

# DIVIDER

STATE OF NORTH DAKOTA  
INFORMATION TECHNOLOGY DEPARTMENT  
SFN 2053 (4-2002)



PU-2711-02-495  
MCImetro Access Transmission Services LLC  
Local Exchange  
Public Convenience & Nece  
Filed 9/19/2002      Closed 12/20/2002

02

## DESCRIPTION



Public Service Commission  
Receipt of Payment

Receipt# 5260

Received: 2/10/2003 Check# 1003657304 for \$289.35  
Subject: Utility Valuation pd for MCI Metro Access

**Docket # PU-2711-02-495**

WorldCom  
1133 19th St NW  
Washington DC 20036

**43 PU-2711-02-495**

Pages: 1

Receipt# 5,260 \$289.35

by WorldCom

02/10/2003

**APPROVED**

DATE: 1-15-03  
KMF

MOTION

January 15, 2003

MCImetro Access Transmission Services, LLC  
Local Exchange  
Public Convenience & Necessity

Case No. PU-2787-02-495

I move the Commission bill MCImetro Access Transmission Services, LLC  
for costs incurred to date in Case No. PU-2787-02-495, MCImetro Access  
Transmission Services, LLC, Local Exchange, Public Convenience & Necessity.

42

PU-2711-02-495

Pages 3

Utility Valuation Motion/Letter/Billing  
Statement  
by Public Service Commission

01/15/2003

CC: Comm Legal Ilona Jerry Mike



# Public Service Commission

State of North Dakota

## COMMISSIONERS

Susan E. Wefald, President  
Leo M. Reinbold  
Anthony T. Clark

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: [www.psc.state.nd.us](http://www.psc.state.nd.us)  
e-mail: [sab@psc.state.nd.us](mailto:sab@psc.state.nd.us)  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

January 15, 2003

Marilyn Foss  
Attorney for WorldCom Inc  
PO Box 2216  
Bismarck ND 58502-2216

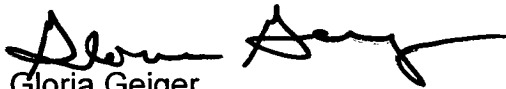
RE: Case No. PU-2787-02-495  
MCImetro Access Transmission Services, LLC  
Local Exchange  
Public Convenience & Necessity

Enclosed is a copy of the statement approved at the January 15, 2003 Public Service Commission meeting for the expenses incurred to date in Case No. PU-2787-02-495.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the telecommunications company involved.

Please make your check payable to the *Public Service Commission*.

Sincerely,

  
Gloria Geiger  
Admin Staff Officer  
701-328-2401

Enc.

c: Susan Travis  
MCI  
707 17th St Ste 4200  
Denver CO 80202

# Billing Statement

January 15, 2003

MCImetro Access Transmission Services, LLC  
Local Exchange  
Public Convenience & Necessity

Case No. PU-2787-02-495

## Bill To:

MCImetro Access Transmission Services, LLC ..... \$289.35

## Expenses Incurred to Date:

Advertising Costs ..... \$289.35

## Send Payment and a Copy of this Statement To:

Public Service Commission  
600 E Boulevard Ave Dept 408  
Bismarck ND 58505-0480

**Federal Tax ID 45-0309764**



# Public Service Commission

State of North Dakota

## COMMISSIONERS

Susan E. Wefald, President  
Leo M. Reinbold  
Anthony T. Clark

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: [www.psc.state.nd.us](http://www.psc.state.nd.us)  
e-mail: [sab@psc.state.nd.us](mailto:sab@psc.state.nd.us)  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

December 19, 2002

Marilyn Foss  
P O Box 2216  
Bismarck ND 58502-2216

Dear Ms. Foss:

On December 18, 2002, the Commission issued Certificates of Public Convenience and Necessity Nos. 4903 through 4928 to MCImetro Access Transmission Services, LLC. to provide local exchange telecommunications services inside the exchanges currently served by Qwest Corporation.

The original certificates are enclosed for your files.

If you have any questions, please call me at 701-328-4076.

Sincerely,

Sharon Helbling  
Public Utilities Division

sdh

Enclosures

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

MCImetro Access Transmission Services, LLC  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2711-02-495

**AFFIDAVIT OF SERVICE BY CERTIFIED AND ORDINARY MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **19th day of December, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Order**

The envelopes were addressed as follows:

Marilyn Foss  
P O Box 2216  
Bismarck ND 58502-2216  
**Cert. No. 7001 1940 0005 3425 2085**

**Sharon Helbling** further deposes and says that on the **19th day of December, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

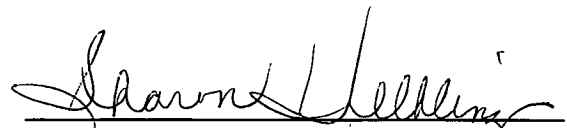
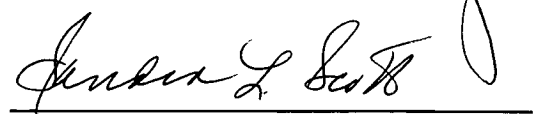
Susan Travis  
MCI  
707 17<sup>th</sup> St Ste 4200  
Denver CO 80202

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **19th day of December, 2002**.



SEAL

  
  
Notary Public

40

PU-2711-02-495

Pages: 1

Affidavit of Service

by Public Service Commission

12/20/2002

CC: Comm Legal Illona Jerry Mike

**APPROVED                      M O T I O N**

DATE: 12-18-02  
KME December 18, 2002

**MCImetro Access Transmission Services, LLC  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-2711-02-495**

I move the Commission adopt the Order and issue certificates of public convenience and necessity to MCImetro Access Transmission Services, LLC to provide facilities-based local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation.

JRL/sdh

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**MCImetro Access Transmission Services, LLC**  
**Local Exchange**  
**Public Convenience and Necessity**

**Case No. PU-2711-02-495**

**ORDER**

**December 18, 2002**

On September 19, 2002, MCImetro Access Transmission Services, LLC (MCImetro) of Clinton, Mississippi, filed an application for a certificate of public convenience and necessity to provide competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation.

On October 10, 2002, the Commission issued a Notice of Opportunity for Hearing, which provided until November 12, 2002 for receiving comments or hearing requests. No comments or requests for hearing were received. In accordance with North Dakota Century Code chapter 49-03.1 and North Dakota Administrative Code section 69-09-05-11(3), the Commission's notice identified the following issues to be considered in this matter:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.

On November 1, 2002, the Public Service Commission's Director of Accounting filed a memorandum indicating that he saw no reason to deny the application even though MCImetro's parent is undergoing chapter 11 bankruptcy reorganization.

On November 20 and 25, 2002, the Commission discussed the issues in this matter at informal hearings.

MCImetro is a Delaware limited liability company and a wholly owned subsidiary of MCI WorldCom Network Services, Inc. (WorldCom). MCImetro now provides resold local service in much of the United States. MCImetro has been registered as a reseller of local exchange service in North Dakota since May 1997 where it has been providing a bundled long distance and local service since April 2002. In January 2003 MCImetro plans to begin providing this bundled service using unbundled network element platforms (UNE-P). MCImetro would also offer unbundled essential services as required under chapter 21 of the North Dakota Century Code. The Commission finds MCImetro's proposed service adequate.

On July 21, 2002, WorldCom voluntarily filed for chapter 11 bankruptcy protection amidst allegations of accounting fraud that eventually led to indictments against certain officers. WorldCom has a new management team and continues to

operate while bankruptcy reorganization and an SEC investigation are ongoing. MCImetro has provided biographical information indicating that the new management team it shares with WorldCom has extensive telecommunications operational experience and technical expertise.

At the informal hearings held in this proceeding, MCImetro provided copies of an order from the United States Bankruptcy Court Southern District of New York providing assurance of payment to other utility companies for post-petition services and another order authorizing payment of pre-petition sales and use taxes and regulatory fees. MCImetro informed the Commission of significant new WorldCom contracts with U.S. government agencies and provided copies of monthly post-petition WorldCom financial statements that demonstrate an improving financial performance.

The Commission finds MCImetro is fit, able, and has the technical, financial and managerial ability to provide service.

### Order

The Commission Orders the application of MCImetro Access Transmission Services, LLC for certificates of public convenience and necessity to provide facilities-based competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation is GRANTED.

### PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Anthony T. Clark  
Commissioner

"NAY"  
\_\_\_\_\_  
Susan E. Wefald  
President

  
\_\_\_\_\_  
Leo M. Reinbold  
Commissioner

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4903

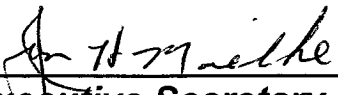
*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Belfield, North Dakota local exchange area.*

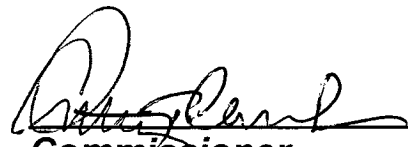
*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4904

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Bismarck, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
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**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4905

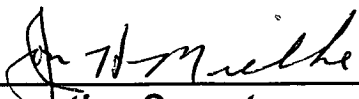
*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Casselton, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4906


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Dickinson, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4907

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Emerado, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4908


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Fargo, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
Executive Secretary

  
Commissioner

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4909

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Gardner, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4910

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Grafton, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4911


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Grand Forks, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4912

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Hatton, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
Executive Secretary

  
Commissioner

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4913


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Hillsboro, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4914


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Jamestown, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
Executive Secretary

  
Commissioner

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4915

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Kindred, North Dakota local exchange area.*


*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4916


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Larimore, North Dakota local exchange area.*


*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4917

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Leonard, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
Executive Secretary

  
\_\_\_\_\_  
Commissioner

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4918

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Mandan, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4919

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Manvel, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4920


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Mayville, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
Executive Secretary

  
\_\_\_\_\_  
Commissioner

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4921

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Minto, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4922


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Northwood, North Dakota local exchange area.*

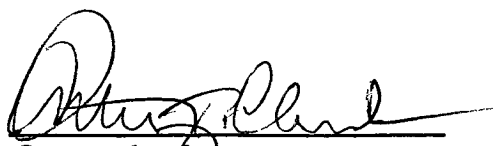
*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4923

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Reynolds, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4924

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Thompson, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4925

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Valley City, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4926

*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the Wahpeton, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4927

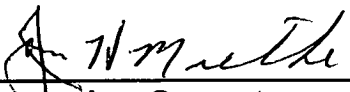
*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the rural territory near Sidney, Montana, part of the Sidney local exchange area, but located in North Dakota and served from the Sidney, Montana local central office.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

# STATE OF NORTH DAKOTA

## Certificate of Public Convenience and Necessity

### Certificate Number 4928


*This is to certify that public convenience and necessity require, and permission is granted for MCImetro Access Transmission Services, LLC, a telecommunications public utility, to provide local exchange telecommunications services inside the suburban territory near Fairview, Montana, part of the Fairview local exchange area, but located in North Dakota and served from the Fairview, Montana local central office.*

*This certificate is issued in Case No. PU-2787-02-495 and is conditioned upon MCImetro Access Transmission Services, LLC securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

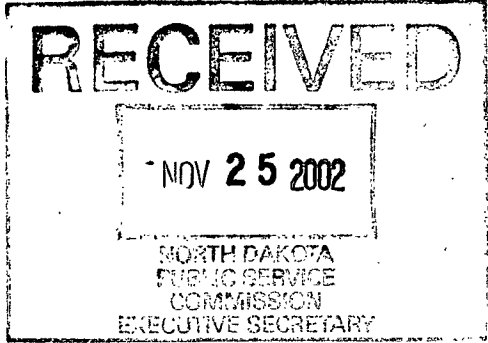
*Bismarck, North Dakota, December 18, 2002.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**



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

**In re**

**WORLDCOM, INC., et al.,**

**Debtors.**

**Chapter 11 Case No.  
02-13533 (AJG)  
  
(Jointly Administered)**

**FINAL ORDER (i) AUTHORIZING THE DEBTORS TO PAY  
PREPETITION SALES AND USE TAXES AND REGULATORY FEES  
AND (ii) DIRECTING FINANCIAL INSTITUTIONS TO HONOR  
AND PROCESS CHECKS AND TRANSFERS RELATED TO  
PREPETITION SALES AND USE TAXES AND REGULATORY FEES**

Upon the Motion, dated July 21, 2002 (the "Motion"), of WorldCom, Inc. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for an order pursuant to section 105(a) of title 11 of the United States Code (the "Bankruptcy Code") (A) authorizing the Debtors to pay all Sales and Use Taxes and Regulatory Fees (each as defined in the Motion) including all those taxes subsequently determined upon audit to be owed for periods prior to the Commencement Date; and (B) directing the Debtors' banks and other financial institutions (the "Banks"), when requested by the Debtors in their sole discretion, to receive, process, honor, and pay any and all checks and electronic transfers related to the prepetition Sales and Use Taxes and Regulatory Fees, all as more fully set forth in the Motion; and upon consideration of the supporting Affidavit of Susan Mayer Pursuant to Local Bankruptcy Rule 1007-2, sworn to on the 21st day of July, 2002; and upon review of the limited responses (the "Responses") of (i) ETS Payphones, Inc. and its affiliates ("ETS") and (ii) the American Public Communications Council, Inc., *et al.* (together with

ETS, the "Respondents"), and the Court having jurisdiction to consider the Motion and the relief requested therein 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 consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided, and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at the hearings before the Court (the "Hearings"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearings establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted in its entirety; and it is further

ORDERED that the Responses are overruled without prejudice to the Respondents' rights to file a separate motion seeking an order compelling the Debtors to pay those amounts referenced in the Responses; and it is further

ORDERED that the Debtors are authorized, in their sole discretion, to pay all prepetition Sales and Use Taxes and Regulatory Fees, including all those Sales and Use Taxes and Regulatory Fees subsequently determined upon audit to be owed for periods prior to the Commencement Date, to the proper Taxing or Regulatory Authorities

(as defined in the Motion) including those Taxing or Regulatory Authorities listed in Exhibit A annexed hereto. The Sale and Use Taxes and Regulatory Fees payable pursuant to this Order shall include certain regulatory fees established by statute or regulation promulgated by the Federal Communications Commission (the "FCC") including, but not limited to Universal Service Fund contributions (47 U.S.C. § 254(d)), Telecommunications Relay Service (TRS) contributions (47 U.S.C. § 225), North American Numbering Plan contributions (47 U.S.C. § 251(e)(2)), Local Number Portability database support (47 U.S.C. § 251(e)(2)) and regulatory fees set forth under Section 8 and 9 of the Federal Communications Act, 47 U.S.C. §§ 158 and 159<sup>1</sup>; and it is further

ORDERED that all applicable Banks shall be, and hereby are, authorized, when requested by the Debtors in their sole discretion, to receive, process, honor, and pay any and all checks or electronic transfers drawn on the Debtors' accounts to pay the Sales and Use Taxes and Regulatory Fees, whether those checks were presented prior to or after the Commencement Date, provided that sufficient funds are available in the applicable accounts to make the payments; and it is further

ORDERED that nothing in the Motion or this Order shall be construed as impairing the Debtors' right to contest the validity or amount of any Sales and Use Taxes or Regulatory Fees that may be due to any Taxing Authorities or Regulatory Authorities; and it is further

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<sup>1</sup> The Debtors reserve their right to seek a waiver of payments of Section 8 and 9 regulatory fees due during these chapter 11 cases. In the event such waiver is sought, the FCC, or its staff on delegated authority, will rule on such waiver requests in due course.

