered under the Act on which such stock is
listed, or, if such stock is not listed on any such exchange, the
highest closing bid quotation with respect to a share of such stock
during the 30-day period preceding the date in question on the
National Association of Securities Dealers, Inc. Automated Quotations

Substantial Part of the assets either of the Corporation or of a subsidiary of the Corporation, (C) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of related transactions) of all or any Substantial Part of the assets of any entity to the Corporation or a subsidiary of the Corporation, (D) the issuance, sale, exchange, transfer or other disposition (in one transaction or a series of related transactions) by the Corporation or a subsidiary of the Corporation of any securities of the Corporation or any subsidiary of the Corporation in exchange for cash, securities or other property, or a combination thereof, having an aggregate fair market value of [$15 million] or more, (E) any merger, share exchange or consolidation of the Corporation with any of its subsidiaries or any similar transaction in which the Corporation is not the survivor and the charter or certificate or articles of incorporation of the consolidated or surviving Corporation do not contain provisions substantially similar to those in this Article TEN; (F) any recapitalization or reorganization of the Corporation or any reclassification of the securities of the Corporation (including, without

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limitation, any reverse stock split) or other transaction that would have the effect of increasing the voting power of a Related Person or reducing the number of shares of each class of voting securities outstanding; (G) any liquidation, spin-off, split-off, split-up or dissolution of the Corporation; and (H) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Transaction or having a similar purpose or effect.

(v) The term "Continuing Director" shall mean a director who either was a member of the Board of Directors of the Corporation on [Closing Date], 1993, or who became a director of the Corporation subsequent to such date and whose election or nomination for election by the Corporation's shareholders was Duly Approved by the Continuing Directors then on the Board, either by a specific vote or by approval of the proxy statement issued by the Corporation on behalf of the Board of Directors in which such person is named as nominee for director; provided, however, that in no event shall a director be considered a "Continuing Director" if such director is a Related Person and the Business Transaction to be voted upon is with such Related Person or is one in which such Related Person has an interest (other than only a proportionate interest as a shareholder of the Corporation).

(vi) The term "Duly Approved by the Continuing Directors" shall mean an action approved by the vote of at least a majority of the Continuing Directors then on the Board; provided, however, that if the votes of such Continuing Directors in favor of such action would be insufficient to constitute an act of the Board of Directors (if a vote by the entire Board of Directors were to have been taken), then such term shall mean an action approved by the unanimous vote of the Continuing Directors so long as there are at least three (3) Continuing Directors on the Board of Directors at the time of such unanimous vote.

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(vii) The term "Fair Market Value", in the case of stock, means the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations

System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith.

(viii) The term "Highest Stock Purchase Price" shall mean the greatest of the following:

(A) the highest amount of consideration paid by a Related Person for a share of capital stock of the Corporation (including any brokerage commissions, transfer taxes and soliciting dealers' fees) in the transaction which resulted in such Related Person becoming a Related Person or within two years prior to the first public announcement of the Business Transaction (the "Announcement Date"), whichever is higher; provided, however, that the Highest Stock Purchase Price calculated under this subsection (A) shall be appropriately adjusted to reflect the occurrence of any reclassification, recapitalization, stock-split, reverse stock-split or other similar corporate readjustment in the number of outstanding shares of capital stock of the Corporation between the last date upon which such Related Person paid the Highest Stock Purchase Price up to the effective date of the merger, share exchange or consolidation or the date of distribution to shareholders of the Corporation of the proceeds from the sale of substantially all of

the assets of the Corporation referred to in subparagraph (i) of Section (a)(ii) of this Article TEN;

(B) the Fair Market Value per share of the respective classes and series of stock of the Corporation on the Announcement Date;

(C) the Fair Market Value per share of the respective classes and series of stock of the Corporation on the date that the Related Person becomes a Related Person;

(D) if applicable, the Fair Market Value per share determined pursuant to subsection (b)(viii)(B) or (C) of this Article TEN, whichever is higher, multiplied by the ratio of (i) the highest price per share (including any brokerage commissions, transfer taxes or soliciting dealers' fees and adjusted for any subsequent stock dividends, splits, combinations, recapitalizations, reclassifications or other such reorganizations) paid to acquire any shares of such respective classes and series Beneficially Owned by the Related Person within the two years prior to the Announcement Date, to (ii) the Fair Market Value per share (adjusted for any subsequent stock dividends, splits, combinations, recapitalizations, reclassifications or other such reorganizations) of shares of such respective classes and series on the first day in the two-year period ending on the Announcement Date on which such shares Beneficially Owned by the Related Person were acquired; or

(E) the amount per share of any preferential payment to which holders of shares of such respective classes and series are entitled in the event of a liquidation, dissolution or winding up of the Corporation.

(ix) The term "Preferred Stock" shall mean each class or series of capital stock which may from time to time be authorized in or by these Articles of Incorporation (as amended from time to time) which is not designated as "Common Stock".

(x) The phrase "property, securities or other consideration to be received", for the purpose of subparagraph (i) of Section (a)(ii) of this Article TEN and in the event of a merger in which the corporation is the surviving corporation, shall include, without limitation, common stock of the Corporation retained by its shareholders (other than such Related Person).

(xi) The term "Related Person" shall mean and include (A) any individual, corporation, partnership, group, association or other person or entity which, together with its Affiliates and Associates, is the Beneficial Owner of not less than ten percent (10%) of the voting power of the issued and outstanding capital stock of the Corporation entitled to vote or was the Beneficial Owner of not less than ten percent (10%) of the voting power of the issued and outstanding capital stock of the Corporation entitled to vote (x) at the time the definitive agreement providing for the Business Transaction (including any amendment thereof) was entered into, (y) at the time a resolution approving the Business Transaction was adopted by the Board of Directors of the Corporation, or (z) as of the record date for the determination of shareholders entitled to notice of and to vote on or consent to the Business Transaction, and (B) any Affiliate or Associate of any such individual, Corporation, partnership, group, association or other person or entity; provided, however, and notwithstanding any thing in the foregoing to the contrary, that the term "Related Person" shall not include the Corporation, a more than 90% owned subsidiary of the Corporation, any employee stock ownership or other employee benefit plan of either the Corporation or any more than 90% owned subsidiary of the Corporation, or any trustee of or fiduciary with respect to any such plan when acting in such capacity.

(xii) The term "Substantial Part" shall mean more than twenty percent (20%) of the total assets of the entity in question, as reflected on the most recent consolidated balance sheet of such entity existing at the time the shareholders of the Corporation would be required to approve or authorize the Business Transaction involving the assets constituting any such Substantial Part.

(xiii) The term "Voting Stock" shall mean all outstanding shares of capital stock of the Corporation whose holders are present at a meeting of shareholders, in person or by proxy, and which entitle their holders to vote generally in the election of directors, and considered for the purpose of this Article TEN as one class.

(c) For the purpose of this Article TEN, so long as Continuing Directors constitute at least two-thirds (2/3) of the entire Board of Directors of the Corporation, the Board of Directors shall have the power to make a good faith determination, on the basis of information known to them, of (i) the number of shares of Voting Stock of which any person is the Beneficial Owner, (ii) whether a person is a Related Person or is an Affiliate or Associate of another, (iii) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in the definition of Beneficial Owner herein, (iv) whether the assets subject to any Business Transaction constitute a Substantial Part, (v) whether any Business Transaction is

with a Related Person or is one in which a Related Person has an interest (other than only a proportionate interest as a shareholder of the corporation), (vi) whether a Related Person has, directly or indirectly, received the benefits or caused any of the changes referred to in subparagraph (iv) of clause (ii) of Section (a) of this Article TEN, (vii) the fair market value of any consideration to be received in a Business Transaction and (viii) such other matters with respect to which a determination is required under this Article TEN, and such determination by the Board of Directors shall be conclusive and binding for all purposes of this Article TEN.

(d) Nothing contained in this Article TEN shall be construed to relieve any Related Person of any fiduciary obligation imposed by law.

(e) The fact that any Business Transaction complies with the provisions of Section (a) of this Article TEN shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Transaction or recommend its adoption of approval to the shareholders of the corporation.
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(f) Notwithstanding any other provisions of these Articles of Incorporation or the Bylaws of the corporation (and notwithstanding that a lesser percentage may be permitted by law), the provisions of this Article TEN may not be repealed or amended, directly or indirectly in any respect, unless such action is approved by the affirmative vote of the holders of not less than seventy percent (70%) of the Voting Stock.

ELEVEN

The Corporation shall indemnify a director against reasonable expenses and liability incurred by him, and shall advance expenses upon receipt from the director of the written affirmation and repayment authorization required by section 14-2-853 of the Georgia Business Corporation Code, provided, however, that the Corporation shall not indemnify a director for any liability incurred by a director if he failed to act in a manner he believed in good faith to be in or not opposed to the best interests of the Corporation, or to have improperly received a personal benefit or, in the case of any criminal proceeding, if he had reasonable cause to believe his conduct was unlawful, or in the case of a
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proceeding by or in the right of the Corporation, in which he was adjudged liable to the Corporation, unless a court shall determine that the director is fairly and reasonably entitled to indemnification in view of all the circumstances, in which case the director shall be indemnified for reasonable expenses incurred.

TWELVE

(a) For purposes of this Article TWELVE, the following terms shall have the respective meanings specified below:

(i) "Act" shall have the meaning set forth in paragraph (a)(ii)(v) of Article TEN of these Articles of Incorporation.

(ii) "Beneficial Owner" shall have the meaning set forth in paragraph (b)(iii) of Article TEN of these Articles of Incorporation.

(iii) "Closing Price" of a share of stock on any day means the highest closing sales price or bid quotation on the National Association of Securities Dealers, Inc. Automated Quotation System (including the National Market System) or any comparable system then in use, or if the class or series in question is quoted on a United States securities exchange registered under the Act, the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked price on such exchange, or, if no such prices or quotations are available, the fair market value on the day in question as determined by the Board of Directors in good faith.

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(iv) "Communications Act" shall mean the Communications Act of 1934, 47 U.S.C. Sections 151 et seq., as amended.

(v) "Communications Laws" shall mean the Communications Act and the regulations promulgated by the Federal Communications Commission pursuant thereto, including any amendments thereof or successor or replacement provisions thereto.

(vi) "Fair Market Value" of a share of stock shall mean the average Closing Price for such share for each of the forty-five (45) most recent days during which shares of stock of such class or series shall have been traded preceding the day on which notice of redemption shall have been given pursuant to paragraph (iv) of Section (e) of this Article TWELVE; provided, however, that if shares of stock of such class or series are not traded on any securities exchange or in the over-the-counter market, "Fair Market Value" shall be determined by the Board of Directors in good faith; and provided, further, however, that "Fair Market Value" as to any stockholder who purchases any stock subject to redemption within one hundred twenty (120) days prior to a Redemption Date shall not (unless otherwise determined by the Board of Directors) exceed the purchase price paid for such shares.

(vii) "Foreign Citizen" shall mean any of the following:

(A) any alien;

(B) any foreign government;

(C) any representative of an alien or a foreign government; or

(D) any corporation organized under the laws of any country other than the United States; and

(E) any other Person falling within a class of Persons identified from time to time in the

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Communications Laws, including without limitation Section 310 of the Communications Act, as being within a class of Persons whose ownership of stock of a corporation holding station licenses referenced in Title III of the Communications Act is limited to a maximum percentage.

(viii) "Permitted Percentage" shall mean twenty percent (20%), or such other percentage as may from time to time be specified by the Communications Laws as the maximum percentage of capital stock of a corporation holding licenses referenced in Section 310 of the Communications Act that may be owned by Foreign Citizens.

(ix) "Person" shall mean an individual, partnership, corporation, trust or other entity.

(x) "Redemption Date" shall mean the date fixed by the Board of Directors for the redemption of any shares of stock of the Corporation pursuant to Section (e) of this Article TWELVE.

(xi) "Redemption Securities" shall mean any debt or equity securities of the Corporation, any Subsidiary or any other corporation, or any combination thereof, having such terms and conditions as shall be approved by the Board of Directors and which, together with any cash to be paid as part of the redemption price, in the opinion of any nationally recognized investment banking firm selected by the Board of Directors (which may be a firm which provides other investment banking, brokerage or other services to the Corporation), has a value, at the time notice of redemption is given pursuant to paragraph (d) of Section 5 of this Article TWELVE, at least equal to the Fair Market Value of the shares to be redeemed pursuant to this Article TWELVE (assuming, in the case of Redemption Securities to be publicly traded, such Redemption Securities were fully distributed and subject only to normal trading activity).

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(b) It is the policy of the Corporation that Foreign Citizens should own of record or Beneficially Own, directly or indirectly, individually or in the aggregate, no more than the Permitted Percentage of its from time to time outstanding shares of capital stock. If at any time Foreign Citizens, directly or indirectly, individually or in the aggregate, become the record owners or the Beneficial Owners of more than the Permitted Percentage of the capital stock of the Corporation, then the Corporation shall have the power to take the actions prescribed in this Section (b) through Section (f) of this Article TWELVE. The provisions of this Article TWELVE are intended to assure that the Corporation remains in continuous compliance with the citizenship requirements of the Communications Laws. Any amendments to the Communications Laws relating to the citizenship of station license holders or their shareholders are deemed to be incorporated herein by reference. To the extent necessary to enable the Corporation to submit any proof of direct or indirect citizenship required by law or by contract with the United States government (or any agency thereof), the Corporation may require the record holders and the Beneficial Owners of capital stock to confirm their

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direct or indirect citizenship status from time to time, and dividends payable with respect to stock held by such record holder or owner by such Beneficial Owner may, in the discretion of the Board of Directors, be withheld until confirmation of such citizenship status is received. The Board of Directors is authorized to take such actions or make such interpretations as it may deem necessary or advisable in order to implement the policy set forth in this Section (b) including, without limitation, causing any transfer, or attempted transfer, of any shares of stock of the Corporation, the effect of which would be to cause one or more Foreign Citizens to own of record or Beneficially Own more than the Permitted Percentage of the Corporation's capital stock, to be ineffective as against the Corporation, and not registering (or permitting its transfer agent to register) such transfer or purported transfer on the stock transfer records of the Corporation. In addition, neither the Corporation (even if the transfer agent shall have recognized such transfer) nor its transfer agent shall be required to recognize the transferee or purported transferee thereof as a shareholder of the Corporation for any purpose whatsoever except to the extent necessary to effect any

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remedy available to the Corporation under this Article TWELVE. A citizenship certificate may be required from all transferees (and from any recipient upon original issuance) of capital stock of the Corporation and, if such transferee (or recipient) is acting as a fiduciary or nominee for a record owner or a Beneficial Owner, such Beneficial Owner or record owner, and registration of transfer (or original issuance) may be denied upon refusal to furnish such certificate.

(c) If on any date (including any record date) the number of shares of capital stock that is owned of record or Beneficially Owned, directly or indirectly, by Foreign Citizens is in excess of the Permitted Percentage of all outstanding capital stock of the Corporation (such number of shares herein referred to as the "Excess Shares"), the Corporation shall identify a number of shares owned of record or Beneficially Owned, directly or indirectly, by

Foreign Citizens equal to the number of Excess Shares. The determination of the Corporation as to those shares that constitute the Excess Shares shall be conclusive. Shares deemed to constitute such Excess Shares (so long as such excess exists) shall not be accorded any voting rights and
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shall not be deemed to be outstanding for purposes of determining the vote required on any matter properly brought before the shareholders of the Corporation for a vote thereon. The Corporation shall (so long as such excess exists) withhold the payment of dividends and the sharing in any other distribution (upon liquidation or otherwise) in respect of the Excess Shares. At such time as the Permitted Percentage is no longer exceeded, full voting rights shall be restored to any shares previously deemed to be Excess Shares and any dividends or distribution with respect thereto that have been withheld, without interest thereon, shall be due and paid solely to the record holders of such shares at the time the Permitted Percentage is no longer exceeded.

(d) Subject to the provisions of any resolution of the Board of Directors creating any series of preferred stock or any other class of stock which has a preference over common stock with regard to dividends or upon liquidation, and subject to the procedures in the series of preferred stock of the Corporation referenced in Articles FIVE and SIX hereof, the Excess Shares shall be subject to redemption at any time by the Corporation by action of the
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Board of Directors. The terms and conditions of such redemption shall be as follows:

(i) the redemption price of the shares to be redeemed pursuant to this Article TWELVE shall be equal to the Fair Market Value of such shares or such other redemption price as required by pertinent state or federal law pursuant to which the redemption is required;

(ii) the redemption price of such shares may be paid in cash, Redemption Securities or any combination thereof;

(iii) if less than all the Excess Shares are to be redeemed, the shares to be redeemed shall be selected in such manner as set forth in Section (c) of this Article TWELVE or as otherwise determined by the Board of Directors;

(iv) at least thirty (30) days' written notice of the Redemption Date shall be given to the record holders of the Excess Shares selected to be redeemed (unless waived in writing by any such holder) provided that the Redemption Date may be the date on which written notice shall be given to record holders if the cash or Redemption Securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for Excess Shares to be redeemed;

(v) from and after the Redemption Date or such earlier date as mandated by pertinent state or federal law, any and all rights of whatever nature, which may be held by the record holder of Excess Shares selected for redemption (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares),
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shall cease and terminate and they shall thenceforth be entitled only to receive the cash or Redemption Securities payable upon redemption; and

(vi) such redemption shall be upon such other terms and conditions as the Board of Directors shall determine

(e) In determining the direct or indirect citizenship of owners of record or Beneficial Owners or their transferees of its capital stock, the Corporation may rely on the stock transfer records of the Corporation and the citizenship certificates given by Beneficial Owners or owners of record or their transferees or any recipients (in the case of original issuance) (in each case whether such certificates have been given on their own behalf or on behalf of others) to prove the citizenship of such owners of record, Beneficial Owners, transferees or recipients of such capital stock. The determination of the direct or indirect citizenship of owners of record, Beneficial Owners and their transferees of such capital stock may also be subject to proof in such other way or ways as the Corporation may deem reasonable. The Corporation may at any time require proof of citizenship, in addition to the citizenship certificates, of the record owner or Beneficial Owner or proposed transferees of shares of the Corporation's capital stock,
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and the payment of dividends may be withheld, and any application for transfer of ownership on the stock transfer records of the Corporation may be refused, until such additional proof is submitted.

(f) Each provision of this Article TWELVE is intended to be severable from every other provision. If any provision contained in this Article TWELVE is held to be invalid, illegal or unenforceable, the validity, legality or enforceability of any other provision of this Article TWELVE shall not be affected, and this Article TWELVE shall be construed as if the provision held to be invalid, illegal or unenforceable had never been contained therein.
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EXHIBIT A

Series 1 $__ Cumulative Senior Perpetual Convertible Preferred Stock

Section 1. Designation and Number.

(a) The shares of such series shall be designated as "Series 1 $__ Cumulative Senior Perpetual Convertible Preferred Stock" (the "Preferred Stock"). The number of shares initially constituting the Preferred Stock shall be ___________, which number may be decreased (but not increased) by the Board of Directors without a vote of shareholders; provided, however, that such number may not be decreased below the number of then outstanding shares of Preferred Stock.

(b) The Preferred Stock shall, with respect to dividend rights and rights on liquidation, dissolution or winding up, rank pari passu to the Series 2 6.50% Cumulative Senior Perpetual Convertible Preferred Stock of the Corporation (the "Series 2 Preferred Stock"), and shall rank prior to all other classes and series of capital stock of the Corporation now or hereafter authorized including, without limitation, the Common Stock.

(c) Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Section 11 below.

Section 2. Dividends and Distributions.

