

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

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

**SUPPLEMENT TO
DEBTORS' DISCLOSURE STATEMENT PURSUANT TO
SECTION 1125 OF THE BANKRUPTCY CODE, DATED MAY 23, 2003**

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Dated: New York, New York
July 9, 2003

Introduction

On May 28, 2003, the Bankruptcy Court¹ entered the Disclosure Statement Order approving the Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtors' creditors to make an informed judgment whether to accept or reject the Plan. On July 10, 2003, the Bankruptcy Court signed the Order Approving the Supplement to Disclosure Statement (the "Supplemental Disclosure Statement Order") approving this supplemental disclosure in respect of certain modifications to the Plan set forth in Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated July 9, 2003 (the "Amended Plan"). Copies of the Amended Plan and the Supplemental Disclosure Statement Order are annexed hereto as Exhibits "A" and "B," respectively.

The Supplement provides disclosure in respect of certain modifications to the Plan set forth in the Amended Plan, revised exhibits to the Disclosure Statement (annexed hereto), and additional matters, including a revision of the SEC settlement. The Amended Plan effectuates the compromise and settlement of the Bank Actions (the "Bank Settlement") and clarifies certain implementation provisions of the Plan. The terms set forth in the Amended Plan supercede the terms of the Plan.

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on August 25, 2003, commencing at 9:00 a.m. Eastern Time, before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, at the United States District Court for the Southern District of New York, Room 523, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before July 28, 2003 at 4:00 p.m., Eastern Time, and that solely with respect to objections to the Bank Settlement, such objections, if any, be served and filed so that they are received on or before August 4, 2003 at 4:00 p.m., Eastern time, in the manner described in Section VII.B of the Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

The statements contained in this Supplement are made as of the date hereof unless another time is specified herein, and the delivery of this Supplement shall not create an implication that there has been no change in the information stated since the date hereof. Holders of Claims and Equity Interests should carefully read this Supplement and the Disclosure Statement in their entirety, including the Amended Plan, prior to voting on the Amended Plan. This Supplement and the Disclosure Statement have not been filed with, reviewed, or approved or disapproved by the SEC and the SEC has neither passed upon the accuracy or adequacy of the information contained herein.

The Official Committee of Unsecured Creditors of WorldCom, Inc., *et al.*, supports the modifications to the Plan and urges creditors to vote to accept the Amended Plan.

Compromise and Settlement of the Bank Actions

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, the Amended Plan incorporates a proposed compromise and settlement of issues relating to the Bank Actions. The Bank Actions consist of any and all Causes of Action of the Banks against the Debtors, the Reorganized Debtors, or any of their respective current or former officers or directors relating to or arising from the 364-Day Facility and the Revolving Credit Facility or the funding of any amounts thereunder, including without limitation, the Constructive Trust Action and the Maryland Action. Pursuant to the Constructive Trust Action, certain holders of Bank Claims allege that funding under the 364-Day Facility was fraudulently obtained by the Debtors and that such amounts received by the Debtors are subject to a constructive trust for the benefit of the Banks who are plaintiffs in the Constructive Trust Action (the "CTA Banks"). In addition, pursuant to the Maryland Action,

1 Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to such terms in the Amended Plan (as defined herein).

certain holders of Bank Claims seek damages for alleged acts of negligence and negligent misrepresentation allegedly committed in connection with the funding under the 364-Day Facility. These allegations are disputed by the Debtors and their former treasurer, who is the defendant in the Maryland Action. A discussion of the legal arguments of the Banks and the Debtors in respect of the Constructive Trust Action and Maryland Action and the rationale for the settlement thereof is set forth below.

Pursuant to the Amended Plan, the settlement provides that the CTA Banks will receive a *pro rata* share of New Notes in the aggregate amount of seventy five million (\$75,000,000) dollars under Class 3 of the Plan. Distribution of the New Notes pursuant to the Bank Settlement is contingent upon the CTA Banks dismissing the Constructive Trust Action and obtaining from the Banks party to the Maryland Action (the “MD Banks”) a dismissal with prejudice of the Maryland Action. The Debtors have been advised that it is agreed that the CTA Banks will pay the MD Banks approximately fifteen million (\$15,000,000) dollars in order to obtain the dismissal of the Maryland Action. The distribution of New Notes pursuant to the Bank Settlement will reduce, dollar for dollar, the unsecured portion of the aggregate amount of the Bank Claims. Prior to the distribution of the New Notes pursuant to the Bank Settlement and upon the Effective Date, the CTA Banks shall file a notice of dismissal with prejudice dismissing the Constructive Trust Action and shall cause the MD Banks to file a notice of dismissal with prejudice dismissing the Maryland Action. Any and all parties who have held, hold, or may hold Claims against or Equity Interests in any or all of the Debtors are permanently enjoined from asserting or continuing in any manner any Bank Action. Pursuant to the Plan, and in consideration for the distributions provided under the Bank Settlement to the holders of Class 3A Claims and other benefits under the Plan, the acceptance of a distribution under the Bank Settlement shall be deemed a release, dismissal, and discharge of all Bank Actions of the Banks accepting such distributions. Wells Fargo Bank, N.A. (“Wells Fargo”), as a party to the Constructive Trust Action and the Maryland Action, and potential party to the Bank Settlement, objects to the injunction and release of Bank Actions other than the Constructive Trust Action and the Maryland Action, as it claims that such injunction and release is an impermissible disallowance of Wells Fargo’s filed tort claims against other Debtors in the Chapter 11 Cases, which tort claims Wells Fargo continues to assert, and to which the Debtors continue to object.

The Debtors believe that the Bank Settlement is fair and equitable and falls well within the range of reasonableness. The Bank Settlement embodies an assessment by the Debtors and the Banks of their ability to prevail on a number of complex issues relating to the Bank Actions. The Debtors believe that unless these controversies are resolved, protracted litigation would distract the Debtors from their reorganization efforts and potentially adversely affect asset values. The Committee supports the Bank Settlement.

Rationale Underlying the Bank Settlement

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, the Amended Plan incorporates the Bank Settlement. In the Constructive Trust Action, the Banks seek the imposition of a constructive trust over the funds drawn under the 364-Day Facility in May 2002 (or the identifiable proceeds thereof). A constructive trust is an equitable remedy designed to prevent unjust enrichment and restore legal title to one who, in equity, owns the property. Where a constructive trust exists, the debtor’s interest in the property subject to such constructive trust is limited to bare legal title and equitable interest in such property is conferred on the true owner of the property. Under applicable law, the elements of a claim for constructive trust are (i) a confidential or fiduciary relationship, (ii) a promise, express or implied, (iii) a transfer in reliance on the promise, and (iv) unjust enrichment. *See Koreag, Controle et Revision S.A. v. Refco F/X Assocs., Inc. (In re Koreag, Controle et Revision S.A.)*, 961 F.2d 341, 353 (2d Cir. 1992). However, courts use these elements merely as guideposts, not as rigid requirements. For example, the Banks assert that in the context of the facts of this case a confidential or fiduciary relationship should not be required. Because the doctrine of constructive trust is equitable in nature, courts focus on the fairness of the transaction. *See Simonds v. Simonds*, 45 N.Y.2d 233, 243, 380 N.E.2d 189, 408 N.Y.S.2d 359 (1978) (“A court of equity in decreeing a constructive trust is bound by no unyielding formula. The equity of the transaction must shape the measure of relief.”).

In addition, before a constructive trust may be imposed, a claimant must trace their own property to which such constructive trust could attach. *See United States v. Benitez*, 779 F.2d 135, 140 (2d Cir. 1985). Under applicable law, the maximum amount that would be subject to creation of a trust where funds have been commingled with other funds is the so-called “lowest intermediate balance.” The lowest intermediate balance is a concept created by courts to deal with the problem of identifying the property allegedly held in trust where a debtor has commingled such funds in a general bank account of the debtor with other funds. In applying the lowest intermediate balance test, where the account is reduced to a smaller sum than the trust fund, the trust fund must be regarded as dissipated except as to such account balance. *See In re Drexel Burnham Lambert Group, Inc.*, 142 B.R. 633, 637 (S.D.N.Y. 1992).

The Banks assert that they would not have extended credit had WorldCom not certified that its financial statements were in accordance with GAAP, that there were no defaults under the 364-Day Facility, and that the funds would be held in WorldCom’s account at Bank of America. The Banks assert that each of these representations was false. The Banks believe that the facts surrounding the borrowing are sufficient to impose a constructive trust under New York law. Accordingly, the Banks contend that the elements to establish a constructive trust are satisfied and that they are entitled to a secured claim in the amount of the lowest intermediate balance, which they estimate as between \$150 million and \$250 million. The Banks, therefore, believe that they are entitled to a Class 3 Other Secured Claim in the amount of at least \$150 million.

The Debtors contend that the Banks are not able to make the showing necessary to impose a constructive trust and that a bankruptcy court, as a court sitting in equity, could refuse to impose the constructive trust even if the Banks were able to make the necessary showing under New York law. Moreover, even assuming the Banks were successful in establishing the right to a constructive trust under New York law, the next issue is whether WorldCom, as a debtor-in-possession, could defeat or avoid the constructive trust under applicable bankruptcy law. The Sixth, Seventh and Ninth Circuit Courts of Appeals and the District of Delaware all hold that property subject to a constructive trust is an asset of the estate under section 541 of the Bankruptcy Code. *See In re Omegas Group, Inc.*, 16 F.3d 1443 (6th Cir. 1994); *Belisle v. Plunkett*, 877 F.2d 512 (7th Cir. 1989); *Chbat v. Tleel (In re Tleel)*, 876 F.2d 769 (9th Cir. 1989); *In re Paradise & Assoc.*, 249 B.R. 360 (D. Del. 2000). Because it is property of the estate, these jurisdictions permit a debtor-in-possession to avoid the constructive trusts under section 544(a) of the Bankruptcy Code.

The Banks believe that in the Second Circuit, the jurisdiction of the Chapter 11 Cases, property subject to a constructive trust is not property of the estate under section 541 of the Bankruptcy Code. *See In re Howard’s Appliance Corp.*, 874 F.2d 88, 95 (2d Cir. 1989). The Banks contend that if they were to establish the right to a constructive trust, the funds subject to the trust would not be property of the chapter 11 estate and, as a result, the Debtors could not use its avoiding powers under section 544(a) of the Bankruptcy Code or otherwise subordinate or invalidate the trust under the Bankruptcy Code. As stated, the Debtors do not believe the Banks can establish the right to a constructive trust, adequately trace the funds subject to a constructive trust, or that governing law obstructs their avoiding powers under the Bankruptcy Code.

Although the Banks believe that the Claims asserted in the Maryland Action are valid, such claims are vigorously contested by the Debtors, as well as by the defendant. The Debtors want to resolve the Maryland Action in connection with the compromise and settlement of the Bank Actions. The Debtors do not believe that the Maryland Action has any merit and, to date, the Debtors have successfully stayed such action. Prior to her resignation, the defendant in Maryland Action, the former treasurer of WorldCom, was very actively involved in the Debtors’ reorganization efforts and continues to provide assistance and information to the Debtors on matters that she had previously handled and on certain financial matters as to which her experience and knowledge of the Debtors’ historical data is valuable to the Debtors’ reorganization efforts. As a result, the Debtors have made dismissal of the Maryland Action a condition of the Bank Settlement.

While there is some uncertainty regarding the amount of the lowest intermediate balance, and while WorldCom contests the Banks’ ability to obtain a judgment for the Constructive Trust Action after WorldCom filed for bankruptcy, the Debtors concluded that, in light of the uncertainty of success in the litigation, it is in the best interest of these chapter 11 estates to resolve the Bank Actions. The settlement provides that the CTA Banks

will receive a *pro rata* share of New Notes in the aggregate amount of seventy five million (\$75,000,000) dollars. Distribution of New Notes pursuant to the Bank Settlement is contingent upon the CTA Banks' filing a notice of dismissal with prejudice of the Constructive Trust Action and the MD Banks' execution and delivery of a notice of dismissal with prejudice of the Maryland Action. Any and all parties who have held, hold, or may hold Claims against or Equity Interests in any or all of the Debtors are permanently enjoined from asserting or continuing in any manner any Bank Action. Pursuant to the Plan, and in consideration for the distributions provided under the Bank Settlement to the holders of Class 3A Claims and other benefits under the Plan, the acceptance of a distribution under the Bank Settlement shall be deemed a release, dismissal, and discharge of all Bank Actions of the Banks accepting such distributions. Wells Fargo, as a party to the Constructive Trust Action and the Maryland Action, and potential party to the Bank Settlement, objects to the injunction and release of Bank Actions other than the Constructive Trust Action and the Maryland Action, as it claims that such injunction and release is an impermissible disallowance of Wells Fargo's filed tort claims against other Debtors in the Chapter 11 Cases, which tort claims Wells Fargo continues to assert, and to which the Debtors continue to object.

The distribution of New Notes pursuant to the Bank Settlement will reduce, dollar for dollar, the unsecured portion of the aggregate amount of the Bank Claims. Because the CTA Banks would have received a distribution of at least 35.7% on the \$75,000,000 portion of their Claim dealt with pursuant to the Bank Settlement, the net settlement value of the Bank Settlement is approximately \$48 million (not \$75 million).

The Debtors believe the Bank Settlement is fair, equitable, represents the exercise of the Debtors' sound business, is in the best interests of the Debtors' creditors, and within the range of reasonableness required by Bankruptcy Rule 9019.

Effectuation of Plan Mergers and CLEC Consolidation

Pursuant to Section 5.05(a) of the Plan and in order to implement distributions of New Common Stock to Intermedia creditors in a manner which preserves WorldCom ownership of Intermedia, on the Effective Date Intermedia will be merged with and into Merger Subsidiary with Merger Subsidiary surviving the merger (the "Intermedia Merger"). Additionally, pursuant to Section 5.05(c) of the Plan, on the Effective Date, Reorganized WorldCom will be merged into a wholly-owned Subsidiary that is incorporated in Delaware, with such Subsidiary surviving the merger (the "WorldCom Merger" and, together with the Intermedia Merger, the "Mergers").

In addition, in furtherance of overall reorganization efforts, the Company is effectuating the simplification of its corporate structure. The Company has identified over two hundred forty (240) entities, including approximately one hundred sixty (160) Debtors, for merger or dissolution, including inactive entities, entities that were created for a special or limited purpose, entities involved in its local exchange carrier business, and the EMEA Subsidiaries subject to the EMEA Rationalization. For a discussion of the EMEA Rationalization, see Section V.G.4 of the Disclosure Statement. The reorganization of corporate entities is not expected or intended to alter the Debtors' substantive business operations, rather the reorganization is intended solely to simplify the Company's legal structure, achieve cost savings, and certain administrative benefits. A list of the Subsidiaries that will be merged or dissolved will be included in the Plan Supplement, other than the EMEA Subsidiaries subject to the EMEA Rationalization which are identified in the Motion of the Debtors Pursuant to Sections 105 and 363 of the Bankruptcy Code for Authorization to Rationalize the Corporate Structure of International Operations, dated July 1, 2003.

WorldCom currently operates its local exchange carrier business through numerous Debtor-entities (the "CLEC Subsidiaries"). The CLEC Subsidiaries can be loosely grouped into several different corporate families, vestiges of corporate acquisitions by WorldCom during the 1990's. Pursuant to Section 5.05(b) of the Plan, on the Effective Date, the Debtors will effectuate the consolidation of the CLEC Subsidiaries (the "CLEC Consolidation") in order to achieve reductions in expenses, such as PUC fees, franchise and right-of-way fees, and general administrative expenses associated with maintaining these entities. Streamlining these operations is also likely to reduce confusion in WorldCom's dealing with regulators, local municipalities, vendors, and customers.

The Mergers and CLEC Consolidation are critical to the reorganization of their businesses. The transfer of assets (including regulatory permits and licenses) to the respective surviving companies are integral components of each of the Mergers and the CLEC Consolidation. Outside of the bankruptcy context, some of these transactions would be subject to the jurisdiction of some or all of the 50 state PUCs. Application of a number of laws of various state regulatory authorities could potentially delay or impede the Mergers and the CLEC Consolidation, which are necessary to the implementation of the Plan. Such laws are not directed at protecting public health and safety, but rather, are directed primarily toward economic goals. Because application of these laws could effectively preclude an effective reorganization within a reasonable time frame, such laws stand as an obstacle to the purposes and policies of Congress in enacting the Bankruptcy Code and are preempted by federal law as discussed below. Public health and safety regulation of the Reorganized Debtors, Merger Subsidiary, and any entity created pursuant to the Plan will continue on an ongoing basis before, during, and after consummation of the Plan and, therefore, there will be no lapse in such regulation as a result of the Plan. Thus, even if the limited number of laws to be preempted are directed in part at protecting public safety, any impacts due to such limited preemption will be wholly mitigated by the other regulation or contractual provisions applicable to the Plan.

The Debtors believe that, pursuant to section 1123 of the Bankruptcy Code, the above-referenced state regulatory laws are preempted. Such laws could potentially delay or impede essential elements of the Plan (i.e., the Mergers and CLEC Consolidation), which are necessary for a successful reorganization within a reasonable timeframe. Application of such laws would therefore frustrate the purposes and policies of the Bankruptcy Code. For example, in *Public Service Company of New Hampshire v. State of New Hampshire (In re Public Service Company of New Hampshire)*, 108 B.R. 854 (Bankr. D.N.H. 1989), the bankruptcy court for the district of New Hampshire considered whether section 1123 of the Bankruptcy Code, which provides, in relevant part, “[n]otwithstanding any otherwise applicable nonbankruptcy law, a plan shall . . . provide adequate means for the plan’s implementation . . .,” preempted state regulatory law. In *Public Service Company of New Hampshire*, the debtor, Public Service Company of New Hampshire (“PSNH”), filed a plan of reorganization which provided for, *inter alia*, the transfer of property, mortgaging of property, and issuance of new equity and debt securities. Pursuant to New Hampshire regulatory law, such transactions required the approval of the New Hampshire Public Utilities Commission. Pursuant to the PSNH plan of reorganization, however, PSNH was not required to obtain the approval of the New Hampshire Public Utilities Commission in order to effectuate the transactions set forth therein. PSNH filed a complaint against the State of New Hampshire and the State of New Hampshire Public Utilities Commission seeking a declaratory judgment as to the preemptive effect of certain provisions of the Bankruptcy Code against the New Hampshire state regulatory laws. The New Hampshire Bankruptcy Court held that section 1123 of the Bankruptcy Code preempted New Hampshire state regulatory law and, therefore, PSNH could effectuate the transactions set forth in the plan of reorganization without seeking the approval of the New Hampshire Public Utilities Commission.

More recently, in *In re Pacific Gas and Electric Co.*, 283 B.R. 41 (N.D. Cal. 2002) (appeal pending), the district court for the northern district of California concurred with the holding in *Public Service Company of New Hampshire* that section 1123 of the Bankruptcy Code preempts nonbankruptcy law. In *Pacific Gas and Electric Co.*, the debtor’s proposed reorganization plan contemplated, *inter alia*, the creation of separate entities upon emergence consistent with its four lines of business reflecting PG&E’s historical utility functions. Absent preemption, the debtor would require state regulatory review and approval in order to execute several of the transactions required under the plan. Upon consideration of the debtor’s proposed plan, the bankruptcy court disapproved the proposed disclosure statement on the grounds that the proposed reorganization plan failed to provide adequate means for its implementation because the reorganization plan required the preemption of state regulatory laws beyond the scope of the bankruptcy court’s powers. Reversing the bankruptcy court’s ruling, the district court held that section 1123 of the Bankruptcy Code preempted the regulatory authority of the California Public Utility Commission and other state and local entities and, thus, the bankruptcy court erred in finding that proposed plan of reorganization failed to provide adequate means for its implementation. The California Public Utility Commission and the California Department of Justice believe that the Debtors cannot use section 1123 of the Bankruptcy Code as a basis for preemption of state and local regulatory authority as contemplated by Section 5.05(d) of the Plan and further believe that utilization of section 1123 of the Bankruptcy Code in this context

raises novel issues of law that are the subject of contested proceedings in other jurisdictions, including the appeal pending before the Ninth Circuit Court of Appeals (Case Nos. 02-16990 and 02-80113) of the *Pacific Gas and Electric Co.* case cited above. Furthermore, the California Public Utility Commission and the California Department of Justice contend that the inability of the Debtors to use section 1123 of the Bankruptcy Code as proposed to preempt state and local regulatory laws could adversely affect confirmation of the Plan.

Moreover, section 525 of the Bankruptcy Code provides that a “governmental unit may not deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such grant to, discriminate with respect to such a grant against . . . solely because such bankrupt or debtor is or has been a debtor . . .” 11 U.S.C. § 525(a) To the extent state regulatory review would be triggered “solely because” of the implementation of the Plan, such regulatory review also is preempted by section 525 of the Bankruptcy Code. As the Supreme Court held in *FCC v. NextWave Personal Communications, Inc.*, 123 S.Ct. 832 (2003), regulators are prohibited from taking regulatory actions solely because of a debtor’s bankruptcy status, even where a regulatory body could assert a “valid regulatory purpose” for asserting jurisdiction. *Id.* at 838.

Pursuant to Section 5.05(d) of the Amended Plan, the mergers, transfers of assets, dissolutions, consolidations, and other transactions contemplated in the Mergers, the CLEC Consolidation, or otherwise will be approved and effective as of the Effective Date without the need for any further state or local regulatory approvals, and without any requirement or further action by the Debtors, Reorganized Debtors, or any entity created to effectuate the provisions of the Plan. All current customers will continue to receive service under the same rates, terms, and conditions as they currently enjoy. Impacted customers will receive notice of all of these organizational changes. Where required, tariffs of Subsidiaries that will be merged or dissolved pursuant to Section 5.05 of the Plan will be appropriately incorporated into existing or new tariffs of surviving entities. State and local regulatory commissions will be able to review these tariff changes to assure that consumers’ rights are fully protected.