ORDERED that nothing in the Motion or this Order shall be construed as relieving the Debtors of any statutory or regulatory obligation to pay Sales and Use Taxes or Regulatory Fees; and it is further

ORDERED that notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion; 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  
August 16, 2002

s/Arthur J. Gonzalez  
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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

**ORDER PURSUANT TO SECTIONS 105(a) AND 366(b)  
OF THE BANKRUPTCY CODE AUTHORIZING WORLDCOM TO  
PROVIDE ADEQUATE ASSURANCE TO UTILITY COMPANIES**

Upon the motion, dated July 21, 2002 (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 an order pursuant to sections 105(a) and 366(b) of title 11, United States Code (the "Bankruptcy Code") establishing procedures for determining that all utility companies and telecommunications vendors (collectively, the "Utility Companies" and individually, "Utility Company") that provide electricity, telephone, telecommunications, or similar services (the "Utility Services") to the Debtors have been provided with adequate assurance of payment, all as more fully set forth in the Motion; and upon consideration of the supporting Affidavit of Susan Mayer Pursuant to Local Bankruptcy Rule 1007-2, sworn to on the 21st day of July, 2002; and upon the objections filed in connection with the Motion, and the record of the hearings held before the Court ("the Hearings"); and the Court having jurisdiction to consider the Motion and the relief requested therein 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

#  
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\$ 50 | 25,000  
250  
00

the Southern District of New York, dated July 19, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided, and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at the Hearings; and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearings establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted as modified herein; and it is further

ORDERED that pursuant to section 503(b)(1)(A) of the Bankruptcy Code, any and all unpaid charges for postpetition services provided by the Utility Companies to the Debtors constitute actual and necessary expenses of preserving WorldCom's estates; in addition, with respect to those claims for the amounts incurred after August 14, 2002, each Utility Company is hereby granted an administrative expense priority claim and such claim shall constitute a junior superpriority administrative claim in each of the WorldCom estates and such claim shall be "pari passu" with one another and shall be junior only (i) to the claims of the DIP Lenders (defined consistently with this Court's Interim order authorizing WorldCom's postpetition financing) as a result of the Interim or any final order, and (ii) to any intercompany junior liens and claims of each of the

WorldCom Debtors, and shall be senior to any other administrative claim unless otherwise ordered by the Court; and it is further

ORDERED that the Debtors shall pay on a timely basis, in accordance with applicable contracts and tariffs, all undisputed invoices with respect to postpetition Utility Services rendered by the Utility Companies; and it is further

ORDERED that WorldCom and the Utilities Companies shall negotiate in good faith to establish an expedited dispute resolution procedure that includes an arbitrator, mediator, or similar trier of fact with respect to disputes involving postpetition invoices in an amount not to exceed a sum to be determined upon a recommendation from the Debtors within fifteen (15) days after the entry of this order (“Debtors’ Recommendation”) with an opportunity by the Utility Companies to object five (5) days thereafter (“Utilities’ Recommendations” and together with the Debtors’ Recommendation, the “Recommendations”); *provided, however*, that unless the Court orders otherwise, upon receiving the Recommendations the Court shall issue an order without further hearing resolving any dispute concerning the Recommendations; and it is further

ORDERED that, in the event of a payment default for postpetition Utility Services, a Utility Company may send notice by facsimile to WorldCom, with a copy to counsel for WorldCom and the Creditors’ Committee, and if payment of the undisputed portion is not made by wire transfer or similar good federal funds within three (3) business days thereafter, such Utility Company may seek, (i) by order to show cause, an order requiring immediate payment or such other relief as is appropriate, with objection returnable not less than two (2) business days thereafter, or (ii) appropriate action under

any applicable tariff or regulation, *provided, however*, that such action is without prejudice to the Debtors' right to seek injunctive relief from this Court; and it is further

ORDERED that, immediately upon the receipt by WorldCom of an Enforcement Notice (as defined in this Court's interim order authorizing WorldCom's postpetition financing (the "DIP")), WorldCom shall provide a copy of such notice to the Utilities Companies by e-mail within two (2) business days following receipt of an Enforcement Notice; and it is further

ORDERED that WorldCom shall provide to each Utility Company that has executed an appropriate confidentiality agreement, a weekly report setting forth (i) WorldCom's unrestricted cash and (ii) the availability under the DIP; and it is further

ORDERED that WorldCom and any requesting Utility Company shall exchange contract information of employees with sufficient authority to deal with disputes, if any, regarding postpetition payments; and it is further

ORDERED that, in addition to any rights under section 366 of the Bankruptcy Code, the Utility Companies shall have the right to petition for reconsideration of this Order upon a material and adverse change with respect to, including but not limited to, WorldCom's "administrative solvency," liquidity or other financial condition, or with respect to the volume and/or types of service a Utility Company is providing to the Debtors, and to seek an order requiring WorldCom, among other things, to provide deposits or letters of credit, or prepay for future Utility Services; and it is further

ORDERED that WorldCom and the Utility Companies that are both creditors to, and debtors of, WorldCom, shall negotiate in good faith to establish

procedures for the mutual setoff of payments for prepetition services (the “Prepetition Procedures”) and for the mutual setoff of payments for postpetition services (the “Postpetition Procedures”); *provided, however*, that nothing herein shall be deemed to grant any Utility Company the right to setoff postpetition amounts owing to WorldCom against prepetition amounts such Utility Company is owed by WorldCom or to eliminate the requirement of mutuality in order to assert a right of setoff; *provided further, however*, that, to the extent WorldCom and a Utility Company are unable to agree upon either a Prepetition Procedures or a Postpetition Procedures, WorldCom or such Utility Company may seek relief from this Court; and it is further

ORDERED that, to the extent termination of services to WorldCom’s customers in necessary, WorldCom shall comply with all applicable regulatory requirements, including, but not limited to, timely service of notices to customers consistent with 47 U.S.C. § 214; and it is further

ORDERED that WorldCom shall serve notice of this Order on the Utility Companies identified on Exhibit A annexed to the Motion by first-class mail within five (5) business days of its entry; and it is further

ORDERED that nothing herein shall prejudice WorldCom’s or any Utility Company’s right to assert that such Utility Company is or is not a utility as contemplated in section 366 of the Bankruptcy Code; and it is further

ORDERED that the relief granted herein shall not constitute an approval or assumption of any agreement pursuant to section 365 of the Bankruptcy Code and, to the extent WorldCom seeks to assume or assign any executory contract or unexpired lease that may exist between WorldCom and a Utility Company, WorldCom shall comply with the applicable provisions of the Bankruptcy Code; provided, however, that nothing herein shall be deemed to establish that any contract is or is not subject to section 365 of the Bankruptcy Code.

Dated: New York, New York  
August 14, 2002

**s/Arthur J. Gonzalez**  
UNITED STATES BANKRUPTCY JUDGE

## Press Resource Center

News Media: WorldCom News Bureau, 800-644-NEWS

Investors: Scott Hamilton, (601) 460-5111

# MICHAEL D. CAPELLAS NAMED CHAIRMAN AND CEO OF WORLDCOM, INC.

## Pledges "Commitment to Integrity"

**New York -- November 15, 2002** - WorldCom, Inc. (WCOEQ) today announced that it has named Michael D. Capellas as Chairman and CEO. Mr. Capellas is the former president of Hewlett-Packard Company. Prior to HP, he was Chairman and CEO of Compaq Computer Corporation.

"I took this job because I am convinced that WorldCom has the assets, the customers and the people to regain a leadership role in this industry," he said. "In order to do this, we must first regain trust and win respect. Accordingly, together we will rebuild WorldCom into a model of good corporate governance and management integrity."

"Today we are launching a new company, one that will reclaim the strengths of its past and focus on a promising future," Mr. Capellas said.

"I remember when this company was founded with a vision of convergence of computers and the Internet. WorldCom has always been on the forefront of this trend and will continue to lead it," he said. "I have spoken to many groups - creditors, managers, and board members - and it is everyone's desire to see this company succeed. WorldCom is made up of 60,000 hard-working men and women of high integrity, dedicated to quality of service and innovation. It is a company with great brands and a diverse and first rate customer base, and a company that plays a central role in our nation's communications industry."

Mr. Capellas said he also was encouraged by the company's stabilized financial position, including more than \$1.4 billion in cash, as well as the steps that current management has taken to ensure the improper conduct that occurred in the past cannot happen at the company in the future.

Those steps include the appointment of a new CEO and CFO, a restructuring of the accounting department and accounting functions, doubling the internal audit staff with that function reporting directly to the audit committee of the board, the establishment of a corporate ethics office, and the establishment of a zero-tolerance policy for any actions that do not meet the highest standards of integrity.

John Sidgmore, who led WorldCom's search for a new CEO, said Mr. Capellas was the company's top candidate.

"Michael Capellas is an executive of great accomplishment, integrity and talent, who brings both seasoned experience and a fresh perspective," Mr. Sidgmore said. "His





## WorldCom wins recompetete of VA patient long-distance services

11/06/02

By William Jackson and Patience Wait,  
Post Newsweek Tech Media Staff

WorldCom Inc. won a five-year contract from the Veterans Affairs Department's Canteen Services division as the preferred long-distance service provider for patient phones in 175 VA medical centers and clinics.

WorldCom will provide the centers and clinics with calling cards, operator services and collect calling for inpatient bedside telephones and pay phones in facilities in the United States and Puerto Rico. WorldCom held the previous five-year contract for these services, as well as for prepaid calling cards. The prepaid card portion of the contract this time around went to Sprint Corp.

"We sell a lot of prepaid calling cards," said Anthony Kapp, purchasing contract specialist for the Canteen Service. "The patient doesn't get a bill" from the VA hospitals, "so there is no way to provide long-distance telephone service," except through collect calling or phone cards.

Canteen Services is a self-sustaining organization, funded through revenue from food courts, cafeterias, vending machines and retail shops it operates in VA centers, as well as from telephone services.

Despite the financial scandal that drove WorldCom into bankruptcy earlier this year, the company continues to be one of the largest providers of telecommunications services to the federal government.

"I was surprised by the announcement," said Warren Suss, president of Suss Consulting Inc. of Jenkintown, Pa. "Even though I was aware that agencies with current contracts are using WorldCom, I didn't expect agencies to move major new pieces of business to WorldCom until the issues related to securities fraud were behind them... It was surprising, because most agencies are risk-averse and this has political risk"

WorldCom's proposal was submitted before the company sought protection under Chapter 11 bankruptcy. Kapp said the company's financial and accounting problems were not an issue in the selection.

"Just because a company files for Chapter 11 protection doesn't mean we can disqualify them," he said. "They came in with the best bid in every respect, and there was no way we could not give it to them."

The award shows that WorldCom still is a viable government service provider, a company spokesperson said.

"This shows that WorldCom is bidding on new contracts, we're winning new business and we're providing the services they are looking for," said Natasha Haubold.

The last award the company announced publicly was the Defense Information Systems Agency's April 4 selection of WorldCom for the Defense Research and Engineering Network project, a \$450 million contract to provide long-haul communications services to more than 5,000 users of the Defense Department's high-performance computing network.

"We're continuing to get new business, new orders, and continuing to bid on new opportunities," Haubold said. "This is just the first one we've issued a press release for" since DREN.

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November 20, 2002

## WorldCom CEO Stresses Restoring Trust

By REUTERS

Filed at 0:08 a.m. ET

SAN FRANCISCO (Reuters) - In his new role as chief executive at WorldCom Inc. (WCOEQ.PK), Michael Capellas said on Tuesday that his biggest challenge will be restoring the public's confidence in the bankrupt telecommunications company.

"The company has got incredible assets. It's got great technology and customer support remains good," he said in a talk at a Lehman Brothers semiconductor conference.

"We have to work on the cost model and return people to believing in the company's integrity," Capellas said. "We will have to rebuild the trust of employees, customers and the world, in general."

Capellas was named last week as the new chief executive officer and chairman of WorldCom, the No. 2 U.S. long-distance telephone and data services company and one of the main backbone providers for the Internet.

Clinton, Mississippi-based WorldCom filed for Chapter 11 bankruptcy in July after revealing massive accounting problems that it says may exceed \$9 billion.

The accounting scandal prompted the U.S. Securities and Exchange Commission to file charges and investigations by congressional committees and the U.S. Attorney's office in New York. The company is in talks to settle the SEC charges, while four former WorldCom executives have pleaded guilty to securities fraud.

### FLATTERED BY GIULIANI LINK

Asked in a question-and-answer session to comment on reports that a WorldCom bondholder is pushing to have former New York City Mayor Rudolph Giuliani as chairman, Capellas said: "I'm actually flattered for the company that he'd be interested in being involved."

Capellas declined to comment on a report that he turned down a recent offer to be president and chief

operating officer at Microsoft Corp. He said he was confident WorldCom will be able to get back on its legs financially. "I wouldn't have taken the job if I didn't think we could become profitable," he said.

Capellas took over the helm of Compaq Computer Corp. in 1999 shortly after it merged with Tandem Computers and Digital Equipment Corp. He also helped orchestrate Compaq's merger earlier this year with Hewlett-Packard Co. He said he doesn't have another merger in mind at WorldCom.

"That is not my intent at all," he said. "The whole game plan is not to break it into pieces."

The challenges he faces at WorldCom more closely mirror those he had integrating Tandem and DEC into Compaq than the HP-Compaq merger, he said.

"The integration hadn't been planned properly, there was negative momentum in the marketplace," he said of Compaq's acquisitions.

Things have been smoother at HP-Compaq, he said. "I'm proud of the accomplishment there. The integration really did go very well."

Over the past few days, Capellas said, he has been talking to WorldCom employees and customers. His next step in his new role will be to get a financial and operational plan for WorldCom in place, he said.

Regarding corporate governance and the role of government and regulation, Capellas said: "At the end of the day, we, the private sector, the people who run the companies, have to be the ones to make governance real; to take accountability on ourselves."



November 13, 2002  
GSA # 9991

Contact: GSA Public Affairs, (202) 501-1231

## **GSA Picks up Option on MCI WorldCom Contract**

### Agency Also Suspends Former WorldCom Officials

WASHINGTON, D.C. – The U.S. General Services Administration (GSA) today announced that it has exercised an additional one-year contract option with MCI WorldCom Communications Inc. (MCIW). As part of GSA's FTS2001 contract, MCIW, a WorldCom Inc. (WorldCom) subsidiary will continue to provide contract services necessary for the government to satisfy its telecommunications needs, including mission-critical requirements. Awarded on January 11, 1999, the initial contract term of four years has been renewed to cover the period of January 11, 2003, through January 10, 2004. Also today, GSA suspended former WorldCom officials Scott D. Sullivan and David F. Myers from conducting business with the federal government.

In deciding to exercise the contract option, GSA indicated that MCIW's performance has been consistent with the terms of the contract even after the announcements early this year of WorldCom's financial difficulties and its Chapter 11 bankruptcy filing. GSA is working closely with the Department of Justice, which is representing the government's interests in Bankruptcy Court to insure that FTS contract interests are being taken into account and are not impaired.

MCIW currently provides telecommunications services to some of the larger organizations in the federal government, including the Departments of Defense, Interior, Commerce (including the U.S. Weather Service hotline), Health and Human Services and Transportation. The contract also includes service to the Federal Aviation Administration, the Social Security Administration (including its hotline number) and the Nuclear Regulatory Commission.