(a) The holders of shares of Preferred Stock, in preference to the holders of shares of Common Stock and of any shares of other capital stock of the Corporation (but pari passu with the Series 2 Preferred Stock), shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, cumulative cash dividends at an annual rate on the Liquidation Preference

thereof equal to [lesser of 6% and the rate which will yield aggregate annual dividends on the Preferred Stock of $24.5 million] calculated on the basis of a 360-day year consisting of twelve 30-day months, accruing and payable in equal
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quarterly payments, in immediately available funds, on the 15th day (or the first Business Day thereafter if the 15th is not a Business Day) of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date") commencing [August 16,] 1993; provided, however, that with respect to such first Quarterly Dividend Payment Date, the holders of shares of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, a cumulative cash dividend in respect of each share of Preferred Stock in the amount of (i) [one-fourth of the annual per share dividend] multiplied by (ii) a fraction equal to (A) the number of days from (and including) the Issue Date to (but excluding) such Quarterly Dividend Payment Date divided by (B) 90.

(b) Dividends payable pursuant to Section 2(a) shall begin to accrue and be cumulative from the Issue Date, and shall accrue on a daily basis, in each case whether or not declared. Dividends paid on the shares of Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares of Preferred Stock at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Preferred Stock entitled to receive payment of a dividend declared thereon, which record date shall be no more than 60 days or less than 10 days prior to the date fixed for the payment thereof. Accumulated but unpaid dividends for any past quarterly dividend periods may be declared and paid at any time, without reference to any regular Quarterly Dividend Payment Date, to holders of record on such date, not more than 60 nor less than 10 days preceding the payment date thereof, as may be fixed by the Board of Directors.

(c) In addition to the dividends or distributions on the Preferred Stock described in Section 2(a), in the event that the Corporation shall declare a dividend or make any other distribution (including, without limitation, in cash, in capital stock (which shall include, without limitation, any options, warrants, convertible securities or other
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rights to acquire capital stock) of the Corporation, whether or not pursuant to a shareholder rights plan, "poison pill" or similar arrangement, or other property or assets) on or with respect to shares of Common Stock other than a Regular Dividend or a dividend paid solely in Common Stock, then the Board of Directors shall declare, and the holder of each share of Preferred Stock shall be entitled to receive in respect of each share of Preferred Stock, a dividend or distribution in an amount equal to the amount of such dividend or distribution received by a holder of the number of shares of Common Stock for which such share of Preferred Stock is convertible on the record date for such dividend or distribution. Any such amount shall be paid to the holders of shares of Preferred Stock at the same time such dividend or distribution is made to holders of Common Stock.

(d) The holders of shares of Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

Section 3. Voting Rights.

In addition to any voting rights provided by law, the holders of shares of Preferred Stock shall have the following voting rights:

(a) Except as otherwise required by applicable law, so long as any shares of the Preferred Stock are outstanding, each outstanding

share of Preferred Stock shall entitle the holder thereof to vote, in person or by proxy, at a special or annual meeting of shareholders, on all matters voted on by holders of Common Stock voting together as a single class with other shares entitled to vote thereon (other than matters on which the holders of Preferred Stock are entitled by law or the Corporation's Amended and Restated Articles of Incorporation ("Articles"), to vote as a separate class). With respect to any such vote, each share of Preferred Stock shall entitle the holder thereof to cast that number of votes per share of Preferred Stock as is equal to the number of votes that such holder would be entitled to cast had such holder converted his shares of Preferred Stock into Common Stock on the record date for
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determining the shareholders of the Corporation eligible to vote on any such matters. Notwithstanding the foregoing, but without impairing the rights of the Preferred Stock to elect members of the Corporation's Board of Directors pursuant to Section 3(c)(i) hereof, the Preferred Stock shall not vote with the Common Stock in the election of directors unless the Preferred Stock Percentage is less than 2 1/2%.

(b) Unless the consent or approval of a greater number of shares shall then be required by law, the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Preferred Stock, voting separately as a single class, in person or by proxy, at a special or annual meeting of shareholders called for the purpose, shall be necessary to (i) authorize, increase the authorized number of shares of, or issue (including on conversion or exchange of any convertible or exchangeable securities or by reclassification), any shares of any class or classes of Senior Stock or Parity Stock, (ii) authorize, increase the authorized number of shares of, or issue any shares of any class of capital stock of the Corporation having a mandatory redemption date earlier than [, third anniversary of closing] 1996 or amend the terms of any class of capital stock of the Corporation to provide that such class of capital stock has a mandatory redemption date earlier than [, third anniversary of closing] 1996, (iii) authorize, adopt or approve an amendment to the Articles that would increase or decrease the par value of the shares of Preferred Stock; or alter or change the powers, preferences or special rights of the shares of Preferred Stock, (iv) amend, alter or repeal the Articles so as to affect the shares of Preferred Stock adversely, including, without limitation, by granting any voting right to any holder of notes, bonds, debentures or other debt obligations of the Corporation, or by amending the provisions of subsection 3(c) below or Section 9 hereof or (v) authorize or issue any security convertible into, exchangeable for or evidencing the right to purchase or otherwise receive any shares of any class or classes of Senior Stock or Parity Stock.

(c) (i) Until the occurrence of a Change of Control, but not thereafter, the outstanding shares of
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Preferred Stock voting separately as a single class, by written consent as provided herein or in person or by proxy, at a special or annual meeting of shareholders called for the purpose of electing directors, shall elect a number of directors to the Corporation's Board of Directors which equals the Specified Number.

(ii) If on any date (A) the Corporation shall have failed to declare, or shall have failed to pay, the full amount of dividends payable on the Preferred Stock for two quarterly dividend periods (whether consecutive or not) or (B) the Corporation shall have failed to satisfy its obligation to convert shares of Preferred Stock pursuant to Section 8, then the number of directors constituting the Board of Directors shall, without further action, be increased by one and the holders of shares of Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a single class, to elect a director of the Corporation to fill such newly created directorship, by written consent as provided herein, or at a special meeting of such holders called as provided herein. Any such additional director shall continue as a director (subject to reelection or removal as provided in Section 3(d)(iii)) and the holders of Preferred Stock shall have such additional voting rights until such time as (A) dividends then payable on the Preferred Stock shall have been declared and paid in full or (B) any conversion obligation provided in Section 8 that has become due shall have been satisfied or all necessary funds have been set aside for payment, as the case may be, at which time such additional director shall cease to be a director and such additional voting rights of the holders of Preferred Stock shall terminate subject to revesting in the event of each and every subsequent event of the character indicated above.

(d) (i) The foregoing right of holders of shares of Preferred Stock to take any action as provided in Section 3(c) may be exercised at any annual meeting of shareholders or at a special meeting of holders of shares of Preferred Stock held for such purpose as hereinafter provided or at any adjournment thereof, or by the written consent, delivered to the Secretary of the Corporation, of

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the holders of the minimum number of shares required to take such action.

So long as such right to vote continues (and unless such right has been exercised by written consent of the minimum number of shares required to take such action), the President of the Corporation may call, and upon the written request of holders of record of at least 5% of the outstanding shares of Preferred Stock, addressed to the Secretary of the Corporation at the principal office of the Corporation, shall call, a special meeting of the holders of shares entitled to vote as provided herein. Such meeting shall be held within 30 days after delivery of such request to the Secretary, at the place and upon the notice provided by law and in the by-laws of the Corporation for the holding of meetings of shareholders.

(ii) At each meeting of shareholders at which the holders of shares of Preferred Stock shall have the right, voting separately as a single class, to elect a director or directors of the Corporation as provided in Section 3(c) or to take any action, the presence in person or by proxy of the holders of record of a majority of the total number of shares of Preferred Stock then outstanding and entitled to vote on the matter shall be necessary and sufficient to constitute a quorum. At any such meeting or at any adjournment thereof:

(A) the absence of a quorum of the holders of shares of Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of shares of Preferred Stock, and the absence of a quorum of the holders of shares of any other class or series of capital stock shall not prevent the election of directors to be elected by the holders of shares of Preferred Stock, or the taking of any action as provided in this Section 3; and

(B) in the absence of a quorum of the holders of shares of Preferred Stock, a majority of the holders of such shares present in person or by proxy shall have the power to adjourn the meeting as to the actions to be taken by the holders of shares of Preferred Stock

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from time to time and place to place without notice other than announcement at the meeting until a quorum shall be present.

For taking of any action as provided in Section 3(b) or Section 3(c) by the holders of shares of Preferred Stock, each such holder shall have one vote for each share of such stock standing in his name on the transfer books of the Corporation as of any record date fixed for such purpose or, if no such date be fixed, at the close of business on the Business Day next preceding the day on which notice is given, or if notice is waived, at the close of business on the Business Day next preceding the day on which the meeting is held, provided, however, that shares of Preferred Stock held by the Corporation, any Subsidiary of the Corporation or any other Person who controls the Corporation, is under common control with the Corporation or is controlled by the Corporation shall not be deemed to be outstanding for purposes of taking any action as provided in this Section 3.

Each director elected by the holders of shares of Preferred Stock as provided in Section 3(c) shall, unless his term shall expire earlier in accordance with the provisions thereof, hold office until the annual meeting of shareholders next succeeding his election or until his successor, if any, is elected and qualified.

If any director so elected by the holders of Preferred Stock shall cease to serve as a director before his term shall expire (except by reason of the termination of the voting rights accorded to the holders of Preferred Stock in accordance with Section 3(c)), the holders of the Preferred Stock then outstanding and entitled to vote for such director may, by written consent as provided herein, or at a special meeting of such holders called as provided herein, elect a successor to hold office for the unexpired term of the director whose place shall be vacant.

Any director elected by the holders of shares of Preferred Stock voting separately as a single class may be removed from office with or without cause by the vote or written consent of the holders of at least a majority of the
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outstanding shares of Preferred Stock, at the time of removal. A special meeting of the holders of shares of Preferred Stock may be called in accordance with the procedures set forth in Section 3(d)(i).

Section 4. Certain Restrictions.

(a) Whenever any quarterly dividends payable on any shares of Preferred Stock as provided in Section 2 are not paid in full, at such time and thereafter until all unpaid dividends payable, whether or not declared, on the outstanding shares of Preferred Stock shall have been paid in full or declared and irrevocably set apart for payment, or whenever the Corporation shall not have converted shares of Preferred Stock at a time required by Section 8, at such time and thereafter until all conversion obligations provided in Section 8 that have come due shall have been satisfied or all necessary funds have been set apart for payment, the Corporation shall not: (i) declare or pay dividends, or make any other distributions, on any shares of Junior Stock, or (ii) declare or pay dividends, or make any other distributions, on any shares of Parity Stock, except dividends or distributions paid ratably on the Preferred Stock and all Parity Stock on which dividends are payable or in arrears, in proportion to the total amounts to which the holders of all shares of the Preferred Stock and such Parity Stock are then entitled.

(b) Whenever any dividend payable on any shares of Preferred Stock as provided in Section 2 are not paid in full, at such time and thereafter until all unpaid dividends payable, whether or not declared, on the outstanding shares of Preferred Stock shall have been paid in full or declared and irrevocably set apart for payment, or whenever the Corporation shall not have converted shares of Preferred Stock at a time required by Section 8, at such time and thereafter until all conversion obligations provided in Section 8 that have come due shall have been satisfied or all necessary funds have been irrevocably set apart for payment, the Corporation shall not redeem, purchase or otherwise acquire for consideration any shares of Junior Stock, or Parity Stock, it being understood that for
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purposes of this Section 4(b), the term "Corporation" shall include any "grantor trust" within the meaning of Sections 671-679 of the Internal Revenue Code of 1986, as amended; provided, however, that (A) the Corporation may accept shares of any Parity Stock or Junior Stock for conversion into Junior Stock and (B) the Corporation may at any time redeem, purchase or otherwise acquire shares of the Series 2 Preferred Stock in accordance with Section 10 of Exhibit B of the Articles as in effect on the Issue Date.

(c) The Corporation shall not permit any Subsidiary of the Corporation, or cause any other Person, to purchase or otherwise acquire for consideration any shares of capital stock of the Corporation unless the Corporation could, pursuant to Section 4(b), purchase such shares at such time and in such manner.

Section 5. Redemption.

(a) The Corporation shall not have any right to redeem any shares of Preferred Stock prior to [the third anniversary of closing], 1996. On and after [the third anniversary of closing], 1996, subject to the restrictions contained in Section 4, the Corporation shall have the right, at its sole option and election, to redeem the shares of Preferred Stock, in whole or in part in integral multiples of $100,000,000, on not less than 30 days notice of the date of redemption, which must be a Business Day (any such date an "Optional Redemption Date"), at a price per share (the "Optional Redemption Price") equal to (A) the following prices per share (stated as a percentage of the Liquidation Preference of such share) plus (B) an amount per share equal to all accrued and unpaid dividends thereon, whether or not declared or payable, to the applicable Optional Redemption Date, in immediately available funds:

<TABLE>
<CAPTION>

If Redeemed during the period	Optional Redemption Price as a Percentage of Liquidation Preference
<S>	<C>
September 15, 1996 to September 14, 1997	105.53%

</TABLE>
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<TABLE>
<CAPTION>

If Redeemed during the period	Optional Redemption Price as a Percentage of Liquidation Preference
<S>	<C>
September 15,1997 to September 14,1998	104.74%
September 15, 1998 to September 14, 1999	103.95%
September 15, 1999 to September 14, 2000	103.16%
September 15, 2000 to September 14, 2001	102.37%
September 15, 2001 to September 14, 2002	101.58%
September 15, 2002 to September 14, 2003	100.79%
September 15, 2003 and thereafter	100.000%

</TABLE>

(b) If less than all shares of Preferred Stock at the time outstanding are to be redeemed pursuant to Section 5(a), the shares to be redeemed shall be determined pro rata or, if the shares of Preferred Stock are then publicly held, by lot.

(c) Notice of any redemption of shares of Preferred Stock pursuant to Section 5(a) shall be given by publication in a newspaper of general circulation in the Borough of Manhattan, The City of New York (if such publication shall be required by applicable law, rule, regulation or securities exchange requirement), not less than 30, nor more than 60, days prior to the date fixed for redemption, and, in any case, a similar notice shall be mailed at least 30, but not more than 60, days prior to the date fixed for redemption

to each holder of shares of Preferred Stock to be redeemed, at such holder's address as it appears on the transfer books of the Corporation. In order to facilitate the redemption of shares of Preferred Stock, the Board of Directors may fix a record date for the determination of shares of Preferred Stock to be redeemed, or may cause the
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transfer books of the Corporation for the Preferred Stock to be closed, not more than 60 days or less than 30 days prior to the date fixed for such redemption.

(d) On the date of any redemption being made pursuant to Section 5(a) which is specified in a notice given pursuant to Section 5(c), the Corporation shall, and at any time after such notice shall have been mailed and before the date of redemption the Corporation may, deposit for the benefit of the holders of shares of Preferred Stock to be redeemed the funds necessary for such redemption with a bank or trust company in the Borough of Manhattan, The City of New York, having a capital and surplus of at least $100,000,000. Any moneys so deposited by the Corporation and unclaimed at the end of two years from the date designated for such redemption shall revert to the general funds of the Corporation or as otherwise required by law. After such reversion, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof and any holder of shares of Preferred Stock to be redeemed shall look only to the Corporation for the payment of the Optional Redemption Price. In the event that moneys are deposited pursuant to this Section 5(d) in respect of shares of Preferred Stock that are converted in accordance with the provisions of Section 8, such moneys shall, upon such conversion, revert to the general funds of the Corporation and, upon demand, such bank or trust company shall pay over to the Corporation such moneys and shall be relieved of all responsibilities to the holders of such converted shares in respect thereof. Any interest accrued on funds deposited pursuant to this Section 5(d) shall be paid from time to time to the Corporation for its own account.

Section 6. Reacquired Shares.

Any shares of Preferred Stock converted, exchanged, redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares of Preferred Stock shall upon their cancellation
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become authorized but unissued shares of preferred stock, par value $.01 per share, of the Corporation and, upon the filing of an appropriate Articles of Amendment to the Articles with the Secretary of State of the State of Georgia, may be reissued as part of another series of preferred stock, par value $.01 per share, of the Corporation subject to the conditions or restrictions on issuance set forth herein, but in any event may not be reissued as shares of Preferred Stock or other Parity Stock unless all of the shares of Preferred Stock issued on the Issue Date shall have already been redeemed or converted.

Section 7. Liquidation, Dissolution or Winding Up.

(a) If the Corporation shall commence a voluntary case under the United States bankruptcy laws or any applicable bankruptcy, insolvency or similar law of any other country, or consent to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due (any such event, a "Voluntary Liquidation Event"), or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the United States bankruptcy laws or any applicable bankruptcy, insolvency or similar law of any other country, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and on account of any such event the Corporation shall liquidate, dissolve or wind up, or if the Corporation shall otherwise liquidate, dissolve or wind up, no distribution shall be made (i) to the holders of shares of Junior Stock unless, prior thereto, the holders of shares of Preferred Stock, subject to Section 8, shall have received (A) if a Voluntary Liquidation Event shall have occurred, the Optional Redemption Price with respect to each share and (B) if a Voluntary Liquidation

Event shall not have occurred, the Liquidation Preference, plus all accrued and unpaid dividends, whether or not declared or currently payable, to the date of distribution, with respect to each share, or (ii) to the holders of shares of Parity Stock, except distributions made ratably on the Preferred Stock and all other Parity Stock in proportion to the total amounts to which the holders of all shares of the Preferred Stock and other Parity Stock are entitled upon such liquidation, dissolution or winding up.

(b) Neither the consolidation or merger of the Corporation with or into any other Person nor the sale or other distribution to another Person of all or substantially all the assets, property or business of the Corporation, in each case when permitted by Section 3(b), shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 7.

Section 8. Conversion.

(a) Following the expiration or termination of applicable waiting periods under the HSR Act, including any extensions thereof, any holder of Preferred Stock shall have the right, at its option, at any time and from time to time, to convert, subject to the terms and provisions of this Section 8, any or all of such holder's shares of Preferred Stock into such number of fully paid and non-assessable shares of Common Stock as is equal, subject to Section 8(g), to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) the Liquidation Preference divided by (ii) the Conversion Price (as defined below) then in effect, except that with respect to any share which shall be called for exchange or redemption, such right shall terminate at the close of business on the date of exchange or redemption for such share, unless in any such case the Corporation shall default in performance or payment due upon exchange or redemption thereof. The Conversion Price shall be [ ]1/, subject to adjustment as

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1/ 15% above average closing price for the Resurgens Common Stock for the twenty trading days immediately preceding the trading day immediately preceding the closing date.

set forth in Section 8(d). Such conversion right shall be exercised by the surrender of the shares to be converted to the Corporation at any time during usual business hours at its principal place of business to be maintained by it, accompanied by written notice that the holder elects to convert such shares and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Corporation) by a written instrument or instruments of transfer in form reasonably satisfactory to the Corporation duly executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required pursuant to Section 8(k). All shares surrendered for conversion shall be delivered to the Corporation for cancellation and canceled by it and no shares of Preferred Stock shall be issued in lieu thereof.

(b) As promptly as practicable after the surrender as herein provided, of any shares of Preferred Stock for conversion pursuant to Section 8(a), the Corporation shall deliver to or upon the written order of the holder of the shares of Preferred Stock so surrendered a certificate or certificates representing the number of fully paid and non-assessable shares of Common Stock into which such shares of Preferred Stock may be or have been converted in accordance with the provisions of this Section 8. Subject to the following provisions of this paragraph and of Section 8(d), such conversion shall be deemed to have been made immediately prior to the close of business on the date that such shares of Preferred Stock shall have been surrendered in satisfactory form for conversion, and the Person or Persons entitled to receive the Common Stock deliverable upon conversion of such shares of Preferred Stock shall be treated for all purposes as having become the record holder or holders of such Common Stock at such appropriate time, and such conversion shall be at the Conversion Price in effect at such time; provided, however, that no surrender shall be effective to constitute the Person or Persons entitled to receive the Common Stock deliverable upon such

conversion as the record holder or holders of such Common Stock while the share transfer books of the Corporation shall be closed (but not for any period in excess of five days), but such surrender shall be effective to constitute the Person or Persons entitled to receive such Common Stock as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such share transfer books are open, and such conversion shall be deemed to have been made at, and shall be made at the Conversion Price in effect at, such time on such next succeeding day. In case of the redemption of any shares of Preferred Stock pursuant to Section 5(a), the right of conversion shall cease and terminate, as to the shares to be redeemed, at the close of business on the date fixed for redemption, unless the Corporation shall default in the payment of the applicable redemption price for the shares to be redeemed.