Revised SEC Settlement

On November 26, 2002, WorldCom consented to the entry of a permanent injunction that partially resolved the claims asserted in the SEC Lawsuit. The injunction imposes certain ongoing obligations on the Company and permits the SEC to seek a civil penalty from WorldCom. On May 19, 2003, WorldCom, Inc. consented to a settlement in the SEC Lawsuit in which it agreed to the entry of a final penalty judgment that, among other things, finds WorldCom, Inc. liable for a civil penalty in the amount of \$1,510,000,000 and disgorgement of \$1.00 (the “Proposed Final Penalty Judgment”). The Proposed Final Penalty Judgment provides, among other things, that in the event of confirmation of a plan of reorganization for the Debtors, or alternatively, in the event of a liquidation of WorldCom under chapter 11 of the Bankruptcy Code, WorldCom shall satisfy the obligation under the Final Penalty Judgment by paying \$500,000,000 on the effective date of the plan of reorganization, or alternatively, at the time of the distribution upon liquidation. See Section V.D of the Disclosure Statement.

The settlement of the SEC Lawsuit is subject to review by the District Court for the Southern District of New York, where the SEC Lawsuit is pending, and the Bankruptcy Court. Following the parties’ agreement on the terms of the Proposed Final Penalty Judgment and after an initial hearing before the District Court and in light of issues raised by the District Court Judge, WorldCom, Inc. and the SEC have mutually agreed upon a supplement to the terms of the proposed settlement and entry of a revised final penalty judgment (the “Revised Final Penalty Judgment”). Pursuant to the Revised Final Penalty Judgment, WorldCom, Inc. will be liable for a civil penalty in the amount of \$2,250,000,000 and disgorgement of \$1.00. The Revised Final Penalty Judgment provides that in the event of confirmation of a plan of reorganization, WorldCom shall satisfy the obligation under the judgment on the Effective Date by paying \$500,000,000 in Cash and transferring New Common Stock having a value of \$250,000,000 (based upon the valuation set forth herein) to a distribution agent to be appointed by the District Court. All other material terms of the Proposed Final Penalty Judgment remain the same. The Committee supports the Revised Final Penalty Judgment.

The settlement remains subject to review by the District Court and, pursuant to the settlement, the Debtors will also file a motion in the Bankruptcy Court under Bankruptcy Rule 9019 seeking approval of the terms of the settlement reflected in the Revised Final Penalty Judgment on at least 20 days’ notice.

As a consequence of the distribution of New Common Stock under the terms of the Revised Final Penalty Judgment, the estimated recoveries for holders of Allowed Claims in Classes 5 and 6 that receive New Common Stock will be lower than the estimated recoveries set forth in Article II of the Disclosure Statement. A revised estimate of recoveries taking the Revised Final Penalty Judgment into account, as well as the Debtors revised financial projections, is annexed hereto as Exhibit "C." Accordingly, the distributions afforded the holders of Claims in Classes 5 and 6 have been modified.

Revised Projected Financial Information and Liquidation Analysis

The Debtors' projected financial information annexed to the Disclosure Statement was substantially completed in March 2003. In recognition of the passage of time and the distribution of this Supplement to creditors and other parties in interest, the Debtors have annexed revised financial projections and a revised liquidation analysis (reflecting parallel modifications and other changes). The Debtors' revised Projected Financial Information, Valuation, and Liquidation Analysis are annexed hereto as Exhibits "D," "E," and "F," respectively.

Payment of Indenture Trustees Fees

As part of the recoveries to holders of Claims in Classes 5, 9, 11, and 13, the Debtors will pay the reasonable fees and expenses of the Indenture Trustees and their counsel. If these fees and expenses are not paid pursuant to the Plan, the Indenture Trustees could assert their charging liens under their respective Indentures resulting in the holders of Claims in Classes 5, 9, 11, and 13 receiving reduced distributions. The aggregate amount of these fees and expenses through May 31, 2003 is approximately \$1,339,175.55.

Modification of the New Notes

Exhibit "B" of the Plan sets forth the principal terms of the New Notes. One of the terms requires that the New Notes will be rated by a national recognized rating agency prior to issuance. As the Debtors cannot ensure that the New Notes will be rated by a national recognized rating agency prior to issuance due to the anticipated timing of the release of audited restated financial statements by KPMG, the Debtors have removed the requirement that a rating be obtained on issuance of the New Notes. The Debtors have agreed to use reasonable efforts to obtain a rating after the audited financials have been filed with the SEC and the SEC has completed its review.

New Management Restricted Stock Plan and New Employee Stock Purchase Plan

Prior to the Effective Date, Reorganized WorldCom will adopt the New Management Restricted Stock Plan and New Employee Stock Purchase Plan. Reorganized WorldCom has determined that it will not, however, adopt a new director restricted stock plan.

Dated: New York, New York
July 9, 2003

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

By: /s/ PAUL M. ESKILDSEN
Name: Paul M. Eskildsen, Esq.
Title: Acting General Counsel

HOLDERS OF CLAIMS ENTITLED TO VOTE MAY CHANGE THEIR VOTES BY SUBMITTING, BY THE VOTING DEADLINE, A BALLOT OR MASTER BALLOT THAT COMPLIES WITH THE VOTING PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER AND THE SUPPLEMENTAL DISCLOSURE STATEMENT ORDER. IF YOU NEED A BALLOT OR ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT, SOLICITATION MATERIALS, OR THIS SUPPLEMENT, PLEASE CALL THE VOTING AGENT, INNISFREE M&A INCORPORATED, AT (877) 825-8621 (BANKS AND BROKERS CALL (212) 750-5833).

EXHIBIT A

AMENDED PLAN OF REORGANIZATION

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

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

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Dated: New York, New York
July 9, 2003

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

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

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

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

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

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

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

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

1.03. Ad Hoc Committee of Intermedia Noteholders means the informal committee of certain holders of Intermedia Senior Debt Claims and Intermedia Subordinated Debt Claims.

1.04. Ad Hoc Committee of MCIC Senior Noteholders means the informal committee of certain holders of MCIC Senior Debt Claims.

1.05. Ad Hoc Committee of WorldCom Noteholders means the informal committee of certain holders of WorldCom Note Claims.

1.06. Administrative Expense Claim means any right to payment constituting a cost or expense of administration of any of the Chapter 11 Cases under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the estates of the Debtors, any actual and necessary costs and expenses of operating the business of the Debtors, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under section 330 or 503 of the Bankruptcy Code. Any fees or charges assessed against the estates of the Debtors under section 1930 of chapter 123 of title 28 of the United States Code shall be excluded from the definition of Administrative Expense Claim and shall be paid in accordance with Section 13.05 of the Plan.

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

1.08. ASR means a document known in the telecommunications industry as an “Access Service Request” under which an entity elects to purchase certain non usage-sensitive telecommunications services from an Access Provider for a specified period of time. Solely for purposes of the Plan, ASRs under which the Debtors elected to purchase certain non usage-sensitive telecommunications services for a term of more than thirty (30) days are treated as executory contracts; *provided, however*, that for purposes of the Plan, ASRs under which the Debtors elected to purchase certain non usage-sensitive telecommunications services for a term of thirty (30) days or less are not treated as executory contracts.

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

1.10. Bank Actions means any and all Causes of Action of the Banks against the Debtors, the Reorganized Debtors, or any of their respective current or former officers or directors relating to or arising from the 364-Day Facility and the Revolving Credit Facility or the funding of any amounts thereunder, including without limitation, the Constructive Trust Action and the Maryland Action.

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

1.12. Bank Settlement means the settlement pursuant to Bankruptcy Rule 9019 under which the Banks party to the Constructive Trust Action will receive a Class 3A Allowed Claim entitling them to New Notes in the aggregate principal amount of seventy-five million (\$75,000,000) dollars in exchange for, among other things, dismissals with prejudice of the Constructive Trust Action and the Maryland Action. The Allowed Class 5 Claims of the Banks receiving distributions under the Bank Settlement shall be reduced by an amount equal to the Class 3A distributions such Banks receive.

1.13. Bank Settlement Claims means all Claims of the Banks arising under the Bank Settlement.

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

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

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

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

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

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

1.20. Causes of Action means, without limitation, any and all actions, causes of action, controversies, liabilities, obligations, rights, suits, damages, judgments, Claims, and demands whatsoever, whether known or unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Commencement Date or during the course of the Chapter 11 Cases, including through the Effective Date.

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

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

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

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

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

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

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

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

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

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

1.31. Constructive Trust Action means the action styled *ABN Amro Bank N.V., et al. v. WorldCom, Inc.*, 02 Civ. 5437 (JSR), which is pending in the United States District Court for the Southern District of New York.

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

1.33. Culpable Individual means any director, officer, or employee of the Debtors who, (i) in connection with any alleged pre-Commencement Date accounting improprieties, was discharged or whose resignation was accepted on account of such individual's knowledge of or participation in such accounting improprieties, (ii) is or has been convicted of a crime, found in fact in any judicial or alternative dispute resolution proceeding to have committed fraud or to have received unjust enrichment, or is or has been sued by WorldCom or any assignee on such grounds, or (iii) has ever failed to repay or, is otherwise in default of, any corporate loans from one or more of the Debtors.

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

1.35. Debtors means each of the entities listed on Exhibits A1 and A2 to the Plan.

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

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

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

1.39. Distribution Notification Date means the day that is three (3) Business Days from and after the Confirmation Date.

1.40. Effective Date means the first (1st) Business Day on which the conditions specified in Section 11.01 of the Plan have been satisfied or waived.

1.41. Electing Holder means, collectively, the holders of WorldCom Senior Debt Claims, Intermedia Senior Debt Claims, and Intermedia Subordinated Debt Claims that elect on a properly completed Election Form to receive New Notes or New Common Stock or a combination thereof.

1.42. Election Form means the letter of transmittal or similar form, which shall include the provisions set forth in Section 5.11 of the Plan, upon which the holders of WorldCom Senior Debt Claims, Intermedia Senior Debt Claims, and Intermedia Subordinated Debt Claims may elect to receive New Notes or New Common Stock (or a combination thereof) in full and complete satisfaction of such Allowed Claims.

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

1.44. Final Order means an order of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, on and after the Effective Date, the Reorganized Debtors, or, in the event

that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument, or rehearing shall have been denied and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

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

1.46. Indentures means, collectively, the Intermedia Senior Notes Indentures, the Intermedia Subordinated Notes Indenture, the MCIC Senior Notes Indentures, and the WorldCom Notes Indentures.

1.47. Indenture Trustees means, collectively, the Intermedia Senior Notes Indenture Trustee, the Intermedia Subordinated Notes Indenture Trustee, the MCIC Senior Notes Indenture Trustee, and the WorldCom Notes Indenture Trustee.

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

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

1.50. Intermedia Avoidance Claims means the Claims, Causes of Action, and any other avoidance or equitable subordination or recovery actions under sections 105, 502(d), 510, 542 through 551, and 553 of the Bankruptcy Code relating to or arising from the issuance of the Intermedia Intercompany Note and all transfers alleged to be in respect thereof.

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

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

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

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

1.55. Intermedia Intercompany Note Claim means the Claim of Intermedia arising under the Intermedia Intercompany Note. Except as otherwise provided in the Plan, the Intermedia Intercompany Note Claim shall be treated as a WorldCom General Unsecured Claim.

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

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

1.58. Intermedia Senior Notes Indentures means, collectively, (i) the senior discount notes indenture, dated July 9, 1997, between Intermedia and the Intermedia Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 11 ¼% Senior Discount Notes due 2007; (ii) the senior notes indenture, dated October 30, 1997, between Intermedia and the Intermedia Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 8 ⅞% Senior Notes due 2008; (iii) the senior notes indenture, dated December 23, 1997, between Intermedia and the Intermedia Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 8 ½% Senior Notes due 2008; (iv) the senior notes indenture, dated May 27, 1998, between Intermedia and the Intermedia Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the 8.6% Senior Notes due 2008; and (v) the senior notes indenture, dated February 24, 1999, between Intermedia and the Intermedia Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 9 ½% Senior Notes due 2009.

1.59. Intermedia Senior Notes Indenture Trustee means SunTrust Bank f/k/a SunTrust Bank, Central Florida, N.A. in its capacity as indenture trustee under the Intermedia Senior Notes Indentures or its duly appointed successor.

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

1.61. Intermedia Subordinated Notes Indenture means the senior subordinated notes indenture, dated February 24, 1999, between Intermedia and the Intermedia Subordinated Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 12 ¼% Senior Subordinated Discount Notes due 2009.

1.62. Intermedia Subordinated Notes Indenture Trustee means SunTrust Bank f/k/a SunTrust Bank, Central Florida, N.A. in its capacity as indenture trustee under the Intermedia Subordinated Notes Indenture or its duly appointed successor.

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

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

1.65. MatlinPatterson Investors means (i) MatlinPatterson Global Opportunities Partners L.P., MatlinPatterson Global Opportunities Partners (Bermuda) L.P., MatlinPatterson Phoenix SPV L.L.C., their investment advisor, managing member and other affiliates, and the successors and assigns of any of the forgoing; and (ii) Bain Capital Investors, LLC, Brookside Capital Management, LLC, Sankaty Credit Opportunities Member, LLC, their respective affiliates, and the successors and assigns of any of the forgoing.

1.66. Maryland Action means the action styled *ABN Amro Bank N.V., et al. v. Susan Mayer*, Case No. 235174, which is pending in the Circuit Court for Montgomery County, Maryland.

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

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

1.69. MCIC Senior Notes Indentures means, collectively, (i) the senior debt indenture, dated October 15, 1989, between MCIC and the MCIC Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 7½% Senior Notes due August 20, 2004; 8¼% Senior Debentures due January 20, 2023; 7¾% Senior Debentures due March 15, 2024; and 7¾% Senior Debentures due March 23, 2025 and (ii) the senior debt indenture, dated February 17, 1995, between MCIC and the MCIC Senior Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of the 6.95% Senior Notes due August 15, 2006; 6½% Senior Notes due April 15, 2010; and 7.125% Debentures due June 15, 2027.

1.70. MCIC Senior Notes Indenture Trustee means Law Debenture Trust Company of New York, as successor in interest to Wilmington Trust Company (as successor to Citibank, N.A.), in its capacity as indenture trustee under the MCIC Senior Notes Indentures or its duly appointed successor.

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

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

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

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

1.75. New Employee Stock Purchase Plan means the Employee Stock Purchase Plan to be adopted by Reorganized WorldCom, which shall be in substantially the form contained in the Plan Supplement.

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

1.77. New Notes means the senior unsecured notes, which may be issued in one (1) or more series, in a minimum principal amount of four billion five hundred million (\$4,500,000,000) dollars and a maximum principal amount of five billion five hundred million (\$5,500,000,000) dollars authorized and issued pursuant to the Plan by Reorganized WorldCom on the Effective Date, the terms of which are governed by the New Notes Indenture.

1.78. New Notes Indenture means the senior unsecured notes indenture, dated as of the Effective Date, between Reorganized WorldCom and an indenture trustee to be designated by WorldCom or Reorganized WorldCom, governing the New Notes, which shall be in the form set forth in the Plan Supplement. The New Notes shall include, without limitation, the principal terms set forth in Exhibit B to the Plan. It is the intention of the Debtors that the New Notes will be structured to trade at par value upon issuance; *provided, however*, that there shall be no legal recourse nor any adjustments or modifications to the New Notes if the New Notes do not trade at par value upon issuance.

1.79. Non-Debtor Subsidiary means any direct or indirect Subsidiary of WorldCom that is not a Debtor; *provided, however*, that Non-Debtor Subsidiary shall not include Digex, Inc.

1.80. Non-Specifying Holder means any holder of a WorldCom Senior Debt Claim, Intermedia Senior Debt Claim, or Intermedia Subordinated Debt Claim to the extent such holder fails to validly specify an election on its Election Form.

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

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

1.83. Oversubscription means that Electing Holders have elected to receive New Notes in an aggregate principal amount greater than three billion three hundred fifty-three million (\$3,353,000,000) dollars; *provided, however,* that to the extent the Bank Settlement is not consummated, the Oversubscription threshold amount and the amount set forth in Section 1.83(i) of the Plan shall be three billion four hundred twenty-eight million (\$3,428,000,000) dollars.

1.84. Oversubscription Rate means the quotient of (i) three billion three hundred fifty-three million (\$3,353,000,000) dollars divided by (ii) the aggregate principal amount of New Notes elected by the Electing Holders.

1.85. Pension Plans means, collectively, the WorldCom International Data Services, Inc. Pension Plan and the Pension Plan for Employees of MCI Communications Corporation and its Subsidiaries.

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

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

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

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

1.90. Pro Rated Claim means, with respect to a holder of a WorldCom Senior Debt Claim, Intermedia Senior Debt Claim, or Intermedia Subordinated Debt Claim, the product of (i) the portion of such holder's Allowed Claim on account of which such holder has elected to receive New Notes in respect of such Claim multiplied by (ii) the Oversubscription Rate.

1.91. Registration Rights Agreement means a registration rights agreement to be entered into pursuant to Section 6.09 of the Plan.

1.92. Registration Rights Holder means each holder of an Allowed Claim (i) receiving a distribution pursuant to the Plan of ten (10%) percent or greater of the New Common Stock, (ii) that the Company reasonably determines is an underwriter pursuant to section 1145 of the Bankruptcy Code with respect to the New Common Stock or New Notes that such holder received pursuant to the Plan, (iii) that the Company reasonably determines is subject to resale restrictions on any New Common Stock that such holder received pursuant to the Plan by operation of Rule 144 of the Securities Act of 1933, or (iv) that the Company agrees shall be a Registration Rights Holder.

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

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

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

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

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

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

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

1.100. Secured Claim means any Claim (i) to the extent reflected in the Schedules or upon a proof of claim as a Secured Claim, which is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code or (ii) that is subject to a valid right of setoff pursuant to section 553 of the Bankruptcy Code.

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

1.102. Securities Litigation Claim means any Claim against any of the Debtors, other than the Claim of the Securities and Exchange Commission that is subject to a compromise and settlement with the Debtors, whether or not the subject of an existing lawsuit, (i) arising from rescission of a purchase or sale of shares or notes, or any other securities of any of the Debtors or an affiliate of any of the Debtors, (ii) for damages arising from the purchase or sale of any such security, (iii) for violations of the securities laws, misrepresentations, or any similar Claims, including, to the extent related to the forgoing or otherwise subject to subordination under section 510(b) of the Bankruptcy Code, but not limited to, any attorneys' fees, other charges, or costs incurred on account of the forgoing Claims, or, (iv) except as otherwise provided for in the Plan, for reimbursement, contribution, or indemnification allowed under section 502 of the Bankruptcy Code on account of any such Claim, including Claims based upon allegations that the Debtors made false and misleading statements and engaged in other deceptive acts in connection with the sale of securities.

1.103. Silver Lake means Silver Lake Phoenix LLC, its affiliates, and the successors and assigns of any of the foregoing.

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

1.105. Subsidiary means (i) any corporation, association, or other business entity of which more than fifty (50%) percent of the total voting power of shares or other voting securities outstanding thereof is at the time owned or controlled, directly or indirectly, by WorldCom or one or more of the other Subsidiaries of WorldCom (or any combination thereof) and (ii) any partnership or limited liability company (A) the sole general partner, the managing general partner, or the managing member of which is WorldCom or one or more of the other

Subsidiaries of WorldCom (or any combination thereof) or (B) the only general partners or members of which are WorldCom or one or more of the other Subsidiaries of WorldCom (or any combination thereof).

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

1.107. Tax Code means the Internal Revenue Code of 1986, as amended.

1.108. Trading Order means the Final Order Pursuant to Sections 362 and 105(a) of the Bankruptcy Code Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Claims Against and Interests in the Debtors, dated March 4, 2003.

1.109. Undersubscription means that Electing Holders have elected New Notes in the aggregate principal amount of less than two billion three hundred fifty-three million (\$2,353,000,000) dollars, in which case, New Notes, in an amount equal to the shortfall, shall be distributed first, proportionately to Non-Specifying Holders and, second, if any shortfall remains, proportionately to all Electing Holders electing any New Common Stock with a concomitant reduction in the amount of New Common Stock distributed to such Electing Holders; *provided, however*, that to the extent the Bank Settlement is not consummated, the Undersubscription threshold amount shall be two billion four hundred twenty-eight million (\$2,428,000,000) dollars.

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

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

1.112. WorldCom Equity Interest means any Equity Interest in any of the WorldCom Debtors issued and outstanding on the Commencement Date, including, without limitation, (i) 7.0% series D junior convertible preferred stock issued by WorldCom, (ii) 7.0% series E junior convertible preferred stock issued by WorldCom, (iii) 7.0% series F junior convertible preferred stock issued by WorldCom, and (iv) Class A preferred stock issued by MCI WorldCom Synergies Management Co. Inc.

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

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

1.115. WorldCom Notes Indentures means, collectively, (i) the indenture, dated March 1, 1997, between WorldCom and the WorldCom Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of 6¼% Notes due August 15, 2003; 7.55% Senior Notes due April 1, 2004; 6.40% Notes due August 15, 2005; 7¾% Senior Notes due April 1, 2007; 7¾% Senior Notes due April 1, 2027; and 6.95% Notes due August 15, 2028 and (ii) the indenture, dated April 12, 2000, between WorldCom and the WorldCom Notes Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified, or restated as of the Commencement Date, which provided for the issuance of 7.875% Unsecured Notes due May 15, 2003; 6½% Unsecured Notes due May 15, 2004; 7⅜% Notes due January 15, 2006; 7⅜% Restricted Notes due January 15, 2006; 8% Unsecured Notes due May 15, 2006; 6¾% Eurodollar Notes due May 15, 2008; 7¼% Pound Sterling Notes due May 15, 2008; 8¼% Unsecured Notes due May 15, 2031; 8¼% Unsecured Notes due May 15, 2010; 7½% Unsecured Notes due May 15, 2011.

1.116. WorldCom Notes Indenture Trustee means Wilmington Trust Company, as successor to Chase Manhattan Trust Company, N.A., in its capacity as indenture trustee under the WorldCom Notes Indentures or its duly appointed successor.