GSA's decision to suspend former WorldCom Chief Financial Officer Sullivan and former Controller Myers is based on adequate evidence of criminal wrongdoing. Mr. Sullivan has been indicted on seven criminal counts, including securities fraud, conspiracy to commit securities fraud and filing false statements with the Securities and Exchange Commission (SEC), and those charges are pending. Mr. Myers pled guilty to securities fraud, conspiracy to commit securities fraud and filing false statements with the SEC. Under federal law, an indictment or a guilty plea for such offenses is adequate evidence of misconduct to support suspension of these individuals from future government business.

The names of the two individuals suspended are included in the *List of Parties Excluded From Federal Procurement and Non Procurement Programs*, which contains the names of entities and individuals debarred, suspended, proposed for debarment, or declared ineligible by any agency of the Federal Government. The suspensions, which will remain in effect for the duration of legal proceedings, are effective throughout the executive branch of the Federal Government and apply to all new business with the Federal government.

GSA is a centralized federal procurement and property management agency created by Congress to improve government efficiency and help federal agencies better serve the public. It acquires, on behalf of federal agencies, office space, equipment, telecommunications, information technology, supplies and services. GSA, comprised of 14,000 associates, provides services and solutions for the office

operations of over 1 million federal workers located in 8,300 government -owned and leased buildings in 1,600 U.S. communities.

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## WorldCom Intends to Move On, Maybe With a New Owner

The New York Times via Dow Jones

Publication Date: Monday November 11, 2002  
Business/Financial Desk; Section C; Page 4, Column 2  
c. 2002 New York Times Company

John W. Sidgmore, WorldCom's chief executive; John S. Dubel, the chief financial officer; and Gregory F. Rayburn, the chief restructuring officer, are trying to put WorldCom back on its feet after a multibillion-dollar accounting scandal that led to the company's filing for bankruptcy protection last summer.

At a WorldCom office in Washington last week, the three executives discussed the past and their plans. Following are excerpts from the conversation.

Q. How could you and Bert C. Roberts Jr., the chairman, not have known what was going on with the accounting?

SIDGMORE -- We had an audit committee that was very, very active and I think very, very much involved in what went on in the financial organization. We had a C.F.O. who was considered by most people, I would say, on Wall Street to be the best in the industry, if not the best in the world. Frankly, we also had Arthur Andersen doing the audit that was, at that time anyway, a very credible audit firm. And so the board was really quite comfortable that we understood the financial picture to be sound.

Q. Where are you in the chief executive search?

SIDGMORE -- My guess is we'll have an announcement by the end of this month. We've now boiled it down to two that we consider to be the top two. One of the interesting things is that many of you guys printed different people that were going to wind up as the C.E.O. here. None of those, not a single one of those names, is on the finalists list.

Q. The facade of the building that we're in right now says MCI; it doesn't say WorldCom. At what point do you think you might try to re-brand the company?

SIDGMORE -- I'd say there's a better than 50-50 chance we'll probably re-brand the company, just to be totally honest. I don't know that God himself could re-brand WorldCom successfully without hundreds of millions of dollars in advertising expense. And we have other brands like MCI, Unet and so forth that we might look at. And we may look at a completely different brand.

Q. What steps are you taking to change the company's operations?

DUBEL -- We are doubling the size of the internal audit staff, increasing their budget. We are making sure that they work closely with the accounting team. We've also made an edict throughout the organization that our new auditors, KPMG, will have full and open access to anyone within the organization that they want so that there is no issue of them not being able to get full access. The internal audit team used to report to the old C.F.O., and now it reports directly to the audit committee of the board of directors.

We're going to be spending a significant amount of money over the next several years on our accounting systems and our back-office systems to redesign them and streamline them so we have quicker flow of information into management's hands so they can understand the information on a more timely basis, and more importantly, have more detailed information to assist them in managing the business.

Q. Can you talk about S.E.C. negotiations?

SIDGMORE -- I can say that we are pretty optimistic that we will conclude those in a positive fashion. We've got what we consider to be very positive relationships with the S.E.C. And that, we think, will differentiate us from sort of the players that may have been treated more harshly, like Andersen and Enron.

Q. How confident are you that the company itself will escape indictment?

SIDGMORE -- We have been confident for several months, based on input we've had from various people, that we will not be indicted.

Q. One of the standards at the F.C.C. is to consider, in granting and renewing licenses, the character of the company. Why shouldn't this company have to suffer and lose some of its licenses because its character has not been sufficient?

SIDGMORE -- Well, I think there's a difference between a company's Character and the character of a few people. And you look at this and it's a company of over 60,000 people. There may be a handful that will turn out to be proven to be bad. It's hard to imagine that the character of the company can be considered based on the actions of three or four people.

Q. At a minimum, why should this company be able to compete on a level playing field for government contracts with other companies that have not been fraudulent?

SIDGMORE -- Well, I don't think the company has been, necessarily, fraudulent. I think some of the people were fraudulent within the company. And I don't think that has any impact whatsoever on our ability to provide really good services to the government.

Q. Why shouldn't the company at some level bear some punitive burden?

RAYBURN -- People are people. It's not institutional. I mean, clearly, 40,000 of our people are out of work. People's 401(k)'s have been decimated. The company's in bankruptcy. Bankruptcy is not a beautiful place to be.

Q. My understanding is that in the winter-spring of last year you had some offers to acquire substantially all of the company and that Bernard J. Ebbers, the former chief executive, basically wouldn't sell.

SIDGMORE -- Before we knew about the fraud, we had interest expressed by several of the largest telephone companies in the United States. After we announced the fraud, we've had interest expressed by virtually every large telephone company in the United States. And since that time I've had regular calls from C.E.O.'s of most of the large carriers.

I think it's extraordinarily unlikely that there would be a deal of any kind that would be interesting to us until fairly far after we emerge from bankruptcy. And the reason is that we all believe very deeply that this company's value is a lot higher in a year than it is today. And when we emerge from bankruptcy with no debt and with the strong cash flows that we have and all the assets that we have, I think you're going to see the company sort of mushroom in value.

Q. The restatements are at \$9 billion now. Where is that figure headed?

DUBEL -- We will continue to look at all of our prior accounting. With all of that in mind, we will have additional things to announce at some point in the future, but we can't tell you today just what they are and what the size is.

SIDGMORE -- But it's not likely that any of those announcements are going to change the future operations of the company. The important thing is to separate what took place in the past from what's going on now.

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

WORLDCOM, INC., et al.,

02-13533(AJG)

(Jointly Administered)

Debtors.

MONTHLY OPERATING STATEMENT FOR THE PERIOD  
FROM SEPTEMBER 1, 2002 TO SEPTEMBER 30, 2002

DEBTORS' ADDRESS: WORLDCOM, INC.  
500 CLINTON CENTER DRIVE  
CLINTON, MS 39056

DEBTORS' ATTORNEYS: Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153

**WORLD.COM, INC. AND SUBSIDIARIES  
(DEBTORS-IN-POSSESSION)  
INDEX TO MONTHLY OPERATING REPORT AND SCHEDULE**

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**WORLDCOM, INC. AND SUBSIDIARIES**  
**(DEBTORS-IN-POSSESSION)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Month Ended September 30, 2002**  
**(Unaudited. In Millions)**

Revenues	\$ 2,304
Operating expenses:	
Line costs	1,231
Selling, general and administrative	657
Depreciation and amortization	507
Total	2,395
Operating loss	(91)
Other income (expense):	
Interest expense (contractual interest \$192)	(4)
Miscellaneous	(2)
Loss from continuing operations before reorganization items, income taxes and minority interests	(97)
Reorganization items:	
Professional fees	10
Other	2
Loss from continuing operations before income taxes and minority interests	(109)
Income tax benefit	-
Loss before minority interests	(109)
Minority interests	(1)
Loss from continuing operations	(108)
Loss from discontinued operations	(39)
Distributions on mandatorily redeemable preferred securities and other preferred dividend requirements (contractual distributions \$15)	-
Net loss applicable to common shareholders	\$ (147)

The accompanying notes are an integral part of this statement.

**WORLDCOM, INC. AND SUBSIDIARIES**  
**(DEBTORS-IN-POSSESSION)**  
**NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS**

**(1) Background and Organization**

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

*Bankruptcy Filing*

On July 21, 2002 (the "Commencement Date"), WorldCom, Inc. and substantially all of its direct and indirect domestic subsidiaries (the "Debtors") filed voluntary petitions for relief in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. By order dated July 22, 2002, the Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered. Accordingly, pursuant to section 362 of the Bankruptcy Code, most of the litigation against the Company has been stayed.

*Recent Events and Investigations*

On June 25, 2002, the Company announced that as a result of an internal audit of the Company's capital expenditure accounting, it was determined that certain transfers from line cost expenses to capital accounts in the amount of \$3.055 billion during 2001 and \$797 million during the first quarter of 2002 were not made in accordance with generally accepted accounting principles ("GAAP"). The Company promptly notified its recently engaged external auditors, KPMG LLP ("KPMG"), and has engaged KPMG to undertake a comprehensive audit of the Company's financial statements for 2000, 2001 and 2002. The Company also notified Andersen LLP ("Andersen"), which audited the Company's financial statements for 2001 and reviewed such statements for first quarter 2002, promptly upon discovering these improperly reported amounts. On June 24, 2002, Andersen advised WorldCom that in light of the inappropriate transfers of line costs, Andersen's audit report on the Company's financial statements for 2001 and Andersen's review of the Company's financial statements for the first quarter of 2002 could not be relied upon.

On August 8, 2002, WorldCom announced that its ongoing internal review of its financial statements discovered an additional \$3.8 billion in improperly reported pre-tax earnings for 1999, 2000, 2001 and first quarter 2002. As a result, WorldCom intends to restate its financial statements for 2000, 2001 and the first quarter of 2002. WorldCom also announced it expects to record further write-offs of assets previously reported, including the likelihood that it may determine that substantially all existing goodwill and other intangible assets, currently recorded as approximately \$50 billion, should be written off when restated 2000, 2001 and 2002 financials are released. The Company announced it will also reevaluate the carrying value of existing property and equipment as to possible impairment of historic values previously reported. However, until the Company's audit of previously reported asset values is complete, it cannot determine with certainty the amount of its ultimate write-offs.

A Special Investigative Committee of WorldCom's Board of Directors is overseeing an independent investigation of these matters led by William R. McClucas, former Director of the Division of Enforcement for the Securities and Exchange Commission ("SEC") and a partner with the law firm of Wilmer, Cutler & Pickering. WorldCom's accounting practices also are under investigation by the SEC, by the U.S. Attorney's Office for the

Southern District of New York, and by the Examiner appointed by the Bankruptcy Court, Richard Thornburgh, former Attorney General of the United States.

WorldCom has terminated its chief financial officer and three accounting directors and accepted the resignations of its corporate controller and is continuing its internal financial investigation. Investors and creditors should be aware that additional amounts of improperly reported pre-tax earnings may be discovered and announced. Until the Company has completed its internal review and KPMG is able to complete an audit of 2000, 2001 and 2002, the total impact on previously reported financial statements cannot be known. The Company intends to continue to announce unaudited changes to previously reported financial statements if it discovers additional issues.

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

## **(2) Basis of Presentation**

The Company cautions readers not to place undue reliance upon the information in this monthly operating report (the "Operating Report"). Since the Company has not yet finalized the restatement of its consolidated financial statements for 2000, 2001 and the first quarter of 2002, nor the audit of those financial statements, this Operating Report excludes a consolidated balance sheet and statement of cash flows. The unaudited information in this Operating Report is subject to further review and potential adjustments and may not be indicative of the Company's operating results. There can be no assurance that this Operating Report is complete, and the Company undertakes no obligation to update or revise the Operating Report. Further, the amounts reported in this Operating Report, when reported on a quarterly basis, may differ materially due to adjustments to accruals, changes in facts and circumstances, changes in estimates, further analysis and other factors. Additionally, the statement of operations included in this Operating Report includes information for subsidiaries that are not Debtors in these Chapter 11 cases.

Subject to the matters described in this Note 2 as well as Notes 1 and 8, the consolidated statement of operations for the month ended September 30, 2002, included herein, is unaudited and has been prepared in accordance with GAAP for interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted for purposes of this Operating Report. Subject to the matter described in Note 8, the consolidated statement of operations includes the accounts of WorldCom, Inc. and its consolidated subsidiaries. All material intercompany balances and transactions have been eliminated except as discussed in Note 8. The results of operations for any interim period are not necessarily indicative of the results that may be expected for the quarter, the full year or any future interim period.

The unaudited consolidated statement of operations has also been prepared in accordance with Statement of Position ("SOP") No. 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code". SOP 90-7 requires an entity's statement of operations to portray the results of operations of the reporting entity during Chapter 11 proceedings. As a result, any revenues, expenses, realized gains and losses, and provisions resulting from the reorganization and restructuring of the Company should be reported separately as reorganization items, except those required to be reported as discontinued operations and extraordinary items in conformity with Accounting Principles Board No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" and Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

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

On July 22, 2002, the Company announced that the Bankruptcy Court had approved an interim \$750 million Debtor-in-Possession ("DIP") facility from Citibank, N.A., JPMorgan Chase Bank and General Electric Capital

Corporation to supplement operating cash flow during the reorganization process. On October 15, 2002, the Bankruptcy Court entered a final order approving the DIP facility in an amount of \$1.1 billion with a maturity date of the earlier of July 23, 2004 or the effective date of a plan of reorganization. The DIP facility contains restrictions on the Company's ability to grant future liens, incur indebtedness, make capital expenditures, make dividend payments and sell assets.

**(3) Summary of Significant Accounting Policies**

**Principles of Consolidation:**

The consolidated statement of operations includes the accounts of WorldCom and its subsidiaries, except for Embratel Participações S.A. ("Embratel"), as discussed in Note 8. All significant intercompany transactions and balances have been eliminated in consolidation, except as discussed in Note 8. Investments in joint ventures and other equity investments in which the Company owns a 20% to 50% voting ownership interest are accounted for by the equity method. Investments of less than 20% ownership, where the Company does not exercise control or significant influence, are accounted for by the cost method.

**Cash and cash equivalents:**

The Company considers cash in banks and short-term investments with original maturities of three months or less as cash and cash equivalents. At September 30, 2002, the Company had approximately \$1.4 billion of cash and cash equivalents on its consolidated balance sheet.

**Property and Equipment:**

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

Transmission equipment (including conduit).....	4 to 40 years
Communications equipment .....	5 to 10 years
Furniture, fixtures, buildings and other.....	4 to 39 years

Prior to September 1, 2002, the Company depreciated its ocean cable systems using the straight-line method over a 20-year period. In September 2002, management performed a comprehensive analysis of the remaining periods over which the Company expects to utilize its various ocean cable systems and prospectively adjusted the assigned useful lives ranging up to 15 years effective September 1, 2002. The impact of these revisions to the useful lives resulted in an increase in depreciation expense for the month of September 2002 of approximately \$70 million as compared to the previously assigned 20-year useful lives.

The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired and, as noted in Note 1, is in the process of reevaluating the carrying value of existing property and equipment as to possible impairment of historic values previously reported. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. If quoted market prices for an asset are not available, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on property and equipment to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

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

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

Capital expenditures for the month ended September 30, 2002 totaled approximately \$98 million.