If the last day for the exercise of the conversion right shall not be a Business Day, then suchconversion right may be exercised on the next succeeding Business Day.

(c) To the extent permitted by law, when shares of Preferred Stock are converted, all dividends accrued and unpaid (whether or not declared or currently payable) on the Preferred Stock so converted to the date of conversion shall be immediately due and payable, at the option of the holder of shares of Preferred Stock being converted, in cash (subject to the last sentence of this Section 8(c)) or shares of Common Stock. If the holder of shares of Preferred Stock elects to receive shares of Common Stock in lieu of the cash payment of the accrued and unpaid dividends, the holder of shares of Preferred Stock shall be entitled to receive that number of shares of Common Stock which the amount of accrued and unpaid dividends would purchase at the Current Market Price, and such shares of Common Stock must accompany the shares of Common Stock issued upon such conversion. If the holder of shares of Preferred Stock elects to receive payment in cash of such accrued and unpaid dividends, such cash payment must accompany the shares of Common Stock issued upon such conversion unless (i) there shall exist a default or event of default under any then currently existing loan or other

agreement which contains a restriction on the ability of the Corporation to pay dividends on the Preferred Stock during the existence of a default or event of default or (ii) such cash payment would, although not in itself a breach of any covenant in any such agreement, result in the occurrence of a default or event of default arising from the breach by the Corporation of one or more covenants regarding the financial condition of the Corporation, in which case such cash payment shall be made immediately at such time as the conditions set forth in both clause (i) and clause (ii) shall not exist; provided, however, that, at any time prior to such payment, such holder may elect to receive shares of Common Stock in lieu of such cash payment, and, upon such election, shall be entitled to receive that number of shares of Common Stock that the amount of such cash payment would purchase at the Current Market Price on the date of such election.

(d) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Corporation shall at any time or from time to time (A) pay a dividend or make a distribution (other than a dividend or distribution paid or made to holders of shares of Preferred Stock in the manner provided in Section 2(c)) on or with respect to shares of Common Stock in capital stock (which, for purposes of this Section 8(d) shall include, without limitation, any options, warrants, convertible securities or other rights to acquire capital stock) of the Corporation, (B) subdivide the outstanding shares of Common Stock into a larger number of shares, (C) combine the outstanding shares of Common Stock into a smaller number of shares, (D) issue any shares of its capital stock in a reclassification of the Common Stock or (E) pay a dividend or make a distribution (other than a dividend or distribution paid or made to holders of shares of Preferred Stock in the manner provided in Section 2(c)) on the outstanding shares of Common Stock in shares of its capital stock pursuant to a shareholder rights plan, "poison pill" or similar arrangement, then, and in each such case, the Conversion Price in effect immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Corporation) so that the holder of any

share of Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other securities of the Corporation that such holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such share of Preferred Stock been converted immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 8(d)(i) shall become effective retroactively (A) in the case of any such dividend or distribution, to a date immediately following the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (B) in the case of any such subdivision, combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Corporation shall at any time or from time to time issue or sell shares of Common Stock (or securities convertible into or exchangeable for Common Stock, or any options, warrants or other rights to acquire shares of Common Stock), at a price per share less than 90% of the Current Market Price per share of Common Stock then in effect at the record date referred to in the following sentence (treating the price per share of any security convertible or exchangeable or exercisable into Common Stock as equal to (A) the sum of the price for such security convertible, exchangeable or exercisable into Common Stock plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such security into Common Stock divided by (B) the number of shares of Common Stock initially underlying such convertible, exchangeable or exercisable security), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect on the day immediately prior to such record date by a fraction (x) the numerator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock issued or to be issued (or the maximum number into which such convertible or exchangeable securities initially may convert or exchange or for which such options, warrants or other rights initially

may be exercised) and (y) the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued (or into which such convertible or exchangeable securities may convert or exchange or for which such options, warrants or other rights may be exercised plus the aggregate amount of any additional consideration initially payable upon conversion, exchange or exercise of such security) would purchase at 90% of the

Current Market Price per share of Common Stock on such record date. Such adjustment shall be made whenever such shares, securities, options, warrants or other rights are issued, and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of shareholders entitled to receive such shares, securities, options, warrants or other rights; provided, however, that the determination as to whether an adjustment is required to be made pursuant to this Section 8(d)(ii) shall only be made upon the issuance of such shares or such convertible or exchangeable securities, options, warrants or other rights and not upon the issuance of the security into which such convertible or exchangeable security converts or exchanges, or the security underlying such options, warrants or other rights; provided, further, that if any convertible or exchangeable securities, options, warrants or other rights (or any portions thereof) which shall have given rise to an adjustment pursuant to this Section 8(d)(ii) shall have expired or terminated without the exercise thereof and/or if by reason of the terms of such convertible or exchangeable securities, options, warrants or other rights there shall have been an increase or increases, with the passage of time or otherwise, in the price payable upon the exercise or conversion thereof, then the Conversion Price hereunder shall be readjusted (but to no greater extent than originally adjusted with respect to the related event) on the basis of (x) eliminating from the computation any additional shares of Common Stock corresponding to such convertible or exchangeable securities, options, warrants or other rights as shall have expired or terminated, (y) treating the additional shares of Common Stock, if any, actually issued or issuable pursuant to the previous exercise of such convertible

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or exchangeable securities, options, warrants or other rights as having been issued for the consideration actually received and receivable therefor and (z) treating any of such convertible or exchangeable securities, options, warrants or other rights which remain outstanding as being subject to exercise or conversion on the basis of such exercise or conversion price as shall be in effect at this time.

(iii) In case the Corporation shall at any time or from time to time distribute on or with respect to the shares of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Corporation is the resulting or surviving corporation and the Common Stock is not changed or exchanged) cash, evidences of indebtedness of the Corporation or another issuer, securities of the Corporation or another issuer or other assets (excluding (A) Regular Dividends, (B) dividends or distributions paid or made to holders of shares of Preferred Stock and Series 2 Preferred Stock in the manner provided in Section 2(c), and (C) dividends payable in shares of Common Stock for which adjustment is made under Section 8(d)(i)) or rights or warrants to subscribe for or purchase securities of the Corporation (excluding those referred to in Section 8(d) (ii)), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect immediately prior to the date of such distribution by a fraction (x) the numerator of which shall be the Current Market Price of the Common Stock on the record date referred to below and (y) the denominator of which shall be such Current Market Price of the Common Stock less the then Fair Market Value (as determined by the reasonable good faith judgment of the Board of Directors of the Corporation) of the portion of the cash, evidences of indebtedness, securities or other assets so distributed or of such subscription rights or warrants applicable to one share of Common Stock (but such denominator not to be less than one); provided, however, that no adjustment shall be made with respect to any distribution of rights to purchase securities of the Corporation if the holder of shares of Preferred Stock would otherwise be entitled to receive such rights upon conversion at any time of shares of Preferred Stock into Common Stock unless

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such rights are subsequently redeemed by the Corporation, in which case such redemption shall be treated for purposes of this Section 8(d)(iii) as a dividend on the Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of shareholders entitled to receive such distribution.

(iv) In case the Corporation at any time or from time to time shall take any action affecting its Common Stock, other than an action described in any of Section 8(d)(i) through Section 8(d)(iii), inclusive, or Section (h), then, and in each such case, the Conversion Price shall be adjusted in such manner and at such time as the Board of Directors of the Corporation in good faith determines to be equitable in the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the holders of the Preferred Stock).

(v) Notwithstanding anything herein to the contrary, no adjustment under this Section 8(d) need be made to the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of the Conversion Price then in effect. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% of such Conversion Price. Any adjustment to the Conversion Price carried forward and not theretofore made shall be made immediately prior to the conversion of any shares of Preferred Stock pursuant hereto.

(e) If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to shareholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect shall be required by reason of the taking of such record.

(f) Upon any increase or decrease in the Conversion Price, then, and in each such case, the Corporation promptly shall deliver to each registered holder of Preferred Stock at least 10 Business Days prior to effecting any of the foregoing transactions a certificate, signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the increased or decreased Conversion Price then in effect following such adjustment.

(g) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of any shares of Preferred Stock. If more than one share of Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Liquidation Preference of the shares of Preferred Stock so surrendered. If the conversion of any share or shares of Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the Current Market Price of the Common Stock on the Business Day preceding the day of conversion shall be paid to such holder in cash by the Corporation.

(h) In case of any capital reorganization or reclassification or other change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value), or in case of any consolidation or merger of the Corporation with or into another Person (other than a consolidation or merger in which the Corporation is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock), or in case of any sale or other disposition to another Person of all or substantially all of the assets of the Corporation (any of the foregoing, a "Transaction"), the Corporation, or such successor or purchasing Person, as the case may be, shall execute and deliver to each holder of Preferred Stock at least 10 Business Days prior to effecting any of the foregoing Transactions a certificate stating that the holder of

each share of Preferred Stock then outstanding shall have the right thereafter to convert such share of Preferred Stock into the kind and amount (estimating such amount to the extent necessary) of shares of stock or other securities (of the Corporation or another issuer) or property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which such share of Preferred Stock could have been converted immediately prior to such Transaction. Such certificate shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 8. If, in the case of any such Transaction, the stock, other securities, cash or property receivable thereupon by a holder of Common Stock includes shares of stock or other securities of a Person other than the successor or purchasing Person and other than the Corporation, which controls or is controlled by the successor or purchasing Person or which, in connection with such Transaction, issues stock, securities, other property or cash to holders of Common Stock, then such certificate also shall be executed by such Person, and such Person shall, in such certificate, specifically acknowledge the obligations of such successor or purchasing Person and acknowledge its obligations to issue such stock, securities, other property or cash to the holders of Preferred Stock upon conversion of the shares of Preferred Stock as provided above. The provisions of this Section 8(h) and any equivalent thereof in any such certificate similarly shall apply to successive Transactions.

(i) In case at any time or from time to time:

(A) the Corporation shall declare a dividend (or any other distribution) on or with respect to its Common Stock;

(B) the Corporation shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or of any other rights or warrants;

(C) there shall be any reclassification of the Common Stock, or any consolidation or merger to which the Corporation is a party and for which approval of any

shareholders of the Corporation is required, or any sale or other disposition of all or substantially all of the assets of the Corporation, or

(D) there shall occur any voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall mail to each holder of shares of Preferred Stock at such holder's address as it appears on the transfer books of the Corporation, as promptly as possible but in any event at least 10 days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up is expected to become effective; provided that in the case of any event to which Section 8(h) applies, the Corporation shall give at least 10 Business Days' prior written notice as aforesaid. Such notice also shall specify the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for shares of stock or other securities or property or cash deliverable upon such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up.

(j) The Corporation shall at all times reserve and keep available for issuance upon the conversion of the Preferred Stock, such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Preferred Stock, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Preferred Stock.

(k) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Preferred Stock shall be made without charge to the converting holder of shares of Preferred Stock for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or in such names as may be directed by, the holders of the shares of Preferred Stock converted; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of the shares of Preferred Stock converted, and the Corporation shall not be required to issue or deliver such certificate unless or until the Person or Persons requesting the issuance or delivery thereof shall have paid to the Corporation the amount of such tax or shall have established to the reasonable satisfaction of the Corporation that such tax has been paid.

Section 9. Board of Directors.

The number of directors comprising the Board of Directors shall initially be ten. The Board of Directors may increase the number of directors to a number in excess of ten only in the event that the Corporation issues equity securities ("Acquisition Equity Securities"), in connection with acquisitions by the Corporation (whether effectuated by merger, consolidation, stock purchase or asset purchase) of another entity, to the former shareholders of such entity or to such entity; provided, however, that no such increase in the Board of Directors may occur if as a result of such increase (A) is greater than (B) where (A) equals the fraction (expressed as a percentage) the numerator of which equals (i) minus (ii) where (i) equals the aggregate number of directors comprising the Board of Directors and (ii) equals ten and the denominator of which is the aggregate number of directors comprising the Board of Directors and (B) equals the fraction (expressed as a percentage) the numerator of which is the sum of the shares of common stock issued by the Corporation after [Closing
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Date], 1993 which constitute Acquisition Equity Securities and the shares of Common Stock which are issuable upon exercise or conversion of derivative securities which constitute Acquisition Equity Securities and the denominator of which is the Fully Diluted Common Shares. Notwithstanding anything to the contrary, this Section 9 shall be of no force and effect at any time at which (i) no shares of Preferred Stock are outstanding or (ii) neither Metromedia Company nor any of its Affiliates own any shares of Preferred Stock.

Section 10. Certain Remedies.

Any registered holder of Preferred Stock shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Exhibit A and to enforce specifically the terms and provisions of this Exhibit A in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which such holder may be entitled at law or equity.

Section 11. Definitions.

For the purposes of this Exhibit A, the following terms shall have the meanings indicated:

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Change of Control" means the occurrence of a reorganization, merger or consolidation as a result of which the owners of outstanding shares of capital stock of the Corporation immediately prior to such reorganization, merger or consolidation beneficially own less than 50% of the combined voting power of the then outstanding capital stock
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of the entity surviving such reorganization, merger or consolidation.

"Common Stock" means the common stock, par value $.01 per share, of the Corporation, authorized pursuant to Article FOUR of the Articles, and any other stock of the Corporation issued upon reclassification of the Common Stock.

"Convertible Securities" means evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable, with or without payment of additional consideration in cash or property, for shares of Common Stock, either immediately or upon the occurrence of a specified date or specified event.

"Current Market Price" per share shall mean, on any date specified herein for the determination thereof, (a) the average daily Market Price of the Common Stock for the twenty trading days immediately preceding such date (if no Market Price is available for any given trading day, such trading day shall not be included in the determination of the Current Market Price), and (b) if the Common Stock is not then listed or admitted to trading on any national securities exchange or quoted in the over-the-counter market, the Market Price on such date as determined in the second sentence of the definition of "Market Price."

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

"Fair Market Value" shall mean the amount which a willing buyer would pay a willing seller in an arm's-length transaction.

"Fully Diluted Common Shares" means all issued and outstanding shares of Common Stock (except shares then owned or held by or for the account of the Company or any subsidiary thereof) and all shares of Common Stock issuable in respect of Options and Convertible Securities.
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"Issue Date" shall mean the first date on which shares of Preferred Stock are issued.

"Junior Stock" shall mean any capital stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock including, without limitation, the Common Stock.

"Liquidation Preference" with respect to a share of Preferred Stock shall mean $50.

"Market Price" shall mean, per share of Common Stock, on any date specified herein: (a) the closing price per share of the Common Stock on such date published in the Wall Street Journal or, if no such closing price on such date is published in the Wall Street Journal, the closing price on such date, as officially reported on the principal national securities exchange on which the Common Stock is then listed or admitted to trading; or (b) if the Common Stock is not then listed or admitted to trading on any national securities exchange but is designated as a national market system security by the NASD, the last trading price (the closing sale price) of the Common Stock on such date; or (c) if there shall have been no trading on such date or if the Common Stock is not so designated, the average of the reported closing bid and asked prices of the Common Stock, on such date as shown by NASDAQ and reported by any member firm of the New York Stock Exchange, Inc. selected by the Corporation. If the Common Stock is not then listed or admitted to trading on any national securities exchange or quoted in the over-the-counter market, "Market Price" shall mean a market price per share determined at the Corporation's expense by an appraiser chosen by the holders of a majority of the shares of Preferred Stock with the consent of the Corporation, which consent shall not be unreasonably withheld or, if no such appraiser is so chosen more than twenty business days after notice of the necessity of such calculation shall have been delivered by the Corporation to the holders of Preferred Stock, then by an appraiser chosen by the Corporation.

"Metromedia" means Metromedia Company, a Delaware general partnership and its successors.
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"NASD" shall mean the National Association of Securities Dealers, Inc.

"NASDAQ" shall mean the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System.

"Options" means rights, options or warrants to subscribe for, purchase or otherwise acquire either shares of Common Stock or Convertible Securities.

"Parity Stock" shall mean any capital stock of the Corporation, including Series 2 Preferred Stock, ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Preferred Stock.

"Person" shall mean any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

"Pooling Notice" means a written notice delivered to the holders of a majority of the outstanding shares of Preferred Stock pursuant to which (i) the Corporation certifies that it has entered into an agreement providing for a transaction (a "Pooling Transaction") which it intends to treat for accounting purposes as a "pooling of interests" and (ii) the Corporation's independent certified public accountants notify the Corporation that the inclusion in the numerator of the Preferred Stock Percentage of clause (ii) of the definition of the Preferred Stock Percentage jeopardizes the ability of the Corporation to account for such transaction as a "pooling of interests."

"Preferred Stock Percentage" means that fraction (expressed as a percentage) the numerator of which is the sum (without duplication) of (i) the number of shares of Common Stock for which outstanding shares of Preferred Stock could be converted and (ii) the number of Fully Diluted Common Shares owned by Metromedia and its Affiliates and the denominator of which is the Fully Diluted Common Shares;
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provided, that the numerator of such fraction shall equal the number of shares of Common Stock for which outstanding shares of Preferred Stock could be converted from and after the consummation of a Pooling Transaction contemplated by a Pooling Notice.

"Regular Dividend" shall mean a dividend on the Common Stock declared by the Board of Directors of the Corporation with respect to the most recently completed quarter of the fiscal year of the Corporation (the "Quarter"), that satisfies either of the following conditions: (i) the product of four times the per share amount of such Common Stock dividend declared with respect to such Quarter is less than or equal to 110% of the aggregate per share amounts of the Common Stock dividends declared and paid with respect to the immediately preceding four fiscal quarters or (ii) the aggregate per share amounts of Common Stock dividends declared with respect to such Quarter and the immediately preceding three fiscal quarters is less than or equal to 25% of the consolidated net income of the Corporation and its Subsidiaries per share of Common Stock (as determined in accordance with generally accepted accounting principles) for the 12-month period ending on the last day of such Quarter. In the case of a dividend on the Common Stock declared by the Board of Directors of the Corporation with respect to a semi-annual or annual period during which no quarterly dividends were declared, the preceding formula will be adjusted and applied appropriately to determine whether such dividend is a Regular Dividend.

"Senior Stock" shall mean any capital stock of the Corporation ranking senior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock.

"Specified Number" means three; provided, however, that the Specified Number shall be two (i) in the event that the board of directors of the Corporation shall consist of 15 or more directors and the board shall have made a good faith determination (which shall be evidenced by a written notice delivered to the record holders of the Preferred Stock) that the board of directors' functions may be more effectively performed by decreasing the size of the board of

directors by one or more and (ii) at all times subsequent to [third anniversary of closing date], 1996. Notwithstanding the foregoing, from and after the occurrence of any sale by Metromedia to any Person (other than an Affiliate of Metromedia) of any shares of Preferred Stock or any shares of Common Stock issued upon conversion of Preferred Stock, if (i) the Preferred Stock Percentage is at least 5% but less than 10%, the Specified Number shall be two, (ii) the Preferred Stock Percentage is at least 2 1/2% but less than 5%, the Specified Number shall be one and (iii) the Preferred Stock Percentage is less than 2 1/2%, the Specified Number shall be zero.

"Subsidiary" shall mean, with respect to any Person, a corporation or other entity of which 50% or more of the voting power of the voting equity securities or equity interest is owned, directly or indirectly by such Person.

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EXHIBIT 10.10

December 5, 1994

Gregory A. LeVert
1355 Lakewood Drive
Lake Forest, IL 60045

Dear Greg

The purpose of this letter is to set forth our understanding as to the terms of your employment by LDDS Communications, Inc. (the "Company"). Upon and subject to the terms and conditions set forth below, the Company employs you as President of Business and Consumer Markets.

1. DUTIES. During the Employment Period (as defined below), you shall perform such duties as may be assigned from time to time by the Board of Directors and/or the Chief Executive Officer of the Company. Subject to the direction and approval of the Board of Directors and the Chief Executive Officer of the Company and without limiting the generality of the foregoing, during the Employment Period you shall participate in the development and implementation of business policies and strategies for the Company and supervise the business and affairs of the Company and its subsidiaries to the extent the same directly relate to business and consumer markets. During the Employment Period, you shall exert your best efforts and devote your time, attention and energies on a full-time basis to the Company's business and the performance of your duties hereunder, and shall not engage in any other employment or business activities without the Company's prior written consent.