1.117. WorldCom Senior Debt Claims means (i) all WorldCom Note Claims and (ii) the Bank Claims.

1.118. WorldCom Subordinated Claims means (i) all Securities Litigation Claims and, (ii) to the extent permitted by applicable law and after notice and a hearing, all fines, penalties, Claims for disgorgement, or order of restitution against the Debtors; *provided, however*, that in accordance with 18 U.S.C. § 3613(e) nothing herein shall apply to any fine, penalty, Claim for disgorgement, or order of restitution entered or ordered in connection with any criminal action or criminal proceeding by the United States.

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

ARTICLE II

TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

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

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

2.03. Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes

an Allowed Priority Tax Claim, or as soon thereafter as is practicable, (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to five (5.0%) percent, over a period through the sixth (6th) anniversary of the date of assessment of such Allowed Priority Tax Claim, or (iii) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

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

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

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.01. CLASS 1—OTHER PRIORITY CLAIMS.

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

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

4.02. CLASS 2—SECURED TAX CLAIMS.

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

(b) Distributions. Except to the extent that a holder of an Allowed Secured Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Secured Tax Claim shall receive, at the sole option of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Secured Tax Claim, including any interest on such Allowed Secured Tax Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Secured Tax Claim becomes an Allowed Secured Tax Claim, or as soon thereafter as is practicable or (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at a fixed annual rate equal to five (5.0%) percent, over a period through the sixth (6th) anniversary of the date of assessment of such Allowed Secured Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Secured Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Secured Tax Claim.

4.03. CLASS 3—OTHER SECURED CLAIMS.

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

(b) Distributions/Reinstatement of Claims. Except to the extent that a holder of an Allowed Other Secured Claim agrees to a different treatment, at the sole option of the Reorganized Debtors: (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default; (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable; or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable.

4.04. CLASS 3A—BANK SETTLEMENT CLAIMS.

(a) Impairment and Voting. Class 3A is impaired by the Plan. Each holder of an Allowed Bank Settlement Claim is entitled to vote to accept or reject the Plan.

(b) Allowance. The Bank Settlement Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$75,000,000.

(c) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of a Bank Settlement Claim shall receive its pro rata share of New Notes in the aggregate principal amount of seventy-five million (\$75,000,000) dollars; *provided, however*, to the extent the holder of a Bank Settlement Claim does not hold the Bank Claim arising from the same underlying obligation, then 35.7% of such holder's distribution on account of the Bank Settlement Claim shall be paid to the holder(s) of the underlying Bank Claim. Allowance and distributions on account of Bank Settlement Claims is expressly contingent upon the prior dismissals with prejudice of the Constructive Trust Action and the Maryland Action. The Allowed Class 5 Claims of the Banks receiving distributions pursuant to this Section 4.04(c) shall be reduced by an amount equal to the Class 3A distributions such Banks receive.

4.05. CLASS 4—CONVENIENCE CLAIMS.

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

(b) Distributions. Each holder of an Allowed Convenience Claim shall receive Cash in an amount equal to the lesser of (i) .40 multiplied by the Allowed amount of such Convenience Claim or (ii) sixteen thousand (\$16,000) dollars, in full and complete satisfaction of such Allowed Claim; *provided, however*, that if the holders of Class 4 Convenience Claims do not accept the Plan by the requisite majorities set forth in section 1126(c) of the Bankruptcy Code, then the holders of Allowed Convenience Claims shall be treated as holders of Allowed WorldCom General Unsecured Claims or Allowed Intermedia General Unsecured Claims, as appropriate, and treated in accordance with Section 4.07 or 4.13 of the Plan, respectively; *provided further, however*, that in such event any election by a holder of an Allowed Convenience Claim to reduce the amount of its Allowed Claim to forty thousand (\$40,000) dollars shall be null and void.

4.06. CLASS 5—WORLD COM SENIOR DEBT CLAIMS.

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

(b) Allowance. The WorldCom Note Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$24,728,100,760. The Bank Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$2,583,940,356 plus the amount of letters of credit issued and outstanding as of the Commencement Date under the Revolving Credit Facility that are actually drawn as of the Effective Date; *provided, however*, that to the extent the Bank Settlement is not consummated, the Bank Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$2,658,940,356 plus the amount of letters of credit issued and outstanding as of the Commencement Date under the Revolving Credit Facility that are actually drawn as of the Effective Date.

(c) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed WorldCom Senior Debt Claim may elect on the Election Form, and shall receive on account of such Claim (i) 14.28 shares of New Common Stock for each one thousand (\$1,000) dollars of such holder's Allowed WorldCom Senior Debt Claim or (ii) New Notes in a principal amount equal to .357 multiplied by the Allowed amount of such WorldCom Senior Debt Claim, or a combination thereof as set forth on a properly delivered Election Form or as modified in the event of an Undersubscription or Oversubscription, in full and complete satisfaction of such Allowed Claim. The distributions to Allowed WorldCom Senior Debt Claims shall be subject to modification on account of an Undersubscription. The Allowed Class 5 Claims of the Banks receiving

distributions pursuant to Section 4.04(c) of the Plan on account of the Bank Settlement shall be reduced by an amount equal to the Class 3A distributions such Banks receive. In addition, the Debtors will pay the reasonable fees and expenses of the WorldCom Notes Indenture Trustee and its counsel as agreed to by the Debtors, the Committee, and WorldCom Notes Indenture Trustee and, absent agreement among such parties, as approved by the Bankruptcy Court.

(d) Oversubscription. In the event of an Oversubscription, each Electing Holder in Class 5 shall receive (i) New Notes in a principal amount equal to the product of .357 multiplied by such holder's Pro Rated Claim and (ii) 14.28 shares of New Common Stock for each one thousand (\$1,000) dollars of such holder's Remaining Claim; *provided, however*, the Debtors shall distribute a disproportionately greater amount of New Notes to an Electing Holder (not to exceed the amount of New Notes originally elected by such holder) or to a Non-Specifying Holder to the extent necessary, as determined in the reasonable discretion of the Debtors, to (A) avoid any person from becoming a "5% shareholder" or "5% entity" (within the meaning of section 382 of the Tax Code and the Treasury Regulations promulgated thereunder) of Reorganized WorldCom or (B) otherwise minimize the amount of New Common Stock that would be treated as owned for section 382 purposes by any "5% shareholder" or "5% entity" of Reorganized WorldCom or by any person to whom any presumption under section 382, which depends upon the ownership of less than five (5%) percent of New Common Stock, would not apply. Holders of WorldCom Senior Debt Claims that are Non-Specifying Holders shall be deemed to have elected, and shall receive, New Common Stock; *provided, however*, that in the event of an Undersubscription, such holders shall be deemed to have elected, and shall receive, New Notes.

4.07. CLASS 6—WORLD COM GENERAL UNSECURED CLAIMS.

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

(b) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of a WorldCom General Unsecured Claim shall receive (i) 7.14 shares of New Common Stock for each one thousand (\$1,000) dollars of such holder's Allowed WorldCom General Unsecured Claim and (ii) Cash in an amount equal to .1785 multiplied by the Allowed amount of such WorldCom General Unsecured Claim, in full and complete satisfaction of such Allowed Claim.

4.08. CLASS 7—WORLD COM SUBORDINATED CLAIMS.

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

(b) Distributions. The holders of WorldCom Subordinated Claims shall not receive any distributions on account of such Claims and shall not retain any property under the Plan. The Plan shall neither impair nor create any right of any holder of a WorldCom Subordinated Claim to assert such Claim against any of the Debtors' insurance policies. In accordance with 18 U.S.C. § 3613(e), nothing in this Plan or any document or order associated herewith shall subordinate or affect any fine, penalty, Claim for disgorgement, or order of restitution entered or ordered in connection with any criminal action or criminal proceeding by the United States.

4.09. CLASS 8—WORLD COM EQUITY INTERESTS.

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

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

4.10. CLASS 9—MCIC SENIOR DEBT CLAIMS.

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

(b) Allowance. The MCIC Senior Debt Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$2,650,084,583, of which \$2,590,000,000 represents principal (upon which the \$0.80 per dollar distribution shall be calculated) and \$60,084,583 represents interest accrued through the Commencement Date (upon which no distribution shall be calculated).

(c) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed MCIC Senior Debt Claim shall receive New Notes in a principal amount equal to .80 multiplied by the Allowed principal amount of such MCIC Senior Debt Claim, in full and complete satisfaction of such Allowed Claim. Except as otherwise provided for in Section 5.09(ii) of the Plan, the MCIC Senior Notes Indenture Trustee shall make distributions to or for the benefit of the beneficial holders of MCIC Senior Debt Claims such that each holder of an MCIC Senior Debt Claim receives New Notes in an amount equal to \$0.80 on the principal amount (but not unpaid interest) of its MCIC Senior Debt Claim. In addition, the Debtors will pay the reasonable fees and expenses of the MCIC Senior Notes Indenture Trustee and its counsel as agreed to by the Debtors, the Committee, and MCIC Senior Notes Indenture Trustee and, absent agreement among such parties, as approved by the Bankruptcy Court.

4.11. CLASS 10—MCIC SUBORDINATED DEBT CLAIMS.

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

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

4.12. CLASS 11—INTERMEDIA SENIOR DEBT CLAIMS.

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

(b) Allowance. The Intermedia Senior Debt Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$938,214,684.

(c) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Intermedia Senior Debt Claim may elect on the Election Form, and shall receive on account of such Claim (i) 37.4 shares of New Common Stock for each one thousand (\$1,000) dollars of such holder's Allowed Intermedia Senior Debt Claim or (ii) New Notes in a principal amount equal to .935 multiplied by the Allowed amount of such Intermedia Senior Debt Claim, or a combination thereof as set forth on a properly delivered Election Form or as modified in the event of an Undersubscription or Oversubscription, in full and complete satisfaction of such Allowed Claim. The distributions to Allowed Intermedia Senior Debt Claims shall be subject to modification on account of an Undersubscription. In addition, the Debtors will pay the reasonable fees and expenses of the Intermedia Senior Notes Indenture Trustee and its counsel as agreed to by the Debtors, the

Committee, and Intermedia Senior Notes Indenture Trustee and, absent agreement among such parties, as approved by the Bankruptcy Court.

(d) Oversubscription. In the event of an Oversubscription, each Electing Holder in Class 11 shall receive (i) New Notes in a principal amount equal to the product of .935 multiplied by such holder's Pro Rated Claim and (ii) 37.4 shares of New Common Stock for each one thousand (\$1,000) dollars of such holder's Remaining Claim; *provided, however*, the Debtors shall distribute a disproportionately greater amount of New Notes to an Electing Holder (not to exceed the amount of New Notes originally elected by such holder) or to a Non-Specifying Holder to the extent necessary, as determined in the reasonable discretion of the Debtors, to (A) avoid any person from becoming a "5% shareholder" or "5% entity" (within the meaning of section 382 of the Tax Code and the Treasury Regulations promulgated thereunder) of Reorganized WorldCom or (B) otherwise minimize the amount of New Common Stock that would be treated as owned for section 382 purposes by any "5% shareholder" or "5% entity" of Reorganized WorldCom or by any person to whom any presumption under section 382, which depends upon the ownership of less than five (5%) percent of New Common Stock, would not apply. Holders of Intermedia Senior Debt Claims that are Non-Specifying Holders shall be deemed to have elected, and shall receive, New Common Stock; *provided, however*, that in the event of an Undersubscription, such holders shall be deemed to have elected, and shall receive, New Notes.

4.13. CLASS 12—INTERMEDIA GENERAL UNSECURED CLAIMS.

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

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

4.14. CLASS 13—INTERMEDIA SUBORDINATED DEBT CLAIMS.

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

(b) Allowance. The Intermedia Subordinated Debt Claims shall be deemed Allowed Claims solely for the purposes of the Plan in the aggregate amount of \$263,069,008.

(c) Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Intermedia Subordinated Debt Claim may elect on the Election Form, and shall receive on account of such Claim (i) 18.56 shares of New Common Stock for each one thousand (\$1,000) dollars of such holder's Allowed Intermedia Subordinated Debt Claim or (ii) New Notes in a principal amount equal to .464 multiplied by the Allowed amount of such Intermedia Subordinated Debt Claim, or a combination thereof as set forth on a properly delivered Election Form or as modified in the event of an Undersubscription or Oversubscription, in full and complete satisfaction of such Allowed Claim. The distributions to Allowed Intermedia Subordinated Debt Claims shall be subject to modification on account of an Undersubscription. In addition, the Debtors will pay the reasonable fees and expenses of the Intermedia Subordinated Notes Indenture Trustee and its counsel as agreed to by the Debtors, the Committee, and Intermedia Subordinated Notes Indenture Trustee and, absent agreement among such parties, as approved by the Bankruptcy Court.

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

holder's Remaining Claim; *provided, however*, the Debtors shall distribute a disproportionately greater amount of New Notes to an Electing Holder (not to exceed the amount of New Notes originally elected by such holder) or to a Non-Specifying Holder to the extent necessary, as determined in the reasonable discretion of the Debtors, to (A) avoid any person from becoming a "5% shareholder" or "5% entity" (within the meaning of section 382 of the Tax Code and the Treasury Regulations promulgated thereunder) of Reorganized WorldCom or (B) otherwise minimize the amount of New Common Stock that would be treated as owned for section 382 purposes by any "5% shareholder" or "5% entity" of Reorganized WorldCom or by any person to whom any presumption under section 382, which depends upon the ownership of less than five (5%) percent of New Common Stock, would not apply. Holders of Intermedia Subordinated Debt Claims that are Non-Specifying Holders shall be deemed to have elected, and shall receive, New Common Stock; *provided, however*, that in the event of an Undersubscription, such holders shall be deemed to have elected, and shall receive, New Notes.

4.15. CLASS 14—INTERMEDIA PREFERRED STOCK.

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

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

4.16. CLASS 15—INTERMEDIA EQUITY INTERESTS.

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

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

ARTICLE V

IMPLEMENTATION OF THE PLAN

5.01. Substantive Consolidation of the WorldCom Debtors.

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

(b) The substantive consolidation effected pursuant to Section 5.01(a) of the Plan shall not (other than for purposes related to funding distributions under the Plan and as set forth above in this section) affect: (i) the legal and organizational structure of the WorldCom Debtors, (ii) pre and post-Commencement Date guarantees,

Liens, and security interests that are required to be maintained (A) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or (B) pursuant to the Plan, (iii) defenses to any Cause of Action or requirements for any third party to establish mutuality in order to assert a right of setoff, and (iv) distributions out of any insurance policies or proceeds of such policies.

5.02. Substantive Consolidation of the Intermedia Debtors.

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

(b) The substantive consolidation effected pursuant to Section 5.02(a) of the Plan shall not (other than for purposes related to funding distributions under the Plan and as set forth above in this section) affect: (i) the legal and organizational structure of the Intermedia Debtors, (ii) pre and post-Commencement Date guarantees, Liens, and security interests that are required to be maintained (A) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or (B) pursuant to the Plan, (iii) defenses to any Cause of Action or requirements for any third party to establish mutuality in order to assert a right of setoff, and (iv) distributions out of any insurance policies or proceeds of such policies.

5.03. Debtor Intercompany Claims. On the Effective Date, all intercompany Claims between and among the Debtors shall be (i) eliminated by either offset, the contribution or distribution of such Claims, or otherwise (as determined by the Debtors), other than the Intermedia Intercompany Note Claim which is being resolved pursuant to Section 5.06(a) of the Plan, and (ii) subject to the New Notes Indenture.

5.04. Non-Debtor Intercompany Claims. All Claims held by any Debtor against any Non-Debtor Subsidiary or by any Non-Debtor Subsidiary against any Debtor shall be (i) reviewed by the Reorganized Debtors and adjusted, continued, or discharged, as appropriate and (ii) subject to the New Notes Indenture.

5.05. Restructuring Transactions.

(a) On the Effective Date, the following transactions shall be effectuated in the order set forth:

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

(ii) Intermedia shall merge with and into Merger Subsidiary, with Merger Subsidiary surviving, pursuant to which holders of Allowed Intermedia Senior Debt Claims, Allowed Intermedia General Unsecured Claims, and Allowed Intermedia Subordinated Debt Claims against Intermedia will receive New Common Stock,

New Notes, and Cash in accordance with Sections 4.12, 4.13, and 4.14 of the Plan, respectively. (Immediately following the Effective Date, Merger Subsidiary shall continue to be a first-tier, wholly-owned Subsidiary of WorldCom). As a result of such merger, the Intermedia Intercompany Note shall be extinguished.

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

(b) On or as of the Effective Date, within the sole and exclusive discretion of the Debtors, the Debtors may, notwithstanding any other transactions described in this Section 5.05, but provided there are no material adverse tax consequences to the Debtors, (i) cause any or all of the Debtors to be merged into one or more of the Debtors, dissolved, or otherwise consolidated, (ii) cause the transfer of assets between or among the Debtors, or (iii) engage in any other transaction in furtherance of the Plan. Any such transaction shall be effective as of the Effective Date pursuant to the Confirmation Order without any further action by the stockholders or directors of any of the Debtors, the Debtors in Possession, or the Reorganized Debtors. It is the present intention of the Debtors to utilize this provision to merge, dissolve, or otherwise consolidate certain of its Subsidiaries, including, but not limited to, numerous Debtor-entities involved in the Debtors' local exchange carrier business, and transfer certain executory contracts, unexpired leases, and other assets to the surviving Subsidiaries. A list of the Subsidiaries that will be merged or dissolved will be included in the Plan Supplement.

(c) On the Effective Date, Reorganized WorldCom shall reincorporate as a Delaware corporation and change its name to MCI, Inc. In order to effectuate Reorganized WorldCom's reincorporation as a Delaware corporation, WorldCom shall merge into a wholly owned Subsidiary that is incorporated in Delaware, with such Subsidiary being the surviving corporation. At such time, such Subsidiary shall change its name to MCI, Inc.

(d) The mergers, transfers of assets, dissolutions, consolidations, and other transactions contemplated in this Section 5.05 shall be approved and effective as of the Effective Date without the need for any further state or local regulatory approvals, and without any requirement or further action by the Debtors, Reorganized Debtors, or any entity created to effectuate the provisions of the Plan. All current customers will continue to receive service under the same rates, terms, and conditions as they currently enjoy. Impacted customers will receive notice of all of these organizational changes. Where required, tariffs of Subsidiaries that will be merged or dissolved pursuant to this Section 5.05 will be appropriately incorporated into existing or new tariffs of surviving entities. State and local regulatory commissions will be able to review these tariff changes to assure that consumers' rights are fully protected.

5.06. Compromise and Settlements.

(a) Intermedia Settlement. Pursuant to Bankruptcy Rule 9019, the Plan incorporates a proposed compromise and settlement of all issues relating to the validity, enforceability, and priority of the Intermedia Intercompany Note, including the Intermedia Avoidance Claims which were alleged by the Debtors and the holders of Allowed WorldCom Senior Debt Claims and disputed by the holders of Allowed Intermedia Senior Debt Claims and Allowed Intermedia Subordinated Debt Claims. Pursuant to the Plan, and in consideration for the distribution and other benefits under the Plan, upon the Effective Date, the Intermedia Intercompany Note and the Intermedia Avoidance Claims shall be extinguished and the Debtors and all parties who have held, hold, or may hold Claims against or Equity Interests in any or all of the Debtors are permanently enjoined from asserting or continuing in any manner the Intermedia Avoidance Claims.

(b) MCIC Settlement. Pursuant to Bankruptcy Rule 9019, the Plan incorporates a proposed compromise and settlement of issues relating to the substantive consolidation of the WorldCom Debtors. The Debtors and the holders of WorldCom Senior Debt Claims alleged that substantive consolidation of the

WorldCom Debtors is appropriate. This allegation was disputed by the holders of MCIC Senior Debt Claims. Pursuant to the Plan, and in consideration for the distribution premium provided to the holders of MCIC Senior Debt Claims and other benefits under the Plan, upon the Effective Date, the WorldCom Debtors shall be substantively consolidated.

(c) Bank Settlement. Pursuant to Bankruptcy Rule 9019, the Plan incorporates a proposed compromise and settlement of issues relating to the Bank Claims and the Bank Actions. Pursuant to the Constructive Trust Action, certain holders of Bank Claims allege that funding under the 364-Day Facility was fraudulently obtained by the Debtors and that such amounts received by the Debtors are subject to a constructive trust for the benefit of the Banks who are plaintiffs in the Constructive Trust Action. In addition, pursuant to the Maryland Action, certain Banks who are plaintiffs in such action seek damages for alleged acts of negligence and negligent misrepresentation allegedly committed in connection with the funding under the 364-Day Facility. These allegations are disputed by the Debtors. Pursuant to the Bank Settlement, the allowance and distributions on account of Class 3A Bank Settlement Claims is expressly contingent upon the prior dismissals with prejudice of the Constructive Trust Action and the Maryland Action. Pursuant to the Plan, and in consideration for the distribution provided under the Bank Settlement, other benefits under the Plan, and the dismissal with prejudice of the Constructive Trust Action and the Maryland Action, any and all parties who have held, hold, or may hold Claims against or Equity Interests in any or all of the Debtors are permanently enjoined from asserting or continuing in any manner any Bank Action.

(d) Subordination Rights. Notwithstanding the compromises and settlements set forth in Sections 5.06(a) and (b) of the Plan or any other provisions of the Plan or section 510(a) of the Bankruptcy Code, the Plan shall not affect and shall not be deemed to effect a waiver, cancellation, alteration, or impairment of any subordination or related rights or obligations of any person or entity, other than with respect to the Intermedia Senior Notes and Intermedia Subordinated Notes, which rights and obligations shall be deemed cancelled and extinguished in their entirety.