**Goodwill and Other Intangible Assets:**

Effective January 1, 2002, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets", or SFAS No. 142, which establishes accounting and reporting standards for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests. The statement also includes provisions for the identification of reporting units for purposes of assessing potential future impairments of goodwill. Upon adoption, the Company stopped amortizing intangible assets with indefinite useful lives, including goodwill and tradenames. Additionally, the Company made no revisions to the assigned useful lives of intangible assets that continue to be amortized. In light of the Company's recent events, the Company is evaluating the timing and extent of the impairment of its goodwill and other intangible assets, including the likelihood that it may determine that substantially all existing goodwill and other intangible assets, currently recorded as approximately \$50 billion, may be written off in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" when restating its 2000 and 2001 financial statements, or in accordance with SFAS No. 142 in 2002.

Intangible assets are amortized using the straight-line method over their respective assigned useful lives, ranging from 5 to 10 years. Depreciation and amortization expense includes amortization expense related to the net carrying amount of intangible assets, primarily software development. As of September 30, 2002, such expense is estimated to be \$218 million for the remainder of 2002, \$923 million in 2003, \$864 million in 2004, \$746 million in 2005 and \$399 million in 2006.

**Foreign Currency Translation:**

Assets and liabilities recorded in foreign currencies are translated at the exchange rate as of the balance sheet date. Translation adjustments are recorded as a separate component of shareholders' investment. All revenue and expense accounts are translated at a weighted-average of exchange rates in effect during the period. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. The accompanying consolidated statement of operations includes foreign currency transaction gains of \$9 million for the month ended September 30, 2002.

**Recognition of Revenues:**

The Company records revenues for telecommunications services at the time of customer usage. Service activation and installation fee revenues are amortized over the average customer contract life while costs directly related to these revenues are expensed as incurred. Prior to January 1, 2002, the Company amortized these costs over the average customer contract life.

Additionally, reciprocal compensation revenue, which represents a contractually determined reimbursement of costs for call termination performed by WorldCom on behalf of other carriers' customers, and primary interexchange carrier charges ("PICC"), which represent flat-rate charges mandated by the Federal Communications Commission ("FCC") and apply to telecommunications companies that connect to customers through a traditional phone company's facilities, are reported on a gross basis as revenue. Prior to June 30, 2002, the Company reported reciprocal compensation revenue and PICC charges as an offset to line costs. All previously reported amounts will be restated to reflect this change when presented.

The Company enters into operating agreements with telecommunications carriers in foreign countries under

which international long distance traffic is both delivered and received. International settlements are reported on a gross basis as revenues. Prior to June 30, 2002, the Company reported international settlement revenues as an offset to line costs. All previously reported amounts will be restated to reflect this change when presented.

The Company enters into agreements with its customers that may result in the receipt of cash before the relevant criteria for revenue recognition have been satisfied, and as a result a liability is recorded as deferred revenue.

**Income Taxes:**

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

**Interest Expense:**

In accordance with SOP 90-7, the Debtors did not record interest expense from the Commencement Date through September 30, 2002.

**Concentration of Credit Risk:**

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

**Recently Issued Accounting Standards:**

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

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

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for doubtful accounts, revenue reserves, depreciation and amortization, taxes and contingencies.

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

**Reorganization Items:**

In the accompanying unaudited consolidated statement of operations, the Company classifies expenses, including restructuring costs, severance costs, retention plans, professional fees and interest income, as reorganization items based upon the provisions of SOP 90-7. These costs totaled \$12 million for the month ended September 30, 2002 and were comprised of \$10 million of professional fees and \$2 million of other reorganization costs.

**(4) Discontinued Operations**

In June 2002, the Company announced it had approved a plan to divest its non-core wireless resale operations and its international telecommunications construction operations. The results of operations of these operations are shown in the accompanying unaudited consolidated statement of operations as discontinued operations. The Company anticipates the sale of these operations to be completed within a year.

Loss from discontinued operations consists of the following (in millions):

Statement of Operations Data for the Month Ended September 30, 2002:

Revenue .....	\$ 8
Expenses .....	<u>47</u>
Operating loss .....	(39)
Income tax benefit .....	-
Loss from discontinued operations.....	<u><u>\$(39)</u></u>

In October 2002, the Company approved a plan to divest its wireless messaging services business and its fixed wireless Internet access operations. Operating results for these operations for the month ended September 30, 2002, which will be classified as discontinued operations subsequent to September 30, 2002, consist of the following (in millions):

Revenue .....	\$ 26
Expenses .....	<u>28</u>
Operating loss .....	<u><u>\$(2)</u></u>

**(5) Insurance**

Premiums to date for all insurance policies, including workers' compensation and disability insurance, have been paid and are in full force and effect.

**(6) Income Taxes**

The Company did not recognize any tax effects in the accompanying statement of operations for the month ended September 30, 2002. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Additionally, the restructuring of the Company through the bankruptcy process may result in the utilization or loss of some portion or all of its deferred tax assets, the ultimate outcome of which is not currently determinable.

**(7) Avantel Deconsolidation**

WorldCom owns a 44.5% interest in Avantel, S.A. and a 44.5% interest in Avantel Servicios Locales, S.A. (collectively, "Avantel"), which, prior to January 1, 2000, was accounted for using the equity method of accounting. During the first quarter 2000, WorldCom began consolidating Avantel effective January 1, 2000. As a result of its ongoing review of its financial statements, WorldCom has reevaluated the decision to consolidate Avantel and has concluded that its investment in Avantel should be accounted for using the equity method of accounting for all periods. Accordingly, Avantel has been deconsolidated retroactive to January 1, 2000.

#### **(8) Embratel Consolidation**

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

#### **(9) Contingencies**

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

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

In August 1996, the FCC established nationwide rules pursuant to the Telecommunications Act of 1996, or the Telecom Act, designed to encourage new entrants to compete in local service markets through interconnection with the traditional local phone companies, resale of traditional local phone companies' retail services and use of individual and combinations of unbundled network elements provided by the traditional local phone companies. Unbundled network elements are defined in the Telecom Act as any "facility or equipment used in the provision of a telecommunication service," as well as "features, function, and capabilities that are provided by means of such facility or equipment." In January 1999, the Supreme Court of the United States confirmed the FCC's authority to issue the rules, including a pricing methodology for unbundled network elements. On remand, the FCC clarified the requirement that traditional local phone companies make specific unbundled network elements available to new

entrants. The traditional local phone companies appealed the decision to the U. S. Court of Appeals for the District of Columbia Circuit.

On May 24, 2002, the District of Columbia Circuit issued its decision, faulting the FCC, and remanded the matter to the FCC to reconsider the way in which it determines which network elements it will unbundle. WorldCom, the FCC and others have not yet decided whether to ask the Supreme Court to review that decision, and the FCC currently is reviewing those rules in its pending "Triennial Review" proceeding, which is discussed below.

Numerous other issues related to the list of available unbundled network elements are under active consideration by the FCC and the courts. In December 2001, the FCC began an examination of whether certain high capacity and broadband services offered by traditional phone companies were subject to sufficient competition such that they no longer needed to be regulated as "dominant." In addition, the FCC initiated a proceeding seeking to streamline and simplify the unbundled network element requirements imposed on traditional local phone companies in its "Triennial Review" of its local competition rules. In a separate proceeding, the FCC is examining whether broadband Internet access, or "DSL service," provided by traditional telephone companies should be treated as an information service and not subject to common carrier or ISP unbundling requirements. On May 24, 2002, the District of Columbia Circuit issued a decision vacating and remanding to the FCC a rule requiring traditional phone companies to unbundle the data portion of ILEC loops (i.e. line sharing). At WorldCom's request, the Court agreed to stay the effective date of its decision until January 2, 2003 based on the expectation that the FCC may begin to resolve the availability of line sharing by the beginning of 2003. If UNE regulations are streamlined or removed, there are elements and combinations of elements upon which WorldCom relies to provide local services, broadband and advanced services that might no longer be required as a matter of federal regulation. Substantial reduction in unbundling requirements for traditional phone companies would also foreclose WorldCom's future range of options in provisioning local service to customers.

The Telecom Act requires traditional local phone companies to petition the FCC for permission to offer long distance services for each state within their region. Under section 271 of the Telecom Act, for these applications to be granted, the FCC must find, among other things, that the traditional phone company has demonstrated that it has satisfied a 14-point competitive checklist to open its local network to competition and that granting the petition is in the public interest. To date, he has granted twenty-two RBOC 271 applications: Verizon's for New York, Massachusetts, Connecticut, Pennsylvania, Rhode Island, Vermont, Maine, New Jersey, Delaware and New Hampshire; SBC's for Texas, Kansas, Oklahoma, Missouri and Arkansas; and BellSouth's for Georgia, Louisiana, Alabama, Kentucky, Mississippi, North Carolina and South Carolina. WorldCom appealed to the District of Columbia Circuit the approval for Massachusetts. On October 22, 2002, the District of Columbia Circuit decided that the FCC had not adequately addressed whether the prices charged for leasing network elements by Verizon in Massachusetts created a price squeeze which violated the standards for Verizon to gain long distance approval. Without vacating the approval, the District of Columbia Circuit remanded the case to the FCC for it to address the price squeeze issue. Qwest has filed a joint application to offer long distance service in nine states: Washington, Utah, Wyoming, Montana, Colorado, Idaho, Iowa, Nebraska and North Dakota. Verizon has filed an application for Virginia and SBC has filed an application for California. Other applications may be filed at any time. WorldCom has challenged, and will continue to challenge, any application that it believes does not satisfy the requirements of section 271 or the FCC's local competition rules. To date, these challenges have focused on the pricing of unbundled network elements and on the adequacy of the traditional local phone companies' operations support systems.

In addition, legislation has been introduced in Congress that would have the effect of allowing traditional local phone companies to offer in-region long distance data services without satisfying section 271 of the Telecom Act and/or of making it more difficult for competitors to resell incumbent local phone company high-speed Internet access services or to lease the unbundled network elements used to provide these services. This legislation passed the House of Representatives on February 27, 2002 and has been referred to the Senate Commerce Committee.

In February 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking regarding the regulatory treatment of calls to Internet service providers. Prior to the FCC's order, over thirty state public utility commissions issued orders finding that carriers, including WorldCom, are entitled to collect reciprocal compensation for completing calls to Internet service providers under the terms of their interconnection agreements with traditional

local phone companies. Many of these public utility commission decisions were appealed by the traditional local phone companies and, since the FCC's order, many traditional local phone companies have filed new cases at the public utility commissions or in court. WorldCom petitioned for review of the FCC's order in the District of Columbia Circuit, which vacated the order and remanded the case to the FCC for further proceedings. In April 2001, the FCC issued an Order on Remand and Report and Order asserting jurisdiction over calls to Internet service providers and establishing a three-year transitional scheme of decreasing reciprocal compensation rates. WorldCom filed a petition for review of the FCC's order with the District of Columbia Circuit, and on May 3, 2002, the District of Columbia Circuit upheld the Company's challenge and remanded the case to the FCC, ruling that the FCC's legal analysis was based on a flawed reading of the Telecom Act. The Court expressly declined to decide any of the remaining challenges to the transitional scheme, opting to wait until the FCC provides a sufficient legal basis in support of the conclusions it has reached in the Order. In the interim, however, because the Court apparently believed that there may be other legal bases for adopting the rules chosen here, it decided not to vacate the order and instead left the FCC transitional scheme in place.

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

*Litigation.* In November 2000, class action complaints were filed in the U.S. District Courts for the Southern District of Mississippi, the Southern District of New York and the District of Columbia against WorldCom and some of its executive officers. All of these actions were consolidated in the Southern District of Mississippi on March 27, 2001, along with another purported class action lawsuit filed on behalf of individuals who purchased stock in Intermedia between September 5 and November 1, 2000, which action asserted substantially similar claims and alleges that after the announcement of the WorldCom-Intermedia merger, the price of Intermedia stock was tied to the price of WorldCom stock. On June 1, 2001, the plaintiffs filed a consolidated amended complaint. Among other things, the consolidated amended complaint alleged that statements regarding WorldCom's revenues, the integration of MCI, the success of UUNET Technologies and the expansion of WorldCom's network were false; WorldCom's financial disclosures were false; and WorldCom's announcement of its "generation d" initiative was misleading. Based on these allegations, the consolidated amended complaint asserts claims for violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. The consolidated amended complaint seeks to certify a class of persons who purchased WorldCom shares between February 10, 2000 and November 1, 2000, inclusive; it does not assert separate claims on behalf of purchasers of Intermedia shares. On March 29, 2002, the district court granted the motion by WorldCom and the individual defendants to dismiss the consolidated amended complaint and entered final judgment dismissing the complaint with prejudice. On April 4, 2002, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Fifth Circuit. On August 22, 2002, the Fifth Circuit stayed the appeal pending disposition of the bankruptcy proceedings. On September 9, 2002, plaintiffs filed a motion in the Fifth Circuit to lift the stay of the appeal with respect to the individual defendants. On September 23, 2002, plaintiffs filed a motion in the district court for relief from judgment with respect to the individual defendants based on new evidence.

On May 29, 2001, former WorldxChange Communications ("WorldxChange") shareholders filed a complaint in California state court against WorldCom, three of its officers, and directors and officers of World Access, alleging that the defendants misrepresented the nature of a Carrier Services Agreement that required WorldCom to provide certain monthly revenues to World Access. Plaintiffs allege that, in reliance on the Agreement, WorldxChange agreed to merge with World Access. Plaintiffs seek rescission and unspecified compensatory and punitive damages for alleged violations of state securities laws, fraud, negligent misrepresentation and breach of fiduciary duty. The claims against WorldCom are presently stayed. On September 5, 2002, the court granted motions to quash for lack of personal jurisdiction on behalf of the former WorldCom officers, dismissing them from the action. On October 2, 2002, plaintiffs filed a notice of appeal to the state appellate court.

On March 18, 2002, one current and one former employee filed suit in the U.S. District Court for the Northern District of California against WorldCom and two of its former executive officers on behalf of a putative class of participants in the WorldCom 401(k) plan and its predecessor plans, claiming that defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") with respect to the administration of the WorldCom 401(k) Plan and its predecessor plans. The complaint alleges that the defendants breached their fiduciary

duties by misrepresenting WorldCom's financial results to plan participants. Plaintiffs further allege that defendants breached their fiduciary duties by allowing plan participants to continue to invest in WorldCom stock as one of their plan options. The complaint seeks to certify a class of persons who participated in the WorldCom 401(k) Plan and certain predecessor plans for the period of February 8, 2000 to November 1, 2000 and requests damages and other relief. On September 16, 2002, plaintiffs amended the complaint to expand the class period from January 1, 2000 through the present. The amended complaint also names as a defendant a current WorldCom employee. Following the Company's announcement on June 25, 2002 that it would be restating its earnings, participants in 401(k) plans for WorldCom and various affiliates filed approximately 15 additional putative class action suits in U.S. District Courts in New York, Mississippi, Florida, Oklahoma and the District of Columbia against WorldCom and certain of its executive officers claiming that they breached their fiduciary duties under the Employee Retirement Income Security Act with respect to the administration of the WorldCom 401(k) Plan.