2. TERM AND TERMINATION. The "Employment Period" shall be the period commencing on December 5, 1994, and ending on the effective date of any termination as hereinafter provided. The effective date of such termination is herein referred to as the "Date of Termination."

(a) DEATH OR RETIREMENT. The Employment Period shall terminate at the time of your death or retirement after age 60 in accordance with the applicable policies of the Company.

(b) DISABILITY. In the event, by reason of physical or mental disability, as reasonably determined by the Company but not inconsistent with any applicable provisions of the Company's long-term disability policy in effect at the time of such determination, you are unable to perform the services required hereunder, the Employment Period shall terminate if and as directed by the Company in a notice to you. You shall submit to such medical or psychiatric examination and tests as may be necessary and reasonable to make a determination regarding disability.

(c) CAUSE. The Company may terminate the Employment Period for Cause, as of the date specified in a notice to you, in addition to such other rights or remedies as the Company may have under this agreement, at law or in equity. The term "Cause" shall include (i) default or breach by you of any provision of Section 5, below; (ii) an act or omission by you as a result of which you are charged with a criminal offense involving moral turpitude, dishonesty or breach of trust; (iii) your conviction of a felony or plea of guilty or nolo contendere with respect to a felony; (iv) willful misconduct by you which results in material injury or loss to the Company; or (v) a right to discontinue your employment in order reasonably to comply with applicable laws and regulations or satisfy the orders, recommendations and/or requirements of any regulatory agency, body or official having jurisdiction.

(d) GOOD REASON. You may terminate the Employment Period for Good Reason by so notifying the Company in writing within 20 days after you are aware of the event constituting Good Reason, which termination shall be effective on the date four weeks after the Company's receipt of such notice from you, unless the Company elects a different effective date. For purposes hereof, the term "Good Reason" shall mean (i) the assignment without your consent, which consent shall not be withheld unreasonably, of continuing duties in material diminution of the duties initially assigned to you pursuant to this agreement other than for Cause; (ii) default by the Company in the performance of any of its material obligations hereunder including, but not limited to, the failure to pay any amount or provide any benefit required to be paid or provided to you hereunder when due, which default is not cured within a reasonable period after receipt by the Company of written notice from you regarding such default; (iii) failure by the Company other than for Cause to permit you to exercise in any material respect those rights and powers customarily associated with your position which failure is not cured within four weeks after receipt by the Company of written notice from you regarding such default; (iv) the occurrence of a Change of Control (as defined below); (v) your removal (other than with your consent) as

President of Business and Consumer Markets of the Company without Cause; (vi) any decrease in your gross annual base salary; or (vii) a disagreement by you, reasonably and in good faith, in any material respect with the Chief Executive Officer of the Company as to a significant management decision regarding the business and consumer markets of the Company or succession planning with respect to the Chief Executive Officer position of the Company followed by implementation of the Chief Executive Officer's decision in that regard contrary to your views, provided you gave written notice to the Chief Executive Officer of the Company as to such disagreement promptly after the occurrence thereof specifying the basis for your position and your intention to terminate the Employment Period for Good Reason if the Chief Executive Officer's decision is implemented contrary to your views.

(e) OTHER TERMINATION. The Company or you may terminate the Employment Period other than by reason of a basis set forth above by so notifying the other party in writing, which termination shall be effective on the date four weeks after receipt of such notice unless, in the case of termination by you, the Company elects a different effective date.

3. COMPENSATION. As full compensation for your services hereunder, you shall receive and accept the following:

(a) A cash bonus in the amount of $250,000, subject to all required withholdings and deductions, payable promptly after the date of execution and delivery of this agreement.

(b) A grant of an option (the "Option") under the Company's Second Amended and Restated 1990 Stock Option Plan (the "Option Plan") to purchase from the Company up to 200,000 shares of its common stock (the "Common Stock") at an exercise price of $17.88 per share. The Option shall vest and, subject and pursuant to the provisions of the Option Plan, shall be exercisable to the extent of one-half (1/2) the number of shares of Common Stock originally covered thereby (the "Option Shares") on and after the date of execution and delivery of this agreement, one-fourth (1/4) of the Option Shares on and after January 1, 1996, and the remaining one-fourth (1/4) of the Option Shares on and after January 1, 1997, subject to appropriate adjustment pursuant to the Option Plan and provided, as to vesting of the Option Shares, you must be employed by the Company on the applicable vesting date. Notwithstanding the foregoing, the Option shall vest and, subject and pursuant to the provisions of the Option Plan and this agreement, shall be exercisable with respect to all of the Option Shares immediately upon (i) any Change of Control (as hereinafter defined) of the Company following the date hereof, (ii) any termination of the Employment Period by the Company by reason of your disability or without Cause, (iii) any termination of the Employment Period by you for Good Reason, or

(iv) your death. The Option shall terminate on the date one year after (i) any termination of the Employment Period by the Company by reason of your disability or without Cause, (ii) any termination of the Employment Period by you for Good Reason, or (iii) your death, or as otherwise provided in the Option Plan or this agreement. The Option shall terminate and lapse as to any

Option Shares which do not vest pursuant to the provisions hereof. The Option shall be evidenced by and be further subject to the provisions of the Company's standard form of agreement reflecting the current terms and conditions applicable to options granted under the Option Plan. For purposes hereof, a "Change of Control" shall mean any transaction or series of related transactions after the date hereof which result in (A) a transfer of more than fifty percent (50%) of the Common Stock by one or more shareholders of the Company, other than transfers pursuant to a merger or consolidation of the Company, (B) any sale of all or substantially all of the assets of the Company, or (C) any merger or consolidation of the Company with or into any other corporation, where more than fifty percent (50%) of the equity securities of the surviving or resulting corporation (by voting power) are directly or indirectly controlled by persons other than shareholders of the Company immediately prior to such merger or consolidation. All percentages referenced herein shall be determined on a fully diluted basis. The following transactions shall not constitute, or be considered in determining, a Change of Control: (A) any acquisition of securities by the Company, or (B) any acquisition of securities by any employee benefit plan or related trust sponsored or maintained by the Company.

(c) A gross annual base salary in the amount of $420,000. Said salary shall be subject to all required withholdings and deductions, and shall be payable in accordance with the payroll practice of the Company in effect from time to time. On each anniversary of the date of this agreement, your salary shall be reviewed and adjusted on the basis of the salary levels of other executives of the Company, your position and performance and other criteria deemed relevant by the Company, provided such salary shall not be decreased other than for Cause.

(d) You shall be eligible to participate during the Employment Period in any benefit plans and programs of the Company available generally to its employees, subject to and in accordance with the criteria (including, without limitation, discretionary features) applicable thereto. In that regard, and without limiting the foregoing sentence, it is anticipated that initially your cash bonus and award of employee stock options (in addition to the Option) shall be approximately $400,000 and 100,000 shares, respectively, on a per annum basis. You shall be included during the Employment Period in any directors' and officers' liability insurance maintained by the Company, subject to any requirements of the insurer.

4. SEVERANCE. Upon termination of the Employment Period, you shall be entitled to the following, in full satisfaction of any and all obligations to you as a result of or arising out of this agreement, the employment relationship or the termination thereof:

(a) in the event of termination of the Employment Period (i) by the Company other than for Cause, (ii) by reason of your death, or (iii) by you for Good Reason, subject to the conditions specified below:

(A) payment of your unpaid base salary through the Date of Termination, payable within 30 days after the Date of Termination;

(B) your benefits accrued and not paid or provided as of the Date of Termination under any plan or program applicable to your employment hereunder, determined and provided in accordance with the terms thereof;

(C) without duplicating any of the foregoing, an amount equal to two times the amount of your annual base salary in effect immediately prior to the Date of Termination (in no event shall such amount be less than $840,000, representing two times $420,000), plus two times the amount of the annual bonus paid to you with respect to the most recent calendar year ending on or prior to the Date of Termination or, in the event of termination prior to the determination of the first such annual bonus, an aggregate of

$800,000 as the bonus component (representing two times a deemed annual bonus of $400,000), payable within 30 days after the Date of Termination.

(D) other than in the case of termination by reason of your death, in which case the Company's standard policies or applicable law regarding dependent coverage shall apply, for a period not to exceed six months following the Date of Termination (which period shall apply toward any COBRA continuation rights), the Company shall pay the premiums for your health and disability insurance coverage provided from time to time at or after the Date of Termination by the Company, subject to payment by you of any amounts which you would be required to pay if employed by the Company including, but not limited to, amounts payable with respect to dependent coverage, provided such obligation of the Company shall terminate upon your becoming eligible for health and/or disability coverage from a new employer; or

(b) in the event of termination of the Employment Period on any basis other than those specified in the preceding Subsection 4(a), the payment and benefits specified in the preceding clauses (A) and (B) of Subsection 4(a).

All payments, benefits and other obligations pursuant to the foregoing shall be subject to the withholding and other requirements of applicable law and, in the case of Subsection 4(a), to the following conditions:

(i) you or, in the event of termination by reason of your death, the representative of your estate shall execute and deliver to the Company on or before the Date of Termination, a document in form and substance reasonably satisfactory to the Company (A) accepting such payments and benefits in full satisfaction of any and all claims which you (or your estate) may have against the Company, its affiliates or any of their respective agents, directors, shareholders, officers or employees, and (B) releasing the foregoing from any and all claims, injuries and damages arising out of or by reason of your employment, the termination thereof or any conduct affecting your employment, or based upon this agreement or any custom, practice or policy of the Company or any of the Company's affiliates (exclusive of the obligation to make the payments and provide the benefits set forth in this agreement); and

(ii) you shall provide consultation, cooperation and assistance as and when reasonably requested with respect to matters in or of which you were involved or had knowledge during your employment and keep the Company advised of an address and telephone number where you may be reached.

5. COVENANTS. (a) NON-COMPETITION AND CONFIDENTIALITY. You acknowledge and agree as follows:

(i) For purposes hereof, all information about documents pertaining to the business, operations, activities and affairs of the Company and/or its affiliates and any of their respective customers and suppliers obtained by you during your employment by the Company constitute "Confidential Information." You acknowledge that you will have access to Confidential Information and that improper use or disclosure of the same could cause serious injury to the business and business relationships of the Company, its affiliates and others. Accordingly, you agree to keep confidential all Confidential Information which shall have come or shall hereafter come into your possession, that you will not use the same for your own benefit or directly or indirectly for the benefit of others, and that you will not disclose such Confidential Information to any other person without the Company's prior written consent, in each case, whether during or after termination of the Employment Period. For purposes hereof, "Confidential Information" shall not include any information which is or becomes generally available to the public through no fault of yours. Nothing contained herein shall preclude disclosure of Confidential Information to the extent required by legal process, provided you notify the Company in writing a reasonable time prior to such disclosure and cooperate in obtaining a protective order or other appropriate remedy, as determined by the Company.

(ii) You recognize that you may possess confidential information and trade secrets about other employees of the Company and/or its affiliates relating to their education, experience, skills, abilities, salary and benefits, and interpersonal relationships with customers and suppliers of the Company and/or its affiliates. You further recognize that such information is not generally known, is of substantial value to the Company and/or its affiliates in securing and retaining customers and suppliers, and will be acquired by you because of your employment. Accordingly, you shall not, directly or indirectly, solicit or induce any person who is, or was within six months prior to any contemplated solicitation or inducement, employed by the Company and/or any of its affiliates to leave such employment or to enter the employment of any other person or entity.

(iii) For purposes hereof, "Business" means the direct or indirect origination, transmission, and/or termination of voice and data messages; the provision of long distance telecommunications services; the provision of operator services and/or billing and collection services with respect to long distance telecommunications; the provision of local telephone services; the provision of related services; and consulting with respect to or arranging for any such origination, transmission, termination or services; or any of the above. You hereby agree, without limiting any other provision in this Subsection 5(a), that you will not, directly or indirectly, during the Employment Period and for a period of two (2) years following termination of the Employment Period, (A) own, manage, operate, control, be employed or engaged by or otherwise participate or have any interest in any person or entity which is engaged in, or otherwise engage in, the Business in any state in the United States, or (B) solicit, divert, take away, interfere with or disrupt relationships with, or attempt to do any of the foregoing with respect to, any customer, supplier, employee, independent contractor, agent or representative of the Company or its affiliates. Nothing contained in Subsection 5(a)(iii)(A) shall (A) limit your right as an investor to make and hold passive investments in investment securities aggregating not more than 1% of the issued and outstanding securities of any corporation that is registered on a national securities exchange or admitted to trading privileges thereon or actively traded on a generally recognized over-the-counter market, or (B) preclude, after termination of the Employment Period, your being employed by a person or entity engaged in the Business other than AT&T Communications, Inc., MCI Telecommunications Corporation, US Sprint Corporation, a Regional Bell Operating Company or any successor or affiliate of the foregoing, or your ownership of any interest in a person or entity engaged in the Business that together with its affiliates has less than $50 million in annual gross revenues at the time of your acquisition of such interest.

The provisions of the foregoing Subsections 5(a)(ii) and (iii) shall not apply in the event of termination of the Employment Period (i) by the Company other than by reason of your disability or for Cause, or (ii) by you for Good Reason.

(b) INVENTIONS. You agree to transfer and assign to or as directed by the Company your entire right, title and interest in and to any or all inventions, enhancements, modifications, designs, discoveries, improvements or ideas which you may develop, either solely or jointly with others, during the Employment Period and for a period of sixty (60) days thereafter, which relate in any way to the business, products, properties or services of the Company or its affiliates, together with all copyrights, patents, trademarks or other property rights with respect thereto. You agree to disclose immediately to the Company any invention, enhancement, modification, design, discovery, improvement or idea developed during said period and to execute and deliver to the Company, without further compensation, such documents as may be necessary or desirable for the Company to acquire a copyright, patent, trademark or other property right with respect thereto and to transfer and assign to the Company your entire right, title and interest therein.

(c) LITIGATION. You agree that during the Employment Period and thereafter, at the Company's expense, you shall do all things including, but not limited to, the giving of evidence in suits and other proceedings, which the Company shall deem necessary or proper to obtain, maintain or assert rights accruing to, and defend claims against, the Company or its affiliates in connection with which you have knowledge, information or expertise.

(d) RETURN OF PROPERTY. Upon termination of the Employment Period, you shall deliver to the Company all documents, records, books, materials, software, diskettes, keys, financial information, business plans, operating results and other property belonging or relating to the Company or its affiliates, and you shall not retain any copies thereof.

6. RIGHTS AND REMEDIES. We agree that the services to be rendered by you are special, unique and of an extraordinary character. Accordingly, in the event of the breach or threatened breach by you of any of the provisions of this agreement, the Company, in addition and as a supplement to such other rights and remedies as may exist in its favor, shall be entitled to injunctive relief against any act which would violate any of the provisions of this agreement. In the event any provision hereof is held to be unenforceable by any court of competent jurisdiction, it is agreed and understood that this agreement shall be deemed amended and construed in a manner that the provisions hereof are enforceable to the fullest extent permitted by applicable law. The Company shall be entitled to recover from you all costs and expenses including, but not limited to, attorneys' fees and court costs, incurred by the Company as a result or arising out of

any breach or threatened breach under or pursuant to this agreement, in addition to such other rights or remedies as the Company may have under this agreement or any other agreement, at law or in equity. This agreement shall not supersede or be in lieu of any other agreement or provision (at law, in equity or otherwise) restricting activities referenced herein or granting rights or remedies in favor of the Company but shall be in addition to any such other restrictions, rights or remedies.

7. MODIFICATION. Except as otherwise provided herein, no modification, amendment or waiver of any of the provisions of this agreement shall be effective unless made in writing and signed by the party to be charged.

8. ENTIRE AGREEMENT. Other than with respect to the Company's policies, rules and standards of general applicability in effect from time to time, which shall be binding upon you, this agreement constitutes our entire agreement with respect to your employment and the compensation therefor. This agreement replaces and supersedes all prior agreements or understandings regarding such subject matter, if any.

9. WAIVER. The failure to enforce at any time any of the provisions of this agreement or to require at any time performance by any party hereto of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this agreement, or any part hereof, or the right of each party hereto thereafter to enforce each and every provision in accordance with the terms of this agreement.

10. BINDING EFFECT. This agreement shall be binding upon and shall inure to the benefit of the Company and any successor or assignee of the Company. This agreement also shall be binding upon and shall inure to the benefit of you and your heirs, executors and legal representatives; provided, the services to be performed by you hereunder are personal in nature and, therefore, you may not assign your rights or delegate your obligations hereunder and any attempted or purported assignment or delegation by you shall be null and void.

11. GOVERNING LAW AND CONSENT TO JURISDICTION. This agreement shall be deemed to be made in, and in all respects shall be interpreted, construed and governed by and in accordance with the internal laws of, the State of Mississippi, and you consent to the jurisdiction of the courts of the State of Mississippi with respect to any dispute, controversy or other matter relating to or arising out of this agreement.

12. SURVIVAL. The provisions of Sections 4 through 15 hereof shall survive the termination of the Employment Period.

13. SECTION HEADINGS. The section headings contained in this agreement are for reference purposes only and shall not in any way affect the meaning, substance or interpretation of this agreement.

14. COUNTERPARTS. This agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

15. NONCONTRAVENTION. You hereby represent, warrant and covenant that you have the right to enter into this agreement without breaching or violating any other agreement or obligation or giving rise to a fee or other payment to a third party, that you are not a party to any agreement or understanding whether or not written which would prohibit or interfere with the performance of your obligations under this agreement and that you will not use in the performance of your obligations hereunder any proprietary information of any third party which you are legally prohibited from using.

If the foregoing is consistent with your understanding of the terms of your employment and acceptable, please so indicate by signing a copy of this letter where indicated below and return the same to me.

Sincerely,

LDDS COMMUNICATIONS, INC.

By: ------------------------------
Bernard J. Ebbers, President

The undersigned has reviewed and understands the foregoing (including, but not limited to, the provisions of Sections 5 and 15), has had an opportunity to discuss the same with his own counsel and accepts and agrees to the foregoing as of the date of this letter.

Gregory A. LeVert

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EXHIBIT 10.11

January 4, 1994

Mr. Roy A. Wilkens
WilTel
Tulsa, Oklahoma

Dear Roy:

For several years, the Company and those of its subsidiaries having separate payrolls have paid to each of certain executives a payment in lieu of perquisites, in addition to his or her base salary. This "in-lieu" payment was made separately from base pay and therefore was not included in the determination of various benefits, including regular and supplemental pension benefits and investment plan contributions. Particularly in light of recent changes in the tax laws, it no longer is desirable or useful to have separate payments. The Compensation Committee has therefore decided to discontinue separate payments and effective January 1, 1994, the "in-lieu" payments will no longer be made but as salaries for those executives who have been receiving them will be increased by corresponding amounts. Since the former "in-lieu" payments will in the future be considered part of base salary, they will be included in the determination of benefits.

The Employment Agreement among you, the Company and Williams Telecommunications Group, Inc., dated as of January 1, 1990, and amended as of January 9, 1991 (the "Employment Agreement") provides for the making of "in-lieu" payments. The purpose of this letter is to evidence your agreement to amending the Employment Agreement effective as of January 1, 1994, by deleting Sections 4.01.2 and 4.01.2.1 thereof and by further deleting all other references to the "In-Lieu Payment" wherever they appear. In consideration for this amendment, the amount of the Base Salary provided for in Section 4.01.1 of the Employment Agreement, as in effect on January 1, 1994, prior to any increase that may be made as a result of compensation actions approved by the Company's board of directors at its meeting in January 1994, will be increased by the amount of the In-Lieu Payment as in effect on December 31, 1993.