5.07. Exit Financing and Market Repurchase. Commencing as soon as practicable after the Effective Date and in accordance with applicable laws, Reorganized WorldCom will conduct a reasonable review of its Cash needs, including, without limitation, amounts that will be necessary to satisfy holders of Convenience Claims, WorldCom General Unsecured Claims, and Intermedia General Unsecured Claims pursuant to Sections 4.04, 4.07, and 4.13 of the Plan, respectively, and, after such review, will utilize excess Cash (determined as of the Effective Date) in excess of one billion (\$1,000,000,000) dollars in accordance with Reorganized WorldCom's best business judgment to maximize shareholder value, which may include purchasing shares of New Common Stock in the open market at prevailing market prices or otherwise distribute such Cash in respect of the New Common Stock, in each case, depending upon market and business conditions and other relevant factors. Reorganized WorldCom cannot predict the prevailing market price of New Common Stock at the time of any such market repurchase. To the extent less than five billion five hundred million (\$5,500,000,000) dollars in principal amount of New Notes will be distributed pursuant to the Plan and to the extent deemed appropriate by Reorganized WorldCom in its reasonable business judgment, Reorganized WorldCom will use reasonable efforts to obtain a term loan in the principal amount equal to the difference between five billion five hundred million (\$5,500,000,000) dollars and the aggregate principal amount of New Notes to be distributed under the Plan not to exceed one billion (\$1,000,000,000) dollars.

5.08. Corporate Name Change and Relocation. The Reorganized WorldCom Certificate of Incorporation and Reorganized WorldCom By-laws shall provide that, on the Effective Date, WorldCom shall change its name to MCI, Inc. and reincorporate as a Delaware corporation in the manner set forth in Section 5.05(c) of the Plan. On and after the Effective Date, the corporate offices of MCI, Inc. and the other Reorganized Debtors shall be located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.

5.09. Cancellation of Existing Securities and Agreements. On the Effective Date, subject to Section 5.06(d) of the Plan, any document, agreement, or instrument evidencing any Claim or Equity Interest, other than

a Claim that is reinstated and rendered unimpaired under the Plan or Equity Interest held by a Debtor in any Subsidiary, shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors under such documents, agreements, or instruments evidencing such Claims and Equity Interests, as the case may be, shall be discharged; *provided, however*, that the Indentures shall continue in effect for the purposes of permitting the Indenture Trustees to (i) make any distributions pursuant to the Plan and to perform such other necessary functions with respect thereto and (ii) maintain and assert any rights or liens for reasonable fees, costs, and expenses under the Indentures.

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

5.11. Electing Holder's Designation. With respect to each Electing Holder that may receive a combination of New Notes or New Common Stock, in lieu of receiving New Notes and New Common Stock on account of each Allowed Claim as otherwise provided in Article IV of the Plan, such Electing Holder may designate (so long as such Electing Holder holds more than one (1) Allowed Claim) on the Election Form that such Electing Holder shall receive on account of specified Allowed Claims a specific portion of the New Notes and/or New Common Stock that such Electing Holder is entitled to receive on account of all Allowed Claims for which elections are made by such Electing Holder. Each Electing Holder making the designation described above shall receive the same aggregate principal amount of New Notes and aggregate shares of New Common Stock as such holder would have received pursuant to Article IV of the Plan had such holder not made such designation.

5.12. Violations of Claims Trading Order. In the event that any person or group of persons is in violation of the Trading Order and such person or group of persons, but for the application of this Section 5.12, would become a "5% shareholder" (within the meaning of section 382 of the Tax Code and the Treasury Regulations promulgated thereunder) of Reorganized WorldCom as a result of the implementation of the Plan, such person(s) (and, to the extent necessary, any other person whose ownership would be attributed to any such person for purposes of section 382 of the Tax Code) shall not be entitled to and shall not receive distributions of New Common Stock pursuant to the Plan (i) in excess of fourteen million three hundred fifty nine thousand nine hundred ninety-nine (14,359,999) shares of New Common Stock, if such violation was a failure to notify the Debtors of ownership of one billion (\$1,000,000,000) dollars or more of Claims, or (ii) in respect of any Claims acquired in violation of the Trading Order. If, after May 16, 2003 and prior to the Distribution Notification Date, the Debtors become aware of circumstances that would result in the application of the preceding sentence as to any person(s), then to the extent that such person(s) would not be entitled to receive New Common Stock by reason of this Section 5.12, such person(s) shall be treated as having elected on an Election Form to receive New Notes in accordance with the applicable provisions of Article IV of the Plan. If the Debtors or Reorganized WorldCom only become aware of such circumstances after the Distribution Notification Date, then, except as provided below, no distribution shall be made in lieu of the New Common Stock that is not distributable by reason of this Section 5.12. If such New Common Stock was already distributed, such distribution of New Common Stock shall be null and void and the respective amount of New Common Stock, together with any dividends or other distributions that were received by the purported recipient of such New Common Stock under the Plan, shall be promptly returned to Reorganized WorldCom. Pursuant to provisions to be contained in the Reorganized WorldCom Certificate of Incorporation or Reorganized WorldCom By-Laws, Reorganized WorldCom (i) shall use good faith efforts to sell, to the extent practicable (as determined by Reorganized WorldCom), and shall only sell for Cash, any New Common Stock that was not distributable under this Section 5.12 by reason of circumstances of which Reorganized WorldCom became aware after the Distribution Notification Date or that was returned to Reorganized WorldCom pursuant to the terms of the preceding sentence, and (ii) following any such sale, shall distribute to the person (or persons on a proportionate basis) to whom such New Common Stock would otherwise have been distributable an amount equal to the lesser of (A) the sales proceeds in excess of Reorganized WorldCom's expenses in connection with the sale and (B) the value

of the sold shares as of the Effective Date (as determined in good faith by Reorganized WorldCom). The reasonable determinations of the Debtors or Reorganized WorldCom under this Section 5.12 regarding any amounts of New Common Stock that are not distributable or that must be returned shall be final and binding, and shall be made by the earlier of the expiration of the restrictions on the transferability of Reorganized WorldCom Equity described in clause (ii) of the first sentence of Section 9.03 of the Plan and the filing of the federal income tax return of Reorganized WorldCom for the taxable year in which the Effective Date occurs. Any disputes under this Section 5.12 shall be resolved by the Bankruptcy Court.

ARTICLE VI

PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN

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

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

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

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

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

6.06. Distributions to Classes 4, 6, and 12. Subject to Bankruptcy Rule 9010, all distributions under the Plan to holders of Allowed Claims in Classes 4, 6, and 12 shall be made to the holder of each Allowed Claim at the address of such holder as listed on the Schedules as of the Distribution Notification Date, unless the Debtors or, on and after the Effective Date, the Reorganized Debtors, have been notified in writing of a change of address, including, without limitation, by the timely filing of a proof of claim by such holder that provides an address for such holder different from the address reflected on the Schedules. In the event that any distribution to any such holder is returned as undeliverable, the Disbursing Agent shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such distribution shall be made to such holder without interest; *provided, however*, that, at the expiration of one (1) year from the Effective Date such distributions shall be deemed unclaimed property and shall be treated in accordance with Section 6.14 of the Plan.

6.07. Distributions to Classes 3A, 5, 9, 11, and 13. Distributions for the benefit of the holders of WorldCom Note Claims, MCIC Senior Debt Claims, Intermedia Senior Debt Claims, and Intermedia Subordinated Debt Claims shall be made to the WorldCom Notes Indenture Trustee, the MCIC Senior Notes Indenture Trustee, the Intermedia Senior Notes Indenture Trustee, and the Intermedia Subordinated Notes Indenture Trustee, respectively. The Indenture Trustees shall, in turn, promptly administer the distribution to the holders of Allowed Claims in Classes 5, 9, 11, and 13, respectively, in accordance with the Plan and the applicable Indenture. Distributions for the benefit of the holders of Bank Settlement Claims and Bank Claims shall be made to the Bank of America, N.A. as co-administrative agent under the 364-Day Facility and the Revolving Credit Facility or as otherwise agreed by WorldCom and such holder. Bank of America, N.A. shall, in turn, promptly administer the distribution to the holders of Bank Settlement Claims and Bank Claims in Classes 3A and 5, respectively. The distribution of New Common Stock or New Notes to the Indenture Trustees or Bank of America, N.A. shall be deemed a distribution to the respective holder of an Allowed Claim. The Indenture Trustees and Bank of America, N.A. shall not be required to give any bond or surety or other security for the performance of their duties unless otherwise ordered by the Bankruptcy Court; and, in the event that such parties are so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be paid by the Reorganized Debtors. After the Effective Date, the reasonable fees and expenses of the Indenture Trustees and Bank of America, N.A. incurred in connection with the distribution described in this Section 6.07 shall be paid by the Reorganized Debtors.

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

6.09. Registration of New Common Stock and New Notes. Each Registration Rights Holder shall have the right to become a party to the Registration Rights Agreement on the Effective Date. The Registration Rights Agreement shall contain customary terms and conditions in a form reasonably agreed by WorldCom and the Registration Rights Holders holding a majority of the New Common Stock to be covered by the Agreement, including:

(a) Shelf Registration Rights. Reorganized WorldCom will use its reasonable efforts to file and have declared effective within one hundred eighty (180) days after the Effective Date a shelf registration statement covering the resale of the registrable New Common Stock and New Notes held by Registration Rights Holders. Subject to customary blackouts as further described in Section 6.09(e) of the Plan, Reorganized WorldCom shall use its reasonable efforts to maintain the effectiveness of any such shelf registration statement continuously for two (2) years or such shorter period of time which shall terminate the day after the date on which the last of the Registration Rights Holders would lawfully be able to sell all of its remaining New Common Stock and New Notes under Rule 144 of the Securities Act of 1933, free of volume limitations, or the first (1st) date on which the Registration Rights Holders shall cease to hold any securities covered by the shelf registration statement.

(b) Demand Registration Rights. During the period expiring five (5) years after the Effective Date, in addition to the shelf registration under Section 6.09(a) of the Plan, Registration Rights Holders holding an anticipated five hundred million (\$500,000,000) dollars aggregate value of New Common Stock to be registered may demand, by notice to Reorganized WorldCom, underwritten registrations of the New Common Stock held by the Registration Rights Holders who chose to participate therein, subject to *pro rata* cutback based on shares seeking to participate; *provided, however*, that Reorganized WorldCom shall not be obligated to effect more than an aggregate of two (2) demand registrations pursuant to this Section 6.09(b) on behalf of Registration Rights Holders, subject to increase as provided in the final sentence of this Section 6.09(b). Reorganized WorldCom may elect to convert any demand registration into a registration for its own account. If Reorganized WorldCom

makes such election then the Registration Rights Holders that exercised their demand registration right which was so converted shall receive one (1) additional demand registration right.

(c) Piggyback Registration Rights. During the period expiring five (5) years after the Effective Date, Registration Rights Holders shall be entitled to piggyback onto any other registration for the issuance of New Common Stock by Reorganized WorldCom effected by Reorganized WorldCom under the Securities Act of 1933 on any forms other than Form S-4 or S-8 (or any successor or similar form(s)). Registration Rights Holders shall have parity with Reorganized WorldCom in any demand registration that Reorganized WorldCom has converted into a registration for its own account as described in Section 6.09(b) of the Plan. Registration Rights Holders shall have priority over third parties in any registration, including any demand registration that Reorganized WorldCom has converted into a registration for its own account as described in Section 6.09(b) of the Plan, and any cutback, which Reorganized WorldCom believes in its reasonable business judgment to be required, of the registrable New Common Stock of the Registration Rights Holders shall be effected on a *pro rata* basis among participating Registration Rights Holders.

(d) Selection of Underwriters. In the event an offering of New Common Stock is to be underwritten, with respect to any demand registration or otherwise, Reorganized WorldCom, in its sole discretion, shall select a nationally recognized firm of underwriters.

(e) Blackouts. Reorganized WorldCom shall have a customary right to suspend, at any time (but not more than twice in any twelve (12) month period, and only with respect to non-consecutive periods of not more than ninety (90) days), the registration process and/or suspend a holders' ability to use a prospectus if certain significant corporate events are contemplated.

(f) Expenses. Reorganized WorldCom shall pay all customary costs and expenses associated with each registration, including for each registration statement prepared the reasonable fees and expenses of attorneys for the Registration Rights Holders selected by Registration Rights Holders holding a majority of the shares of New Common Stock covered by such registration; *provided, however*, that such attorneys for the Registration Rights Holders shall be approved by Reorganized WorldCom, such approval not to be unreasonably withheld or delayed. Registration Rights Holders will pay underwriting discounts, commissions, and applicable transfer taxes, if any, on any shares sold by such holders.

(g) Assignment. Each Registration Rights Holder shall be entitled to assign, in whole or in part, its rights under the Registration Rights Agreement to any assignee of New Common Stock and/or New Notes that is approved by Reorganized WorldCom, such approval not to be unreasonably withheld or delayed.

(h) Withdrawal. Any Registration Rights Holder shall be entitled to withdraw from the Registration Rights Agreement immediately upon notice to Reorganized WorldCom and the other Registration Rights Holders party to the Registration Rights Agreement.

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

6.11. Manner of Payment Under the Plan. All distributions of New Common Stock or Cash to the creditors of each of the Debtors under the Plan shall be made by, or on behalf of, the applicable Reorganized Debtor. Where the applicable Reorganized Debtor is a subsidiary of Reorganized WorldCom, Reorganized WorldCom shall make a capital contribution, either directly or indirectly, to the applicable Reorganized Debtor (and, in the case of the Intermedia Debtors, in accordance with Section 5.05 of the Plan) of an amount of New Common Stock or Cash to be distributed to the creditors of such Debtor, but only at such time as, and to the extent, the amounts are actually distributed to holders of Allowed Claims. All distributions of New Notes to the creditors of the Debtors shall be made by, or on behalf of, Reorganized WorldCom. To the extent that New Notes are issued by Reorganized WorldCom to holders of a Claim against a Debtor (other than WorldCom and

Intermedia) in exchange for such holders' Claims, the portion of the Claims for which such New Notes are issued shall be treated as acquired by Reorganized WorldCom. Immediately thereafter, pursuant to the terms hereof, Reorganized WorldCom shall make a capital contribution of such Claims, either directly or indirectly, to the applicable Debtor and such Claims shall immediately be cancelled and discharged. Any distributions that revert to any of the Reorganized Debtors or are otherwise canceled (such as to the extent any distributions have not been claimed within one (1) year or are cancelled pursuant to Section 6.14 of the Plan) shall revert solely in Reorganized WorldCom, and any applicable Reorganized Debtor (other than Reorganized WorldCom) shall not have (nor shall it be considered to ever have had) any ownership interest in such amounts.

6.12. Fractional Shares. No fractional shares of New Common Stock shall be distributed under the Plan. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock that is not a whole number, the actual distribution of shares of New Common Stock shall be rounded as follows: (i) fractions of one-half ($\frac{1}{2}$) or greater shall be rounded to the next higher whole number; and (ii) fractions of less than one-half ($\frac{1}{2}$) shall be rounded to the next lower whole number with no further payment therefor. The total number of authorized shares of New Common Stock to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the rounding provided in this Section 6.12.

6.13. Fractional Notes. No New Notes shall be distributed in denominations of less than one thousand (\$1,000) dollars. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of an amount of New Notes that is not a multiple of one thousand (1,000), the actual distribution of New Notes shall be rounded as follows: (i) denominations of five hundred (\$500) dollars or greater shall be rounded up to one thousand (\$1,000) dollars; and (ii) denominations less than five hundred (\$500) dollars shall be rounded down to zero (\$0.00) with no further payment therefor. The total number of New Notes to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the rounding provided in this Section 6.13.

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

6.15. Distributions to Holders as of the Distribution Notification Date. As at the close of business on the Distribution Notification Date, the Claims register shall be closed, and there shall be no further changes in the record holder of any Claim. The Reorganized Debtors and any party responsible for making distributions pursuant to Section 6.07 of the Plan shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Notification Date. The Reorganized Debtors and any party responsible for making distributions pursuant to Section 6.07 of the Plan shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the Claims register as of the close of business on the Distribution Notification Date.

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

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

ARTICLE VII

PROCEDURES FOR TREATING DISPUTED CLAIMS

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

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

7.03. Personal Injury Claims. All Personal Injury Claims are Disputed Claims. No distributions shall be made on account of any Personal Injury Claim unless and until such Claim is liquidated and becomes an Allowed Claim. Any Personal Injury Claim which has not been liquidated prior to the Effective Date and as to which a proof of claim was timely filed in the Chapter 11 Cases, shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Effective Date or, if no action was pending on the Effective Date, in any administrative or judicial tribunal of appropriate jurisdiction. Any Personal Injury Claim determined and liquidated (i) pursuant to a judgment obtained in accordance with this Section and applicable nonbankruptcy law which is no longer appealable or subject to review, or (ii) in any alternative dispute resolution or similar proceeding as same may be approved by order of a court of competent jurisdiction, shall be deemed, to the extent applicable, an Allowed Claim in Class 4, 6, or 12, as applicable, in such liquidated amount and treated in accordance with Sections 4.04, 4.07, or 4.13 of the Plan; *provided, however*, that the Allowed amount of any Personal Injury Claim that also is an Insured Claim shall be limited as provided in Section 7.05 of the Plan. Nothing contained in this Section 7.03 shall constitute or be deemed a waiver of any Claim, right, or Cause of Action that the Debtors may have against any person in connection with or arising out of any Personal Injury Claim, including, without limitation, any rights under section 157(b) of title 28 of the United States Code.

7.04. Distributions to Convenience Claims, WorldCom General Unsecured Claims, and Intermedia General Unsecured Claims After Allowance. After such time as a Disputed Convenience Claim, Disputed WorldCom General Unsecured Claim, or Disputed Intermedia General Unsecured Claim becomes an Allowed Claim, the Reorganized Debtors shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan. Such distributions to holders of Allowed Convenience Claims shall be made on or before the date that is twenty (20) days after the order or judgment of the Bankruptcy Court allowing such Disputed Convenience Claim becomes a Final Order, without any post-Effective Date interest thereon. Such distributions to holders of Allowed WorldCom General Unsecured Claims and Allowed Intermedia General Unsecured Claim shall be made on the next Subsequent Distribution Date that is not less than twenty (20) days from the date upon which the order or judgment of the Bankruptcy Court allowing such Disputed WorldCom General Unsecured Claims or Disputed Intermedia General Unsecured Claim becomes a Final Order, without any post-Effective Date interest thereon.

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

7.06. Resolution of Administrative Expense Claims and Claims. On and after the Effective Date, the Reorganized Debtors shall have the authority to compromise, settle, otherwise resolve, or withdraw any

objections to Administrative Expense Claims and Claims and compromise, settle, or otherwise resolve Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court.

ARTICLE VIII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.01. Assumption or Rejection of Executory Contracts and Unexpired Leases. Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtors and any person or entity shall be deemed assumed by the Debtors, as of the Effective Date, except for any executory contract or unexpired lease (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date and for which the motion was filed prior to the Confirmation Date, (ii) as to which a motion for approval of the rejection of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date, or (iii) that is specifically designated as a contract or lease to be rejected on Schedule 8.01(A) (executory contracts) or Schedule 8.01(B) (unexpired leases), which Schedules shall be contained in the Plan Supplement; *provided, however*, that the Debtors reserve the right, on or prior to the Confirmation Date, to amend Schedules 8.01(A) and 8.01(B) to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, respectively, assumed or rejected. The Debtors shall provide notice of any amendments to Schedules 8.01(A) and 8.01(B) to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on Schedule 8.01(A) or 8.01(B) shall not constitute an admission by the Debtors that such document is an executory contract or an unexpired lease or that the Debtors have any liability thereunder.

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

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

8.04. Tariff Services. All Access Providers shall continue to provide without interruption all Tariff Services, specifically including usage-sensitive access services, provided to the Debtors prior to the Effective Date. Any Claim against a Debtor by an Access Provider for the provision of Tariff Services to such Debtor prior to the Commencement Date shall be treated in accordance with Sections 4.04, 4.07, and 4.13, as applicable.

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

8.06. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 8.01 of the Plan must be filed with the Bankruptcy Court and served upon the Debtors or, on and after the Effective Date, Reorganized WorldCom, no later than thirty (30) days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease, (ii) notice of entry of the Confirmation Order, and (iii) notice of an amendment to Schedule 8.01(A) or 8.01(B). All such Claims not filed within such time will be forever barred from assertion against the Debtors and their estates or the Reorganized Debtors and their property.

8.07. Survival of Corporate Reimbursement Obligations. Except as set forth on Schedules 8.01(A) and 8.01(B), any prepetition indemnification obligations of the Debtors pursuant to their corporate charters and by-laws or agreements entered into any time prior to the Commencement Date shall be limited to the reimbursement of current directors, officers, and/or employees, other than Culpable Individuals, for legal fees and expenses and shall continue as obligations of the Reorganized Debtors in an amount not to exceed twenty-five million (\$25,000,000) dollars in the aggregate. Other than as set forth in the preceding sentence, nothing herein shall be deemed to be an assumption of any other prepetition indemnification obligation and any such obligations shall be rejected pursuant to the Plan.

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

8.09. Compensation and Benefit Programs. Except as provided in Section 8.01 of the Plan, the Pension Plans and all savings plans, retirement plans, health care plans, performance-based incentive plans, retention plans, workers' compensation programs and life, disability, directors and officers liability, and other insurance plans are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Debtors in accordance with sections 365(a) and 1123(b)(2) of the Bankruptcy Code; *provided, however*, that such programs shall not be continued for the benefit of, and shall be deemed rejected with respect to, Culpable Individuals.

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

ARTICLE IX

PROVISIONS REGARDING CORPORATE GOVERNANCE AND MANAGEMENT OF THE REORGANIZED DEBTORS

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

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

(a) Reorganized WorldCom Board of Directors. The initial Board of Directors of Reorganized WorldCom shall be disclosed not later than ten (10) days prior to the Confirmation Hearing. Each of the

members of such initial Board of Directors shall serve in accordance with applicable nonbankruptcy law and the Reorganized WorldCom Certificate of Incorporation and Reorganized WorldCom By-laws, as the same may be amended from time to time.