Beginning on April 30, 2002, various groups of plaintiffs have filed in excess of 40 complaints, purportedly on behalf of certain WorldCom shareholders and bondholders or classes thereof in the U.S. District Courts for the Southern District of New York, the Southern District of Mississippi, the Central District of California, the District of Minnesota and the Eastern District of Missouri, as well as in state courts in California, Florida, Georgia, Illinois, Ohio, Tennessee and West Virginia. Several non-class action lawsuits were brought on behalf of individuals or small groups of shareholders in the U.S. District Courts for the Eastern District of Virginia and the Southern District of Mississippi and in state courts in Mississippi and Texas. All the cases filed initially in state court have been removed to the U.S. district courts for the districts in which they were filed. One derivative suit was filed in the Southern District of New York. The complaints, which name as defendants WorldCom, various current and former WorldCom officers and directors, and, in some cases, WorldCom's former auditors and underwriters, allege generally that defendants misstated WorldCom's earnings in WorldCom's public filings with the SEC and elsewhere failed to properly account for goodwill and other intangible assets in connection with numerous acquisitions. The majority of these actions assert claims for violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. Certain bondholder actions assert claims for violation of Section 11 of the Securities Act. Three of the state court actions allege state law claims. On August 15, 2002, the U.S. District Court for the Southern District of New York issued an order consolidating the cases in that district and appointing a lead plaintiff. On October 11, 2002, the lead plaintiff filed a consolidated amended complaint that asserts claims under Sections 11 and 15 of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act.

On October 8, 2002, the Judicial Panel on Multidistrict Litigation (the "Panel") issued an order that centralized 39 cases arising under the federal securities laws and ERISA in the U.S. District Court for the Southern District of New York for consolidated or coordinated pretrial proceedings. The Panel has been notified of additional cases that should be treated as "tag-along" cases and also centralized in the Southern District of New York.

On June 26, 2002, pursuant to Section 21(d) of the Exchange Act, the SEC filed suit against WorldCom, alleging violations of Sections 10(b) and 13(a) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-13. The SEC alleges that from at least the first quarter of 2001 through the first quarter of 2002, WorldCom defrauded investors by disguising its true operating performance via improper accounting methods that materially overstated its income by approximately \$3.055 billion in 2001 and \$797 million during the first quarter of 2002. Specifically, the SEC alleges that WorldCom falsely portrayed itself as a profitable business during 2001 and the first quarter of 2002 and that WorldCom's transfer of its costs to its capital accounts violated the established standards of GAAP.

In addition, following WorldCom's June 25, 2002 announcement, various criminal and regulatory investigations have been initiated by the U.S. Department of Justice, several state agencies, the SEC and both houses of Congress. These investigations are ongoing. WorldCom is cooperating fully in those proceedings and inquiries.

In August 1997, three complaints were filed in the U.S. District Court for the District of Columbia as class actions on behalf of purchasers of MCI shares. The three cases were consolidated on April 1, 1998. On or about May 8, 1998, the plaintiffs in all three cases filed a consolidated amended complaint alleging, on behalf of purchasers of MCI's shares between July 11, 1997 and August 21, 1997, inclusive, that MCI and some of its officers and directors

failed to disclose material information about MCI, including that MCI was renegotiating the terms of the MCI BT merger agreement. The consolidated amended complaint seeks damages and other relief. On May 3, 2002, the district court denied the defendants' motion to dismiss.

**WorldCom, Inc.**

Schedule 1

**Total Disbursements by Legal Entity**

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>9/1/02 - 9/30/02</u>
02-42156 (AJG)	Access Network Services, Inc.	-
02-42157 (AJG)	Access Virginia, Inc.	-
02-42158 (AJG)	ALD Communications, Inc.	-
02-42159 (AJG)	BFC Communications, Inc.	-
02-42160 (AJG)	Bittel Telecommunications Corporation	-
02-42161 (AJG)	Brooks Fiber Communications of Arkansas, Inc.	-
02-42162 (AJG)	Brooks Fiber Communications of Bakersfield, Inc.	-
02-42163 (AJG)	Brooks Fiber Communications of Connecticut, Inc.	-
02-42164 (AJG)	Brooks Fiber Communications of Fresno, Inc.	-
02-42165 (AJG)	Brooks Fiber Communications of Massachusetts, Inc.	-
02-42166 (AJG)	Brooks Fiber Communications of Michigan, Inc.	-
02-42167 (AJG)	Brooks Fiber Communications of Minnesota, Inc.	-
02-42168 (AJG)	Brooks Fiber Communications of Mississippi, Inc.	-
02-42169 (AJG)	Brooks Fiber Communications of Missouri, Inc.	-
02-42170 (AJG)	Brooks Fiber Communications of Nevada, Inc.	-
02-42171 (AJG)	Brooks Fiber Communications of New England, Inc.	-
02-42172 (AJG)	Brooks Fiber Communications of New Mexico, Inc.	-
02-42173 (AJG)	Brooks Fiber Communications of New York, Inc.	-
02-42174 (AJG)	Brooks Fiber Communications of Ohio, Inc.	-
02-42175 (AJG)	Brooks Fiber Communications of Oklahoma, Inc.	-
02-42176 (AJG)	Brooks Fiber Communications of Rhode Island, Inc.	-
02-42177 (AJG)	Brooks Fiber Communications of Sacramento, Inc.	-
02-42178 (AJG)	Brooks Fiber Communications of San Jose, Inc.	-
02-42179 (AJG)	Brooks Fiber Communications of Stockton, Inc.	-
02-42180 (AJG)	Brooks Fiber Communications of Tennessee, Inc.	-
02-42181 (AJG)	Brooks Fiber Communications of Texas, Inc.	-
02-42182 (AJG)	Brooks Fiber Communications of Tucson, Inc.	-
02-42183 (AJG)	Brooks Fiber Communications of Tulsa, Inc.	-
02-42184 (AJG)	Brooks Fiber Communications of Utah, Inc.	-
02-42185 (AJG)	Brooks Fiber Communications-LD, Inc.	-
02-42186 (AJG)	Brooks Fiber Properties, Inc.	-
02-42187 (AJG)	BTC Transportation Corporation	-
02-42188 (AJG)	Business Internet, Inc.	-
02-42189 (AJG)	Chicago Fiber Optic Corporation	-
02-42190 (AJG)	Com Systems, Inc.	-
02-42191 (AJG)	COM/NAV Realty Corp.	-
02-42192 (AJG)	Cross Country Wireless, Inc.	-
02-42193 (AJG)	CS Wireless Battle Creek, Inc.	-
02-42194 (AJG)	CS Wireless Systems, Inc.	-
02-42195 (AJG)	E.L. Acquisition, Inc.	-
02-42196 (AJG)	Express Communications, Inc.	-
02-42197 (AJG)	FiberNet Rochester, Inc.	-
02-42198 (AJG)	Fibernet, Inc.	-
02-42199 (AJG)	Healan Communications, Inc.	-
02-42317 (AJG)	ICI Capital LLC	-
02-42200 (AJG)	Intelligent Investment Partners, Inc.	-

**WorldCom, Inc.**

Schedule 1

**Total Disbursements by Legal Entity**

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>9/1/02 - 9/30/02</u>
02-42201 (AJG)	Intermedia Capital, Inc.	-
02-42154 (AJG)	Intermedia Communications Inc.	-
02-42202 (AJG)	Intermedia Communications of Virginia, Inc.	-
02-42203 (AJG)	Intermedia Investment, Inc.	-
02-42204 (AJG)	Intermedia Licensing Company	-
02-42318 (AJG)	Intermedia Services LLC	-
02-42205 (AJG)	Jones Lightwave of Denver, Inc.	-
02-42206 (AJG)	Marconi Telegraph Cable Company, Inc.	-
02-42207 (AJG)	MCI Canada, Inc.	-
02-42155 (AJG)	MCI Communications Corporation	-
02-42208 (AJG)	MCI Equipment Acquisition Corporation	-
02-42209 (AJG)	MCI Galaxy III Transponder Leasing, Inc.	-
02-42210 (AJG)	MCI Global Access Corporation	-
02-42211 (AJG)	MCI Global Support Corporation	-
02-42319 (AJG)	MCI International Services, L.L.C.	-
02-42212 (AJG)	MCI International Telecommunications Corporation	184,011,960.35
02-42214 (AJG)	MCI International Telecommunications Holding Corporation	-
02-42213 (AJG)	MCI International, Inc.	-
02-42215 (AJG)	MCI Investments Holdings, Inc.	-
02-42216 (AJG)	MCI Network Technologies, Inc.	-
02-42217 (AJG)	MCI Omega Properties, Inc.	-
02-42320 (AJG)	MCI Payroll Services, LLC	-
02-42218 (AJG)	MCI Research, Inc.	-
02-42219 (AJG)	MCI Transcon Corporation	-
02-42220 (AJG)	MCI Wireless, Inc.	-
02-42321 (AJG)	MCI WORLDCOM Brands, L.L.C.	-
02-42322 (AJG)	MCI WORLDCOM Brooks Telecom, LLC	-
02-42221 (AJG)	MCI WORLDCOM Capital Management Corporation	-
02-42222 (AJG)	MCI WORLDCOM Communications of Virginia, Inc.	-
02-42223 (AJG)	MCI WORLDCOM Communications, Inc.	-
02-42224 (AJG)	MCI WORLDCOM Financial Management Corporation	-
02-42225 (AJG)	MCI WORLDCOM Global Networks U.S., Inc.	-
02-42226 (AJG)	MCI WORLDCOM International, Inc.	-
02-42227 (AJG)	MCI WorldCom Management Company, Inc.	189,159,904.82
02-42323 (AJG)	MCI WORLDCOM MFS Telecom, LLC	-
02-42228 (AJG)	MCI WORLDCOM Network Services of Virginia, Inc.	-
02-42229 (AJG)	MCI WORLDCOM Network Services, Inc. <i>has certificate in ND</i>	1,035,081,120.77
02-42230 (AJG)	MCI WORLDCOM Synergies Management Company, Inc. (89.5%)	-
02-42231 (AJG)	MCI/OTI Corporation	-
02-42232 (AJG)	MCImetro Access Transmission Services LLC <i>expiring now</i>	-
02-42324 (AJG)	MCImetro Access Transmission Services of Virginia, Inc.	-
02-42233 (AJG)	Metrex Corporation	-
02-42234 (AJG)	Metropolitan Fiber Systems of Arizona, Inc.	-
02-42235 (AJG)	Metropolitan Fiber Systems of Baltimore, Inc.	-
02-42236 (AJG)	Metropolitan Fiber Systems of California, Inc.	-
02-42237 (AJG)	Metropolitan Fiber Systems of Connecticut, Inc.	-

**WorldCom, Inc.**

**Schedule 1**

**Total Disbursements by Legal Entity**

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>9/1/02 - 9/30/02</u>
02-42238 (AJG)	Metropolitan Fiber Systems of Dallas, Inc.	-
02-42239 (AJG)	Metropolitan Fiber Systems of Delaware, Inc.	-
02-42240 (AJG)	Metropolitan Fiber Systems of Denver, Inc.	-
02-42241 (AJG)	Metropolitan Fiber Systems of Detroit, Inc.	-
02-42242 (AJG)	Metropolitan Fiber Systems of Florida, Inc.	-
02-42243 (AJG)	Metropolitan Fiber Systems of Houston, Inc.	-
02-42244 (AJG)	Metropolitan Fiber Systems of Indianapolis, Inc.	-
02-42245 (AJG)	Metropolitan Fiber Systems of Minneapolis/St. Paul, Inc.	-
02-42246 (AJG)	Metropolitan Fiber Systems of New Hampshire, Inc.	-
02-42247 (AJG)	Metropolitan Fiber Systems of New Jersey, Inc.	-
02-42248 (AJG)	Metropolitan Fiber Systems of New Orleans, Inc.	-
02-42249 (AJG)	Metropolitan Fiber Systems of New York, Inc.	-
02-42250 (AJG)	Metropolitan Fiber Systems of Ohio, Inc.	-
02-42251 (AJG)	Metropolitan Fiber Systems of Oregon, Inc.	-
02-42252 (AJG)	Metropolitan Fiber Systems of Philadelphia, Inc.	-
02-42253 (AJG)	Metropolitan Fiber Systems of Pittsburgh, Inc.	-
02-42254 (AJG)	Metropolitan Fiber Systems of Seattle, Inc.	-
02-42255 (AJG)	Metropolitan Fiber Systems of St. Louis, Inc.	-
02-42256 (AJG)	Metropolitan Fiber Systems/McCourt, Inc.	-
02-42257 (AJG)	MFS CableCo U.S., Inc.	-
02-42258 (AJG)	MFS Datanet, Inc.	-
02-42259 (AJG)	MFS Telecom, Inc.	-
02-42260 (AJG)	MFS Telephone of Missouri, Inc.	-
02-42261 (AJG)	MFS Telephone of New Hampshire, Inc.	-
02-42262 (AJG)	MFS Telephone of Virginia, Inc.	-
02-42263 (AJG)	MFS Telephone, Inc.	-
02-42330 (AJG)	MFS/C-TEC	-
02-42264 (AJG)	MFSA Holding, Inc.	-
02-42265 (AJG)	Military Communications Center, Inc.	-
02-42266 (AJG)	MobileComm Europe Inc.	-
02-42267 (AJG)	Mtel Asia, Inc.	-
02-42268 (AJG)	Mtel Cellular, Inc.	-
02-42269 (AJG)	Mtel International, Inc.	-
02-42270 (AJG)	Mtel Latin America, Inc.	-
02-42271 (AJG)	Mtel Microwave, Inc.	-
02-42272 (AJG)	Mtel Service Corporation	-
02-42273 (AJG)	N.C.S. Equipment Corporation	-
02-42274 (AJG)	National Telecommunications of Florida, Inc.	-
02-42275 (AJG)	Netwave Systems, Inc.	-
02-42276 (AJG)	networkMCI, Inc.	-
02-42277 (AJG)	Northeast Networks, Inc.	-
02-42278 (AJG)	Nova Cellular Co.	-
02-42279 (AJG)	NTC, Inc.	-
02-42280 (AJG)	Overseas Telecommunications, Inc.	-
02-42281 (AJG)	Shared Technologies Fairchild Communications Corporation	-
02-42282 (AJG)	Shared Technologies Fairchild Telecom, Inc.	-

**WorldCom, Inc.****Schedule 1****Total Disbursements by Legal Entity**

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>9/1/02 - 9/30/02</u>
02-42283 (AJG)	Shared Technologies Fairchild, Inc.	-
02-42284 (AJG)	SkyTel Communications, Inc.	-
02-42285 (AJG)	SkyTel Corp.	-
02-42325 (AJG)	SkyTel Payroll Services, LLC	-
02-42286 (AJG)	Southernnet of South Carolina, Inc.	-
02-42287 (AJG)	Southernnet Systems, Inc.	-
02-42288 (AJG)	Southernnet, Inc.	-
02-42289 (AJG)	Telecom*USA, Inc.	-
02-42290 (AJG)	Teleconnect Company	-
02-42291 (AJG)	Teleconnect Long Distance Services & Systems Co.	-
02-42292 (AJG)	Tenant Network Services, Inc.	-
02-42293 (AJG)	TransCall America, Inc.	-
02-42294 (AJG)	Tru Vision Wireless, Inc.	-
02-42295 (AJG)	Tru Vision-Flippin, Inc.	-
02-42296 (AJG)	TTI National, Inc.	-
02-42297 (AJG)	UUNET Australia Limited	-
02-42298 (AJG)	UUNET Caribbean, Inc.	-
02-42299 (AJG)	UUNET Holdings Corp.	-
02-42300 (AJG)	UUNET International Ltd.	-
02-42301 (AJG)	UUNET Japan Ltd.	-
02-42326 (AJG)	UUNET Payroll Services, LLC	-
02-42302 (AJG)	UUNET Technologies, Inc.	-
02-42303 (AJG)	Virginia Metrotel, Inc.	-
02-42304 (AJG)	Wireless One, Inc.	-
02-42305 (AJG)	Wireless Video Services	-
02-42306 (AJG)	WorldCom Broadband Solutions, Inc.	-
02-13532 (AJG)	WorldCom Caribbean, Inc.	-
02-42307 (AJG)	WorldCom East, Inc.	-
02-42308 (AJG)	WorldCom ETC, Inc.	-
02-42309 (AJG)	WorldCom Federal Systems, Inc.	-
02-42310 (AJG)	WorldCom ICC, Inc.	-
02-42312 (AJG)	WorldCom International Data Services, Inc.	-
02-42327 (AJG)	WorldCom International Mobile Services LLC	-
02-42313 (AJG)	WorldCom International Mobile Services, Inc.	-
02-42311 (AJG)	WorldCom International, Inc.	-
02-42314 (AJG)	WorldCom Overseas Holdings, Inc.	-
02-42328 (AJG)	WorldCom Payroll Services, LLC	-
02-42329 (AJG)	WorldCom Purchasing, LLC	-
02-42315 (AJG)	WorldCom Ventures, Inc.	-
02-42316 (AJG)	WorldCom Wireless, Inc.	-
02-13533 (AJG)	WorldCom, Inc.	-
		133,557,330.99
	<b>Total</b>	<b>1,541,810,316.93</b>

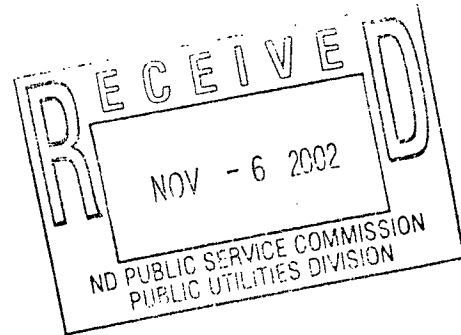


Western Public Policy  
707 17th Street, Suite 4200  
Denver, CO 80202  
1 888 475 7218

November 5<sup>th</sup>, 2002

Mr. Jon Mielke  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, ND 58505-0480

RE: Docket PU-2787-02-495



Dear Mr. Mielke,

The attached documents are filed in response to an informal request for additional information in the above referenced docket. Attached is the affidavit of William Levis, WorldCom, Inc., Director of Law and Public Policy and supporting exhibits.