Please signify your concurrence with the amendment of the Employment Agreement by signing and returning a copy of this letter

Very truly yours,

/s/ Keith E. Bailey

Keith E. Bailey

Accepted and agreed to this
11th day of January 1994

/s/ Roy A. Wilkens

Roy A. Wilkens

January 9, 1991

Mr. Roy A. Wilkens
President
Williams Telecommunications Group
One Williams Center
Tulsa, Oklahoma 74174

Dear Roy:

As of January 1, 1990, you, The Williams Companies, Inc. and Williams Telecommunications Group entered into a certain Employment Agreement. An error has been discovered in paragraph 3.07.2 of such agreement which could result under certain circumstances in your receiving smaller payments than intended. As it therefore appears desirable to revise paragraph 3.07.2, upon your acceptance of this letter, such paragraph will be deemed amended to read as follows:

> 3.07.2 Should it ultimately be determined that a termination by the Company pursuant to paragraph 3.03.1 hereof of paragraph 3.03.2 hereof was not justified, or that a termination by the Executive pursuant to paragraph 3.04.1 hereof was justified, then the termination will be deemed to have occurred under paragraph 3.03.3 hereof and the Executive will be entitled to retain all sums paid to the Executive pending the resolution of such dispute and to receive, in addition, the payments and benefits provided for in paragraph 3.03.3 hereof, plus interest at the rate provided in paragraph 3.07.1 hereof, from the Date of Termination to the Date of Resolution, and at the rate provided in subsection 6.02 hereof thereafter.

Except as herein amended, the above-mentioned Employment Agreement will remain in full force and effect as written.

Very truly yours,

THE WILLIAMS COMPANIES, INC.

By: /s/ Vernon T. Jones

Vernon T. Jones

WILLIAMS TELECOMMUNICATIONS GROUP

By: /s/ Vernon T. Jones

Vernon T. Jones

Accepted this the 9th day of
January, 1991.

/s/ Roy A. Wilkens

Roy A. Wilkens

EMPLOYMENT AGREEMENT

Dated as of January 1, 1990

among

THE WILLIAMS COMPANIES, INC.

and

WILLIAMS TELECOMMUNICATIONS GROUP, INC.

and

ROY A. WILKENS

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EMPLOYMENT AGREEMENT

THIS AGREEMENT, effective as of the 1st day of January, 1990, by and between The Williams Companies, Inc., a Delaware corporation, Williams Telecommunications Group, Inc., a Delaware corporation having its principal offices at One Williams Center, Tulsa, Oklahoma 74172, and Roy A. Wilkens (the "Executive"):

WITNESSETH:

WHEREAS, the Executive is presently the duly elected and acting President of the Employer and, as such, is a key executive of the Employer whose continued employment by the Employer is deemed important to the Employer; and

WHEREAS, the Employer desires to retain the services of the Executive under the terms and conditions hereinafter set forth:

NOW, THEREFORE, the parties agree as follows:

SECTION 1. DEFINITIONS AND CONSTRUCTION.

1.01 Definitions. In addition to the terms defined elsewhere herein, the following terms as used in this Agreement will have the following meanings when used with initial capital letters:

1.01.1 "Accounting Firm" means Ernst & Young unless (i) a Gross-up Payment results from a Change of Control and Ernst & Young has provided services for the Person or Persons who caused or initiated the Change of Control, or an affiliate of such Person or Persons, or (ii) Ernst & Young declines to act as such, in either which event the Accounting Firm will be another nationally-recognized firm or certified public accountants jointly selected by the Employer and the Executive.

1.01.2 "Act" means the Securities Exchange Act of

1934, as amended.

1.01.3 "Base Salary" will have the meaning assigned in paragraph 4.01.1 hereof.

1.01.4 "Board" means the Company's Board of Directors.

1.01.5 "Cause" means (i) willful failure by the Executive substantially to perform the duties provided for herein, other than any such failure resulting from a Disability, or (ii) gross negligence or willful misconduct of the Executive which results in a significantly adverse effect upon the Company or the Employer, or (iii) willful violation or disregard of the Code of Business Conduct or other published policy of the Company or the Employer by the Executive, or (iv) a Sale of a Business.

1.01.6 "Change of Control" means and will be deemed to have occurred if (i) any Person, other than the Company or a Related Party, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the total voting power of all the then outstanding Voting Securities, or (ii) a Person, other than the Company or a Related Party, purchases or otherwise acquires, under a tender offer, securities representing, when combined with other securities of the Company owned by such Person, twenty percent (20%) or more of the total voting power of all the then outstanding Voting Securities, or (iii) the individuals (a) who as of the date hereof constitute the Board or (b) who hereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors as of the date hereof or whose election or nomination for election

was previously so approved, cease for any reason to constitute a majority of the members of the Board, or (iv) the stockholders of the Company approve a merger, consolidation, recapitalization or reorganization of the Company or an acquisiton of securities or assets by the Company, or consummation of any such transaction if stockholder approval is not obtained (other than any such transaction which would result in the Voting Securities outstanding immediately prior thereto continuing to represent, either by remaining outstanding or by being converted into voting securities of the surviving entity, at least eighty percent (80%) of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction and in or as a result of which the voting rights of each Voting Security relative to the voting rights of all other Voting Securities are not altered), or (v) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets, other than any such transaction which would result in a Related Party owning or acquiring more than fifty percent (50%) of the assets owned by the Company immediately prior to the transaction, or (vi) the Board or the Committee adopts a resolution to the effect that a Change of Control has occurred or adopts a resolution to the effect that a Potential

Change of Control has arisen and the transaction giving rise to such resolution has been thereafter approved by the stockholders of the Company or been consummated if such approval is not sought.

1.01.7 "Change of Control Price" means, with respect to a share of the Company's common stock, the higher of (i) the arithmetic average of the high and the low selling prices of such stock on the New York Stock Exchange during the thirty (30) calendar days preceding a Change of Control or (ii) the highest price paid or offered in a transaction which either (a) results in a Change in Control or (b) would be consummated but for another transaction which results in a Change of Control and, if it were consummated, would result in a Change of Control. With respect to clause (ii) in the preceding sentence, the "price paid or offered" will be equal to the sum of (i) the face amount of any portion of the consideration consisting of cash or cash equivalents and (ii) the fair market value of any portion of the consideration consisting of real or personal property other than cash or cash equivalents, as established by an independent appraiser jointly selected by the parties at the sole cost of the Company.

1.01.8 "Code" means the Internal Revenue Code of 1986, as amended.

1.01.9 "Code of Business Conduct" means the Company's Code of Business Conduct, as amended from time to time by the Board prior to a Change of Control or a Potential Change of Control unless such Potential Change of Control is no longer continuing.

1.01.10 "Committee" means a committee of the Board properly exercising, with respect to this Agreement or any of the Incentive Plans, powers assigned under the terms of any applicable plan document or powers of the Board duly delegated by the Board.

1.01.11 "Company" means The Williams Companies, and any successor to its business and/or assets which executes and delivers the agreement provided for in subsection 6.03 hereof or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

1.01.12 "Date of Resolution" will have the meaning assigned in paragraph 3.07.4 hereof.

1.01.13 "Date of Termination" means the date of termination of this Agreement as specified in the provision of this Agreement pursuant to which termination is to be effected.

1.01.14 "Disability" means a physical or mental incapacity of the Executive which substantially prevents the Executive, after reasonable accommodation, from performing the essential functions of the duties provided for in this Agreement on a full-time basis for a period of six (6) calendar months out of any twelve (12) consecutive calendar month period and which could reasonably be expected to continue for a period of at least eighteen (18) months following such twelve (12) month period.

1.01.15 "EICP" means the Company's Executive Incentive Compensation Plan or any successor plan providing substantially equivalent or better benefits.

1.01.16 "Employer" means Williams Telecommunications Group, Inc. and any successor to its business and/or assets which executes and delivers the agreement provided for in subsection 6.03 hereof or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

1.01.17 "Excise Tax" will have the meaning assigned in subsection 5.03 hereof.

1.01.18 "Good Reason" means, except in connection with a permitted termination of this Agreement by the Company or the Employer, or unless the Executive has consented thereto, (i) a material change in the Executive's duties provided for herein, unless associated with a bona fide promotion of the Executive and a commensurate increase in the Executive's compensation, in which case the Executive will be deemed to consent, or (ii) a significant reduction in the authority and responsibility assigned to the Executive, or (iii) the removal of the Executive from or failure to reelect the Executive to the office specified in subsection 2.01 hereof, unless associated with a bona fide promotion of the Executive and a commensurate increase in the Executive's compensation or in connection with the election of the Executive to the corresponding office of another majority owned subsidiary of the Company, in each which case the Executive will be deemed to consent, or (iv) a reduction by the Employer of the Base Salary or In-Lieu Payment below the amount provided in, respectively, paragraph 4.01.1 or 4.01.2 hereof, as the same may be increased from time to time, or (v) except in relation to a wage freeze applicable to all employees of the Employer, a failure by the Company to approve or the Employer to make an increase in the Base Salary or In-Lieu Payment each year this Agreement continues in effect, in accordance with, respectively, paragraph 4.01.1 or 4.01.2 hereof, or (vi) termination of any of the Incentive Plans, unless such plan is replaced by a successor plan providing incentive opportunities at least as favorable to the Executive as those provided in the plan being terminated, or (vii) amendment of any of the Incentive Plans so as to provide for incentive opportunities less favorable to the Executive than those provided in the plan being amended, or (viii) failure by the Company to continue the Executive as a participant in any of the Incentive Plans in which the Executive is now or hereafter becomes a participant on a basis comparable to the basis on which other senior executives of the Company or its subsidiaries participate in such plan, or (ix) except in relation to a wage freeze applicable to all employees of the Employer or the Company, modification of the administration of any of the Incentive Plans so as to adversely affect the level of awards actually received by the Executive, or (x) failure of the Company to grant to the Executive awards under the EICP on the basis provided in the first sentence of subsection 4.06 hereof (disregarding the first proviso in such sentence) or under any of the other Incentive Plans at comparable levels, or (xi) the relocation of the Employer's principal executive offices to a location more than 35 miles from Tulsa, Oklahoma or (xii) a requirement by the Employer or the Company that the Executive be based anywhere other than the Employer's principal executive offices, except for travel on the Employer's business reasonably required by the Executive's duties contemplated hereby, unless associated with a bona fide promotion of the Executive and a commensurate increase in the Executive's compensation or in connection with the election of the Executive to the office of another majority owned subsidiary of the Company corresponding to that specified in subsection 2.01 hereof, in each which case the Executive will be deemed to consent, or (xiii) in the event of a relocation of the Employer's principal executive offices or a change in the location at which the Executive is based, in either case on a basis permitted hereunder, the failure by the Employer to pay (or reimburse the Executive for) all reasonable moving expenses (including interest equalization expenses under the Company's current interest equalization plan and any excise or income taxes resulting from any payments made in connection with any such relocation or change of location) incurred by or for the account of the Executive relating to a resulting change of the Executive's principal residence, and to an extent at least as favorable to the Executive as provided by the current policy of the Company with respect to senior executive employee relocations, to indemnify the Executive against the amount, if any, by which the net proceeds realized in the sale of the Executive's principal residence in connection with any such change of residence are less than the Executive's tax basis in such residence, or (xiv) the failure of the Employer to provide the Executive with other benefits (including but not limited to vacations and benefits under the SRP) which, when taken as a whole, are substantially as favorable to the Executive as those currently provided to senior executive employees of the Company or its subsidiaries generally or to pay the Executive the monetary equivalent thereof, or (xv) the failure of the Company to establish the trust provided for in subsection 5.02 hereof or after establishment of such trust, the revocation of the same by the Company or the failure of the Company to fund and maintain the funding of such trust as required by subsection 5.02 hereof.

1.01.19 "Gross-up Payment" will have the meaning assigned in subsection 5.03 hereof.

1.01.20 "Incentive Plan" means any of the Company's Stock Option Plans, Restricted Stock Plan, EICP, sales incentive plans or other incentive plans in existence now or immediately prior to a Change of Control or any additional or successor plans providing substantially equivalent or better incentive opportunities.

1.01.21 "In-Lieu Payment" means an amount of money to be paid to the Executive in lieu of certain perquisites pursuant to paragraph 4.01.2 hereof.

1.01.22 "IRS" means the Internal Revenue Service.

1.01.23 "Minimum Increase" will have the meaning assigned in paragraph 4.01.1 hereof.

1.01.24 "Normal Retirement Date" means the date the Executive is eligible to take normal retirement under the Pension Plan.

1.01.25 "Notice of Termination" means a written notice given by one of the parties of this Agreement to the other parties pursuant to a provision hereof to terminate this Agreement and setting forth the provision of this Agreement under which such notice is given, the Date of Termination and such other information as may be required by the provision of this Agreement under which such notice is given.

1.01.26 "Pension Plan" means the Company's

Consolidated Pension Plan or any successor plan providing comparable benefits.

1.01.27 "Person" will have the meaning assigned in the Act.

1.01.28 "Potential Change of Control" means and will be deemed to have arisen if (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change of Control, or (ii) any Person (including the Company) publicly

announces an intention to take or consider taking actions which if consummated would constitute a Change of Control, or (iii) any Person, other than a Related Party, files with the Securities and Exchange Commission a Schedule 13D pursuant to Rule 13d-lunder the Act with respect to Voting Securities, or (iv) any Person, other than the Company or a Related Party, files with the Federal Trade Commission a notification and report form pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 with respect to any Voting Securities or any assets of the Company or its subsidiaries, or (v) the Board or the Committee adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change of Control has arisen. A Potential Change of Control will be deemed to continue (i) with respect to an agreement within the purview of clause (i) of the preceding sentence, until the agreement is cancelled or terminated, or (ii) with respect to an announcement within the purview of clause (ii) of the preceding sentence, until the Person making the announcement publicly abandons the stated intention or fails to act on such intention for a period of twelve (12) calendar months, or (iii) with respect to either the filing of a Schedule 13D within the purview of clause (iii) of the preceding sentence or the filing of a notification and report form within the purview of clause (iv) of the preceding sentence with respect to Voting Securities , until the Person involved publicly announces that its ownership or acquisition of the Voting Securities is for investment purposes only and not for the purpose of seeking a Change of Control of such Person disposes of the Voting Securities, or (iv) with respect to any Potential Change of Control, until a Change of Control has occurred or the Board or the Committee, on reasonable belief after due investigation, adopts a resolution that the Potential Change of Control has ceased to exist.

1.01.29 "Related Party" means (i) a majority owned subsidiary of the Company, or (ii) an employee or group or employees of the Company or any majority owned subsidiary of the Company, or (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the company or any majority owned subsidiary of the Company, or (iv) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company.

1.01.30 "Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Act and codified at 17 CFR Section 240.16b-3, as such rule may be amended or renumbered from time to time, or any successor rule.

1.01.31 "Sale of a Business" means the sale or other disposition by the Company or the Employer to any Person, other than the Company or a Related Party (except an employee or group of employees of the Company or a majority owned subsidiary of the Company), of a branch, division, subsidiary or other business unit (or all or substantially all of the assets thereof) in which the Executive was employed prior to such sale or disposition, provided the Executive is offered an employment agreement by the acquiror of such branch, division, subsidiary, business unit or assets containing substantially the same terms and conditions provided in this Agreement.

1.01.32 "SRP" means the Company's Supplemental Retirement Plan or any successor plan providing substantially equivalent or better benefits.

1.01.33 "Underpayment" will have the meaning assigned in paragraph 5.03.1 hereof.

1.01.34 "Voting Securities" means any securities of the Company which carry the right to vote generally in the election of directors.

1.02 Construction. For purposes of this Agreement, the following rules of construction will apply:

1.02.1 No act or failure to act on the Executive's part will be considered "willful" unless done or omitted to be done by the Executive not in good faith and without reasonable belief that such act or omission was in the best interest of the Employer and the Company.

1.02.2 The word "or" is disjunctive but not necessarily exclusive.

1.02.3 Words in the singular include the plural; words in the plural include the singular; and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine gender include the other and neuter genders.

SECTION 2. DUTIES OF EXECUTIVE.

2.01 Duties. The Employer will employe the Executive as its President to perform the duties provided in or contemplated by the By-laws of the Employer and customarily assigned to such office and such other general executive duties, not inconsistent with such office, as the Board of Directors of the Employer, the Board or any officer of the Employer to whom the Executive reports may from time to time assign to the Executive and will elect or reelect the Executive to such office so long as this Agreement continues in effect. The Executive acknowledges that the office (or offices) or position for which he is employed under this Agreement constitutes a "bona fide executive position" as such term is used in Section 12(c) of the Age Discrimination in Employment Act, as amended (29 USC Section 631(c)).

2.02 Nature of Executive's Obligation. The Executive will, during the term of this Agreement, perform the foregoing duties to the best of his ability and will devote all time and attention reasonably necessary to carry out such duties and will in good faith strive to serve the best interests of the Employer and the Company.

SECTION 3. TERM AND TERMINATION.

3.01 Term. This Agreement will become effective as of the date first above written and unless terminated as hereinafter provided, will remain in effect for a term consisting of a continuous thirty (30) calendar month period, renewing monthly. In no event, however, will this Agreement continue in effect beyond the Normal Retirement Date.

3.02 Termination by Employer or Executive. This Agreement may be terminated by the Employer or the Executives as of the end of any thirty (30) calendar month period, by delivery to the other parties hereto of a Notice of Termination at least thirty (30) calendar months prior to the Date of Termination. Upon such termination, except to the extent otherwise expressly provided in the plan documents governing any particular benefit, the Executive will be entitled to receive, without duplication, (i) such compensation and benefits provided for in paragraphs 4.01.1, 4.01.2 and 4.01.4 hereof which are accrued as of the Date of Termination, and (ii) any payments or distributions which may be required under subsection 4.07 hereof.

3.03 Termination by the Employer.

3.03.1 In the event of a Disability, the Employer may give written notice to the Executive of its intention to terminate this Agreement. If the Executive fails to return to work on a full-time basis within thirty (30) days from the date of such notice, the Employer may terminate this Agreement at any time after such thirty (30) day period by giving the Executive Notice of Termination. Upon termination of this Agreement, under this paragraph 3.03.1, the Executive will be entitled to receive, without duplication, (i) the compensation and benefits provided in subsection 4.02 hereof, and (ii) any long-term disability or other benefits then regularly provided by the Employer or the Company to disabled employees of the Company or its subsidiaries.

3.03.2 This Agreement may be terminated at any time by the Employer for Cause, provided that (except in connection with a Sale of a Business) there has been adopted in good faith by at least a majority of the nonemployee members of the Board at a meeting called for that purpose, notice of which, setting forth in reasonable detail the acts or omissions alleged to constitute Cause, was provided to the Executive at least thirty (30) days prior thereto, and at which the Executive was given the opportunity to be represented by counsel and to present evidence and argument as to why Cause does not exist, and concurred in or ratified by the Board of Directors of the Employer, a resolution finding that Cause exists and directing the termination of this Agreement. Termination of this Agreement under this paragraph 3.03.2 will be effective upon delivery to the Executive of a Notice of Termination. In connection with a termination for Cause, other than a Sale of a Business, a copy of the resolution required by the first sentence of this paragraph 3.03.2 will constitute such Notice of Termination. Upon such termination, except to the extent otherwise expressly provided in the plan documents governing any particular benefit or in subsection 3.07 hereof, the Executive will be entitled to receive, without duplication, (i) such compensation and benefits provided for in paragraphs 4.01.1, 4.01.2 and 4.01.4 hereof which are accrued as of the Date of Termination, and (ii) any payments or distributions which may be required under subsection 4.07 hereof.

3.03.3 This Agreement may be terminated at any time by the Employer without liability to the Executive other than for compensation provided for in paragraphs 4.01.1 and 4.01.2 hereof which is accrued as of the Date of Termination, provided that the Executive is offered employment by another majority owned subsidiary of the Company on terms substantially the same as those provided herein and in a position with such other subsidiary corresponding to that specified in subsection 2.01 hereof.