(b) Reorganized WorldCom Officers. The officers of Reorganized WorldCom immediately prior to the Effective Date shall serve as the initial officers of Reorganized WorldCom on and after the Effective Date. Such officers shall serve in accordance with applicable nonbankruptcy law, any employment agreement with Reorganized WorldCom, and the Reorganized WorldCom Certificate of Incorporation and Reorganized WorldCom By-laws, as the same may be amended from time to time.

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

(d) Reorganized Debtors' Officers. The officers of the Reorganized Debtors, other than Reorganized WorldCom, immediately prior to the Effective Date shall serve as the initial officers of the Reorganized Debtors on and after the Effective Date. Such officers shall serve in accordance with applicable nonbankruptcy law, any employment agreement with the Reorganized Debtors, and the applicable certificate of incorporation and by-laws, as the same may be amended from time to time.

9.03. Certificates of Incorporation and By-laws. The Reorganized WorldCom Certificate of Incorporation, the Reorganized WorldCom By-laws, and the certificates of incorporation and by-laws of each of the other Reorganized Debtors shall contain provisions necessary (i) to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such certificates of incorporation and by-laws as permitted by applicable law, (ii) to impose restrictions on the direct or indirect transferability of the New Common Stock or other equity of Reorganized WorldCom ("Reorganized WorldCom Equity") such that (A) no person or "entity" may acquire or accumulate 4.75% or more (as determined under tax law principles governing the application of section 382 of the Tax Code) of the Reorganized WorldCom Equity and (B) no person or entity owning directly or indirectly (as determined under such tax law principles) on the Effective Date, after giving effect to the Plan, 4.75% or more of the New Common Stock may acquire additional shares of Reorganized WorldCom Equity, subject to certain exceptions and limitations (including, without limitation, limited duration of restrictions as described below, the right of the Board of Directors to waive such restrictions in its reasonable discretion, and allowance for certain acquisitions without the need for prior Board of Directors approval, including, without limitation, qualified tender offers for all of Reorganized WorldCom's stock), (iii) to impose the requirement that any "stock split" or "reverse stock split" within one (1) year after the Effective Date be approved by at least ninety-five (95%) percent of the holders of New Common Stock then outstanding; and (iv) to effectuate the provisions of the Plan. All restrictions on the transferability of the Reorganized WorldCom Equity described under clause (ii) above shall expire on the earlier of the second (2nd) anniversary of the Effective Date and the date on which the Board of Directors of Reorganized WorldCom in good faith determines that, (A) the requirements under section 382(l)(5) of the Tax Code will not be satisfied with respect to the ownership change occurring directly as a result of the consummation of the Plan or (B) electing treatment under section 382(l)(5) of the Tax Code is not in the best interests of Reorganized WorldCom or its stockholders. Reorganized WorldCom shall use good faith efforts to make the determination of whether a reasonable basis exists for taking the position that the requirements of section 382(l)(5) of the Tax Code have been satisfied, at the earliest date following the Effective Date that adequate information regarding the ownership of Reorganized WorldCom is reasonably available, and from time to time thereafter as additional information or developments relevant to this determination are reasonably available or occur.

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

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

9.05. Listing of New Common Stock. Reorganized WorldCom shall use commercially reasonable efforts to cause the shares of New Common Stock to be listed on the NASDAQ National Market System for trading on or as soon as practicable after the Effective Date.

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

9.07. New Employee Stock Purchase Plan. Prior to the Effective Date, Reorganized WorldCom shall adopt the New Employee Stock Purchase Plan. Reorganized WorldCom shall, on the Effective Date, implement an employee stock purchase plan intended to qualify under section 423 of the Tax Code. Pursuant to the New Employee Stock Purchase Plan, Reorganized WorldCom would purchase shares of New Common Stock on the open market in order to make such shares available to participating employees. The terms of the New Employee Stock Purchase Plan shall be contained in the Plan Supplement.

ARTICLE X

EFFECT OF CONFIRMATION

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

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

10.03. Discharge of Debtors. Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Equity Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the

Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Equity Interest in the Debtors.

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

10.05. Term of Injunctions or Stays. Unless otherwise provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in such applicable order.

10.06. Exculpation. None of the Debtors, the Reorganized Debtors, the Committee and its members, the Indenture Trustees, the MatlinPatterson Investors, Silver Lake, the Ad Hoc Committee of Intermedia Noteholders, the Ad Hoc Committee of MCIC Senior Noteholders, and the Ad Hoc Committee of WorldCom Noteholders or any of their respective current members, partners, officers, directors, employees, advisors, professionals, affiliates, or agents (but solely in their capacities as such) shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct, gross negligence, or criminal conduct and, in all respects, the Debtors, the Reorganized Debtors, the Committee and its members, the Indenture Trustees, the MatlinPatterson Investors, Silver Lake, the Ad Hoc Committee of Intermedia Noteholders, the Ad Hoc Committee of MCIC Senior Noteholders, and the Ad Hoc Committee of WorldCom Noteholders, and each of their respective current members, partners, officers, directors, employees, advisors, professionals, affiliates, and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing in this Section 10.06 shall (i) be construed as a release of any entity's fraud, gross negligence, malpractice, or willful misconduct with respect to matters set forth in this Section 10.06 or (ii) limit the liability of the professionals of the Debtors, the Reorganized Debtors, the Committee and its members, the Indenture Trustees, the MatlinPatterson Investors, Silver Lake, the Ad Hoc Committee of Intermedia Noteholders, the Ad Hoc Committee of MCIC Senior Noteholders, and the Ad Hoc Committee of WorldCom Noteholders to their respective clients pursuant to DR 6-012 of the Code of Professional Responsibility.

10.07. Avoidance Actions. From and after the Effective Date, the Reorganized Debtors shall have the right to prosecute any avoidance or equitable subordination or recovery actions under sections 105, 502(d), 510, 542 through 551, and 553 of the Bankruptcy Code that belong to the Debtors or Debtors in Possession other than the Intermedia Avoidance Claims, which shall be extinguished pursuant to Section 5.06(a) of the Plan, and such other avoidance or recovery actions against parties to the Compromise and Settlements under Section 5.06 of the Plan.

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

(a) Except as against parties to the Compromise and Settlements under Section 5.06 of the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or which the Reorganized Debtors may choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all Claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtors, their officers, directors, or representatives, (ii) the turnover of any property of the Debtors' estates, and (iii) Causes of Action against current or former directors, officers, professionals, agents, financial advisors, underwriters, lenders, or auditors relating to acts or omissions occurring prior to the Commencement Date.

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

10.09. United States Exception. Notwithstanding any provision of the Plan or any document or order associated therewith, in accordance with 18 U.S.C. § 3613(e), nothing shall be deemed to waive, release, discharge, affect, or terminate any liability of, debt of, or Claim against Debtors, the Reorganized Debtors, or any non-Debtor in connection with any criminal action or criminal proceeding by the United States concerning conduct at any time by the Debtors (or their agents or present or former employees) or by the Reorganized Debtors (or their agents or present or former employees), and nothing herein shall release the Debtors, the Reorganized Debtors, or any non-Debtor from the criminal laws of the United States. Nothing in the Plan or in any document or order associated therewith shall be deemed to waive, release, discharge, affect, or terminate any Claim or right of the United States (or any agency or department thereof) to collect any Claim against or assert any right against any non-Debtor (including, but not limited to, any present or former employee, agent, officer, director, or principal of any Debtor or Reorganized Debtor).

ARTICLE XI

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

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

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

(b) The New Notes Indenture shall be in form and substance reasonably acceptable to the Debtors, the Committee, the MatlinPatterson Investors, the Ad Hoc Committee of Intermedia Noteholders, the Ad Hoc Committee of MCIC Senior Noteholders, and the Ad Hoc Committee of WorldCom Noteholders;

(c) The Reorganized WorldCom Certificate of Incorporation and the Reorganized WorldCom By-laws shall be in form and substance reasonably acceptable to the Debtors, the Committee, the MatlinPatterson Investors, the Ad Hoc Committee of Intermedia Noteholders, and the Ad Hoc Committee of WorldCom

Noteholders and shall be in form and substance reasonably acceptable to the Ad Hoc Committee of MCIC Senior Noteholders solely to the extent such documents affect the New Notes Indenture;

(d) The New Management Restricted Stock Plan and the New Employee Stock Purchase Plan shall be in form and substance reasonably acceptable to the Debtors, the Committee, the MatlinPatterson Investors, the Ad Hoc Committee of Intermedia Noteholders, and the Ad Hoc Committee of WorldCom Noteholders;

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

(f) Subject to Section 5.05(d) of the Plan, the Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are necessary to implement the Plan and that are required by law, regulation, or order; and

(g) The Debtors shall have paid the final judgment as set forth in the settlement between WorldCom and the Securities and Exchange Commission or, if approval of such settlement is stayed pending an appeal, the Debtors shall deposit all amounts due into an escrow account pending final resolution.

11.02. Failure of Conditions. In the event that one or more of the conditions specified in Section 11.01 of the Plan have not occurred on or before one hundred twenty (120) days after the Confirmation Date, (i) the Confirmation Order shall be vacated, (ii) no distributions under the Plan shall be made, (iii) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iv) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

11.03. Waiver of Conditions. The Debtors, in their sole discretion and to the extent not prohibited by applicable law, may waive one (1) or more of the conditions precedent to effectiveness of the Plan set forth in Section 11.01 of the Plan; *provided, however*, that the Debtors may not waive the conditions precedent that provide for other parties' reasonable acceptance without the consent of such parties (which shall not be unreasonably withheld or delayed).

ARTICLE XII

RETENTION OF JURISDICTION

12.01. The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

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

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

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

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

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

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

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

(h) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, including any dispute arising under Section 5.12 of the Plan;

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

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

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

(l) To resolve any Disputed Claims;

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

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

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

ARTICLE XIII

MISCELLANEOUS PROVISIONS

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

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

shall, if required, file their amended certificates of incorporation with the Secretary of State of the state in which each such entity is (or will be) incorporated, in accordance with the applicable general corporation law of each such state.

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

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

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

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

13.07. Dissolution of the Committee. The Committee shall terminate on the Effective Date, except that the Committee may evaluate, object to (if necessary), and appear at the hearing to consider applications for final allowances of compensation and reimbursement of expenses, including applications for compensation or reimbursement under section 503 of the Bankruptcy Code, and support or prosecute any objections to such applications, if appropriate, and the Committee may continue to function after the Effective Date with respect to the consummation of the SEC final penalty judgment and distribution of the settlement funds thereunder. The post-Effective Date professional fees of the Committee for the services set forth in the preceding sentence shall be paid pursuant to Section 13.06 of the Plan.

13.08. Plan Supplement. The Reorganized WorldCom Certificate of Incorporation, the Reorganized WorldCom By-laws, the forms of certificates of incorporation and by-laws of each of the other Reorganized Debtors, Schedules 8.01(A) and 8.01(B) referred to in Section 8.01 of the Plan, a post-Effective Date revolving credit facility agreement, if any, the New Notes Indenture, the New Management Restricted Stock Plan, the New Employee Stock Purchase Plan, the Registration Rights Agreement, and any other appropriate documents shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court at least ten (10) days prior to the last day upon which holders of Claims may vote to accept or reject the Plan; *provided, however*, that the New Notes Indenture, the New Management Restricted Stock Plan, and the New Employee Stock Purchase Plan shall be filed with the Clerk of the Bankruptcy Court at least thirty (30) days prior to the last day upon which holders of Claims may vote to accept or reject the Plan; *provided further, however*, that the Debtors may amend (A) Schedules 8.01(A) and 8.01(B) through and including the Confirmation Date and (B) each of the other

documents contained in the Plan Supplement, subject to Section 11.01 of the Plan, through and including the Effective Date in a manner consistent with the Plan and Disclosure Statement. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement on the Debtors' independent website at www.elawforworldcom.com or upon written request to WorldCom in accordance with Section 13.16 of the Plan.

13.09. Amendment or Modification of the Plan. Alterations, amendments, or modifications of or to the Plan may be proposed in writing by the Debtors at any time prior to the Confirmation Date, provided that the Plan, as altered, amended, or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Plan may be altered, amended, or modified at any time after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended, or modified, satisfies the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended, or modified, under section 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments, or modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim of such holder. Notwithstanding the foregoing, neither the Debtors nor any other party may modify Section 9.04(b) of the Plan or increase or decrease the aggregate number of shares of New Common Stock projected to be distributed pursuant to Article IV of the Plan between the Confirmation Date and the Effective Date. The amendment or modification of (i) the percentage recovery for the holders of MCIC Senior Debt Claims, Intermedia Senior Debt Claims, or Intermedia Subordinated Debt Claims or (ii) the form of distribution (i.e., New Notes) that shall be distributed to the holders of MCIC Senior Debt Claims shall be deemed to be material amendments or modifications to the holders of such Claims; *provided, however*, that the foregoing shall not be deemed to be material amendments or modifications to the holders of such Claims to the extent the Ad Hoc Committee of Intermedia Noteholders and Ad Hoc Committee of MCIC Senior Noteholders, as appropriate, consent to such amendments or modifications.

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

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

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

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

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

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

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

WORLD.COM, INC.
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Attn: Paul M. Eskildsen, Esq.
Acting General Counsel
Telephone: (877) 624-1000
Facsimile: 703-886-5807

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Lori R. Fife, Esq.
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-and-

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Houston, TX 77002
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Telephone: (713) 546-5000
Facsimile: (713) 224-9511

Dated: New York, New York
July 9, 2003

Respectfully submitted,

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

By: /s/ Paul M. Eskildsen
Name: Paul M. Eskildsen, Esq.
Title: Acting General Counsel

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Attorneys for Debtors and
Debtors in Possession

EXHIBIT A1

<u>Debtor</u>	<u>Case No.</u>	<u>Debtor</u>	<u>Case No.</u>
WorldCom Caribbean, Inc.	02-13532	Fibernet, Inc.	02-42198
WorldCom, Inc.	02-13533	Healan Communications, Inc.	02-42199
Intermedia Communications Inc.	02-42154	Intelligent Investment Partners, Inc. . .	02-42200
MCI Communications Corporation	02-42155	Intermedia Capital, Inc.	02-42201
Access Network Services, Inc.	02-42156	Intermedia Communications of Virginia, Inc.	02-42202
Access Virginia, Inc.	02-42157	Intermedia Investment, Inc.	02-42203
ALD Communications, Inc.	02-42158	Intermedia Licensing Company	02-42204
BFC Communications, Inc.	02-42159	Jones Lightwave of Denver, Inc.	02-42205
Bittel Telecommunications Corporation	02-42160	Marconi Telegraph Cable Company, Inc.	02-42206
Brooks Fiber Communications of Arkansas, Inc.	02-42161	MCI Canada, Inc.	02-42207
Brooks Fiber Communications of Bakersfield, Inc.	02-42162	MCI Equipment Acquisition Corporation	02-42208
Brooks Fiber Communications of Connecticut, Inc.	02-42163	MCI Galaxy III Transponder Leasing, Inc.	02-42209
Brooks Fiber Communications of Fresno, Inc.	02-42164	MCI Global Access Corporation	02-42210
Brooks Fiber Communications of Massachusetts, Inc.	02-42165	MCI Global Support Corporation	02-42211
Brooks Fiber Communications of Michigan, Inc.	02-42166	MCI International Telecommunications Corporation . .	02-42212
Brooks Fiber Communications of Minnesota, Inc.	02-42167	MCI International, Inc.	02-42213
Brooks Fiber Communications of Mississippi, Inc.	02-42168	MCI International Telecommunications Holding Corporation	02-42214
Brooks Fiber Communications of Missouri, Inc.	02-42169	MCI Investments Holdings, Inc.	02-42215
Brooks Fiber Communications of Nevada, Inc.	02-42170	MCI Network Technologies, Inc.	02-42216
Brooks Fiber Communications of New England, Inc.	02-42171	MCI Omega Properties, Inc.	02-42217
Brooks Fiber Communications of New Mexico, Inc.	02-42172	MCI Research, Inc.	02-42218
Brooks Fiber Communications of New York, Inc.	02-42173	Brooks Fiber Communications of Ohio, Inc.	02-42174
FiberNet Rochester, Inc.	02-42197	Brooks Fiber Communications of Oklahoma, Inc.	02-42175
		Brooks Fiber Communications of Rhode Island, Inc.	02-42176
		Brooks Fiber Communications of Sacramento, Inc.	02-42177

<u>Debtor</u>	<u>Case No.</u>	<u>Debtor</u>	<u>Case No.</u>
Brooks Fiber Communications of San Jose, Inc.	02-42178	MCI WorldCom Management Company, Inc.	02-42227
Brooks Fiber Communications of Stockton, Inc.	02-42179	MCI WORLDCOM Network Services of Virginia, Inc.	02-42228
Brooks Fiber Communications of Tennessee, Inc.	02-42180	MCI WORLDCOM Network Services, Inc.	02-42229
Brooks Fiber Communications of Texas, Inc.	02-42181	MCI WORLDCOM Synergies Management Company, Inc.	02-42230
Brooks Fiber Communications of Tucson, Inc.	02-42182	MCI/OTI Corporation	02-42231
Brooks Fiber Communications of Tulsa, Inc.	02-42183	MCImetro Access Transmission Services of Virginia, Inc.	02-42232
Brooks Fiber Communications of Utah, Inc.	02-42184	Metrex Corporation	02-42233
Brooks Fiber Communications-LD, Inc.	02-42185	Metropolitan Fiber Systems of Arizona, Inc.	02-42234
Brooks Fiber Properties, Inc.	02-42186	Metropolitan Fiber Systems of Baltimore, Inc.	02-42235
BTC Transportation Corporation	02-42187	Metropolitan Fiber Systems of California, Inc.	02-42236
Business Internet, Inc.	02-42188	Metropolitan Fiber Systems of Connecticut, Inc.	02-42237
Chicago Fiber Optic Corporation	02-42189	Metropolitan Fiber Systems of Dallas, Inc.	02-42238
Com Systems, Inc.	02-42190	Metropolitan Fiber Systems of Delaware, Inc.	02-42239
COM/NAV Realty Corp.	02-42191	E.L. Acquisition, Inc.	02-42195
Cross Country Wireless, Inc.	02-42192	Express Communications, Inc.	02-42196
CS Wireless Battle Creek, Inc.	02-42193	Metropolitan Fiber Systems of Florida, Inc.	02-42242
CS Wireless Systems, Inc.	02-42194	Metropolitan Fiber Systems of Houston, Inc.	02-42243
MCI Transcon Corporation	02-42219	Metropolitan Fiber Systems of Indianapolis, Inc.	02-42244
MCI Wireless, Inc.	02-42220	Metropolitan Fiber Systems of Minneapolis/St. Paul, Inc.	02-42245
MCI WORLDCOM Capital Management Corporation	02-42221	Metropolitan Fiber Systems of New Hampshire, Inc.	02-42246
MCI WORLDCOM Communications of Virginia, Inc.	02-42222	Metropolitan Fiber Systems of New Jersey, Inc.	02-42247
MCI WORLDCOM Communications, Inc.	02-42223	Metropolitan Fiber Systems of New Orleans, Inc.	02-42248
MCI WORLDCOM Financial Management Corporation	02-42224		
MCI WORLDCOM Global Networks U.S., Inc.	02-42225		
MCI WORLDCOM International, Inc. ..	02-42226		

<u>Debtor</u>	<u>Case No.</u>	<u>Debtor</u>	<u>Case No.</u>
Metropolitan Fiber Systems of New York, Inc.	02-42249	WorldCom International, Inc.	02-42311
Metropolitan Fiber Systems of Ohio, Inc. . .	02-42250	WorldCom International Data Services, Inc.	02-42312
Metropolitan Fiber Systems of Oregon, Inc.	02-42251	WorldCom International Mobile Services, Inc.	02-42313
Metropolitan Fiber Systems of Philadelphia, Inc.	02-42252	WorldCom Overseas Holdings, Inc.	02-42314
Metropolitan Fiber Systems of Pittsburgh, Inc.	02-42253	WorldCom Ventures, Inc.	02-42315
Metropolitan Fiber Systems of Seattle, Inc.	02-42254	WorldCom Wireless, Inc.	02-42316
Metropolitan Fiber Systems of St. Louis, Inc.	02-42255	ICI Capital LLC	02-42317
Metropolitan Fiber Systems/McCourt, Inc.	02-42256	Intermedia Services LLC	02-42318
MFS CableCo U.S., Inc.	02-42257	MCI International Services, L.L.C.	02-42319
MFS Datanet, Inc.	02-42258	MFS Telephone, Inc.	02-42263
MFS Telecom, Inc.	02-42259	MFSA Holding, Inc.	02-42264
MFS Telephone of Missouri, Inc.	02-42260	Military Communications Center, Inc.	02-42265
MFS Telephone of New Hampshire, Inc. . .	02-42261	MobileComm Europe Inc.	02-42266
MFS Telephone of Virginia, Inc.	02-42262	Mtel Asia, Inc.	02-42267
Metropolitan Fiber Systems of Denver, Inc.	02-42240	Mtel Cellular, Inc.	02-42268
Metropolitan Fiber Systems of Detroit, Inc.	02-42241	Mtel International, Inc.	02-42269
UUNET Holdings Corp.	02-42299	Mtel Latin America, Inc.	02-42270
UUNET International Ltd.	02-42300	Mtel Microwave, Inc.	02-42271
UUNET Japan Ltd.	02-42301	Mtel Service Corporation	02-42272
UUNET Technologies, Inc.	02-42302	National Telecommunications of Florida, Inc.	02-42273
Virginia Metrotel, Inc.	02-42303	N.C.S. Equipment Corporation	02-42274
Wireless One, Inc.	02-42304	Netwave Systems, Inc.	02-42275
Wireless Video Services	02-42305	networkMCI, Inc.	02-42276
WorldCom Broadband Solutions, Inc. . . .	02-42306	Northeast Networks, Inc.	02-42277
WorldCom East, Inc.	02-42307	Nova Cellular Co.	02-42278
WorldCom ETC, Inc.	02-42308	NTC, Inc.	02-42279
WorldCom Federal Systems, Inc.	02-42309	Overseas Telecommunications, Inc.	02-42280
WorldCom ICC, Inc.	02-42310	Shared Technologies Fairchild Communications Corporation	02-42281
		Shared Technologies Fairchild Telecom, Inc.	02-42282
		Shared Technologies Fairchild, Inc.	02-42283