If you have any questions please feel free to contact me at 303.390.6675.

Sincerely,

  
Heidi Kristen Yore

cc: Illona Jeffcoat-Sacco, Commission Staff Attorney  
Jerry Lein, Commission Staff Attorney

10 **PU-2711-02-495**

Pages: 53

Additional Information

by MCI metro Access Transmission Services LLC

11/06/2002

CC: Comm Legal Illona Jerry Mike

**AFFIDAVIT**

State of Colorado            )  
  )  
County of Denver            )        ss:

William Levis, being first duly sworn upon oath, deposes and states:

1. I am employed by WorldCom, Inc. as Director, Law and Public Policy, and am filing the attached Exhibits in support of MCI Metro Access Transmission Services LLC in Docket No. PU-2787-02-495, et al.
2. I submit this Affidavit to meet the requirements of the Public Service Commission of the State of North Dakota regarding the financial and technical viability of the applicant to provide service.

November 5, 2002  
Date

William Levis  
William Levis

**EXHIBIT A**

**FITNESS AND ABILITY**

<http://www.worldcom.com/infodesk/news/news2.xml?newsid=5810&mode=long&lang=en&width=530&root=/infodesk/&langlinks=on&langpop=on>



## **WorldCom Implements Program To Restore Confidence, Rebuild Integrity and Business Practices**

CLINTON, Miss. - November 4, 2002 - WorldCom, Inc. (WCOEQ) today announced that it has taken a series of actions designed to restore confidence in the company and rebuild its integrity and business practices.

"Information received from both internal and external investigations has raised issues and illuminated facts about the company's internal controls, integrity, disclosures and financial statements. We take these reports very seriously and, accordingly, the company has already taken forceful steps to strengthen and stabilize its corporate governance, management and internal controls. WorldCom's management and Board are determined to ensure that what happened here in the past cannot recur," said John Sidgmore, WorldCom president and chief executive officer.

Mr. Sidgmore said that the preliminary report from WorldCom's court-appointed examiner, Richard Thornburgh, was filed with the U.S. Bankruptcy Court today.

"We are working to create a new WorldCom," he said. "We have developed and implemented new systems, policies and procedures. We have reorganized our finance and accounting functions and have implemented, or are implementing, other organizational changes intended to help correct the company's past problems, prevent their reoccurrence and create a system that will permit its newly-appointed independent auditors to complete their review of the financial statements for the years 2000, 2001 and 2002."

Mr. Sidgmore continued, "In addition to my stepping in as CEO, WorldCom has a new CFO, Chief Restructuring Officer, three highly qualified new members of the Board of Directors and new legal and financial advisors.

John Dubel, the company's new chief financial officer, added, "We are in the process of hiring a new corporate controller, and four line controllers to oversee revenue accounting, operational accounting, financial accounting and financial controls and procedures.

"The company is doubling its internal audit department staff and broadening its focus to include financial accounting matters, as well as operational matters. WorldCom's internal audit department has a new reporting relationship. It now reports directly to the Audit Committee of the company's Board," Mr. Dubel said.

"We are creating two new operational CFO positions: one for the company's Asia-Pacific business and one for our European business, each with dotted line authority to the WorldCom, Inc. CFO. We have changed auditors, created a special investigative committee of the Board and are working with both internal and external groups to identify any additional problems of the past and come up with solutions to those problems," he added.

Mr. Sidgmore said the company's newest Board members, which have been previously announced, are serving on the special investigative committee of the Board. These Board members are:

- Nicholas deB Katzenbach, former US Attorney General, Under Secretary of State and Senior VP and General Counsel of IBM;
- Dennis Beresford, Professor of Accounting at the Terry College of Business at the University of Georgia and former Chairman of the Financial Accounting Standards Board; and
- C.B. Rogers, Jr., former Chairman and CEO of Equifax, Inc. and who has served on the Board of such companies as Sears, Roebuck & Co., Dean Witter and Briggs & Stratton Corp.

Mr. Sidgmore said that the Board and senior management have made it clear that sanctions will be taken, as appropriate, against any WorldCom employee not adhering to company policy.

"Nothing is more important to this company than its integrity. Our Board will not allow that to be compromised in any way," he said.

"This is a terrific company with outstanding employees and loyal customers," Mr. Sidgmore said. "WorldCom is not the handful of people you have read about in the newspaper. It is 63,000 hard working, dedicated people who are committed to their families, their jobs and their customers. I know I speak for every WorldCom employee when I say I wish I could wave a magic wand and make the events that put the company where it is today go away. Unfortunately, I can't. What the Board, senior management and every employee of this company can and will do, however, is take whatever action is necessary to ensure that the actions which caused the company's past problems can not and will not happen again."

#### **About WorldCom, Inc.**

WorldCom, Inc. (NASDAQ: WCOEQ, MCWEQ) is a pre-eminent global communications provider for the digital generation, operating in more than 65 countries. With one of the most expansive, wholly-owned IP networks in the world, WorldCom provides innovative data and Internet services for businesses to communicate in today's market. In April 2002, WorldCom launched The Neighborhood built by MCI - the industry's first truly any-distance, all-inclusive local and long-distance offering to consumers. For more information, go to <http://www.worldcom.com>.

- 4 November, 2002

<http://www.worldcom.com/infodesk/forward/strengths/>



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## WORLDCom'S STRENGTHS

**WorldCom's core strengths remain unchanged throughout the current financial situation. We continue to thrive as an innovator in global communications, and we have not missed a beat in delivering communications services to our millions of customers around the world.**

Our global network remains fully operational – both in the U.S. and abroad – and our dedicated experts are highly skilled at delivering seamless, integrated solutions.

WorldCom's new management team is committed to putting our financial house in order and ensuring that the company's ethical standards are beyond reproach. While we are restructuring the company top-to-bottom, we continue to offer one of the broadest arrays of products and services in the world.

### Expansive network

As always, WorldCom customers benefit from using some of the most extensive and high quality communications networks in the world.

- WorldCom owns and operates extensive global networks covering more than 95,000 route miles and high-capacity connections to more than 82,000 buildings.
- WorldCom's global IP backbone provides connectivity in more than 2,600 cities, in 100 countries via more than 3,800 POPs.
- WorldCom is the largest competitive local exchange carrier (CLEC) in the U.S. By providing access to WorldCom's global network, we enable customers to bypass their local phone companies.
- WorldCom operates 30 percent of the bandwidth on the 20 largest U.S. Internet backbone routes.\*
- To ensure that our networks operate at peak efficiency, WorldCom runs five global Network Operations Centers around the world, employing skilled technicians to monitor network performance.

### World-class service

WorldCom's performance standards have always been among the industry's best. WorldCom continues to deliver in the key areas that matter most to businesses:

- **Speed** – Our global network is among the world's fastest at transmitting and routing data
- **Reach** – Our Internet Protocol (IP) network is the farthest-reaching, most-scalable in the world with over 3,800 PoPs worldwide
- **Security** – No other company has a better understanding of how to provide a safe environment for a customer's valuable data
- **Reliability** – Our networks are among the industry's most reliable

### Innovative spirit

We are proud of WorldCom's history of competition and innovation, and with our new leadership in place, we are committed to continuing to develop next-generation communications solutions.

- The WorldCom Connection<sup>SM</sup>, the industry's only true network-based IP Communications product, serving enterprises and small business markets in the U.S. This product consolidates local and long distance for all business

locations over a customer's single data network. By converging voice traffic onto an existing WorldCom data network, customers can maximize the capacity of their data network and simplify overall network management.

- One of the industry's most comprehensive portfolios of Internet services
- Industry first developments in Web Hosting, Virtual Private Networks (VPNs), and commercial IP Communications
- WorldCom's comprehensive suite of Ethernet services, permitting U.S. businesses to access their corporate networks, the Internet, and network-based applications
- First competitive local exchange carrier to offer frame relay service in U.S. metropolitan areas
- First Service Level Agreement (SLA) for IP network services

### **Our strength is our people**

WorldCom's dedicated professionals have the knowledge and expertise to guide our customers through today's complex communications environment. Our ability and capacity to add services, install new orders, reconfigure networks, resolve trouble tickets, and perform support activities remains unchanged. More than ever, WorldCom is committed to ensuring we are the most efficient, customer-driven company in the industry.

\*Based on TeleGeography July 10, 2002 "U.S. Internet Geography 2003" Press Release.

<http://www.worldcom.com/infodesk/forward/leadership/>



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## CONTINUING OUR LEADERSHIP

**WorldCom<sup>SM</sup> is working to regain our financial health and corporate focus during the reorganization process. Even during the Chapter 11 process, WorldCom continues to innovate, lead and provide a high level of service.**

### Break-through Services

WorldCom has unveiled WorldCom Dedicated Analysis<sup>SM</sup> one of the first commercially available end-to-end dedicated Internet access-monitoring tools for companies of all sizes. In fourth quarter of 2002, all WorldCom Dedicated Internet Access customers - including T1, OCn, Ethernet and NxT1 connections to the UUNET backbone - can take advantage of WorldCom's unique new offering. [Learn more.](#)

WorldCom recently introduced a milestone "industry first" product - the WorldCom Connection<sup>SM</sup>, the industry's only true network-based IP Communications product. The WorldCom Connection consolidates local and long distance voice, data and Internet, for all business locations over a customer's single WorldCom data network. With WorldCom Connection, our U.S. customers can maximize the capacity of a customer's data network and simplify overall network management. [Learn more.](#)

Also, in August, WorldCom launched the new global Managed Firewall, designed to enhance and simplify the protection of enterprise data worldwide. Well-received in the industry, WorldCom's global Managed Firewall, enables businesses to define and implement a singular, company-wide security policy across multiple locations, regardless of geography. [Learn more.](#)

### Focus on Customers

New customers are showing continued confidence in WorldCom. For example, Super Computer, Inc., an online computer gaming company, has selected WorldCom Internet Colocation Services to power its cutting-edge services that support millions of online video game players. Jesper Jensen, president of Super Computer said "WorldCom has long been a tier one Internet provider, and unquestionably has the most superior and expansive IP network on the planet." [Learn more.](#)

WorldCom also announced recently that it has entered into an agreement with American Education Association<sup>TM</sup> (AmEdu<sup>TM</sup>) that will allow AmEdu to expand its Connected Learning Community<sup>TM</sup> program, which puts computers and technology into schools nationwide at no cost to the schools. This new relationship will enable AmEdu to provide national Internet services for parents of K-12 students via access to WorldCom's DSL services and global Dial network. [Learn more.](#)

In other recent news, Internet content provider, RadioOnDemand has selected WorldCom to stream real-time content to broadcasters. "WorldCom is the only communications provider that took the time to understand our needs, develop a plan and deliver a dependable communications solution that reliably supports us," said Dr. Herbert J. Kuhnert, President of RadioOnDemand. [Learn more.](#)

As well as announcing new customer developments, WorldCom is concentrated on meeting existing customers' needs. President and CEO John Sidgmore recently explained the latest accounting disclosures in a letter to customers. Sidgmore reiterated that disclosures in no way affect WorldCom's ability to provide customers the robust services they have come to rely upon. [Learn more.](#)

### Steps to Restructure

WorldCom has appointed a new chief restructuring officer (CRO) and chief financial officer (CFO) to support our efforts to emerge from reorganization as quickly as possible with a healthy business focused on its core capabilities. [Learn more.](#)

In addition, the U.S. Bankruptcy Court in the Southern District of New York approved \$750 million in interim financing that will provide WorldCom with sufficient funds to continue operations, pay employees and continue service to customers. [Learn more.](#)



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 [Your Account](#) > 
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 [Site Map](#) > 
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[Local](#) | 
 [Long Distance](#) | 
 [International Plans](#) | 
 [Calling Cards](#) | 
 [Partner Offers](#) | 
 [For Your Business](#)

- [About MCI](#)
- [News Room](#)
- [Milestones](#)
- [About WorldCom](#)
- [Investor Relations](#)
- [Career Center](#)

## » Milestones

MCI has been an innovative leader in the telecommunications industry for over 30 years. Here are just a few of MCI's important growth developments:

- 1968** William McGowan founds Microwave Communications of America, Inc. to help truckers communicate via two-way radios.
- 1969** The FCC approves MCI's application to provide private microwave service between Chicago and St. Louis, marking the beginning of the end of AT&T's 70-year monopoly.
- 1972** MCI goes public, raising more than \$100 million.
- 1973** MCI becomes the first telecommunications company to market specialized services to the public.
- 1974** MCI files civil antitrust suit against AT&T, beginning a 10-year legal battle that would result in the breakup of AT&T's monopoly.
- 1975** MCI's first computer switch is activated and becomes the cornerstone of MCI's network.
- 1976** MCI announces its first profit.
- 1979** MCI files second antitrust suit against AT&T for damages incurred after 1975.
- 1980** MCI begins marketing residential service. A Chicago jury awards MCI a record \$1.8 billion in its 1975 antitrust suit against AT&T.
- 1983** MCI makes the largest order of fiber optic cable ever placed - more than 150,000 miles.
- 1985** MCI restructures into seven regional units in response to AT&T's divestiture.
- 1987** MCI's new coast-to-coast fiber optic network begins operations.
- 1988** MCI begins its worldwide direct-dial service to 146 foreign countries.
- 1991** MCI launches the Friends and Family marketing campaign.
- 1993** 1-800-COLLECT debuts.
- 1996** President Clinton signs the Telecommunications Act
- 1997** WorldCom announces plans to acquire MCI.
- 1999** MCI launches 10-10-220.