3.03.4 Except as otherwise provided in this subsection 3.03, the Employer may terminate this Agreement at any time in any otherwise lawful manner by giving thirty (30) days' Notice of Termination to the Executive; provided, , however, that such termination will be deemed to constitute a breach of this Agreement and will entitle the Executive to receive, as liquidated damages, the payments and benefits provided for in subsection 4.04 hereof. The Employer and the Company otherwise waive all rights which either of them may now have or may hereafter be conferred upon either of them, by statute or otherwise, to terminate, cancel or rescind this Agreement, in whole or on part.

> 3.03.4.1 If the Executive is eligible under the terms of the Pension Plan for "early retirement," as such term is used in the Pension Plan, the Executive may elect such "early retirement" in connection with a termination of this Agreement under this paragraph 3.03.4 without prejudice to the Executive's entitlement to any payments and benefits provided for under subsection 4.04 hereof.

3.04 Termination by the Executive.

3.04.1 The Executive may terminate this Agreement at any time by giving Notice of Termination to the Employer in the event of a breach or a constructive breach of this Agreement by the Employer or the Company, provided, that if the asserted breach or constructive breach results from the existence of Good Reason, this Agreement will not terminate if the Company or the Employer, as the case may be, within ten (10) business days after the giving of the Notice of Termination, cures the breach or constructive breach by eliminating the condition or event constituting Good Reason without cost, loss or detriment to the Executive. Such Notice of Termination will set forth in reasonable detail the facts and circumstances claimed by the Executive to constitute the breach or constructive breach giving rise to the Executive's right of termination. Upon termination of this Agreement under this paragraph 3.04.1, the Executive will be entitled to receive, as liquidated damages, the payments and benefits provided for in subsection 4.04 hereof.

> 3.04.1.1 Without limiting the facts and circumstances that may otherwise constitute a breach or constructive breach of this Agreement, the existence of Good Reason will constitute a constructive breach of this Agreement by the Employer or the Company, provided that in no event will those facts and circumstances identified in clauses (v), (vi), (vii), (viii), (ix), (x), (xi) and (xv) of the definition of Good Reason in paragraph 1.01.18 hereof

constitute a breach or constructive breach of this Agreement by the Employer or the Company unless and until a Change of Control has occurred or a Potential Change of Control has arisen and is continuing.

3.04.1.2 If the Executive is eligible under the terms of the Pension Plan for "early retirement," as such term is used in the Pension Plan, the Executive may elect such "early retirement" in connection with a termination of this Agreement under this paragraph 3.04.1 without prejudice to the Executive's entitlement to any payments and benefits provided for under subsection 4.04 hereof.

3.04.2 Except as otherwise provided in paragraph 3.04.1 hereof, this Agreement may be terminated by the Executive at any time by giving thirty (30) days' Notice of Termination to the Employer; provided, however, that such termination will be deemed to constitute a breach of this Agreement by the Executive. Upon such termination, except to the extent otherwise expressly provided in the plan documents governing any particular benefit or in subsection 3.07 hereof, the Executive will be entitled to receive without duplication, (i) such compensation and benefits provided for in paragraphs 4.01.1, 4.01.2 and 4.01.4 hereof which are accrued as of the Date of Termination and (ii) any payments or distributions which may be required under subsection 4.07 hereof.

3.05 Termination on Death of Executive. Upon the death of the Executive, this Agreement will terminate without notice or other action by the Employer or the Company. Upon such termination, the Employer will pay or cause to be paid to the Executive's named beneficiary or beneficiaries (or if none or none survives the Executive or all such beneficiaries are disqualified, then to the Executive's personal representative) or if the plan documents relating to any such benefits provide for payment to other designated Persons, then to such Persons, without duplication, (i) the compensation, and the Employer or the Company will provide to such Persons the benefits, provided in subsections 4.03 and 4.07 hereof, and (ii) any death or other benefits then regularly provided by the Employer or the Company with respect to deceased employees of the Company or its subsidiaries.

3.06 Termination upon Executive's Retirement. This Agreement will automatically terminate upon the Executive's retirement under the Pension Plan. Unless such retirement is prior to the Normal Retirement Date and is elected by the Executive in connection with a termination of this Agreement pursuant to paragraphs 3.03.4 or 3.04.1 hereof, the Executive will, in the event of termination under this subsection 3.06, be entitled to receive, without duplication, (i) such compensation and benefits provided for in paragraphs 4.01.1, 4.01.2 and 4.01.4 hereof which are accrued as of the Date of Termination, (ii) such additional payments and benefits as may be provided for in the Pension Plan and other benefit plans applicable generally to retired senior executives of the Company and its subsidiaries (including, but not limited to, the SRP and the Incentive Plans) and, if participation therein is optional on the part of the employee, in which the Executive has elected to participate, and (iii) any payments or distributions which may be required under subsection 4.07 hereof.

3.07 Disputed Termination. In the event Notice of Termination is given by the Employer pursuant to paragraph 3.03.1 hereof or paragraph 3.03.2 hereof or by the Executive pursuant to paragraph 3.04.1 hereof and within thirty (30) days after the Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the basis for the termination, then pending the resolution of any such dispute the Executive will

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be excused from performing the duties contemplated hereby but the Employer will continue to pay the Executive the compensation provided for in paragraphs 4.01.1, 4.01.2 and 4.01.3 hereof, and the Employer or the Company will provide the Executive the same or substantially comparable benefits as provided in paragraph 4.01.4 hereof, as the Executive was paid and provided immediately prior to the delivery of the Notice of Termination.

3.07.1 If a termination by the Employer pursuant to paragraph 3.03.1 hereof or paragraph 3.03.2 hereof is challenged by the Executive and the termination is ultimately determined to be justified, or a termination by the Executive pursuant to paragraph 3.04.1 hereof is challenged by the Employer and the termination is ultimately determined to be not justified, then all sums paid by the Employer or the Company to the Executive pursuant to this subsection 3.07, plus the actual, out-of-pocket cost to the Employer or the Company to provide the Executive such benefits (except with respect to any such benefits to which the Executive would have been entitled without regard to this Agreement) from the Date of Termination to the Date of Resolution, will be promptly repaid by the Executive to the Employer or the Company, as the case may be, with interest at the rate charged from time to time by Citibank, N.A., New York City, to its most favored commercial customers, compounded annually, or, in the case of a termination pursuant to paragraph 3.03.1 hereof, credited, without interest, against the payments due to the Executive under subsection 4.02 hereof.

3.07.2 Should it ultimately be determined that a termination by the Employer pursuant to paragraph 3.03.1 hereof or paragraph 3.03.2 hereof was not justified, or that a termination by the Executive pursuant to paragraph 3.04.1 hereof was justified, then the Executive will be entitled to retain all sums paid to the Executive pending the resolution of such dispute and to receive, in addition, the payments and other benefits provided for in paragraph 3.03.1, paragraph 3.03.2 or paragraph 3.04.1 hereof, as applicable, plus interest at the rate provided in paragraph 3.07.1 hereof, from the Date of Termination to the Date of Resolution and at the rate provided in subsection 6.02 hereof thereafter.

3.07.3 In the event of a termination of this Agreement under paragraph 3.03.1 hereof is challenged by the Executive pursuant to this subsection 3.07, each of the parties will select a physician legally licensed to practice and practicing within the health care field relevant to the claimed Disability who will examine the Executive and opine as to whether the claimed Disability exists and did exist and could reasonably be expected to exist for the period required by paragraph 3.03.1 hereof. If such physicians are unable to agree, they will select a third physician similarly qualified who will examine the Executive and opine as to whether the claimed Disability exists and existed and could reasonably be expected to exist for such required period. The determination of such third physician will be binding on the parties. The cost of the examinations under this paragraph 3.07.3, including without limitation the fees and expenses of the physicians, will be borne solely by the Employer and be paid as incurred.

3.07.4 For purposes of this Agreement, the effective date of resolution of a dispute ("Date of Resolution") will be deemed to occur when such dispute is finally settled by mutual written agreement of the parties, upon entry of a final, non-appealable judgment, order or decree of a court of competent jurisdiction, upon conclusion of such alternate dispute resolution proceeding as the parties may agree to employ in lieu of litigation or, if applicable, upon a final determination under paragraph 3.07.3 hereof. Without limiting the generality of Section 6.01 hereof, all costs, including without limitation reasonable attorneys' fees, incurred by either of the parties in resolving such dispute will be borne solely by the Employer and be paid as incurred.

3.08 Employment Relationship. As contemplated by the parties, the employment relationship between the Executive and the Employer is dependent on and arises out of this

Agreement and the parties intend that such relationship cease on the Date of Termination. In the event any valid and applicable law or regulation requires that the Executive and the Employer establish or maintain such a relationship notwithstanding the termination of this Agreement, (i) such relationship will, except as required by such law or regulation, be deemed to be terminable-at-will, (ii) the Executive will not be entitled to and will be deemed to have waived any rights or remedies provided under this Agreement, and (iii) except as provided in Section 6 hereof, none of the terms or provisions of this Agreement will apply to such relationship.

SECTION 4. COMPENSATION AND BENEFITS.

4.01 Compensation and Benefits For Services. While this Agreement continues in effect, the Employer or the Company as specified, will pay to the Executive, as reasonable compensation for the services to be rendered by the Executive as contemplated herein, the following:

4.01.1 The Employer will pay to the Executive (less any taxes required to be withheld) an annual base salary (the "Base Salary") which will be payable in twenty-four (24) semi-monthly installments. From the date of this Agreement until January 1, 1991, the Base Salary, on an annualized basis, will be $230,000. On January 1, 1991, and on January 1 of each calendar year thereafter, the Base Salary will be increased at least by an amount (the "Minimum Increase") equal, on a percentage basis, to the increase in the Consumer Price Index (1982-1984=100), as published by the Bureau of Labor Statistics, for the geographical area in which the Executive is principally located, for the calendar year in which such increase is to be effective over such index for the preceding calendar year. The Base Salary will also be increased in an amount commensurate with any increase in responsiblities and authority upon any promotion of the Executive and in no event will the Base Salary, as from time to time increased, be reduced without the consent of the Executive.

4.01.1.1 For the purpose of calculating the Minimun Increase on January 1 of any year, the increase in the Consumer Price Index will be estimated and at such time as the actual increase, if any, in the Consumer Price is know, the Minimum Increase will be adjusted, up or down, in proportion to any such actual increase in the Consumer Price Index, but not below zero. If the actual increase in the Base Salary is less than the adjusted Minimum Increase, the Base Salary will be further increased such that the aggregate increase in the Base Salary is at least equal to the adjusted Minimum Increase. Any such adjustment to the increase in the Base Salary will be effective retroactively to January 1 of the year concerned and the amount of the additional increase accrued to the date such determination is made will be paid to the Executive in a lump sum on the next regular pay day.

4.01.1.2 Notwithstanding anything to the contrary in this paragraph 4.01.1 unless and until (i) a Change of Control occurs or (ii) a Potential Change of Control arises and is continuing, the Employer may, but is not obligated to, increase the Base Salary and the amount of any such increase will be within the sole discretion of the Board or the Committee.

4.01.2 The Employer will pay to the Executive, in semi-monthly installments, (less any taxes required to be withheld) the In-Lieu Payment. From the date of this Agreement until January 1, 1991, the In-Lieu Payment, on an annualized basis, will be equal to $25,350. On January 1, 1991, and on January 1 of each calendar year thereafter, the In-Lieu Payment will be increased on the same basis as provided in paragraph 4.01.1 hereof with respect to the Base Salary. The In-Lieu Payment will also be increased in an amount commensurate with any promotion of the Executive and in no event will the In-Lieu Payment, as from time to time increased, be reduced without the consent of the Executive.

4.01.2.1 Notwithstanding anything to the contrary in this subparagraph 4.01.2, unless and until (i) a Change of Control occurs or (ii) a Potential Change of Control arises and is continuing, the Employer may, but is not obligated to, increase the In-Lieu Payment and the amount of any such increase will be within the sole discretion of the Board or the Committee.

4.01.3 Unless explicitly contrary to the terms of an applicable plan document, as a key employee of the Employer, the Executive will participate in, and the Company will grant to and pay or deliver, cash and stock awards (less any taxes required to be withheld) to the Executive as permitted by, each of the Incentive Plans on a comparable basis as other senior executives of the Company or its subsidiaries, provided that, unless and until (i) a Change of Control occurs or (ii) a Potential Change of Control arises and is continuing, the making of any award under any such plan and the amount of any award made will be withing the sole discretion of the Board or the Committee.

4.01.4 The Executive will be entitled to participate in the Pension Plan and any other defined benefit plan, any defined contribution plan, any employee welfare benefit plan, the SRP and any other supplemental or excess pension plan and any other benefit plan, sponsored by the Employer or the Company, whether currently in existence or hereafter adopted, and to have the use of facilities of the Employer or the Company, on terms generally available to other senior executives of the Company or its subsidiaries.

4.01.5 During the term of this Agreement, the

Employer will pay or reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in performing the duties provided for or contemplated in subsection 2.01 hereof and will furnish the Executive with such secretarial, office or other assistance and accommodations as may be suitable to the character of the Executive's position and reasonably necessary or appropriate for the performance of such duties.

4.02 Continuation of Compensation and Benefits on Disability. Subject to subsection 4.06 hereof (disregarding the first proviso in the first sentence on such subsection), in the event this Agreement is terminated by the Employer pursuant to paragraph 3.03.1 hereof, the Employer will pay the compensation, and the Employer or the Company will, without cost to the Executive other than normal employee contributions required under the applicable plan document as in effect on the Date of Termination, make available the benefits (or the Employer will pay the monetary equivalent thereof), provided in subsection 4.01 hereof to the Executive (less any taxes required to be withheld) for a period of twelve (12) months following the Date of Termination, provided that the Company may, but will not be obligated to, grant any additional stock, stock option or long-term incentive awards under any of the Incentive Plans during such twelve (12) month period. The terms of subparagraphs 4.01.1.2 and 4.01.2.1 hereof will not apply to payments required under this subsection 4.02.

4.03 Payments Upon Executive's Death. Subject to subsection 4.06 hereof (disregarding the first proviso in the first sentence of such subsection), in the event this Agreement is terminated by virtue of subsection 3.05 hereof, the Employer will pay to the party or parties specified in such subsection (less any taxes required to be withheld) an aggregrate amount equal to the compensation provided for in paragraphs 4.01.1, 4.01.2 and 4.01.3 hereof as if the Executive had survived and this Agreement remained in effect for a period of twelve (12) months following the Date of Termination, provided that the Company may but will not be obligated to grant any additional stock, stock option or long-term incentive awards under any of the Incentive Plans during such twelve (12) month period. In addition, the Employer will pay to the Executive's surviving spouse, if any, or any surviving dependent children an amount sufficient, on an after-tax basis (taking into account state and federal, but not local, taxes), and after normal survivor contributions required under the applicable plan document as in effect on the Date of Termination, to pay for maximum permitted coverage under such of the employee welfare benefit plans referred

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to in paragraph 4.01.4 hereof in which such surviving spouse or surviving dependent children may participate under the terms of the applicable plan documents for a period of twelve (12) months following the date of the Executive's death. The terms of subparagraphs 4.01.1.2 and 4.01.2.1 hereof will not apply to payments required under this subsection 4.03.

4.04 Payments Upon Breach or Constructive Breach of this Agreement. In the event this Agreement is terminated by the Employer under paragraph 3.03.3 hereof or by the Executive pursuant to paragraph 3.04.1 hereof, the Employer or the Company, as specified, will make the following payments and provide the following benefits, (or the monetary equivalent thereof), to or for the account of the Executive, in each case as liquidated damages for the breach or constructive breach, as the case may be, of this Agreement.

4.04.1 On the Date of Termination or in case of a dispute under subsection 3.07 hereof, on the Date of the Resolution, provided that in the latter case the dispute is resolved on terms coming within the purview of paragraph 3.07.2 hereof, the Employer will pay to the Executive (less any taxes required to be withheld) a cash amount equal to the present value of the sum of (a) the aggregate Base Salary and In-Lieu Payments which would have been paid to the Executive by the Employer pursuant to paragraphs 4.01.1 and 4.01.2 hereof as compensation for services that would have been rendered during the thirty (30) calendar month period commencing on the first day of the month next following the Date of Termination, but for such termination and (b) subject to subsection 4.06 hereof, the aggregate of the awards that would have been made to the Executive pursuant to the individual award component and the corporate award component under the EICP during the thirty (30) calendar month period commencing on the first day of the month next following the Date of Termination, but for such termination. In addition, any payment or distribution which may be required under subsection 4.07 hereof will be made to the Executive.

4.04.1.1 For purposes of this paragraph 4.04.1, the Base Salary and the In-Lieu Payments that would have been paid will be calculated on the assumption that the Base Salary and the In-Lieu Payment would have been increased in each year during such thirty (30) month period by an amount equal, on a percentage basis, to the greatest year-to-year increase in the Consumer Price Index in the three calendar years preceding either the Date of Termination or the Date of Resolution, whichever is more favorable to the Executive.

4.04.1.2 In the event there are fewer than thirty (30) whole calendar months remaining from the first day of the month following the Date of Termination to the Normal Retirement Date, the cash payment due pursuant to this paragraph 4.04.1 will be reduced to a lesser sum determined by multiplying the amount otherwise due by a fraction the numerator of which is the number of whole calendar months remaining from the first day of the month following the Date of Termination to the Normal Retirement Date and the denominator of which is thirty (30).

4.04.2 The Employer or the Company at the Employer's cost will provide to the Executive the following benefits or (less any taxes required to be withheld) the monetary equivalent thereof, payable on the Date of Termination or in case of a dispute under subsection 3.07 hereof, on the Date of Resolution, provided that in the latter case the dispute is resolved on terms coming within the purview of paragraph 3.07.2 hereof:

4.04.2.1 (a) In addition to any benefits payable to the Executive under the Pension Plan, the SRP and any and all other pension or retirement plans of the Company or the Employer (collectively, the "Other Retirement Benefits"), the Employer will pay to the Executive a special retirement benefit (the "Special

Retirement Benefit"). The Special Retirement Benefit will equal an amount calculated such that, when added to the Other Retirement Benefits, if any, the total retirement benefits the Executive receives from the Employer and the Company will at least equal the amount which the aggregate of the Other Retirement Benefits would have been if the Executive retired on a date five (5) years following the Date of Termination (or on the Normal Retirement Date, if earlier).

(b) For purposes of this Agreement, in calculating the Special Retirement Benefit and the Other Retirement Benefits, the following will apply:

(i) If the Executive's credited service with the Company or any of its majority owned subsidiaries on the Date of Termination is insufficient to result in benefits under the Pension Plan being vested, the Executive will be deemed to be credited with sufficient service to result in such vesting;

(ii) This Agreement will be deemed to continue in effect for five (5) years following the Date of Termination (but not beyond the Normal Retirement Date);

(iii) The Base Salary will be deemed to have been increased each year of such five (5) year period using the greatest year-to-year increase in the Consumer Price Index in the three calendar years preceding the Date of Termination;

(iv) The Executive will be deemed to have been granted awards under the EICP each year of such five (5) year period on the basis specified in the first sentence of subsection 4.06 hereof (disregarding the first proviso in such sentence); and

(v) Five (5) years, or the time remaining to the Normal Retirement Date, if less, will be added to the Executive's age on the Date of Termination.

4.04.2.2 Maximum coverage under the Employer's or the Company's insured or self-insured welfare benefit plans, as applicable to the Executive, or the monetary equivalent thereof, will be provided to the Executive by the Company, at no cost to the Executive (other than normal employee contributions required under the applicable plan document as of the Date of Termination), for a period of five (5) years from the Date of Termination (or until the Normal Retirement Date, whichever is sooner).

4.04.2.3 In the event, within two (2) years after the Date of Termination, the Executive relocates the Executive's principal residence by more than 35 miles in order to accept full-time employment or to pursue full-time self-employment, the Employer will reimburse the Executive for all moving expenses (including interest equalization expenses under the Company's current interest equalization plan and including any taxes resulting from payments made pursuant to this subparagraph 4.04.2.3) incurred by or for the account of the Executive relating to such relocation, which are not reimbursed by another employer, and to an extent at least as favorable to the Executive as provided by the current policy of the Company with respect to the relocation of senior executives, indemnify the Executive against the amounts, if any, by which the net proceeds realized in the sale of the Executive's principal residence in connection with such relocation are less than the Executive's tax basis in such residence.

