

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WORLDCOM, INC. AND)
MFS COMMUNICATIONS COMPANY, INC.)
FOR APPROVAL OF AGREEMENT AND PLAN) CASE NO. 96-432
OF MERGER, AND RELATED TRANSACTIONS)

O R D E R

On September 26, 1996, WorldCom, Inc. d/b/a LDDS WorldCom ("WorldCom") and MFS Communications Company, Inc. ("MFSCC") (hereinafter collectively referred to as "Joint Applicants") filed an application ("Joint Application") pursuant to KRS 278.020 and KRS 278.300 for Commission approval of their Agreement and Plan of Merger ("Agreement").

MFSCC, a Delaware corporation that is publicly traded on the Nasdaq Stock Market, provides domestic and international telecommunications services. Through its Kentucky operating subsidiaries,¹ MFSCC is authorized to provide intrastate telecommunications services in Kentucky.

WorldCom, a Georgia corporation that is publicly traded on the Nasdaq Stock Market, provides domestic and international telecommunications services. WorldCom

¹ MFSCC's Kentucky operating subsidiaries are: (1) Kentucky Fiberlink, Co., which was granted a Certificate of Public Convenience and Necessity ("CPCN") on February 8, 1994 in Case No. 93-359, (2) MFS Intelnet of Kentucky, Inc., which was granted a CPCN on June 9, 1994 in Case No. 94-117, and (3) Metropolitan Fiber Systems of Kentucky, Inc., which was granted a CPCN on August 25, 1995 in Case No. 94-093.

and its operating subsidiaries are authorized to provide intrastate telecommunications service in Kentucky.²

Joint Applicants state that the proposed transaction will allow HIJ Corp., a wholly-owned subsidiary of WorldCom created specifically for purposes of consummating the transaction, to merge into MFSCC. MFSCC, as the surviving corporation in the merger, will continue its corporate existence as a subsidiary of WorldCom.

Joint Applicants further state that upon consummation of the merger and related transactions, MFSCC will continue operating its Kentucky operating subsidiaries under their current names. However, the trade name of WorldCom will change from "LDDS WorldCom" to "MFS WorldCom." [See Joint Application at 6].

Finally, Joint Applicants state that after the merger, MFSCC and all of its operating subsidiaries, as subsidiaries of WorldCom, will assume and execute a guaranty of WorldCom's pre-existing credit facilities and senior notes. Joint Applicants request approval to exchange each issued and outstanding share of common stock of MFSCC for 2.1 shares of WorldCom common stock.

On November 20, 1996, Joint Applicants filed with this Commission a copy of their filing with the Securities and Exchange Commission ("SEC Form S-4"). According to the SEC Form S-4, Joint Applicants are also proposing to exchange each share of MFSCC Series A Preferred Stock and MFSCC Series B Preferred Stock (other than those held

² The Commission granted WorldCom and its operating subsidiaries the authority to provide intrastate telecommunications service in Kentucky in Case No. 91-395 (June 4, 1992); Case No. 94-186 (August 4, 1994); and Case No. 96-203 (July 11, 1996).

by holders of MFSCC Series B Preferred Stock exercising appraisal rights) for, respectively, one share of WorldCom Series A Preferred Stock and one share of WorldCom Series B Preferred Stock.

According to Joint Applicants, the proposed transaction will not involve a change in the manner in which the Kentucky operating subsidiaries provide telecommunications services. Furthermore, it will not disrupt service or cause inconvenience or confusion to the customers of any MFSCC company, who will be notified of the merger.

Upon consummation of the transaction, Joint Applicants state that MFSCC will rely on many of its existing management and operational staff and the expertise of WorldCom and its operating subsidiaries.

Pursuant to KRS 278.020(4), all persons under the jurisdiction of the Commission are required to receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. KRS 278.020(5) prohibits any entity from acquiring control of any jurisdictional utility without prior Commission approval. KRS 278.300 prohibits any utility from issuing securities or evidence of indebtedness, or assuming any obligation or liability in connection with the issuance of securities or debt obligation without prior approval from the Commission.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. KRS 278.020(4) and (5) and KRS 278.300 are applicable to the proposed transaction as described by Joint Applicants and that Commission approval is necessary.

2. Joint Applicants have demonstrated the financial, technical and managerial abilities to provide reasonable service to the public and the proposed transaction is consistent with the requirements of KRS 278.020(4) and (5) and should be approved.

3. The proposed financial transaction is for a lawful object within WorldCom's corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform that service, is reasonably necessary and appropriate for such purpose, and is consistent with the requirements of KRS 278.300 and should be approved.

IT IS THEREFORE ORDERED that:

1. The merger and related financial transactions described in the Joint Application and clarified by the SEC Form S-4 are hereby approved.

2. Within 10 days of the date of closing, MFS WorldCom shall file, pursuant to 807 KAR 5:011, Section 11, a revised tariff reflecting its name change.

3. Joint Applicants shall notify the Commission within 10 days of the date of closing of the proposed transaction or, in the alternative, shall notify the Commission if the proposed transaction does not occur.

4. Within 30 days from the date of this Order, WorldCom shall file organizational charts reflecting all Kentucky telecommunications operations, all associated ownership interests, all associated corporate names, and all associated business names.

Done at Frankfort, Kentucky, this 25th day of November, 1996.

PUBLIC SERVICE COMMISSION

Jaida K. Breakwell
Chairman

Edwin J. Hobbs
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

Don Miller
Executive Director