### » Recent News

- [MCI URGES DEFIANCE OF BELL SCARE TACTICS](#)
- [MCI WELCOMES ARKANSAS TO THE NEIGHBORHOOD](#)
- [MCI WELCOMES MAINE TO THE NEIGHBORHOOD](#)

## **WORLDCOM'S SHARED CORPORATE SERVICES**

WorldCom provides a broad range of retail and wholesale communications services, including long distance voice communications, consumer local voice communications, wireless messaging, private line services and dial-up Internet access services. Our retail services are provided to consumers and small businesses in the United States. WorldCom is the second largest carrier of long distance telecommunications services in the United States. We provide a wide range of long distance telecommunications services, including: basic long distance telephone service, dial around, collect calling, operator assistance and calling card services (including prepaid calling cards) and toll-free or 800 services. We offer these services individually and in combinations. Through combined offerings, we provide customers with benefits such as single billing, unified services for multi-location companies and customized calling plans. Our wholesale businesses include wholesale voice services provided to carrier customers and other resellers, and dial-up Internet access services.

WorldCom shares corporate services such as executive management, human resources, legal, regulatory, accounting, tax, treasury, strategic planning and information systems support.

WorldCom expects to continue to take advantage of the strategic and operational benefits of shared managerial expertise, synergies relating to technology and purchasing arrangements, consolidated tax benefits, debt ratings and cost savings in corporate overhead expenses.

**EXHIBIT B**

**THE NEIGHBORHOOD**



FOR IMMEDIATE RELEASE

CONTACT: Claire Hassett  
(800) 644-NEWS

## MCI HITS LOCAL SERVICE LANDMARKS

*The Neighborhood Built by MCI<sup>SM</sup> Reaches 1 Million Customer Mark*

*Company Now Provides Local Service to More than 2 Million Customers*

*Company on Track to Achieve Nearly 3 Million Combined  
Local, Long-Distance Customers by Year's End*

ARLINGTON, Va.— Sept. 18, 2002 –MCI (MCWEQ) today announced it has achieved a key landmark in its efforts to create a vibrant, competitive consumer communications market. As of today, more than 1 million consumers across the country use **The Neighborhood built by MCI<sup>SM</sup>** for their combined local and long distance phone service, giving the company more than 2 million combined local and long-distance customers and putting it on track to hit the 3 million customer mark by year's end.

With a customer base of 1 million, **The Neighborhood built by MCI<sup>SM</sup>** has, in less than six months, decisively validated America's desire for competitive local choice as well as the value of the "Unbundled Network Element Platform" (UNE-P) as prescribed in The Telecommunications Act of 1996 for the delivery of local phone service.

"Since its launch in April, **The Neighborhood built by MCI<sup>SM</sup>** has revolutionized the consumer communications industry and become the most successful local service product in the history of consumer local competition," said Wayne Huyard, president of MCI Mass Markets. "Our success proves that consumers overwhelmingly want "any distance" phone service. However, their ability to choose that service could disappear if regulators do not advance and defend UNE-P as a local market entry method and protect it from RBOC assault."

### **THE PHONE SERVICE CONSUMERS WANT, AND... THE WAY CONGRESS INTENDED IT TO BE**

Despite the success of **The Neighborhood**, which has greatly surpassed expectations, local phone markets remain overwhelmingly dominated by the RBOC monopolies. Unfortunately, MCI cannot offer **The Neighborhood** to every home in every state. Rather, it is limited to offering **The Neighborhood** to those communities and states where regulators have established fair pricing based on Regional Bell Operating Company (RBOC) costs.

- MORE -

“The embryonic competition that does exist will not flourish if state regulators do not continue the difficult work of pushing UNE rates to cost so that MCI and other new local market entrants can offer consumers the revolutionary new services and lower rates that only competition can deliver,” said Huyard.

As MCI has established a toehold in local phone markets and successfully gained market-share, the RBOCs have chosen to attack their competitors instead of meeting the challenge by introducing into the marketplace their own quality services and competing products. Both at the state and federal levels, the RBOCs are fighting to undermine UNE-P competition, urging the Federal Communications Commission and state utility commissions to restrict availability to some UNEs and keep rates high just as local competition finally is beginning to take hold.

“It is particularly appalling that the RBOCs have sought to boost UNE rates in some of the states where regulators have done the right thing and set UNE rates at cost-based levels,” added Huyard. “It is clear that they would rather maintain their monopoly status at the consumer’s expense than deliver real innovation, quality and choice.”

#### **MCI TO REGULATORS: TEAR DOWN BARRIERS AND WATCH US COMPETE**

As evidenced by its announcement yesterday in Florida and recent expansion into four new states and the District of Columbia, the company said it will answer favorable regulatory actions by lowering rates for **The Neighborhood** and/or extending the reach of the service.

“We’re very encouraged that regulators in states such as New York, Illinois, Michigan and California have ordered cost-based UNE rates that enable us to make **The Neighborhood** widely available at attractive prices,” Huyard said. “Florida also has taken a positive step in that direction. We’re hoping that other states will follow suit, tearing down the barriers to competition that keep us from offering **The Neighborhood** in every part of every state.”

#### **DELIVERING ON THE PROMISE**

**The Neighborhood built by MCI<sup>SM</sup>** is the first nationwide service to free callers from the constraints of per minute rates, time of day restrictions, and unnecessary boundaries between local and long-distance service. Originally launched in 32 states less than six months ago, the brand’s flagship offering, **Neighborhood Complete**, is now available in 36 states - including the recent additions of Maine, Arkansas, North Carolina, New Jersey, and the District of Columbia.

**Neighborhood Complete** provides unlimited calling within the U.S., allowing customers to talk with whomever, whenever, and for however long, they choose – for the same fixed price each month. The entire U.S. effectively becomes one local calling area and the entire country becomes one neighborhood.

Consumers who select **Neighborhood Complete** enjoy the convenience of a single company and a single bill for all home phone service, the most popular calling features - Caller ID, Call Waiting, Voicemail, Three-Way Calling, and Speed Dial - and the ability to take advantage of free partner reward benefits, such as frequent flyer miles or movie video rentals. Depending on the state, **Neighborhood Complete** is \$49.99 - \$59.99 per month, plus applicable taxes and surcharges.

## **HOW TO JOIN THE NEIGHBORHOOD**

To join **The Neighborhood**, consumers should call 1-800-285-FREE or visit <http://www.TheNeighborhood.com>.

## **ABOUT MCI GROUP**

**MCI group (MCWEQ)**, an operating unit of WorldCom, Inc., is a leading provider of residential voice, advanced messaging and commercial communications services. MCI group offers a robust portfolio of products, including local, international and long-distance voice services, advanced messaging, and wholesale voice, dial-up Internet and data services. For more information, go to <http://www.mci.com>.

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**EXHIBIT C**

**TECHNICAL, FINANCIAL AND MANAGERIAL OF MCImetro**

## **JOHN W. SIDGMORE**

### **President and Chief Executive Officer WorldCom, Inc.**

John Sidgmore is president and chief executive officer of WorldCom, Inc., a Fortune 50 company with operations in more than 65 countries. With one of the most expansive, wholly-owned IP networks in the world, WorldCom provides innovative data, voice and Internet telecommunications services for businesses to communicate in today's market.

Sidgmore joined WorldCom in 1994 through UUNET Technologies, Inc., where he served as president and chief executive officer. During his tenure, UUNET increased its annualized revenues from approximately \$7 million to more than \$300 million, and became the world's largest Internet Access Provider with more than 1,500 employees worldwide. In May of 1995, UUNET completed the third most successful initial public offering on NASDAQ during that year. On August 12, 1996, UUNET merged with MFS Communications Company, Inc., in a transaction valued at nearly \$2 billion. Shortly following that merger, on December 31, 1996, MFS Communications, Inc. and UUNET were acquired in the fourth largest merger in corporate history for \$14 billion by WorldCom, Inc. Sidgmore was Chief Operating Officer of MFS from August through December 1996. He has been Vice Chairman of the Board and a director of WorldCom since December 1996 and served as Chief Operations Officer of WorldCom from December 1996 to September 1998. In 1998, WorldCom completed two strategic mergers. The first was the highly publicized merger of MCI. The other was a three-way transaction in which WorldCom/UUNET acquired ANS' and CompuServe's network infrastructures.

Prior to joining UUNET, Sidgmore was president and chief executive officer of CSC Intelicom (formerly Intelicom Solutions). CSC Intelicom was the largest independent software company in the telecommunications industry with approximately \$100 million in annual revenue and 60 employees worldwide. Sidgmore successfully sold Intelicom Solutions Corporation to Computer Sciences Corporation in 1991 and remained as CEO of CSC Intelicom until June of 1994.

Prior to joining CSC Intelicom, Sidgmore spent 14 years at General Electric Information Services (GEISCO), eventually serving as vice president and general manager of GEIS North America, a \$240M business segment. During his tenure as vice president and general manager, Sidgmore engineered a turnaround in GEIS's U.S. performance, which led to a tripling of net income and a 20 percent growth in revenue after three straight years of decline.

Sidgmore received his Bachelor of Arts degree in Economics from the State University of New York in 1973.

# # #

## **JONATHAN CRANE**

### **President Sales and Service WorldCom**

Jonathan Crane is president of Sales, Marketing and Service for WorldCom. As president, Crane oversees all U.S. Sales, Global Accounts and Customer Service for the WorldCom Group. Crane leads sales and service efforts for WorldCom's U.S. sales and Global Account organization, which includes the company's largest multinational corporate customers and some of the industry's most complex, advanced network solutions. Crane also oversees WorldCom's Domestic and Global Business Marketing.

Prior to joining WorldCom, Crane held CEO positions for various technology companies. Most recently, Crane was chairman and CEO of Adero, Inc., an Internet-based content distribution company. Previously, he was chairman and CEO of Marcam Solutions, Inc., an ERP software company focused on manufacturing, customer relationship management (CRM) and supply chain management applications. Crane also served as COO for Geotek as well as CEO of Lightstream.

A 30-year veteran of the telecommunications industry, Crane spent nine years leading MCI's multi-national account sales organization and built strategic business sales and marketing initiatives targeted at winning and retaining some of MCI's largest corporate customers. Crane began his career in 1973 in sales, marketing and product management for Bell of Pennsylvania, holding subsequent sales positions at Rolm Corporation and Sonacor, a division of SNET.

Crane holds a bachelor's degree in History and Education from Dartmouth College in Hanover, New Hampshire, where he graduated as a Rufus Choate Scholar.

# # #

**Wayne Huyard  
President  
MCI Mass Markets**

Few people can claim to know MCI inside and out better than Wayne Huyard. During his 18-year tenure, Huyard has achieved industry-leading consumer market share growth and was a force behind the unit's most compelling product achievements including Friends & Family, 1-800-COLLECT, 10-10-220, 5¢ Sundays, and now The Neighborhood. Huyard was also a key architect in the construction of the MCI Mass Markets division and is credited with building the largest consumer sales organization in the industry.

Having started his career at MCI in 1984, Huyard has first-hand knowledge and appreciation for what it takes to succeed in the competitive and ever-changing communications industry. It took three months for Huyard to move from sales to sales management at the outset of his impressive career. Three months after that, he opened the Seattle direct sales branch, clearing the way for MCI's entry in the Pacific Northwest. Five months later, he opened the Colorado Springs direct sales branch, leading the Western Division in branch productivity every month he held the job.

After catapulting from sales to product marketing, he became Director of Marketing for the Western Division and eventually used his expertise in running Consumer Sales, Customer Service and Marketing for this Division. In December 1990, Huyard was named Vice President of Consumer Sales for the new national MCI Mass Markets business unit. In early 1995, Huyard was named Vice President of Marketing for Mass Markets.

In December of 1995, Huyard assumed the role of President, MCI Mass Markets, a unit that delivers quality products, superior services and unparalleled value to residential and small business customers while maintaining and driving current and future value.

In April of 2002, Huyard launched the country's first nationwide combined local and long-distance phone service, **The Neighborhood Built by MCI**. In less than six months, approximately one million customers have selected The Neighborhood, making it the most successful product in the history of consumer local competition.

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<http://www.worldcom.com/global/about/news/news2.xml?newsid=3894&mode=long&lang=en&width=530&root=/global/about/&langlinks=off>



## WorldCom Appoints CRO, CFO to Executive Management Team

**CEO Sidgmore names Gregory F. Rayburn, Chief Restructuring Officer; John S. Dubel, Chief Financial Officer**

CLINTON, Miss., July 28, 2002 - WorldCom, Inc. (Nasdaq: WCOEQ, MCWEQ) today announced it has appointed Gregory F. Rayburn as chief restructuring officer and John S. Dubel as chief financial officer. Both executives are principals with AlixPartners, LLC, one of the nation's premier corporate restructuring firms. Mr. Rayburn and Mr. Dubel were appointed by, and will report directly to, John Sidgmore, WorldCom president and chief executive officer. The arrangements with AlixPartners are subject to Bankruptcy Court approval.

"These appointments are an important step in moving WorldCom forward," said Sidgmore. "In a short time, we have secured two of the most highly qualified and experienced restructuring executives available. Their task will be to support our efforts to emerge from reorganization as quickly as possible with a healthy business focused on its core capabilities. During this process, WorldCom will continue to provide world-class services to our customers."

Mr. Rayburn and Mr. Dubel will manage WorldCom's restructuring, including negotiating with existing creditors, evaluating proposals, overseeing the development of financial projections, disseminating appropriate information to stakeholders and overseeing the sale of any non-core assets.

"Our focus is on the future of WorldCom," said Mr. Rayburn. "As an innovative leader in the communications business, with more than 20 million customers and 60,000 employees worldwide, WorldCom has real business value. John Dubel and I look forward to working with John Sidgmore, the Board of Directors and the creditors to develop and implement a reorganization plan that will maximize value for the company's stakeholders, while preserving the integrity of its core business."

Mr. Sidgmore pointed out that Mr. Rayburn has extensive experience in operations, financial analysis, mergers and acquisitions and valuations. Mr. Dubel's restructuring experience includes operational reorganizations and cost reductions, financial department restructurings, strategic repositioning and divestitures. His industry experience includes telecom and high technology, manufacturing, financial services and oil and gas.

"Greg, John and their firm have demonstrated financial acumen and a reputation for building consensus and achieving results," said Sidgmore. "They are skilled at addressing complex problems and opportunities in a changing marketplace, while operating with the highest ethical standards."

Mr. Rayburn joined AlixPartners in August 2000. Most recently he acted as both CEO and CRO in the just completed successful restructuring of Sunterra Corporation. Formerly, he was the president and co-founder of The Capstone Group, a private investment partnership. Before founding Capstone, he served as Chairman and CEO of the fourth largest U.S. retailer of fabric and crafts. Mr. Rayburn is a Certified Public Accountant and a Certified Fraud Examiner. He belongs to the Turnaround Management Association, the American Institute of Certified Public Accountants, and the American Bankruptcy Institute.

Prior to joining AlixPartners in 2002, Mr. Dubel ran his own turnaround firm. During that time, he served as Chief Restructuring Officer and COO at CellNet Data Systems, Inc. CellNet is the leading provider of data and information management services in the telemetry industry and the fourth largest domestic wireless carrier based on subscriber endpoints. Mr. Dubel is a Certified Insolvency and Reorganization Accountant, a past board member and officer of the Association of Insolvency and Restructuring Advisors, and a member of the Turnaround Management Association and the American Bankruptcy Institute.