<u>Debtor</u>	<u>Case No.</u>	<u>Debtor</u>	<u>Case No.</u>
SkyTel Communications, Inc.	02-42284	UUNET Caribbean, Inc.	02-42298
SkyTel Corp.	02-42285	MCI Payroll Services, LLC	02-42320
Southernnet of South Carolina, Inc.	02-42286	MCI WORLDCOM Brands, L.L.C. . .	02-42321
Southernnet Systems, Inc.	02-42287	MCI WORLDCOM Brooks Telecom, LLC	02-42322
Southernnet, Inc.	02-42288	MCI WORLDCOM MFS Telecom, LLC	02-42323
Telecom*USA, Inc.	02-42289	MCImetro Access Transmission Services LLC	02-42324
Teleconnect Company	02-42290	SkyTel Payroll Services, LLC	02-42325
Teleconnect Long Distance Services & Systems Co.	02-42291	UUNET Payroll Services, LLC	02-42326
Tenant Network Services, Inc.	02-42292	WorldCom International Mobile Services LLC	02-42327
TransCall America, Inc.	02-42293	WorldCom Payroll Services, LLC	02-42328
Tru Vision Wireless, Inc.	02-42294	WorldCom Purchasing, LLC	02-42329
Tru Vision-Flippin, Inc.	02-42295	MFS/C-TEC	02-42330
TTI National, Inc.	02-42296		
UUNET Australia Limited	02-42297		

EXHIBIT A2

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

EXHIBIT B

PRINCIPAL TERMS OF THE NEW NOTES

Securities	Senior unsecured notes of Reorganized WorldCom, issued in up to three (3) series, with maturities to be determined by Reorganized WorldCom.
Indenture Trustee:	To be designated by Reorganized WorldCom.
Interest Rate:	Interest rate to be determined. Interest will be payable in cash semi-annually in arrears on the basis of a 360 day year.
Mandatory Redemption:	Upon a change of control, to be defined, Reorganized WorldCom will be obligated to offer to repurchase the New Notes at 101% of principal amount plus accrued and unpaid interest to the date of repurchase. Failure by Reorganized WorldCom to offer to repurchase or to make any required repurchase shall be a payment event of default under the New Notes Indenture.
Optional Redemption:	The New Notes will be redeemable by the Company from time to time, at its option, in whole or in part, in cash, at a make-whole premium for an initial period and thereafter at a percentage premium (declining over time) of principal amount plus accrued and unpaid interest to the date of repurchase (to be determined for each series in accordance with market convention).
Sinking Fund:	None.
Security/Priority:	The New Notes will be unsecured senior obligations of Reorganized WorldCom. The New Notes will be guaranteed by all of the existing and future direct and indirect domestic restricted subsidiaries of Reorganized WorldCom. The guarantees will be senior unsecured obligations of the guarantors.
Ratings:	After the audited financial statements have been filed with the Securities and Exchange Commission and completion of any review by the Securities and Exchange Commission, Reorganized WorldCom will use reasonable efforts to obtain a rating by a nationally recognized rating agency.
Covenants:	<p>The New Notes will contain customary covenants, including limitations on incurrence of debt, restricted payments and liens.</p> <p>The covenants will further provide that all prepetition and postpetition intercompany indebtedness obligations of Reorganized WorldCom, its domestic Subsidiaries, and, to the extent practicable, its non-domestic Subsidiaries will be subordinated to the New Notes.</p>
Closing Date:	The Effective Date of the Plan.

EXHIBIT B

SUPPLEMENTAL DISCLOSURE STATEMENT ORDER

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

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

**ORDER APPROVING THE SUPPLEMENT
TO DISCLOSURE STATEMENT**

A hearing having been held on July 9, 2003 (together, the "Hearing"), to consider the motion, dated July 3, 2003 (the "Motion"), of WorldCom, Inc. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, "WorldCom" or the "Debtors"), for entry of an order approving Supplement to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated July 3, 2003 (the "Supplement"), all as more fully set forth in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334 and the Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 19, 1984 (Ward, Acting C.J.); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and the Debtors having filed with the Court the Supplement and the Court having entered that certain Order Fixing Date, Time and Place of Hearing to Consider Motion of the Debtors For Entry of Order Approving Supplement to the Disclosure Statement, dated July 2, 2003 (the "Scheduling Order"); and the Court having reviewed the Supplement, the Motion, the papers in support thereof and the responses thereto, if any, and the record of the Hearing; and the Court having found and determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and that the relief requested in the Motion is in the best interests of the Debtors, their estates, and creditors; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY FOUND THAT:

A. Notice of the Motion and the Hearing was served in accordance with the Scheduling Order and such notice constitutes good and sufficient notice to all interested parties and no other or further notice need be provided.

B. The Supplement, together with the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated May 23, 2003 (the "Disclosure Statement"), contains "adequate information" within the meaning of section 1125 of title 11 of the United States Code (the "Bankruptcy Code").

C. The period, set forth in the Order (I) Approving the Disclosure Statement; (II) Fixing a Record Date; (III) Approving Solicitation Packages and Procedures for Distribution Thereof; (IV) Approving Forms of Ballots and Establishing Procedures for Voting on the Debtors' Joint Plan of Reorganization; and (V) Scheduling a Hearing and Establishing Notice and Objection Procedures in Respect of Confirmation of the Debtors' Joint Plan of Reorganization, dated May 28, 2003 (the "Disclosure Statement Order") during which the Debtors may solicit acceptances to the Debtors' Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated July 2, 2003 (the "Plan") is a reasonable and adequate period of time for all creditors entitled to vote to make an informed decision to accept or reject the Plan.

D. The procedures for transmitting the documents and information required by Bankruptcy Rule 3017(d) to the beneficial holders of the Debtors' securities (as more fully set forth in the Motion and below) are adequate and appropriate under the circumstances.

E. The form of ballot, including the addendum thereto (the "Class 3A Ballot") annexed hereto as Exhibit "A" is sufficiently consistent with Official Form No. 14 and adequately addresses the particular needs of these chapter 11 cases and is appropriate for holders of claims in Class 3A under the Plan to vote to accept or reject the Plan.

NOW, THEREFORE, IT IS:

ORDERED that all Objections not otherwise withdrawn or resolved by this Order are hereby OVERRULED in all respects; and it is further

ORDERED that the Motion is GRANTED; and it is further

ORDERED that the Supplement is APPROVED; and it is further

ORDERED that the Class 3A Ballot is APPROVED; and it is further

ORDERED that the Debtors are directed to distribute or cause to be distributed on or before July 14, 2003 a copy of the Supplement and this Order to (a) all persons or entities identified in the Debtors' schedules of liabilities filed pursuant to section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and all amendments and modifications thereto through and including the Record Date (the "Schedules") as holding liquidated, noncontingent, and undisputed claims, in an amount greater than zero, (b) all parties having filed proofs of claims in an amount greater than zero or notices of transfers of claims in the Debtors' chapter 11 cases, (c) the registered holders of the Debtors' debt and equity securities as of the Record Date (as established in the Disclosure Statement Order), and (d) any other known holders of claims against or equity interests in the Debtors as of the Record Date; *provided, however*, that the Debtors are not required to distribute copies of the Supplement to any holder of a claim or interest in Class 1 (Other Priority Claims), Class 3 (Other Secured Claims), Class 7 (WorldCom Subordinated Claims), Class 8 (WorldCom Equity Interests), Class 10 (MCIC Subordinated Debt Claims), Class 14 (Intermedia Preferred Stock), and Class 15 (Intermedia Equity Interests), unless such party makes a specific request in writing for the same; and it is further

ORDERED that the Debtors are directed to distribute or cause to be distributed on or before July 14, 2003 a copy of the Supplement and this Order to (i) the United States Trustee for the Southern District of New York, (ii) the attorneys for the statutory unsecured creditors' committee, (iii) attorneys for the Debtors' postpetition lenders, (iv) the Securities and Exchange Commission, (v) the Internal Revenue Service, and (vi) all parties that the Debtors are required to serve pursuant to the Case Management Order; and it is further

ORDERED that the Debtors are directed to distribute or cause to be distributed on or before July 14, 2003, solicitation packages (the "Class 3A Solicitation Packages") containing copies of (i) the Order approving this Motion; (ii) the Confirmation Hearing Notice; (iii) the Disclosure Statement and the Supplement; and (iv) a Class 3A Ballot together with a return envelope with respect to holders of Class 3A Bank Settlement Claims as of the Record Date; and it is further

ORDERED that in order to be counted as a vote to accept or reject the Plan, each Class 3A Ballot must be properly executed, completed, and delivered to the Debtors' solicitation and tabulation agent so as to be received by the Debtors' solicitation and tabulation agent no later than Voting Deadline; and it is further

ORDERED that the Debtors' solicitation and tabulation agent is authorized to tabulate the Class 3A Ballots in accordance with the procedures set forth in the Disclosure Statement Order; and it is further

ORDERED that, with respect to any creditor who has filed duplicate claims (whether against the same or multiple Debtors) which are classified under the Plan in the same Class, the Debtors shall provide to such creditor only one copy of the Supplement; and it is further

ORDERED that the Debtors are not required to distribute Supplements to creditors who have timely filed proofs of claim for amounts less than or equal to the amounts scheduled for such claims by the Debtors if the claims have already been paid in the full scheduled amount; *provided, however*, if, and to the extent that, any such creditor would be entitled to receive a Supplement for any reason other than by virtue of the fact that its claim had been scheduled by the Debtors, such creditor will be sent a Supplement; and it is further

ORDERED that the Debtors are not required to distribute Supplements to a party to an executory contract who does not hold either an allowed filed or a scheduled claim or who holds a claim listed on the Schedules as contingent, unliquidated, or disputed, unless such party makes a specific request in writing for the same; and it is further

ORDERED that, with respect to addresses from which notices of the hearing to approve the Disclosure Statement were returned as undeliverable by the United States Postal Service, the Debtors are excused from distributing Supplements or Class 3A Solicitation Packages to those entities listed at such addresses unless the Debtors are provided with accurate addresses for such entities before July 14, 2003 and failure to distribute Supplements to such entities will not constitute inadequate notice of the Confirmation Hearing (as defined in the Disclosure Statement order), the Voting Deadline (as defined in the Disclosure Statement order), or violation of Bankruptcy Rule 3017(d); and it is further

ORDERED that, with respect to the Supplements to be distributed to Class 5 (WorldCom Senior Debt Claims), Class 9 (MCIC Senior Debt Claims), Class 11 (Intermedia Senior Debt Claims), and Class 13 (Intermedia Subordinated Debt Claims), the Debtors shall distribute or cause to be distributed Supplements, to record holders of the Debtors' public securities in such classes, including, without limitation, brokers, banks, dealers, or other agents or nominees (collectively, the "Master Agents"), and each Master Agent shall be entitled to receive reasonably sufficient numbers of Supplements to forward to the beneficial owners of those securities for whom such Master Agent is the holder (collectively, the "Beneficial Owners"), and the Debtors shall be responsible for each such Master Agent's reasonable, actual, and necessary out-of-pocket expenses associated with the distribution of Supplements to the Beneficial Owners of such claims; and it is further

ORDERED that each Master Agent is authorized and directed to forward Supplements to Beneficial Owners within five (5) business days after the Master Agent's receipt thereof; and it is further

ORDERED that the Record Date, Solicitation Packages (as defined in the Disclosure Statement Order) and the procedures for distributing them, Ballots and Master Ballots (as defined in the Disclosure Statement Order), voting procedures, Voting Deadline, and scheduling of notice and objection procedures for the confirmation hearing set forth in the Disclosure Statement Order are hereby determined to be adequate without modification; and it is further

ORDERED that objections to confirmation of the Plan, if any, must (i) be in writing, (ii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party, (iii) state with particularity the basis and nature of any objection, and (iv) be filed, together with proof of service, with the Court and served so that they are actually received no later than **4:00 p.m. (Eastern Time) on July 28, 2003** by each of the parties identified in paragraph 5 of the Confirmation Hearing Notice at the respective addresses set forth therein; *provided, however*, that solely with respect to objections to the Bank Settlement (as defined in the Plan), if any, such objections must be filed with the Court and served so that they are actually received no later than **4:00 p.m. (Eastern Time) on August 4, 2003** by each of the parties identified in paragraph 5 of the Confirmation Hearing Notice at the respective addresses set forth therein and otherwise conform with the requirements for objections set forth in this paragraph; and it is further

ORDERED that, prior to the Voting Deadline, any creditor may change its vote, upon consideration of the Plan modifications or otherwise, and submit another Ballot or Master Ballot, *provided, however*, if a creditor casts more than one Ballot or Master Ballot voting the same Claim(s) before the Voting Deadline, the last Ballot

or Master Ballot received before the Voting Deadline is deemed to reflect the voter's intent and, thus, to supercede any prior Ballots or Master Ballots, *provided further, however*, the submission of any such Ballot(s) and Master Ballot(s) must comply with the voting procedures set forth herein and in the Disclosure Statement in order to be counted; and it is further

ORDERED that the Debtors shall publish the Supplement electronically on the independent website authorized by the Case Management Order, www.elawforworldcom.com; and it is further

ORDERED that the Debtors are authorized to take or refrain from taking any action necessary or appropriate to implement the terms of and the relief granted in this Order without seeking further order of the Court; and it is further

ORDERED that the requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York for the filing of a memorandum of law is waived.

Dated: New York, New York
July 10, 2003

/s/ ARTHUR J. GONZALEZ
United States Bankruptcy Judge

EXHIBIT C

REVISED ESTIMATED RECOVERIES

OVERVIEW OF THE PLAN

The following table briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan. The summary also identifies which Classes are entitled to vote on the Plan based on the rules set forth in the Bankruptcy Code and estimates recovery for each Class. The summary set forth herein is qualified in its entirety by reference to the full text of the Plan.

SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>	<u>Status</u>
N/A	Administrative Expense Claims	Payment in full, in Cash, or in accordance with the terms and conditions of transactions or agreements relating to obligations incurred in the ordinary course of business during the pendency of the Chapter 11 Cases or assumed by the Debtors in Possession.	100%	Unimpaired; Not Entitled to Vote
N/A	Priority Tax Claims	At the option of the Debtors either (i) paid in full, in Cash, (ii) paid over a six-year period from the date of assessment as provided in section 1129(a)(9)(C) of the Bankruptcy Code with interest payable at a rate of 5.0% per annum, or (iii) upon such other terms as otherwise established by the Bankruptcy Court.	100%	Unimpaired; Not Entitled to Vote
1	Other Priority Claims	Payment in full, in Cash.	100%	Unimpaired; Not Entitled to Vote
2	Secured Tax Claims	At the option of the Debtors either (i) paid in full, in Cash, plus interest required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (ii) paid over a six-year period from the date of assessment with interest payable at a rate of 5.0% per annum or as otherwise established by the Bankruptcy Court.	100%	Impaired; Entitled to Vote
3	Other Secured Claims	At the option of the Debtors either (i) reinstated by curing all outstanding defaults, with all legal, equitable and contractual rights remaining unaltered, (ii) paid in full, in Cash, plus interest required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (iii) fully and completely satisfied by delivery or retention of the Collateral securing the Other Secured Claims.	100%	Unimpaired; Not Entitled to Vote
4	Convenience Claims	Cash in an amount equal to the lesser of (i) .40 multiplied by the Allowed amount of such Convenience Claim or (ii) sixteen thousand (\$16,000) dollars, in full and complete satisfaction of such Allowed Claim, subject to acceptance of the Plan by the Class.	40%	Impaired; Entitled to Vote
5	WorldCom Senior Debt Claims	Distribution, at the option of the holder, of (i) 14.28 shares of New Common Stock for each \$1,000 of such holder's Allowed WorldCom Senior Debt Claim or (ii) New Notes in a principal amount equal to .357 multiplied by the Allowed amount of such WorldCom Senior Debt Claim, or a combination thereof as set forth on a properly delivered Election Form, subject to Undersubscription and Oversubscription.	35.7% ^{1,2}	Impaired; Entitled to Vote

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>	<u>Status</u>
6	WorldCom General Unsecured Claims	Distribution of (i) 7.14 shares of New Common Stock for each \$1,000 of such holder's Allowed WorldCom General Unsecured Claim and (ii) Cash in a principal amount equal to .1785 multiplied by the Allowed amount of such WorldCom General Unsecured Claim.	35.7% ^{1,3}	Impaired; Entitled to Vote
7	WorldCom Subordinated Claims	No distribution	0%	Impaired; Not Entitled to Vote
8	WorldCom Equity Interests	No distribution.	0%	Impaired; Not Entitled to Vote
9	MCIC Senior Debt Claims	Distribution of New Notes in a principal amount equal to .80 multiplied by the principal amount of such holder's MCIC Senior Debt Claim.	80% ^{2,4}	Impaired; Entitled to Vote
10	MCIC Subordinated Debt Claims	No distribution.	0%	Impaired; Not Entitled to Vote
11	Intermedia Senior Debt Claims	Distribution, at the option of the holder, of (i) 37.4 shares of New Common Stock for each \$1,000 of such holder's Allowed Intermedia Senior Debt Claim or (ii) New WorldCom Notes in a principal amount equal to .935 multiplied by the Allowed amount of such Intermedia Senior Debt Claim, or a combination thereof as set forth on a properly delivered Election Form, subject to Undersubscription and Oversubscription.	93.5% ^{1,2}	Impaired; Entitled to Vote
12	Intermedia General Unsecured Claims	Distribution of (i) 16.64 shares of New Common Stock for each \$1,000 of such holder's Allowed Intermedia General Unsecured Claim and (ii) Cash in an amount equal to .416 multiplied by the Allowed amount of such Intermedia General Unsecured Claim.	83.2% ¹	Impaired; Entitled to Vote

- 1 The estimated recoveries for holders of Allowed Claims in Classes 5, 6, 11, 12, and 13 that receive New Common Stock are based upon the current estimate of the value of the New Common Stock to be distributed under the Plan. To the extent that the actual value of the New Common Stock, the actual amount of Allowed Claims, or the actual amount of Cash on the Effective Date varies from the amounts estimated, the recoveries of holders of Allowed Claims in Classes 5, 6, 11, 12, and 13 that receive New Common Stock may be materially higher or lower. See Article XI "Certain Risk Factors To Be Considered."
- 2 Pursuant to the Plan, as amended, the reasonable fees and expenses of the Indenture Trustees and their counsel will be paid by the Debtors. See Sections 4.06(c), 4.10(c), 4.12(c) and 4.14(c) of the Plan.
- 3 The estimated recovery for holders of Allowed Claims in Class 6 is based upon the Debtors' estimate of Allowed WorldCom General Unsecured Claims. The estimated amount of Allowed WorldCom General Unsecured Claims does not include amounts subject to asserted rights of setoff. See Section VI.B.9.
- 4 The estimated recovery to holders of MCIC Senior Notes Claims in Class 9 is based upon the principal amount of such Claims, excluding accrued interest through the Commencement Date.

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>	<u>Status</u>
13	Intermedia Subordinated Debt Claims	Distribution, at the option of the holder, of (i) 18.56 shares of New Common Stock for each \$1,000 of such holder's Allowed Intermedia Subordinated Debt Claim or (ii) New WorldCom Notes in a principal amount equal to .464 multiplied by the Allowed amount of such Intermedia Subordinated Debt Claim, or a combination thereof as set forth on a properly delivered Election Form, subject to Undersubscription and Oversubscription.	46.4% ^{1,2}	Impaired; Entitled to Vote
14	Intermedia Preferred Stock	No distribution.	0%	Impaired; Not Entitled to Vote
15	Intermedia Equity Interests	No distribution.	0%	Impaired; Not Entitled to Vote

EXHIBIT D

REVISED PROJECTED FINANCIAL INFORMATION

PROJECTED FINANCIAL INFORMATION

The Debtors¹ believe that the Plan meets the Bankruptcy Code's feasibility requirement that Plan confirmation is not likely to be followed by liquidation, or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the development of the Plan, and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. Management developed and refined a business plan and prepared financial projections (the "Projections") for the calendar years ending December 31, 2003 through 2005 (the "Projection Period").

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

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

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

¹ Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to such terms in the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated May 23, 2003 (the "Disclosure Statement") or the Supplement to the Disclosure Statement, dated July 2, 2003 (the "Supplement").