4.04.2.4 If the Executive's credited service with the Company or any of its majority owned subsidiaries on the Date of Termination is insufficient to result in the contributions theretofore made by the Company or any such subsidiaries for the account of the Executive to any defined contribution plan maintained or sponsored by the Company being vested in their entirety, then the Employer will pay to the Executives (less any taxes required to be withheld) a special benefit equal to the difference between (i) the amount of such contributions which are vested as of the Date of Termination and (ii) the greater of (A) all such contributions, vested and unvested, or (B) the sum of the fair market value of the assets in which such contributions, vested or unvested, are then invested and all dividends or interest paid thereon and accretions thereto not previously paid to the Executive. For purposes of this subparagraph 4.04.2.4, "fair market value" means with respect to any securities traded on a national stock exchange the arithmetic average of the high and the low selling prices of such stock on such stock exchange during the thirty (30) calendar days preceding the Date of Termination, or with respect to any investment company shares not traded on a national stock exchange, the arithmetic average of the bid and the ask prices of such shares during the thirty (30) calendar days preceding the Date of Termination, or with respect to obligations issued or guaranteed by the U.S. government, the face value of such obligations, or with respect to other assets, the value as established by an independent appraiser jointly selected by the parties at the sole cost of the Employer.

4.04.3 For purposes of this subsection 4.04, the present value of any amount will be calculated using a discount rate of nine and 48/100 percent (9.48%) unless the terms of any applicable plan document provides a rate more favorable to the Executive, in which case, such more favorable rate will be used for payments made with respect to the plan concerned.

4.04.4 The Executive will be required to mitigate the amount of any payments provided for in this subsection 4.04 to the extent provided in this paragraph 4.04.4 or in any final regulations of the IRS under Section 280G of the Code, whichever requires the greater degree of mitigation consistent with the treatment of such payments as damages. The Executive will not be required to seek other employment and may accept or not accept, as the Executive determines, any offer of employment and may reject any offer of employment for any reason deemed by the Executive to be sufficient. If the Executive accepts other employment with and receives compensation from an employer other than the Company or onre of its majority owned subsidiaries during the period beginning on the Date of Termination and ending on the last day of the thirtieth (30th) calendar month thereafter, any compensation the Executive receives from such other employer during such period (less any taxes withheld), up to the amount paid as damages under this subsection 4.04, will be paid to the Employer or the Company, as the case may be. For purposes of this paragraph 4.04.4, compensation will be limited to base salary and incentive compensation, and will exclude, among other things, retainers or fees paid for service on a board of directors or a committee thereof and benefits under any defined benefit, defined contribution or welfare benefit plan.

4.05 Payment and Determination of Monetary Equivalent. The payment of the monetary equivalent of any benefit permitted by any provision of this Agreement will be at the Employer's option unless such benefit relates to an insured or self-insured welfare benefit plan and a comparable benefit would, in the sole judgment of the Executive, be unavailable to the Executive at a reasonable cost, in which event such payment will be at the Executive's option to be exercised in writing within thirty (30) days following the Date of Termination. In the event of a dispute between the parties as to the monetary equivalent of any benefit or other distribution provided for in this Agreement, such monetary equivalent will be determined by an independent

actuary jointly selected by the parties, at the sole cost of the Employer, and will be determined from the standpoint of the cost of such benefit or distribution to the Executive as a non-employee and not the cost to the Employer or an employee of the Employer. The monetary equivalent of any benefit or other distribution provided for in this Agreement will be determined on a present value, after-tax basis, taking into account state and federal, but not local, taxes.

4.06 Determination of EICP Awards. For purposes of subsection 4.02, 4.03 and 4.04 hereof, any payment or other distribution to be made under or with reference to the EICP will be calculated on the assumption that all "performance targets" are met and using the maximum "award pool" and the Executive's "opportunity level," as those terms are used in the EICP, provided that, for purposes of subsection4.04 hereof (other than subparagraph 4.04.2.1) but not subsections 4.02 or 4.03 hereof, each such award will be no less than the highest similar award paid or granted to the Executive during any one of the three calendar years preceding the Date of Termination; and provided, further, that if the terms of the EICP would otherwise require the payment of a greater amount than that required under this subsection 4.06, such greater amount will be paid. In the event any payment or other distribution to be made under or with reference to the EICP will be made as to a partial year, then, for purposes of such subsections, the awards under the EICP for such year will be multiplied by the ratio that the number of business days in such year prior to the date as of which such payment or distribution is determined bears to the number of business days in such year. For purposes of determining the highest award paid or granted during any one of the three calendar years preceding the Date of Termination, each award will be deemed to have been paid or granted in the performance year for which awarded, and even though actual payment and entitlement to receive some portion of an incentive award may have been deferred, such award for any year will be the aggregate amount paid or payable or granted for such year on either a current or deferred basis

4.07 Vested Incentive Awards and Benefits. Termination of this Agreement for any reason will be without prejudice to the Executive's entitlement to receive any awards or benefits, including but not limited to incentive awards under any of the Incentive Plans, or to exercise any rights, options or elections under any of the Incentive Plans or any other benefit plan of the Company or the Employer, which are vested in the Executive on the Date of Termination under the terms of the applicable plan document. Without limiting the generality of the previous sentence, upon termination of this Agreement for any reason, the Company or the Employer, as the case may be, will pay or distribute to the Executive or such other Person or Persons as may be designated to receive the same (less any taxes required to be withheld) any unpaid or undistributed prior vested deferred award to the Executive under the EICP or other Incentive Plans, such payment or distribution to be made on the Date of Termination or, if the termination is disputed as permitted by subsection 3.07 hereof, on the earlier of the Date of Resolution or the date provided for payment under the applicable plan document.

4.08 Continued Participation in Benefit Plans. Except as otherwise provided in this Agreement or the terms of the applicable plan documents, the Executive will not be entitled to participate in any of the benefit plans of the Employer or the Company after the Date of Termination. Except as otherwise expressly provided in this Agreement, any distributions to which the Executive may be entitled under the provisions in any of such plans will be governed by the terms of the applicable plan document.

4.09 Conflicts. For purposes of this Agreement, in the event of a conflict between the provisions of this Agreement and the terms of a plan document with respect to a payment or benefit to be made or provided to the Executive under this Agreement, whichever of the provisions of this Agreement or such plan document that are most favorable to the Executive will control.

SECTION 5. CHANGE OF CONTROL.

5.01 Effect of Change of Control on Stock Based Incentive Awards. Whether or not the applicable plan document so provides, in the event of a Change of Control, without duplication of any amount paid under any other provision of this Agreement with respect to the same option, right, interest or award, unless the right to receive all or a portion of the cash payment provided for hereunder is waived or deferred by the Executive as provided in paragraph 5.01.1 hereof (in which case payment will be made only as to any portion not waived or deferred) and except as provided in paragraph 5.01.2 and 5.01.3 hereof, the Employer will pay to the Executive a cash amount (less any taxes required to be withheld and less, with respect to stock subject to any stock options or other purchase rights, an amount equal to the aggregate option or purchase price, but no more than the aggregate Change of Control Price, of such stock) equal to the aggregate Change of Control Price of the shares of the common stock of the Company with respect to which the Executive holds an option or purchase right or has an interest, whether beneficial or of record, or has been granted an award the value of which is based in whole or in part on the value of such common stock, in each case under any Incentive Plan, including without limitation the EICP, irrespective of whether any such option or purchase right is then currently exercisable or not or any such interest or award is then currently vested or payable or not. Such payment will be due on the thirtieth calendar day after the effective date of the Change of Control. Upon such payment, such stock options, purchase rights, other interests or awards with respect to which such payment is made will be cancelled and of no further force or effect.

5.01.1 In the event it is determined that the right to receive cash under this subsection 5.01 with respect to any option, purchase right, interest or awards under any Incentive Plan may be waived or deferred by the Executive without resulting in liability of the Executive for damages or forfeitures under Section 16(b) of the Act or the disqualification of the incentive Plan involved for exemption under Rule 16b-3, the Executive may so waive or defer such receipt as to such option, purchase right, interest or award by giving notice to the Employer and the Company not later than twenty (20) days after the Change of Control. If the Executive may and does so waive such receipt of cash, the related option, purchase right, interest or award will not be cancelled but will continue in effect according to the terms of the applicable plan document. If the Executive may and does so defer such receipt, such cash payment will be made by the Employer, without interest (other than any interest that may be required under subsection 6.02 hereof), on the earliest of (i) the date specified in the notice required hereunder, or (ii) the date, if any, on which such payment would otherwise be required under the applicable plan document, or (iii) a date one (1) year after the Change of Control, as if such Change of Control had occurred thirty (30) calendar days prior to the date such payment is due and upon such payment, the related option, purchase right, interest or award will be cancelled.

5.01.2 Subject to paragraph 5.01.3 hereof, if it is determined that the payment of a cash amount with respect to an option, purchase right, interest or award under any Incentive Plan as provided in this subsection 5.01 and the contemporaneous cancellation of such option, purchase right, interest or award would result in liability of the Executive for damages or forfeitures under Section 16(b) of the Act or the disqualification of the related Incentive Plan for exemption under Rule 16b-3, then, notwithstanding anything in this subsection 5.01 to the contrary, such cash payment will not be made. In such event, the option, purchase right, interest or award involved will continue in effect according to the terms of the applicable plan document.

5.01.3 Notwithstanding anything in this subsection 5.01 to the contrary, if it is determined that the payment of a cash amount under this subsection 5.01 with respect to any option, purchase right, interest or award under any Incentive Plan would result in liability of the Executive for damages or forfeitures under Section 16(b) of the Act or

disqualification of the related Incentive Plan for exemption under Rule 16b-3 but that after the passage of time, such payment may be made without such liability or disqualification, then such payment will not be made to the Executive, and the related option, purchase right, or surrendered such interest or settled such award, and subject to paragraph 5.01.1 hereof, the payment provided for in this subsection 5.01 will then be made as if the Change of Control had occurred thirty (30) calendar days prior to such date and, upon such payment, the related option, purchase right, interest or award will be cancelled. Until so cancelled or otherwise terminated, each such option, purchase right, interest or award will continue in effect in accordance with the terms of the applicable plan document.

5.01.4 The determinations contemplated in paragraphs 5.01.1, 5.01.2 and 5.01.3 hereof and the length of the period mentioned in paragraph 5.01.3 hereof will be made by independent legal counsel duly licensed to practice law and practicing with a nationally recognized law firm primarily in the field of securities law, jointly selected by the parties, at the sole cost of the Employer.

5.02 Establishment of Trust. As promptly as practicable following the date of this Agreement, the Company will establish a trust for the benefit of the Executive and other similarly situated employees of the Employer or the Company, substantially on the terms set forth in Exhibit 1 which is attached hereto and by this reference made a part hereof. In the event of a conflict between the terms of this Agreement and the terms of Exhibit 1, the terms of this Agreement will control. Not later than thirty (30) calendar days after the earlier of (i) a Potential Change of Control arising (unless the Board or the Committee adopts a resolution within ten (10) business days following the date the Potential Change of Control arises to the effect that such action is not necessary to secure any payments hereunder) or (ii) a Change of Control, the Company will deposit or cause the Employer to deposit with the trustee monies or other property having a fair market value at least equal to the present value of the cash amounts to be paid and the monetary equivalents of the benefits and other distributions to be provided to the Executive under this Agreement or which would be so provided in the event of either (i) a Change of Control or (ii) a termination of this Agreement pursuant to paragraph 3.03.1, 3.03.3, 3.04.1 or 3.05 hereof, including but not limited to amounts that may be payable under subsection 5.03 or 6.01 hereof. The amounts payable under subsection 6.01 hereof will be estimated by independent legal counsel licensed to practice law in the state, and practicing in the municipality, in which the Executive's principal residence is located. All other amounts to be deposited with the trustee will be determined by an independent actuary. The fees and expenses of such actuary and counsel, each of whom will be selected jointly by the parties, will be borne solely by the Employer. Neither the establishment of the trust nor the making or maintaining of the deposit required under this subsection 5.02 will relieve the Company or the Employer of any of its obligations under this Agreement to make any payment or provide any benefit to the Executive, except to the extent such obligations are satisfied by payments made from such trust.

5.03 Tax Payments. The amounts required to be paid pursuant to subsection 4.04 hereof are intended to constitute damages for breach of a contract providing for "compensation for personal service to be rendered" within the meaning of Section 280G(b)(4)(A) of the Code. Such payments are not intended to be subject to the excise tax imposed under Section 4999 of the Code. The parties recognize, however, that such payments may nevertheless be ultimately determined to be subject to such excise tax and that other payments or distributions under this Agreement, including without limitation payments made under subsection 5.01 hereof, and other compensation, benefits, payments or distributions under the Incentive Plans or other plans or compensation arrangements with respect to the Executive may also be subject to such tax (collectively, with any interest or penalties incurred by the Executive relative thereto and any federal and state excise or income taxes resulting from payments made pursuant to this subsection 5.03, the "Excise Tax"). The Employer will pay the Executive one or more cash payments ("Gross-up Payment") sufficient to pay the Excise Tax.

<PAGE> 23

5.03.1 Subject to the provisions of 5.03.2 hereof, all determinations required to be made under this subsection 5.03, including without limitation whether the Gross-up Payment is required and the amount of the Gross-up Payment, will be made by the Accounting Firm. The Executive will provide the Accounting Firm any information reasonably requested by it necessary to make such determination, including without limitation copies of the Executive's tax returns for the periods affected, all of which will be maintained in confidence by the Accounting Firm. The Accounting Firm will provide detailed supporting calculations together with its written opinion with respect to the accuracy of such calculations to the Employer, the Company and the Executive within fifteen (15) business days of the Date of Termination or the Change of Control, whichever is applicable, or such earlier time as is requested by the Employer, the Company or the Executive and agreed to by the Accounting Firm. All fees and expenses of the Accounting Firm will be borne solely by the Employer. The initial Gross-up Payment, if any, as determined pursuant to this paragraph 5.03.1 will be paid to the Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it will also furnish the Executive with an opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty and in the absence of such an opinion, a Gross-up Payment in the amount which the Accounting Firm determines to be payable will be due and payable to the Executive. Except as provided in the preceding sentence, any determination by the Accounting Firm will be binding upon all of the parties hereto. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Employer or the Company exhausts the remedies provided in paragraph 5.03.2 hereof and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm will determine the amount of the Underpayment that has occurred and any such Underpayment will be promptly paid by the Employer to or for the benefit of the Executive.

5.03.2 The Executive will notify the Employer and the Company in writing of any claim by the IRS that, if successful, would required the payment by the Company of the Gross-up Payment; provided, that failure by the Executive to give such notification will not affect any of the Executive's rights or the obligations of the Company or the Employer under this Agreement. Such notification will be given as soon as practicable but no later than ten (10) business days after the Executive knows of such claim and will apprise the Employer and the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive will not pay such claim prior to the expiration of the thirty (30) day period following the date on which the Executive gives such notice to the Employer and the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Employer or the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive will:

(a) give the Employer or the Company, as the case may be, any information reasonably requested by either of them relating to such claim,

(b) take such action in connection with contesting such claim as the Employer or the Company may reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Employer or the Company,

(c) cooperate with the Employer and the Company in good faith in order effectively to contest such claim, and

(d) permit the Employer and the Company to participate in any proceedings relating to such claim;

provided, however, that the Employer will bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and will indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation, and payment of costs and expenses. Without limiting the foregoing, the Employer or the Company, as they may agree, will control all proceedings taken in connection with such contest and, at the sole option of the Employer or the Company, as the case may be, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in repsect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive will prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Employer or the Company may determine; provided, however, that if the Employer or the Company directs the Executive to pay such claim and sue for a refund, the Employer or the Company, as the case may be, will advance the amount of such payment to the Executive, on an interest-free basis, and will indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore,the control of the contest by the Employer or the Company will be limited to issues with respect to which a Gross-up Payment would be payable hereunder and the Executive will be entitled to settle or contest, as the case may be, any other issue raised by the IRS or any other taxing authority.

5.03.3 If, after the receipt by the Executive of an amount advanced by the Employer or the Company pursuant to paragraph 5.03.2 hereof, the Executive becomes entitled to receive any refund with respect to such claim, the Executive will (subject to compliance by the Employer or the Company, as applicable, with the requirements of paragraph 5.03.2 hereof) promptly pay to the Employer or the Company, as the case may be, the amount of such refund (together with any interest paid or credited thereon alter taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Employer or the Company pursuant to paragraph 5.03.2 hereof, a determination is made that the Executive will not be entitled to any refund with respect to such claim and the Employer or the Company, as the case may be, does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-up Payment required to be paid. Any contest of a denial of refund will be controlled by paragraph 5.03.2 hereof.

SECTION 6. MISCELLANEOUS.

6.01 Executive's Attorneys' Fees. In the event of a dispute between the parties and litigation or other formal dispute resolution proceeding is initiated, whether by the Executive, the Employer, the Company or any third party, to resolve such dispute or to enforce or interpret any provision contained in this Agreement, the Employer will indemnify the Executive and any other Person or Persons designated to receive any payments or benefits under this Agreement for any costs and expenses incurred by the Executive or such Person or Persons as a result thereof, including without limitation reasonable attorneys' fees, disbursements and other expenses for the

preparation of such litigation or dispute resolution proceeding or for the settlement thereof. The Employer will, promptly upon the request of the Executive or such Person or Persons, advance to the Executive or such Person or Persons or pay directly such costs and expenses as they are incurred.

6.02 Obligation Unconditioned. Except as otherwise expressly provided in this Agreement and except for any amounts required by law to be withheld, the respective obligations of the Employer and the Company to pay to or for the benefit of the Executive (or any other Person or Persons designated to receive payments or benefits under this Agreement) the amounts and to make the arrangements provided in this Agreement are absolute and unconditional and will not be affected by any circumstances, including without limitation any setoff, counterclaim, recoupment, defense or other right which the Employer or the Company may have against the Executive or anyone else, any asserted or unasserted claim or other right of any third party against the Executive, the Employer or the Company, or any real or alleged uncertainty regarding the meaning or intent of Section 280G of the Code or any regulations issued by the IRS thereunder. Without limiting the generality of the foregoing, in no event will an asserted violation of the provisions of subsections 6.09, 6.10, 6.11 or 6.12 hereof constitute a basis for deferring or withholding any amounts otherwise payable to or for the benefit of the Executive or such Person or Persons under this Agreement. All amounts payable to or for the benefit of the Executive or such Person or Persons hereunder will be paid without notice or demand, other than a Notice of Termination, as to payments due in the event of a termination of this Agreement and except payments made under subsection 5.03 hereof. Except as expressly provided in subsections 3.07 and 5.03 hereof and subject to the Executive's duty to mitigate under paragraph 4.04.4 hereof, each and every payment made hereunder by the Employer or the Company will be final and neither of them will seek to recover all or any part of such payment from the Executive or from whosoever may be entitled thereto, for any reason whatsoever. Any amount not paid by the Company or the Employer to or for the benefits of the Executive or any Person or Persons designated to receive payments or benefits under this Agreement within five (5) business days from the date due will bear interest at the rate specified in paragraph 3.07.1 hereof, plus two percent (2%) per annum, compounded annually, from the due date until paid.

6.03 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties, the respective permitted assigns of the Company and the Employer and the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Except as provided in paragraph 6.03.1 hereof, neither this Agreement nor any right hereunder may be assigned by any party without the prior written consent of the others. Except as otherwise expressly provided in this Agreement, nothing contained in this Agreement is intented to confer any rights or remedies, express or implied, on any Person or entity not a party hereto. If the Executive should die while any amounts would still be payable to the Executive under any provisions of this Agreement if the Executive had continued to live, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to the parties identified in subsection 3.05 hereof.

6.03.1 Provided whichever of the Employer or the Company may be involved gives notice of this Agreement to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business and/or assets, and requires such successor, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform its obligations under this Agreement, whichever of the Employer or the Company may be involved may assign this Agreement to such successor. No such assignment will relieve whichever of the Employer or the Company may be involved of any of its obligations under this Agreement. Failure of whichever of the Employer or the Company may be involved to obtain such agreement prior to the effectiveness of any such assignment will consitute a breach of this Agreement and entitle the Executive to liquidated damages as provided in subsection 4.04 hereof, except that for purposes of implementing the foregoing, the date on which such

assignment becomes effective will be deemed the Date of Termination and no Notice of Termination will be required.

6.04 Notice. For the purposes of this Agreement, all notices and other communications provided for in this Agreement will be in writing and will be deemed to have been duly given when delivered by hand or dispatched by electronic facsimile transmission, one (1) business day after being sent by Federal Express or another nationally recognized next-day delivery service or three (3) business days after being posted by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
Roy A. Wilkens
6336 South Harvard
Tulsa, Oklahoma 74136

If to the Company:
The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Chief Executive Officer

If to the Employer:

Williams Telecommunications Group, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Chairman of the Board
With a copy to: General Counsel, The Williams Companies, Inc.

or to such other address as the party entitled to notice may have furnished to the others in writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

6.05 Amendments; Waiver. No amendment of this Agreement, and no waiver of compliance with any provision of this Agreement, will be effective unless such amendment or waiver is in writing and signed by each of the parties hereto. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

6.06 Prior Agreement. This Agreement supercedes all prior agreements among the parties or any of them with respect to the subject matter hereof, and no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by any party which are not set forth expressly in this Agreement, except the various agreements listed on Exhibit 2 attached hereto.

6.07 Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the State of Delaware (without regard to the conflict of laws principles thereof).

6.08 Severability. The invalidity or unenforceability of any provisions of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect. Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions

hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

6.09 Confidential Information. The Executive will hold in a fiduciary capacity for the benefit of the Employer and the Company all secret or confidential information, knowledge or data relating to the Employer or any of its affiliates, and their respective businesses, which are obtained by the Executive during the Executive's employment by the Employer or any of its affiliates, except such as may be or become public knowledge (other than by acts by the Executive in violation of this Agreement). After termination of the Executive's employment with the Employer, except as may be required by law or legal process, the Executive will not, without prior written consent of the Employer or the Company, communicate or divulge any such information, knowledge or data to anyone other than the Employer or the Company or those designated by either of them nor use any of the same for any purpose adverse to the Employer or any of its affiliates. The Executive acknowledges that this subsection 6.09 is a material term of this Agreement and that its breach could result in damage to the Employer or its affiliates that may be difficult to ascertain and that upon any such breach or in reasonable anticipation of any such breach, the Employer or the Company will be entitled to an order of any court of competent jurisdiction to enjoin such breach.

6.10 Derogatory Remarks. The Executive will not make public derogatory comments regarding the Employer or any of its affiliates at any time before or after the termination of this Agreement.

6.11 Files and Records. Promptly upon termination of this Agreement, the Executive will return to the Employer all property and all files and other documentation belonging to or relating or in any way pertaining to the Employer, the Company or their respective businesses or operations, except as may be required by the Executive in the bona fide enforcement of this Agreement.

6.12 Cooperation in Litigation. To the extent reasonably necessary and upon reasonable notice, following the termination of this Agreement, the Executive will cooperate with the Employer and its present and past affiliates in connection with the prosecution or defense of any claim asserted by or against any of them (including a claim for Excise Taxes but excluding a claim in connection with the enforcement of this Agreement) with respect to which the Executive may have any knowledge, without additional compensation other than reimbursement for reasonable expenses, unless more than an aggregate of five (5) business days of the Executive's time is required in connection with such cooperation, in which case the Executive will be entitled to reasonable compensation, based upon the payments provided for in paragaphs 4.01.1 and 4.01.2 hereof, in addition to reimbursement for such expenses.

6.13 Survival of Certain Provisions. The provisions of subsections 3.03, 3.04, 3.05, 3.06, 3.07, 4.02, 4.03, 4.04, 4.05, 4.07 and 6.01 hereof (to the extent any such subsections provide for the payment of money or the providing of benefits following termination of this Agreement) and subsections 5.02, 5.03, 6.02, 6.03, 6.09, 6.10 and 6.12 hereof will survive the termination of this Agreement.

6.14 Rights Exclusive. The rights and remedies of the Executive provided in this Agreement for the termination of this Agreement and the employment relationship arising out of this Agreement are exclusive of any other rights or remedies at law or in equity, except as may be otherwise required by any valid and applicable law or regulation providing for any rights or remedies for termination of such employment relationship. In the latter case, if the Executive elects to pursue such other rights or remedies provided by such law or regulation, such other rights or remedies will be exclusive and the Executive will not seek any rights or remedies provided herein.

6.15 Consents. Except as otherwise expressly provided in this Agreement, no consent by the Executive will be effective as to the Executive or any Person or Persons claiming under the Executive unless in writing and signed by the Executive.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first above written.

/s/ Roy A. Wilkens

Executive

THE WILLIAMS COMPANIES, INC.

By /s/ Joseph H. Williams

Joseph H. Williams
Chairman and Chief Executive Officer

WILLIAMS TELECOMMUNICATIONS GROUP, INC.

By /s/ Vernon T. Jones

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Exhibit 11.1

WORLDCOM, INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS
(In thousands, except per share data)

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<S>	For the Year Ended Dece 1995 <C>	1994 <C>
Primary:		
Weighted average shares outstanding	173,333	157,805
Common stock equivalents	4,912	-
Common stock issuable upon conversion of:		
Series 1 preferred stock	14,089	-
Series 2 preferred stock	1,115	-
	193,449	157,805
Income (loss) applicable to common shareholders before extraordinary item	$ 234,469	$ (149,924)
Add back:		
Dividend paid on Series 1 preferred stock conversions	15,312	-
Dividend paid on Series 2 preferred stock conversions	858	-
Primary income (loss) applicable to common shareholders before extraordinary item	$ 250,639	$ (149,924)
Extraordinary item	-	-
Primary income (loss) applicable to common shareholders before special dividend	$ 250,639	$ (149,924)
Special dividend payment on Series 1 preferred stock conversion	15,000	-
Primary income (loss) applicable to common shareholders	$ 265,639	$ (149,924)

Primary earnings (loss) per share:		
Net income (loss) before extraordinary item	$ 1.30	$ (0.95)
Extraordinary item	$ -	$ -
Net income (loss)	$ 1.30	$ (0.95)
Before special dividend payment to Series 1 preferred shareholder	$ 1.37	$ (0.95)
Fully diluted:		
Weighted average shares outstanding	173,333	157,805
Common stock equivalents	5,190	-
Common stock issuable upon conversion of:		
5% convertible notes	5,135	-
Series 1 preferred stock	14,089	-
Series 2 preferred stock	3,748	-
	201,495	157,805
Income (loss) applicable to common shareholders before extraordinary item	$ 234,469	$ (149,924)
Add back:		
Interest on 5% convertible notes, net of taxes	5,963	-
Series 1 preferred dividend requirement	15,312	-
Series 2 preferred dividend requirement	2,879	-
Fully diluted income (loss) applicable to common shareholders before extraordinary item	$ 258,623	$ (149,924)
Extraordinary item	-	-
Fully diluted income (loss) applicable to common shareholders before special dividend	$ 258,623	$ (149,924)
Special dividend payment on Series 1 preferred stock conversion	15,000	-
Fully diluted income (loss) applicable to common shareholders	$ 273,623	$ (149,924)
Fully diluted earnings (loss) per share:		
Net income (loss) before extraordinary item	$ 1.28	$ (0.95)
Extraordinary item	$ -	$ -
Net income (loss)	$ 1.28	$ (0.95)
Before special dividend payment to Series 1 preferred shareholder	$ 1.36	$ (0.95)

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Exhibit 12.1

WORLDCOM, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Combined Fixed
Charges and Preferred Stock Dividends
(In Thousands of Dollars)

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	Year Ended December 31,				
	1991	1992	1993	1994	199
<S>	<C>	<C>	<C>	<C>	<C>
Earnings:					
Pretax income (loss) from continuing operations	$ 65,646	$ 20,401	$ 198,237	$ (76,108)	$ 4
Fixed charges, net of capitalized interest	38,116	38,720	58,999	87,455	3
Earnings	$ 103,762	$ 59,121	$ 257,236	$ 11,347	$ 7

Fixed charges:					
Interest expense	$ 31,595	$ 30,311	$ 35,557	$ 47,303	$ 2
Interest capitalized	2,900	3,504	3,100	1,900	
Amortization of financing costs	1,018	1,464	1,792	2,086	
Interest factor of rent expense	5,503	4,833	9,967	10,300	
Preferred dividend requirements	-	2,112	11,683	27,766	
Fixed charges	$ 41,016	$ 42,224	$ 62,099	$ 89,355	$ 3
Deficiency of earnings to fixed charges	$ -	$ -	$ -	$ (78,008)	$
Ratio of earnings to combined fixed charges and preferred stock dividends	2.53:1	1.40:1	4.14:1	0.13:1	

</TABLE>

See notes to computation of ratio of earnings to combined fixed charges and preferred stock dividends.

NOTES TO COMPUTATION OF RATIO OF EARNINGS TO
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(1) On January 5, 1995, the Company completed the acquisition of Williams Telecommunications Group, Inc. for approximately $2.5 billion in cash which was accounted for as a purchase.

(2) As a result of the mergers with IDB Communications Group, Inc. (the "IDB Merger") and Advanced Telecommunications Corporation (the "ATC Merger"), the Company initiated plans to reorganize and restructure its management and operational organization and facilities to eliminate duplicate personnel, physical facilities and service capacity, to abandon certain products and marketing activities, and to further take advantage of the synergy available to the combined entities. Also, during the fourth quarter of 1993, plans were approved to reduce IDB Communications Group, Inc.'s cost structure and to improve productivity. Accordingly, in 1994, 1993 and 1992, the Company charged to operations the estimated costs of such reorganization and restructuring activities, including employee severance, physical facility abandonment and duplicate service capacity. These costs totaled $43.7 million in 1994, $5.9 million in 1993 and $79.8 million in 1992.

Also, during 1994 and 1992, the Company incurred direct merger costs of $15.0 million and $7.3 million, respectively, related to the IDB Merger (in 1994) and the ATC Merger (in 1992). These costs include professional fees, proxy solicitation costs, travel and related expenses and certain other direct costs attributable to these mergers.

(3) In connection with certain debt refinancing, the Company recognized in 1993 and 1992 extraordinary items of approximately $7.9 million and $5.8 million, respectively, net of income taxes, consisting of unamortized debt discount, unamortized issuance cost and prepayment fees.

(4) In the third quarter of 1995, Metromedia Company ("Metromedia") converted its Series 1 Preferred Stock into 21,876,976 shares of WorldCom common stock and exercised warrants to acquire 3,106,976 shares of WorldCom common stock and immediately sold its position of 30,849,548 shares of WorldCom common stock in a public offering. In connection with the preferred stock conversion, WorldCom made a one-time non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million

(which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).
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<DESCRIPTION>SUBSIDIARIES OF THE REGISTRANT
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Exhibit 21.1

SUBSIDIARIES OF WORLDCOM, INC.(1)

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Name of Subsidiary	Jurisdiction of Incorporation	Trade Name
<S>	<C>	<C>
Biz-Tel Corporation	Florida	LDDS WorldCom
Com Systems, Inc.	California	
Digital Communications of America, Inc.	Oklahoma	Digital Communications
GridNet, L.L.C.	Oklahoma	
Healan Communications, Inc.	Georgia	Healan Communications
IDB Communications Group Limited	United Kingdom	
IDB Media Group, Inc.	Delaware	
IDB WorldCom, Inc. f/k/a IDB Communications Group, Inc.	Delaware	IDB WorldCom
IDB WorldCom Services, Inc. f/k/a TRT/FTC Communications	Delaware	WSI, TRT/FTC Communications
ITC Tele-services, Inc.	Washington	Impact
International Computer Systems, Inc.	Virginia	ICS, ICS Information Technologies
LDDS Corporation	Delaware	
Military Communications Center, Inc.	Delaware	MCC, Military Communications
Ocean Satellite Television, Inc.	Florida	
TC WorldCom AG	Switzerland	
TRT/FTC Communications Limited	United Kingdom	
Touch 1 Long Distance, Inc.	Alabama	LDDS WorldCom
Transcall America, Inc.	Georgia	LDDS WorldCom
Virginia WorldCom, Inc.	Virginia	
WorldCom Caribbean, Inc.	New York	

WorldCom Federal Systems, Inc.	Delaware	
WorldCom International, Inc.	Delaware	
WorldCom Network Services, Inc.	Delaware	WilTel, WilTel Network Services
WorldCom Telecommunications Services, GmbH	Germany	WorldCom Germany

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---

(1) Excludes all inactive subsidiaries, all of which, when considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary within the meaning of Rule 1-02(v) of Regulation S-X.

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<TYPE>EX-23.1
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<PAGE> 1

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in the Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (File Nos. 33-52168, 33-69322, 33-71450, and 33-89072) and Form S-3 (File Nos. 33-63810, 33-67340, 33-69122, 33-71510, 33-71516, 33-87514, 33-77964, 33-87516 and 33- 58719).

ARTHUR ANDERSEN LLP

Jackson, Mississippi
March 28, 1996
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<TYPE>EX-23.2
<SEQUENCE>9
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Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-63810, 33-67340, 33-71510, 33-87514, 33- 77964, 33-69122, 33-71516, 33-87516 and 33-58719 on Form S-3 and Registration Statement Nos. 33-52168, 33-69322, 33-71450 and 33-89072 on Form S-8 of WorldCom, Inc. and Subsidiaries ("WorldCom") of our report dated March 7, 1994 on the consolidated financial statements of IDB Communications Group, Inc. appearing in the Annual Report of

WorldCom for the year ended December 31, 1995.

Deloitte & Touche LLP

Los Angeles, California
March 29, 1996
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WORLDCOM, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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-----END PRIVACY-ENHANCED MESSAGE-----

EXHIBIT 3

Exhibit 3

MFS Intelenet of South Dakota, Inc.

Directors

Ronald R. Beaumont
Terrence J. Ferguson
Richard J. Hanna

Officers	Title
R. Douglas Bradbury	Vice President
Cardi Prinzi	Chief Operating Officer, President
Terrence J. Ferguson	Secretary; Vice President
Richard J. Hanna	Chief Executive Officer
Debra L. Keith	Vice President
Robert J. Ludvik	Vice President
Brian P. McGinty	Assistant Secretary
Paul W. McKnight	Chief Financial Officer

0054346

054346

02/24/97 [illegible] $250.00

TC 97-019

$250.00

SWIDLER & BERLIN
CHARTERED
3000 K STREET, N.W., SUITE 300
WASHINGTON, D.C. 20007

FIRST UNION NATIONAL BANK
WASHINGTON, D.C.

15-122/540

0054346

NO054346

EXACTLY*****250*DOLLARS AND*00*CENTS

DATE	AMOUNT
02/24/97	$$$$$250.00

GENERAL ACCOUNT

PAY TO THE ORDER OF South Dakota Public Utilities Commission

⑈054346⑈ ⑆054001220⑆ 2030000087305⑈

NA	AT&T filed to extend the Operator Services Promotion in its Message Telecommunications Service tariff. The extension is effective February 28, 1997.	02/27/97	NA
NA	Dial & Save of South Dakota, Inc. filed to increase the additional minute usage rate for its Residential Calling Program. The revisions are effective February 27, 1997.	02/27/97	NA

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by: E-mailing it to Terry Norum at terryn@puc.state.sd.us. Faxing the address to the Commission at 605-773-3809

South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (800) 332-1782
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

02/21/97 through 02/27/97

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
	REQUEST FOR CERTIFICATION OF AUTHORITY		
TC97-018	Application by ATCALL, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) Applicant proposes to provide 24-hour intrastate interexchange telecommunications services, 800 services, and postpaid and prepaid debit travel card services.	02/24/97	03/14/97
TC97-019	Application by MFS Intelenet of South Dakota, Inc. to amend its Certificate of Authority to provide local exchange services within the state of South Dakota. (Staff: TS/KC) "MFSI-SD will provide service to customers through: (i) the resale of services and facilities provided by USWC, other authorized providers and entrant local exchange carriers, including affiliates; (ii) through use of facilities MFSI-SD has or will deploy; or (iii) through some combination thereof. MFSI-SD soon will inter into negotiations with USWC, for the provision of wholesale services, interconnection, access to unbundled network elements, and interim number portability, subject to Sections 251 and 271 of the Telecommunications Act of 1996, to enable MFSI-SD to begin operations."	02/25/97	03/14/97
	NONCOMPETITIVE TELECOMMUNICATIONS FILINGS		
TC97-020	U S WEST Communications filed to remove the Service Date Change Charge for Switched Access. "Currently a non-recurring charge of $15.00 is assessed for each Switched Access installation service date change." USWC requests an effective date of April 1, 1997. (Staff: TS/CH)	02/26/97	03/14/97
	FULLY COMPETITIVE TELECOMMUNICATIONS FILINGS		
NA	U S WEST Communications filed to reduce the rate for Voice Messaging - Message Notifications and to make text changes to its Voice Messaging Service offering in its Exchange and Network Services Catalog. The revisions are effective 24, 1997.	02/21/97	NA
NA	U S WEST Communications filed to eliminate the Service Date Change Charge for Private Line Transport Services and to introduce a Dispatch Charge to its Private Line Services Catalog. Both are non-recurring charges. The revisions are effective April 1, 1997.	02/26/97	NA
NA	Parcel Consultants, Inc. filed to introduce a flat rate residential one plus long distance service and to make text changes. The revisions are effective February 28, 1997.	02/26/97	NA

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF MFS INTELENET OF SOUTH DAKOTA, INC. FOR AN AMENDED CERTIFICATE OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	))))))	**ORDER GRANTING AMENDED CERTIFICATE OF AUTHORITY** **TC97-019**

On February 25, 1997, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for an Amended Certificate of Authority from MFS Intelenet of South Dakota, Inc. (MFSI-SD).

MFSI-SD proposes to amend its Certificate of Authority so that it may offer local exchange services in exchanges currently served by U S WEST Communications, Inc. (U S WEST) in addition to its offering of interexchange carrier access and other telecommunications services.

On February 27, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of March 14, 1997, to interested individuals and entities. No parties filed to intervene. At its regularly scheduled meeting of April 15, 1997, the Commission considered MFSI-SD's request for an Amended Certificate of Authority. Commission Staff recommended approval of the Amended Certificate of Authority.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31 and ARSD Chapter 20:10:24. The Commission finds that MFSI-SD has met the legal requirements established for the granting of an Amended Certificate of Authority. MFSI-SD has, in accordance with the above cited authority, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Pursuant to ARSD 20:10:24:02, the Commission finds good cause to waive subparagraphs (6), (7), (8), (11), and (12) because some of the information required by these subparagraphs is dependent on the outcome of negotiations or arbitrations between MFSI-SD and local exchange carriers.

Further, the Commission finds that pursuant to MFSI-SD's request, the Amended Certificate of Authority for MFSI-SD shall authorize it to offer its services only in those areas in South Dakota where U S WEST is the incumbent local exchange carrier. It is therefore

ORDERED, that MFSI-SD's application for an Amended Certificate of Authority to provide local exchange services is granted; and it is

FURTHER ORDERED, that the Commission shall authorize MFSI-SD to offer its services in those areas in South Dakota where U S WEST is the incumbent local exchange carrier; and it is

FURTHER ORDERED, that the Commission finds good cause to waive subparagraphs (6), (7), (8), (11), and (12) of ARSD 20:10:24:02.

Dated at Pierre, South Dakota, this 28th day of April, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 4/28/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

AMENDED CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted April 15, 1997
Docket No. TC97-019

This is to certify that

MFS INTELENET OF SOUTH DAKOTA, INC.

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 28th day of April, 1997.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

JAMES A. BURG, Chairman

PAM NELSON, Commissioner

LASKA SCHOENFELDER, Commissioner