1. *Pro Forma Projected Balance Sheet (Unaudited)* ^a
(As of September 30, 2003)

WorldCom and its Subsidiaries

	Estimated Pre-Reorg Balance Sheet	Reorganization Adjustments		Pro Forma Reorganized Balance Sheet
		Reorg Adj.	"Fresh Start" Adj.	
(dollars in millions)				
Assets:				
Cash and equivalents	\$ 4,618	\$ (2,357) ^b	—	\$ 2,261
Accounts receivable, net	3,416	—	—	3,416
Discontinued operations	172	—	—	172
Other current assets	819	—	—	819
Total current assets	\$ 9,025	\$ (2,357)	—	\$ 6,668
Net PP&E	8,786	—	3,293 ⁱ	12,079
Intangible assets	548	—	—	548
Other assets	1,484	—	—	1,484
Total assets	\$ 19,842	\$ (2,357)	\$3,293	\$20,778
Liabilities and Shareholders' Equity:				
Accounts payable and accrued line costs	\$ 3,643	—	—	\$ 3,643
Discontinued operations liabilities	112	—	—	112
Accrued interest	71	—	—	71
Other current liabilities	2,519	—	—	2,519
Total current liabilities	\$ 6,345	—	—	\$ 6,345
Exit financing facility	—	—	—	—
New notes	—	5,500 ^c	—	5,500
Existing long term debt	275	—	—	275
Deferred taxes and other liabilities	526	—	—	526
Minority interest	(29)	—	—	(29)
Liabilities subject to compromise:				
Accounts payable and accrued line costs	\$ 2,125 ^d	\$ (2,125) ^f	—	—
Accrued interest	588	(588) ^f	—	—
Debt and other liabilities	33,890 ^e	(33,890) ^f	—	—
Liabilities subject to compromise	\$ 36,603	\$(36,603)	—	—
Total liabilities	\$ 43,720	\$(31,103)	—	\$12,617
Preferred equity	\$ 1,948	\$ (1,948) ^g	—	—
Shareholders' equity	(25,826)	30,694 ^h	\$3,293 ^j	8,161
Total liabilities & shareholders' equity	\$ 19,842	\$ (2,357)	\$3,293	\$20,778

NOTES TO PRO FORMA PROJECTED BALANCE SHEET

(dollars in millions unless otherwise noted)

- a. The pro forma balance sheet adjustments contained herein account for the reorganization and related transactions pursuant to the Plan using the principles of “fresh start” accounting as required by the Statement of Position 90-7 (“SOP 90-7”) issued by the American Institute of Certified Public Accountants (the “AICPA”). The fresh start adjustments are based on an estimated Reorganized WorldCom equity value of \$8.2 billion as more fully described in the Disclosure Statement and the Supplement (see Exhibit E to the Supplement—“Valuation”). The estimated Reorganized WorldCom equity value may change depending on the amount of cash retained by the Company post-emergence and the actual principal amount of New Notes elected to be received by Classes 5, 11, and 13. Under SOP 90-7, reorganization value is allocated first to tangible assets, then to identifiable intangible assets, and lastly to excess reorganization value. Please note that although management has followed the principles of “fresh start” accounting, the actual adjustments will be determined at a later date and may be materially different than those presented herein upon completion of the required asset appraisals.
- b. Reflects the uses of cash pursuant to the Plan. Cash uses include (a) \$750 million for Administrative Expense Claims, including cure costs and Compensation and Reimbursement Claims, (b) \$500 million cash payment for the SEC settlement, (c) \$500 million for Priority Tax Claims and Secured Tax Claims, (d) \$55 million for Other Secured Claims, and (e) \$552 million for distribution to holders of Claims in Classes 4, 6 and 12. The Debtors anticipate that a portion of the cash will be paid after the Effective Date thus resulting in a higher amount of cash on hand at closing than presented herein.
- c. Reflects the issuance of \$5.5 billion of New Notes to pre-petition creditors. Depending on the number of creditors in Classes 5, 11, and 13 who choose to receive their recovery in the form of New Notes, the actual principal amount of New Notes at emergence will be between \$4.5 and \$5.5 billion.
- d. Pre-petition accounts payable and accrued line costs of \$3.4 billion less \$1.3 billion of cure amounts and asserted set-offs. To the extent asserted setoffs are not valid, accounts receivable would be increased and accounts payable subject to compromise would be increased by a corresponding amount.
- e. Pre-petition debt and other liabilities.
- f. Liabilities subject to compromise eliminated at emergence pursuant to the Plan.
- g. Preferred stock eliminated at emergence pursuant to the Plan.
- h. Represents adjustments pursuant to the Plan and the reorganization adjustments described above.
- i. Under SOP 90-7, reorganization value is allocated first to tangible assets, then to identifiable intangible assets, and lastly to excess reorganization value. For purposes of this analysis, management has determined to allocate the excess reorganization value to Net PP&E. The actual adjustments will be determined at a later date and may be materially different than those presented herein upon completion of the required asset appraisals.
- j. Reflects the adjustment to shareholders’ equity based on the estimated equity value of Reorganized WorldCom in accordance with the “fresh start” accounting provisions of SOP 90-7.

2. *Projected Statements of Operations (Unaudited)*

WorldCom and its Subsidiaries

	Projected		
	Fiscal Year Ended December 31,		
	2003	2004	2005
	(dollars in millions)		
Revenue			
Business markets	\$13,636	\$14,213	\$14,866
Mass markets	6,300	5,729	5,332
International	3,933	4,102	4,316
Other	606	514	483
Total revenue	\$24,475	\$24,557	\$24,997
Line costs	13,639	13,331	13,426
Gross profit	\$10,836	\$11,225	\$11,571
SG&A	8,161	7,535	7,500
EBITDA	\$ 2,675	\$ 3,690	\$ 4,071
<i>% margin</i>	<i>10.9%</i>	<i>15.0%</i>	<i>16.3%</i>
Depreciation	\$ 1,430	\$ 1,622	\$ 1,807
Amortization	32	34	34
EBIT	\$ 1,213	\$ 2,034	\$ 2,230
Interest expense	\$ 132	\$ 416	\$ 387
Restructuring costs & other	511	(4)	(14)
EBT	\$ 570	\$ 1,621	\$ 1,857
Income taxes (expense)/benefit	\$ (109)	\$ (609)	\$ (698)
Minority interest (income)/loss	37	21	5
Net income/(loss) from continuing operations	\$ 498	\$ 1,032	\$ 1,163
Income/(loss) from discontinued operations	37	41	27
Total net income	\$ 535	\$ 1,073	\$ 1,191

3. *Projected Balance Sheets (Unaudited)*

WorldCom and its Subsidiaries

	Projected		
	Fiscal Year Ended December 31,		
	2003	2004	2005
	(dollars in millions)		
Assets:			
Cash and cash equivalents	\$ 2,202	\$ 3,167	\$ 4,309
Accounts receivable, net	3,380	3,528	3,564
Discontinued operations	172	174	179
Other current assets	819	819	819
Total current assets	\$ 6,573	\$ 7,688	\$ 8,870
Net PP&E	\$12,114	\$12,257	\$12,451
Intangible assets	539	505	471
Other assets	1,484	1,484	1,484
Total assets	\$20,710	\$21,934	\$23,276
Liabilities and Shareholders' Equity:			
Accounts payable and accrued line costs	\$ 3,436	\$ 3,350	\$ 3,430
Discontinued operations liabilities	112	112	112
Accrued interest	71	71	71
Other current liabilities	2,519	2,519	2,519
Total current liabilities	\$ 6,138	\$ 6,051	\$ 6,131
Exit financing facility	—	—	—
New notes	\$ 5,500	\$ 5,500	\$ 5,500
Existing long term debt	238	90	—
Deferred taxes and other liabilities	541	947	1,113
Minority interest	(40)	(61)	(66)
Total liabilities	\$12,377	\$12,527	\$12,678
Shareholders' equity	8,333	9,407	10,598
Total liabilities and shareholders' equity	\$20,710	\$21,934	\$23,276

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

WorldCom and its Subsidiaries

	Projected		
	Fiscal Year Ended December 31,		
	2003	2004	2005
	(dollars in millions)		
Cash flows from operating activities			
Net income before distributions and dividends	\$ 535	\$ 1,073	\$ 1,191
Net income from discontinued operations	(37)	(41)	(27)
Depreciation	1,430	1,622	1,807
Amortization	34	34	34
Restructuring charge (non-cash)	526	—	—
Minority interest	(37)	(21)	(5)
Changes in working capital	398	(234)	44
Advances to discontinued operations	2	39	22
Deferred taxes and other liabilities	266	406	165
Other	165	10	—
Cash flows from operating activities	\$ 3,282	\$ 2,889	\$ 3,232
Cash flows from investing activities			
Capital expenditures	\$(1,187)	\$(1,775)	\$(2,000)
Other investing activity	141	—	—
Cash flows from investing activities	\$(1,046)	\$(1,775)	\$(2,000)
Cash flows from financing activities			
Existing long term debt	\$ (90)	\$ (148)	\$ (90)
Payments pursuant to the plan	(2,357)	—	—
Change in liabilities subject to compromise	(122)	—	—
Cash flows from financing activities	\$(2,569)	\$ (148)	\$ (90)
Beginning cash and cash equivalents balance	\$ 2,536	\$ 2,202	\$ 3,167
Net increase/(decrease) in cash	(334)	965	1,141
Ending cash and cash equivalents balance	\$ 2,202	\$ 3,167	\$ 4,309

ASSUMPTIONS TO FINANCIAL PROJECTIONS

Projections

Management prepared the projected consolidated financial results (the "Projections") for the three years ending December 31, 2005. The projections for the fiscal year ended December 31, 2003 include preliminary actual unaudited results through May 31, 2003.

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

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

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

Key Assumptions

A. General

1. *Methodology.* The Projections are aggregated from operating forecasts for each of WorldCom's major revenue segments (Business Markets, Mass Markets, and International) as well as line costs, SG&A and capital expenditures.
2. *Plan Consummation.* The operating assumptions underlying the revenue and expense forecasts assume the Plan will be confirmed and consummated by the end of 2003. The "fresh start" accounting adjustments are more specifically based on an emergence at September 30, 2003.
3. *Key Accounting/Reporting Elements.* The Projections include results for all WorldCom entities. The results for Embratel are currently not consolidated into the forecast but will be consolidated for external reporting purposes. In addition, discontinued operations are comprised of MMDS (fixed wireless) and SkyTel (paging) for the projected periods.
4. *Macroeconomic and Industry Environment.* The Projections assume a generally stable economic environment with low inflation, consistent with prevailing analyst forecasts. In addition, the Projections assume no significant change in the regulatory and competitive conditions under which the Company currently operates.

B. Projected Statements of Operations

1. *Revenues.* Consolidated revenues are forecast to decline by 15% to \$24.5 billion in 2003, remain relatively flat in 2004 and increase by 2% to \$25.0 billion in 2005. Major revenue categories consist of Business Markets, Mass Markets and International.

- Business Markets revenues are expected to decline 18% in 2003 due to the negative impact of the bankruptcy on new sales in the first half of the year and continued pricing pressure. The Projections assume an increase in new sales for Business Markets of 4% in 2004 and 5% in 2005, with sales productivity strengthening throughout the projection period and growth in data and Internet services offsetting declining voice revenues.
 - Mass Markets revenues are expected to decline 16% in 2003, 9% in 2004 and 7% in 2005. Declines in stand-alone long distance products caused by continued pricing pressure, wireless substitution and other factors are partially offset by growth in the “The Neighborhood, built by MCI” bundled local and long distance product. Revenues are also driven by an increased focus on the small business market.
 - International revenues are expected to remain flat in 2003 and then increase by 4% in 2004 and 5% in 2005. While the Projections assume continued competitive pressure and price erosion in traditional voice services, a greater focus on higher-value customers and services with respect to data and IP products is expected to drive revenue growth.
2. *Line Costs.* Line costs include telco costs, which consist of third-party network usage, and other costs of goods sold. Line costs are projected to decrease as a percent of consolidated revenue from 56% in 2003 to 54% in 2004 and 2005.
 3. *Gross Margin.* Gross margin is projected to grow from 44% in 2003 to 46% in 2004 and 2005. Gross margin expansion in 2004 is driven by network optimization savings, product mix changes in revenue and restructuring-related savings for 2003 through 2005, with the bulk achieved in 2003.
 4. *Selling, General and Administrative Expenses.* SG&A includes employee salaries and benefits, real estate, bad debt, and other expenses. SG&A expense is forecast to decline from 33% of consolidated revenues in 2003 to 31% in 2004 and 30% in 2005. This improvement is driven primarily by reductions in headcount and facilities expense associated with ongoing restructuring activities.
 5. *Depreciation and Amortization.* Book depreciation is forecast based on estimates of useful life of the Company’s PP&E and intangibles and takes into account a substantial write-down of the carrying value of such assets. Depreciation expense increases post-emergence to account for the estimated impact of “fresh start” accounting on fixed assets. Depreciation related to PPE added during the projection period is forecast assuming a 10-year useful life.
 6. *Minority Interest.* Minority interest reflects the portion of Digex’s projected net loss in 2003 and 2004 and net income in 2005 attributed to shareholders other than WorldCom.
 7. *Interest Expense.* Interest expense reflects interest imputed on capital leases and the \$5.5 billion of New Notes issued pursuant to the Plan at an assumed interest rate of 8.0%. These amounts are offset by interest income equal to 1.5% p.a. based on projected monthly cash balances.
 8. *Restructuring Costs.* Restructuring costs of \$651 million in 2003 consist of \$65 million of professional fees, \$418 million of non-cash charges related to contract rejections, \$87 million of severance and other payments, \$107 million of non-cash charges related to PP&E writedowns associated with lease rejections, less \$26 million of interest income prior to emergence. The \$2.25 billion charge related to the SEC settlement will be booked retroactively in fiscal 2002. No additional

restructuring costs are forecast for 2004 and 2005 due to the Company's assumed emergence from bankruptcy in late 2003.

9. *Income Taxes.* For fiscal year 2003, the Financial Projections assume an income tax provision for the three month period following the assumed Effective Date of September 30, 2003. The Financial Projections assume that NOLs are eliminated as of the Effective Date as a result of the discharge of indebtedness (applied on a consolidated basis for the purposes of these Financial Projections). As a result, it is assumed that the Reorganized Company will not have the benefit of any NOL carryforwards and that income will be taxed at an effective rate of 37.6% for GAAP purposes. The Financial Projections also assume that the Reorganized Company will not recognize a material reduction in the tax basis of the Company's long-term assets as a result of the forgiveness of indebtedness. The increase in deferred tax assets results primarily from book/tax timing differences resulting from the Company's recent asset impairment charges.

C. Projected Balance Sheet and Statements of Cash Flow

1. *Cash.* The cash shown on the projected balance sheets is net of outstanding checks.
2. *Working Capital.* Accounts receivable, net of \$1.3 billion of asserted setoff amounts, are projected to increase from 51 to 54 days sales outstanding through 2005. Other current assets are projected to remain constant throughout the projection period. Accounts payable and accrued line costs, net of \$440 million of excluded amounts, decline from 62 to 59 days payable over the forecast period. Accrued interest and other current liabilities are constant throughout the projection period.
3. *Capital Expenditures.* Capital expenditures of \$1.2 billion in 2003 are forecast to increase 50% to \$1.8 billion in 2004 and a further 13% to \$2.0 billion in 2005. Growth in capital expenditures is primarily attributed to new product roll-outs, the development of new features for existing products, success-based volume growth and new strategic initiatives. In addition, the Company expects to spend approximately \$697 million over the projection period on cost-saving initiatives with respect to line costs and other operating costs.
4. *Asset Sales.* The Projections do not assume any significant proceeds from asset sales. Total proceeds from the sale of excess land and buildings are estimated to be \$160 million during 2003.

EXHIBIT E
REVISED VALUATION

VALUATION

A. OVERVIEW

The Debtors have been advised by Lazard, their financial advisors, with respect to the aggregate reorganization value on a going-concern basis of the Reorganized Debtors (which consists of the aggregate enterprise value of Reorganized WorldCom and its Debtor and Non-Debtor Subsidiaries). Lazard has undertaken this valuation analysis for the purpose of determining value available for distribution to creditors pursuant to the Plan and to analyze the relative recoveries to creditors thereunder.

The estimated range of reorganization value of the Reorganized Debtors was assumed to be approximately \$10.0 billion to \$12.9 billion (with a mid-point estimate of \$11.4 billion) as of an assumed Effective Date of September 30, 2003. Based upon the assumed range of the reorganization value of the Reorganized Debtors, plus post-emergence available cash of \$2.3 billion, plus non-core asset value of \$0.3 billion, less total debt of \$5.8 billion (including \$5.5 billion of New Notes and \$0.3 billion of capital leases), Lazard has imputed an estimated range of equity values for the Reorganized Debtors of between \$6.8 billion and \$9.7 billion, with a point estimate of \$8.2 billion. Assuming a distribution of 326 million shares of Reorganized WorldCom Common Stock pursuant to the Plan, the imputed estimate of the range of equity values on a per share basis is between \$20.71 and \$29.60 per share (with a mid-point estimate of \$25.00 per share). As discussed in the Plan, to the extent that creditors elect to receive fewer New Notes, additional shares of Common Stock will be issued. In the event that the minimum \$4.5 billion in New Notes are issued, an additional 40 million shares of New Common Stock will be issued. The equity value of \$25.00 per share does not give effect to the potentially dilutive impact of any restricted stock or options to be issued or granted pursuant to the New Management Restricted Stock Plan and the New Director Restricted Stock Plan. Lazard's estimate of reorganization value does not constitute an opinion as to fairness from a financial point of view of the consideration to be received under the Plan or of the terms and provisions of the Plan.

THE ASSUMED RANGE OF THE REORGANIZATION VALUE, AS OF AN ASSUMED EFFECTIVE DATE OF SEPTEMBER 30, 2003, REFLECTS WORK PERFORMED BY LAZARD ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESS AND ASSETS OF THE DEBTORS AVAILABLE TO LAZARD AS OF JULY 3, 2003. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT LAZARD'S CONCLUSIONS, LAZARD DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM ITS ESTIMATE.

With respect to the Financial Projections prepared by the management of the Debtors and included as Exhibit D to this Disclosure Statement, Lazard assumed that such Financial Projections have been reasonably prepared in good faith and on a basis reflecting the best currently available estimates and judgments of the Debtors as to the future operating and financial performance of the Reorganized Debtors. Lazard's estimate of a range of reorganization values assumes that operating results projected by the Debtors will be achieved by the Reorganized Debtors in all material respects, including revenue growth and improvements in operating margins, earnings and cash flow. The financial performance forecast by the management of the Debtors is materially better than the recent financial performance of the Debtors. As a result, to the extent that the estimate of enterprise values is dependent upon the Reorganized Debtors performing at the levels set forth in the Financial Projections, such analysis should be considered speculative. If the business performs at levels below those set forth in the Financial Projections, such performance may have a material impact on the estimated range of values.

In estimating the range of the reorganization value and equity value of the Reorganized Debtors, Lazard (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain internal financial and operating data of the Debtors, including the Financial Projections as described in this Disclosure Statement, which data was prepared and provided to Lazard by the management of the Debtors and which relate to the Debtors' business and its prospects; (c) met with certain members of senior management

to discuss the Debtors' operations and future prospects; (d) reviewed publicly available financial data and considered the market value of public companies that Lazard deemed generally comparable to the operating business of the Debtors; (e) considered precedent transactions in the telecommunications industry; (f) considered certain economic and industry information relevant to the operating business; and (g) conducted such other studies, analysis, inquiries, and investigations as it deemed appropriate. Although Lazard conducted a review and analysis of the Debtors' business, operating assets and liabilities and the Reorganized Debtors' business plan, it assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors, as well as publicly available information.

In addition, Lazard did not independently verify management's projections in connection with such estimates of the reorganization value and equity value, and no independent valuations or appraisals of the Debtors were sought or obtained in connection herewith. In the case of the Reorganized Debtors, the estimates of the reorganization value prepared by Lazard represent the hypothetical reorganization value of the Reorganized Debtors. Such estimates were developed solely for purposes of the formulation and negotiation of the Plan and the analysis of implied relative recoveries to creditors thereunder. Such estimates reflect computations of the range of the estimated reorganization value of the Reorganized Debtors through the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimate of the range of the reorganization enterprise value of the Reorganized Debtors set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, neither the Debtors, Lazard, nor any other person assumes responsibility for their accuracy. In addition, the valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated holding period of securities received by pre-petition creditors, some of whom may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors which generally influence the prices of securities.

Lazard's valuation represents a hypothetical value that reflects the estimated intrinsic value of the Company derived through the application of various valuation techniques. Such analysis does not purport to represent valuation levels which would be achieved in, or assigned by, the public markets for debt and equity securities or private markets for corporations. Estimates of enterprise value do not purport to be appraisals or necessarily reflect the values which may be realized if assets are sold as a going concern, in liquidation, or otherwise.

B. VALUATION METHODOLOGY

The following is a brief summary of certain financial analyses performed by Lazard to arrive at its estimation of the reorganization value of the Reorganized Debtors. Lazard performed certain procedures, including each of the financial analyses described below, and reviewed the assumptions with the management of the Debtors on which such analyses were based and other factors, including the projected financial results of the Reorganized Debtors. Lazard's estimate of reorganization value must be considered as a whole and selecting just one methodology or portions of the analysis, without considering the analysis as a whole, could create a misleading or incomplete conclusion as to enterprise value.

1. Publicly Traded Company Analysis

A publicly traded company analysis estimates value based on a comparison of the target company's financial statistics with the financial statistics of public companies that are similar to the target company. The

analysis establishes a benchmark for asset valuation by deriving the value of “comparable” assets, standardized using a common variable such as revenue, earnings before interest and taxes (EBIT), and EBITDA. The analysis includes a detailed multi-year financial comparison of each company’s income statement, balance sheet, and cash flow statement. In addition, each company’s performance, profitability, margins, leverage and business trends are also examined. Based on these analyses, a number of financial multiples and ratios are calculated to gauge each company’s relative performance and valuation.

A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the target company. Criteria for selecting comparable companies for the analysis include, among other relevant characteristics, similar lines of businesses, business risks, growth prospects, maturity of businesses, market presence, size, and scale of operations. The selection of truly comparable companies is often difficult and subject to limitations due to sample size and the availability of meaningful market-based information. However, the underlying concept is to develop a premise for relative value, which, when coupled with other approaches, presents a foundation for determining firm value.

In performing the Comparable Public Company Analysis, the following publicly traded companies (“Peer Group”) deemed generally comparable to the Debtors in one or more of the factors described above, were selected: (a) large inter-exchange carriers (“IXCs”) such as AT&T and Sprint FON and (b) large ILECs such as Verizon, SBC, BellSouth and Qwest.

Lazard primarily observed valuation ratios as a function of enterprise value of each company as indicated by the book value of debt less cash plus the equity market capitalization. While Lazard observed multiples according to revenue, EBIT and EBITDA, the most emphasis was placed on multiples of EBITDA. These multiples were then applied to the Debtors’ forecasted fiscal year end 2004 financial results to determine the range of reorganization values. On the basis of enterprise value as a multiple of forecasted fiscal year 2004 EBITDA, the IXC Peer Group indicated a high of 3.6x and a low of 3.5x, and a mean of 3.5x. The ILEC Peer Group indicated a high of 6.3x and a low of 5.2x, and a mean of 5.7x. Lazard’s application of these multiples to the Debtors’ financial results took into account a variety of factors, both quantitative and qualitative, in an effort to consider the relative valuation which the Debtors would command given the availability of alternative investments. Lazard believes that the IXC multiples, and in particular the 3.5x multiple for AT&T, represent a more appropriate predictor of value than the ILEC multiples. Lazard believes that the ILECs trade at a premium to the IXCs due in part to their more stable revenue streams and generally higher EBITDA margins.

2. Discounted Cash Flow Analysis

The discounted cash flow (“DCF”) valuation methodology relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a “forward looking” approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are similar to the Debtors. This approach has two components: the present value of the projected un-levered after-tax free cash flows for a determined period and the present value of the terminal value of cash flows (representing firm value beyond the time horizon of the projections).

As the estimated cash flows, estimated discount rate and expected capital structure of the Reorganized Debtors are used to derive a potential value, an analysis of the results of such an estimate is not purely mathematical, but instead involves complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtors, as well as other factors that could affect the future prospects and cost of capital considerations for the Reorganized Debtors.

The DCF calculation was performed based on un-levered after-tax free cash flows for the projection period discounted to the Effective Date of September 30, 2003. Lazard utilized management’s detailed financial projections for the period 2003 through 2005 as the primary input. Beginning with EBIT, the analysis subtracts estimated cash taxes to calculate an un-levered net income figure. The analysis then adds back the non-cash

operating expense of depreciation and amortization. In addition, other factors affecting free cash flow are taken into account, such as the change in working capital and capital expenditures, all of which do not affect the income statement and therefore require separate adjustments in the calculation.

In performing the calculation, Lazard made assumptions for the weighted average cost of capital (the “Discount Rate”), which is used to value future cash flows based on the riskiness of the projections, and the EBITDA exit multiple, which is used to determine the future value of the enterprise after the end of the projected period. In determining the Discount Rate, Lazard estimated the cost of equity and the after-tax cost debt for the Debtors, and applied a weighting of between 20% to 30% debt and between 70% to 80% equity. The weighting was based upon a capital structure determined to be appropriate for the Reorganized Debtors given current market conditions and competitive business factors affecting the telecommunications industry.

Lazard estimated the cost of equity based on the Capital Asset Pricing Model which assumes that the required equity return is a function of the risk-free cost of capital and the correlation (“Beta”) of a publicly traded stock’s performance to the return on the broader market. Lazard used Betas from comparable companies on an un-levered basis to determine a composite un-levered Beta. In estimating the Debtors cost of debt, Lazard considered a number of factors including the likely credit rating associated with the Reorganized Debtors’ post-emergence financing, the expected term of such financing, and the effective yield for publicly traded debt securities for comparable companies in the industry. Lazard’s DCF valuation was based upon a range of Discount Rates between 10% and 12%, with a mid-point of 11%. In determining an EBITDA exit multiple, Lazard relied upon various analyses including a review of current EBITDA trading multiples for the Debtor and comparable companies operating in the telecommunications sector. Lazard’s terminal value was based upon a range of EBITDA multiples between 2.7x and 3.5x, with a mid-point of 3.1x. Lazard believes that this range of EBITDA multiples is consistent with the observed multiples for companies within the Peer Group that are generally more comparable to the Debtors. The resulting DCF value, which represents a value inclusive of a control premium, was reduced by 25% to reflect the public market discount inherent in fully distributed public market securities. This adjustment allows for a more appropriate comparison with the value derived from the publicly traded company analysis.

3. Precedent Transactions Analysis

Precedent transactions analysis estimates value by examining public merger and acquisition transactions. An analysis of a company’s transaction value as a multiple of various operating statistics provides industry-wide valuation multiples for companies in similar lines of businesses to the Debtors. Transaction multiples are calculated based on the purchase price (including any debt assumed) paid to acquire companies that are comparable to the Debtors. The derived multiples are then applied to the Reorganized Debtors’ key operating statistics, to determine the total enterprise value or value to a potential strategic buyer.

Lazard evaluated various public merger and acquisition transactions that have occurred in the telecommunications industry over the past several years. Due to the significant change in the market environment since early 2000 in the telecommunications industry, Lazard believes that the predictive value of these transaction multiples is limited. Further, there have not been any recent merger and acquisition transactions of companies that are even remotely comparable to the Debtors based upon size and breadth of product offering. For these and other reasons, Lazard did not rely upon precedent transaction analysis with respect to deriving a reorganization value for the Debtors.

The summary set forth above does not purport to be a complete description of the analyses performed by Lazard. The preparation of an estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. In performing its analyses, Lazard and the Debtors made numerous assumptions with respect to industry performance, business and economic conditions and other matters. The analyses performed by Lazard are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses.

EXHIBIT F
REVISED LIQUIDATION ANALYSIS

LIQUIDATION ANALYSIS

Pursuant to section 1129(a)(7) of the Bankruptcy Code¹ (often called the “Best Interest Test”), the Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. In determining whether the Best Interest Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors’ assets in chapter 7. The gross amount of Cash available would be the sum of the proceeds from the disposition of the Debtors’ assets and the Cash held by the Debtors at the commencement of their chapter 7 cases. Such amount then would be reduced by the costs and expenses of the liquidation. Prior to determining whether the Best Interest Test has been met for general unsecured creditors, further reductions would be required to eliminate Cash and asset liquidation proceeds that would be applied to Secured Claims and amounts necessary to satisfy chapter 11 Administrative Expense, tax, and priority Claims that are senior to General Unsecured Claims, including any incremental Administrative Expense Claims that may result from the termination of the Debtors’ business and the liquidation of their assets. Any remaining Cash would be available for distribution to general unsecured creditors and Equity Interest holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

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

The Liquidation Analysis was prepared by Lazard with the assistance of management and the Debtors’ other advisors, and assumes that the Debtors would announce a conversion to chapter 7 as of September 30, 2003. The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under the direction of a Court-appointed chapter 7 trustee and continue for 12 months, during which time all of the Company’s major assets either would be sold or conveyed to the applicable lienholders and the Cash proceeds, net of liquidation-related costs, would be distributed to creditors. Although some assets might be liquidated in less than 12 months, other assets would be more difficult to collect or sell, thus requiring a liquidation period of up to 12 months. The liquidation period would allow for the collection of receivables, sale of assets, and wind-down of daily operations.

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

¹ Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to such terms in the Debtors’ Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated May 23, 2003 (the “Disclosure Statement”) or the Supplement to the Disclosure Statement, dated July 2, 2003 (the “Supplement”).

IMPORTANT CONSIDERATIONS AND ASSUMPTIONS

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

2. *Independent analysis of Intermedia.* The Debtors have prepared the Intermedia Debtors' Liquidation Analysis based on the assumption that a conversion to chapter 7 by the WorldCom Debtors would also result in the conversion to chapter 7 of the Intermedia Debtors' Chapter 11 Cases. Management has assumed that the proceeds resulting from the liquidation of the Intermedia Debtors' estates would be used to satisfy the obligations of the Intermedia Debtors' estates. Intermedia also holds a note receivable from the WorldCom Debtors which is estimated at approximately \$5.9 billion as of the Commencement Date. For the purposes of this analysis, management estimates that Intermedia would receive a recovery on its Claim against the WorldCom Debtors equal to the recovery received by third-party unsecured claimants. In analyzing the liquidation recovery to the Intermedia Debtors' estates, the Debtors estimated that the likely recovery on the debt obligations owed by Digex to Intermedia (as well as the approximately 60% common stock ownership stake by Intermedia in Digex), would range between \$50 million and \$150 million, with a midpoint of \$100 million. For purposes of this analysis, the General Unsecured Claims against the Intermedia Debtors have been increased by \$1.8 billion (prior to the Commencement Date, WorldCom prepaid \$1.4 billion on account of the Intermedia Intercompany Note and made \$435 million in interest payments) to reflect a Claim by the WorldCom Debtors for prepetition payments made to Intermedia related to the Intermedia Intercompany Note, which may qualify as a Claim under section 547 of the Bankruptcy Code.

3. *Independent analysis of Non-Debtor Subsidiaries.* The Debtors have prepared the Liquidation Analysis based on the assumption that the conversion to chapter 7 by the Debtors would result in the insolvency and liquidation of each of the Non-Debtor Subsidiaries (Europe, Middle East and Africa or "EMEA"; Asia Pacific; and Latin America). In particular, it is assumed that the Debtors' conversion to chapter 7 cases would lead to the loss of network and switch facilities which would render impractical the provision of service to local or international customers by the Non-Debtor Subsidiaries. The associated withdrawal of funding support from the Debtors, combined with the probable unwillingness of local vendors to extend payment terms to the Non-Debtor Subsidiaries under such circumstances, would likely result in significant constraints on liquidity. Directors of the individual Non-Debtor Subsidiaries would likely be forced to place these companies into administration proceedings. Management estimates that recovery to the WorldCom Debtors from such proceedings, assuming the WorldCom Debtors' intercompany Claims are *pari-passu* with third party Claims, would be approximately \$25 million. If the WorldCom Debtors' intercompany Claims were to be subordinated to third party Claims, management estimates that there would be no recovery to the WorldCom Debtors. For purposes of this analysis, intercompany Claims were assumed to be *pari-passu* with third party Claims.

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

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

Estimated Liquidation Proceeds—WorldCom Debtors

	Projected Book Value as of 9/30/03 ^a	Recovery Percent	Estimated Recovery Proceeds
	(\$ in millions)		
Proceeds from Liquidation			
Cash and cash equivalents ^b	\$ 4,524	100.0%	\$ 4,524
Accounts receivable, net ^c	3,794	24.6%	935
Other current assets ^d	584	3.9%	23
Property, plant and equipment, net ^e	5,585	16.4%	918
Other long term assets ^f	1,580	9.1%	143
Proceeds from non-debtor subsidiaries ^g	—	—	25
Gross liquidation proceeds	<u>\$16,067</u>		<u>\$ 6,568</u>
Chapter 7 Administrative Expense Claims			
Trustee and receiver fees ^h			\$ 61
Counsel for trustee and other professional fees ⁱ			24
Wind-down costs ^j			<u>1,230</u>
Chapter 7 administrative expense claims			\$ 1,315
Net proceeds available for distribution			\$ 5,253
Secured claims ^k			\$ 142
% Recovery			100.0%
Net proceeds available after secured claims			\$ 5,111
Less:			
Estimated aggregate unpaid administrative expense, priority, and tax claims ^l			\$ 5,529
% Recovery			92.4%
Net proceeds available after priority claims			\$ 0
General unsecured claims ^m			\$ 39,762
% Recovery			0.0%

Estimated Liquidation Proceeds—Intermedia Debtors

	<u>Projected Book Value as of 9/30/03^a</u>	<u>Recovery Percent</u>	<u>Estimated Recovery Proceeds</u>
	(\$ in millions)		
Proceeds from Liquidation			
Cash and cash equivalents ^b	\$ 17	100.0%	\$ 17
Accounts receivable, net ^c	22	24.6%	5
Other current assets ^d	32	3.1%	1
Property, plant and equipment, net ^e	383	4.3%	16
Other long term assets ^f	11	0.0%	0
Recovery on the Intermedia Intercompany Note ⁿ	5,947	0.0%	0
Proceeds from sale of Digex ^o	—	—	100
	<u>\$6,412</u>		<u>\$ 140</u>
Chapter 7 Administrative Expense Claims			
Trustee and receiver fees ^h			\$ 4
Counsel for trustee and other professional fees ⁱ			6
Wind-down costs ^j			5
Chapter 7 administrative expense claims			<u>\$ 15</u>
Net proceeds available for distribution			\$ 125
Secured claims ^k			\$ 1
<i>% Recovery</i>			<i>100.0%</i>
Net proceeds available after secured claims			\$ 123
Less:			
Estimated aggregate unpaid administrative expense, priority, and tax claims ^l			\$ 254
<i>% Recovery</i>			<i>48.5%</i>
Net proceeds available after priority claims			\$ 0
General unsecured claims ^m			\$ 3,075
<i>% Recovery</i>			<i>0.0%</i>

NOTES TO LIQUIDATION ANALYSIS

- A Book value** Asset figures represent the projected book value as of September 30, 2003 for the WorldCom Debtors (exclusive of the Intermedia Debtors and Non-Debtor Subsidiaries). The asset figures for the WorldCom Debtors were derived by subtracting the actual asset book values for the Intermedia Debtors and the Non-Debtor Subsidiaries as of December 31, 2002 from the projected asset book values as of September 30, 2003 for the consolidated Company. The asset figures for the Intermedia Debtors represent actual asset book values as of December 31, 2002 as a proxy for the asset figures that would likely be available as of September 30, 2003. The asset figures for the Intermedia Debtors exclude assets related to Digex and the estimated recovery related to Digex is described separately.
- B Cash** The cash balance reflects management's projected estimate of cash as of September 30, 2003. Management estimates that approximately \$4.5 billion of cash will be held by the WorldCom Debtors and \$17 million will be held by the Intermedia Debtors. Cash includes cash and cash equivalents. There can be no assurance that the full amount of these funds will be available to creditors of the Debtors. For purposes of this analysis, management has not incorporated any cash payments related to the SEC settlement.
- C Accounts receivable** Estimated proceeds realizable from short-term and long-term accounts receivable under a liquidation are based on management's assessment of the collectibility of those receivables taking into consideration the credit quality of the counter-parties and the aging of the accounts. The liquidation value of accounts receivable was estimated by applying a collection rate of 70% on total eligible receivables as defined in a manner consistent with the definition in the Debtors' borrowing base certificate as of February 28, 2003, as required under the Debtors' postpetition secured super-priority financing. For the purposes of this analysis, management estimated that the Debtors could also collect approximately 10% of receivables aged over 90 days (a significant portion of which have been asserted as set-offs by various creditors) and 20% of receivables owed by various governmental and quasi-governmental customers. The result is assumed to be an estimate of the proceeds that would be available in an orderly liquidation scenario and takes into account the inevitable difficulty a liquidating company has in collecting its receivables and any concessions which might be required to facilitate the collection of certain accounts. Collections during a liquidation of the Debtors may be further impaired by the likely damage Claims for breaches of and/or the likely rejection of customer contracts as customers attempt to set off outstanding amounts owed to the Debtors against such Claims.
- D Other current assets** This asset account consists primarily of miscellaneous receivables, prepaid rents, prepaid property taxes, prepaid insurance, telecommunications equipment held in inventory, and employee advances. Management has reviewed the individual components of "other current assets" and has estimated a liquidation recovery of approximately \$23 million for the WorldCom Debtors and a \$1 million liquidation recovery for the Intermedia Debtors. These recoveries consist primarily of expected payments on receivables and recoveries from marketable securities.
- E Property, plant & equipment, net ("PP&E")** PP&E includes network assets, such as cable systems, points of presence, and transmission equipment, as well as construction-in-progress, fixtures and fittings, leasehold improvements, computer equipment, motor vehicles, and other various assets. Consideration was given to the "forced sale" nature of the liquidation, the need to disconnect or otherwise prepare the asset for sale, the physical location, and the accessibility of the asset in estimating the recovery rates. The overall average recovery rate across all fixed asset classes was determined to be 4.3% of net PP&E value before the recent asset writedowns as required per SFAS 121 and 144. As a result, the recovery represents approximately 16.4% of the WorldCom Debtors' projected unaudited net PP&E as of September 30, 2003 which incorporates the asset writedown. The PP&E for the Intermedia Debtors after the writedown was not available at the time this analysis was prepared.

- F** Other long-term assets Other long-term assets consist primarily of long-term investments, prepaid rent, prepaid expenses, long-term receivables, prepaid equipment and assets of discontinued operations. Management has reviewed the individual account balances for this account and has estimated that in aggregate approximately \$143 million may be recovered by the WorldCom Debtors and zero by the Intermedia Debtors. These recoveries consist primarily of recoveries from long-term investments.
- G** Proceeds from Non-Debtor Subsidiaries Proceeds from Non-Debtor Subsidiaries consist of expected recoveries to the WorldCom Debtors of the Non-Debtor Subsidiaries' administrative proceedings described under "Liquidation Analysis: Important Considerations and Assumptions." Management estimates that the recovery to the WorldCom Debtors from such proceedings could range between zero and \$25 million depending on whether the WorldCom Debtors' Claims are subordinated to, or *pari-passu* with, third party unsecured Claims against the Non-Debtor Subsidiaries. For purposes of this analysis, it has been assumed that the WorldCom Debtor intercompany Claims would be *pari-passu* with third party unsecured Claims against the Non-Debtor Subsidiaries.
- H** Trustee and receiver fees Compensation for the chapter 7 trustee will be limited to fee guidelines in section 326 of the Bankruptcy Code. For purposes of this analysis, management has assumed trustee fees of 3.0% of the proceeds recovered from non-Cash assets in the liquidation.
- I** Counsel for trustee and other professionals Compensation for the chapter 7 trustee's counsel and other legal, financial, and professional advice during the chapter 7 proceedings is estimated to be approximately \$2.0 million per month for the WorldCom Debtors and \$0.5 million per month for the Intermedia Debtors.
- J** Wind-down costs The Debtors assume that the chapter 7 liquidation process will take 12 months to complete. For the first three months (90 days) it is assumed that the Federal Communications Corporation will require the Debtors to continue to provide service to its existing customer base in order to allow customers to transition to alternative providers.

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

- K** Secured Claims The WorldCom Debtors are estimated to have approximately \$275 million of capital leases. Management estimated the liquidation value of the assets securing these Claims by applying the 4.3% recovery rate estimated for net PP&E (pre-writedown) to the total Claim, resulting in a Secured Claim of approximately \$12 million. The remaining \$263 million of Claims is reflected as a deficiency Claim in the WorldCom Debtors' General Unsecured Claims. Secured claims for the WorldCom Debtors also include \$130 million of other secured claims, including mechanics' and materialmen's liens and claims, for a total of \$142 million. The Intermedia Debtors are estimated to have \$34 million of capital leases. Management estimated the liquidation value of the assets securing these Claims using the same methodology, resulting in a total Secured Claim of approximately \$1 million. The remaining \$33 million of Claims is reflected as a deficiency Claim in the Intermedia Debtors' General Unsecured Claims.

- L Estimated aggregate unpaid Administrative Expense, priority, and tax Claims** Prior to determining what proceeds would be available for general unsecured creditors under the chapter 7 proceedings, Cash and asset liquidation proceeds would be reduced in order to satisfy chapter 11 Administrative Expense, tax, and priority Claims that are senior to General Unsecured Claims, including any incremental Administrative Expense Claims that may result from the termination of the Debtors' business and the liquidation of their assets. These Claims represent postpetition chapter 11 accounts payable, access charges, accrued expenses, and professional fees related to the chapter 11 proceedings. For the WorldCom Debtors, this consists of an estimated \$400 million for Priority Tax Claims, \$100 million for Secured Tax Claims, \$50 million for unpaid chapter 11 compensation and reimbursement Claims, and \$2.7 billion of projected postpetition accounts payable and accrued line costs as of September 30, 2003 that would become priority Claims upon the commencement of chapter 7 proceedings. For the Intermedia Debtors, this consists of approximately \$254 million of projected postpetition accrued payables and accrued line costs as of September 30, 2003 that would become priority Claims upon the commencement of chapter 7 proceedings. Management estimates that other Administrative Expense Claims against the Intermedia Debtors are *de minimis*. For both the WorldCom Debtors and the Intermedia Debtors, the amount of Administrative Expense Claims would also increase by the damage Claims associated with the termination of contracts previously assumed in the Chapter 11 Cases. Management estimates that Administrative Expense Claims associated with the rejection of previously assumed executory contracts for the WorldCom Debtors would be approximately \$2.3 billion. Any remaining Cash after satisfaction of these Claims would be available for distribution to general unsecured creditors and Equity Interest holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.
- M General unsecured Claims** General Unsecured Claims against the WorldCom Debtors include \$33.6 billion of Claims consisting of Class 4, Class 5, Class 6, Class 9, and Class 10 Claims, the \$5.9 billion Intermedia Intercompany Note, and a deficiency Claim related to Secured Claims against the WorldCom Debtors of approximately \$263 million. General Unsecured Claims against the Intermedia Debtors include \$1.2 billion of Claims consisting of Class 11, Class 12, and Class 13 Claims and a deficiency Claim related to Secured Claims against the Intermedia Debtors of \$33 million. For purposes of this analysis, the Debtors have also increased the General Unsecured Claims against the Intermedia Debtors by \$1.8 billion (prior to the Commencement Date, WorldCom prepaid \$1.4 billion on the Intermedia Intercompany Note and made \$435 million in interest payments) to reflect a Claim by the WorldCom Debtors for prepetition payments made to Intermedia related to the Intermedia Intercompany Note which may qualify as a Claim under section 547 of the Bankruptcy Code. Management believes that if the Debtors enter chapter 7 proceedings, the amount of General Unsecured Claims would increase dramatically as the number of customers, vendors, and counterparties to contracts and leases is significant, and each such party could file Claims for damages. Such Claims would be *pari-passu* with the Debtors' current General Unsecured Claims, would significantly increase the Claims against the Debtors, and ultimately reduce the overall recovery to the holders of General Unsecured Claims.
- N Recovery on the Intermedia Intercompany Note** The Intermedia Debtors hold a receivable under the Intermedia Intercompany Note from the WorldCom Debtors in the amount of approximately \$5.9 billion. For the purposes of this analysis, management estimates that the Intermedia Debtors would receive a recovery on its Claim against the WorldCom Debtors equal to the recovery received by third-party unsecured claimants.
- O Proceeds from the sale of Digex** Proceeds from the sale of Digex represents management's estimate of proceeds that Intermedia claimants might receive if Digex were sold to a third party. For purposes of this analysis, the Debtors estimated that the likely recovery on the debt obligations owed by Digex to Intermedia (as well as the approximately 60% common stock ownership stake by Intermedia in Digex), would range between \$50 million and \$150 million, with a midpoint of \$100 million.