#### **About WorldCom, Inc.**

WorldCom, Inc. (Nasdaq: WCOEQ, MCWEQ) is a pre-eminent global communications provider for the digital generation, operating in more than 65 countries. With one of the most expansive, wholly-owned IP networks in the world, WorldCom provides innovative data and Internet services for businesses to communicate in today's market. In April 2002, WorldCom launched The Neighborhood built by MCI - the industry's first truly any-distance, all-inclusive local and long-distance offering to consumers for one fixed monthly price. For more information, go to <http://www.worldcom.com>.

#### **About AlixPartners, LLC**

AlixPartners, LLC, a Delaware limited liability company ([www.alixpartners.com](http://www.alixpartners.com)), is an internationally recognized leader in providing hands-on, results-oriented consulting to solve operational, financial, transactional and legal challenges for Fortune 1000 companies. It provides services in performance improvement, turnaround and restructuring, financial advisory and information technology. It has more than 170 professionals in its Detroit, New York, Chicago and Dallas offices.

#### **Forward Looking Statements**

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to WorldCom's bankruptcy proceedings and matters arising out of pending class-action and other lawsuits and ongoing internal and government investigations relating to the previously announced restatement of its financial results. Other factors that may cause actual results to differ materially from management's expectations include economic uncertainty; the effects of vigorous competition; the impact of technological change on our business, alternative technologies, and dependence on availability of transmission facilities; risks of international business; regulatory risks in the United States and internationally; contingent liabilities; uncertainties regarding the collectibility of receivables; risks associated with debt service requirements and; our financial leverage; uncertainties associated with the success of acquisitions; and the ongoing war on terrorism. More detailed information about those factors is contained in WorldCom's filings with the Securities and Exchange Commission.

- 28 July, 2002

#### **PR Contact:**

**Name:** Scott Hamilton  
**Role:** WorldCom Investors  
**Tel:** 877-624-9266  
**Email:** [investor@wcom.com](mailto:investor@wcom.com)

#### **PR Contact:**

**Name:** News Bureau  
**Role:** Media Relations

WorldCom's cash grows, needs less financing

By Ilaina Jonas

NEW YORK, Oct 1 (Reuters) - Telecommunications company WorldCom Inc. <WCOEQ.PK> on Tuesday said it had \$1 billion in cash, five times more than it said it had when it filed the largest bankruptcy in U.S. history in July.

WorldCom has \$800 million in cash in the United States and \$200 million abroad, WorldCom attorney Marcia Goldstein said, speaking at a hearing before Judge Arthur Gonzalez of the U.S. Bankruptcy Court of the Southern District of New York.

On Aug. 14, the company had slightly more than \$300 million, she said.

"This money represents post-petitions collections," she said, referring to money the company has collected since filing for bankruptcy in July. "We do not have to pay any outstanding pre-petition debts."

Bankruptcy effectively wipes out most of a company's debt, leaving it to continue to collect bills from customers while paying out only those it incurs after its filing.

"Bankruptcy is kind of a wonderful thing in the beginning days for a company because you don't have to pay any of your old bills," said David Adler, a bankruptcy attorney who does not represent WorldCom. "For the first couple of weeks, months sometimes, you just build up this hoard of cash."

When it filed for bankruptcy on July 21, amid charges of accounting abuse, the company said it had \$200 million in cash and \$30 billion in debts.

Goldstein also said that the company plans to ask the court next week to approve financing that would allow it to draw down funds totaling between \$1.25 billion and \$1.50 billion. That amount includes \$750 million in the debtor-in-possession financing that Gonzalez approved in July. Debtor-in-possession loans allow a company to continue operating while it reorganizes after it declares bankruptcy.

The amount would be at least a half a billion dollars less than the company originally said it would need.

"The \$750 million is a submitted loan but we haven't used it," Goldstein told Reuters.

WorldCom hasn't spent any of the \$750 million, she said, except for using about \$150 million as collateral for \$150 million worth of letters of credit.

((New York Technology desk 1 646 223 6180))

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

MONTHLY OPERATING STATEMENT FOR THE PERIOD  
FROM AUGUST 1, 2002 TO AUGUST 31, 2002

DEBTORS' ADDRESS: WORLDCOM, INC.  
500 CLINTON CENTER DRIVE  
CLINTON, MS 39056

DEBTORS' ATTORNEYS: Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153

**WORLDCOM, INC. AND SUBSIDIARIES  
(DEBTORS-IN-POSSESSION)  
INDEX TO MONTHLY OPERATING REPORT AND SCHEDULE**

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**WORLDCOM, INC. AND SUBSIDIARIES**  
**(DEBTORS-IN-POSSESSION)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Month Ended August 31, 2002**  
**(Unaudited. In Millions)**

Revenues	\$ 2,403
Operating expenses:	
Line costs	1,306
Selling, general and administrative	680
Depreciation and amortization	429
Total	2,415
Operating loss	(12)
Other income (expense):	
Interest expense (contractual interest \$194)	(2)
Miscellaneous	(35)
Loss from continuing operations before reorganization items, income taxes and minority interests	(49)
Reorganization items:	
Professional fees	10
Severance costs	8
Other	2
Loss from continuing operations before income taxes and minority interests	(69)
Income tax benefit	-
Loss before minority interests	(69)
Minority interests	(2)
Loss from continuing operations	(67)
Loss from discontinued operations	(31)
Distributions on mandatorily redeemable preferred securities and other preferred dividend requirements (contractual distributions \$15)	-
Net loss applicable to common shareholders	\$ (98)

The accompanying notes are an integral part of this statement.

**WORLDCOM, INC. AND SUBSIDIARIES**  
**(DEBTORS-IN-POSSESSION)**  
**NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS**

**(1) Background and Organization**

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

*Bankruptcy Filing*

On July 21, 2002 (the "Commencement Date"), WorldCom, Inc. and substantially all of its direct and indirect domestic subsidiaries (the "Debtors") filed voluntary petitions for relief in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. By order dated July 22, 2002, the Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered. Accordingly, pursuant to section 362 of the Bankruptcy Code, most of the litigation against the Company has been stayed.

*Recent Events and Investigations*

On June 25, 2002, the Company announced that as a result of an internal audit of the Company's capital expenditure accounting, it was determined that certain transfers from line cost expenses to capital accounts in the amount of \$3.055 billion during 2001 and \$797 million during the first quarter of 2002 were not made in accordance with generally accepted accounting principles ("GAAP"). The Company promptly notified its recently engaged external auditors, KPMG LLP ("KPMG"), and has engaged KPMG to undertake a comprehensive audit of the Company's financial statements for 2000, 2001 and 2002. The Company also notified Andersen LLP ("Andersen"), which audited the Company's financial statements for 2001 and reviewed such statements for first quarter 2002, promptly upon discovering these improperly reported amounts. On June 24, 2002, Andersen advised WorldCom that in light of the inappropriate transfers of line costs, Andersen's audit report on the Company's financial statements for 2001 and Andersen's review of the Company's financial statements for the first quarter of 2002 could not be relied upon.

On August 8, 2002, WorldCom announced that its ongoing internal review of its financial statements discovered an additional \$3.8 billion in improperly reported pre-tax earnings for 1999, 2000, 2001 and first quarter 2002. As a result, WorldCom intends to restate its financial statements for 2000, 2001 and the first quarter of 2002. WorldCom also announced it expects to record further write-offs of assets previously reported, including the likelihood that it may determine that substantially all existing goodwill and other intangible assets, currently recorded as approximately \$50 billion, should be written off when restated 2000, 2001 and 2002 financials are released. The Company announced it will also reevaluate the carrying value of existing property, plant and equipment as to possible impairment of historic values previously reported. However, until the Company's audit of previously reported asset values is complete, it cannot determine with certainty the amount of its ultimate write-offs.

A Special Investigative Committee of WorldCom's Board of Directors is overseeing an independent investigation of these matters led by William R. McLucas, former Director of the Division of Enforcement for the Securities and Exchange Commission ("SEC") and a partner with the law firm of Wilmer, Cutler & Pickering. WorldCom's accounting practices also are under investigation by the SEC, by the U.S. Attorney's Office for the Southern District of New York, and by the Examiner appointed by the Bankruptcy Court, Richard Thornburgh,

former Attorney General of the United States.

WorldCom has terminated its chief financial officer and two accounting directors and accepted the resignations of its corporate controller and an accounting director and is continuing its internal financial investigation. Investors and creditors should be aware that additional amounts of improperly reported pre-tax income may be discovered and announced. Until KPMG is able to complete an audit of 2000, 2001 and 2002, the total impact on previously reported financial statements cannot be known. The Company intends to continue to expeditiously announce unaudited changes to previously reported financial statements if it discovers additional issues.

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

## **(2) Basis of Presentation**

The Company cautions readers not to place undue reliance upon the information in this monthly operating report (the "Operating Report"). Since the Company has not yet finalized the restatement of its consolidated financial statements for 2000, 2001 and the first quarter of 2002, nor the audit of those financial statements, this Operating Report excludes a consolidated balance sheet and statement of cash flows. The unaudited information in this Operating Report is subject to further review and potential adjustments and may not be indicative of the Company's operating results. There can be no assurance that this Operating Report is complete, and the Company undertakes no obligation to update or revise the Operating Report. Further, the amounts reported in this Operating Report, when reported on a quarterly basis, may differ materially due to adjustments to accruals, changes in facts and circumstances, changes in estimates, further analysis and other factors. Additionally, the statement of operations included in this Operating Report includes information for subsidiaries that are not Debtors in these Chapter 11 cases.

Subject to the matters described in this Note 2 as well as Notes 1 and 8, the consolidated statement of operations for the month ended August 31, 2002, included herein, is unaudited and has been prepared in accordance with GAAP for interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted for purposes of this Operating Report. Subject to the matter described in Note 8, the consolidated statement of operations includes the accounts of WorldCom, Inc. and its consolidated subsidiaries. All material intercompany balances and transactions have been eliminated except as discussed in Note 8. The results of operations for any interim period are not necessarily indicative of the results that may be expected for the full year or any future interim period.

The unaudited consolidated statement of operations has also been prepared in accordance with Statement of Position ("SOP") No. 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code". SOP 90-7 requires an entity's statement of operations to portray the results of operations of the reporting entity during Chapter 11 proceedings. As a result, any revenues, expenses, realized gains and losses, and provisions resulting from the reorganization and restructuring of the Company should be reported separately as reorganization items, except those required to be reported as discontinued operations and extraordinary items in conformity with Accounting Principles Board No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" and Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

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

On July 22, 2002, the Company announced that the Bankruptcy Court had approved an interim \$750 million Debtor-in-Possession ("DIP") facility from Citibank, N.A., JPMorgan Chase Bank and General Electric Capital Corporation to supplement operating cash flow during the reorganization process. On October 15, 2002, the Bankruptcy Court entered a final order approving the DIP facility in an amount of \$1.1 billion with a maturity date

of the earlier of July 23, 2004 or the effective date of a plan of reorganization. The DIP facility contains restrictions on the Company's ability to grant future liens, incur indebtedness, make capital expenditures, make dividend payments and sell assets.

### **(3) Summary of Significant Accounting Policies**

#### **Principles of Consolidation:**

The consolidated statement of operations includes the accounts of WorldCom and its subsidiaries, except for Embratel Participações S.A. ("Embratel"), as discussed in Note 8. All significant intercompany transactions and balances have been eliminated in consolidation, except as discussed in Note 8. Investments in joint ventures and other equity investments in which the Company owns a 20% to 50% voting ownership interest are accounted for by the equity method. Investments of less than 20% ownership, where the Company does not exercise control or significant influence, are accounted for by the cost method.

#### **Property and Equipment:**

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

Transmission equipment (including conduit).....	4 to 40 years
Communications equipment .....	5 to 10 years
Furniture, fixtures, buildings and other .....	4 to 39 years

The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired and, as noted above, is in the process of reevaluating the carrying value of existing property and equipment as to possible impairment of historic values previously reported. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. If quoted market prices for an asset are not available, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on property and equipment to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

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

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

#### **Goodwill and Other Intangible Assets:**

Effective January 1, 2002, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets", or SFAS No. 142, which establishes accounting and reporting standards for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests. The statement also includes provisions for the identification of reporting units for purposes of assessing potential future impairments of goodwill. Upon adoption, the Company stopped amortizing intangible assets with indefinite useful lives, including goodwill and tradenames. Additionally, the Company made no revisions to the assigned useful lives of intangible assets that continue to be amortized. In light of the Company's recent events, the Company is evaluating the timing and extent of the impairment of its goodwill and other intangible assets, including the likelihood that it may determine that substantially all existing goodwill and other intangible assets, currently recorded as approximately \$50 billion, may be written off when restating its 2000, 2001 and 2002 financial statements or as a result of the adoption of SFAS No. 142.

Intangible assets are amortized using the straight-line method over their respective assigned useful lives, ranging from 5 to 10 years. Depreciation and amortization expense includes amortization expense related to the net carrying amount of intangible assets, primarily software development. As of August 31, 2002, such expense is estimated to be \$288 million for the remainder of 2002, \$920 million in 2003, \$869 million in 2004, \$762 million in 2005 and \$428 million in 2006.

**Foreign Currency Translation:**

Assets and liabilities recorded in foreign currencies are translated at the exchange rate as of the balance sheet date. Translation adjustments are recorded as a separate component of shareholders' investment. All revenue and expense accounts are translated at a weighted-average of exchange rates in effect during the period. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. The accompanying consolidated statement of operations includes foreign currency transaction losses of \$2 million for the month ended August 31, 2002.

**Recognition of Revenues:**

The Company records revenues for telecommunications services at the time of customer usage. Service activation and installation fee revenues are amortized over the average customer contract life while costs directly related to these revenues are expensed as incurred. Previously, the Company amortized these costs over the average customer contract life.

Additionally, reciprocal compensation revenue, which represents a contractually determined reimbursement of costs for call termination performed by WorldCom on behalf of other carriers' customers, and primary interexchange carrier charges ("PICC"), which represent flat-rate charges mandated by the Federal Communications Commission ("FCC") which apply to telecommunications companies that connect to customers through a traditional phone company's facilities, are reported on a gross basis as revenue. Previously, the Company had reported reciprocal compensation revenue and PICC charges as an offset to line costs.

The Company enters into operating agreements with telecommunications carriers in foreign countries under which international long distance traffic is both delivered and received. International settlements are reported on a gross basis as revenues. Previously, the Company had reported international settlement revenues as an offset to line costs.

The Company enters into agreements with its customers that may result in the receipt of cash before the relevant criteria for revenue recognition have been satisfied, and as a result a liability is recorded as deferred revenue.

**Income Taxes:**

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

**Interest Expense:**

In accordance with SOP 90-7, the Debtors did not record interest expense from the Commencement Date through August 31, 2002.

**Concentration of Credit Risk:**

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

**Recently Issued Accounting Standards:**

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

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

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for doubtful accounts, revenue reserves, depreciation and amortization, taxes and contingencies.

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

**Reorganization Items:**

In the accompanying unaudited consolidated statement of operations, the Company classifies expenses, including restructuring costs, severance costs, retention plans, professional fees and interest income, as reorganization items based upon the provisions of SOP 90-7. These costs totaled \$20 million for the month ended August 31, 2002 and were comprised of \$10 million of professional fees, \$8 million of severance costs and \$2 million of other reorganization costs.

**(4) Discontinued Operations**

In June 2002, the Company announced it had approved a plan to divest its non-core wireless resale operations and its international telecommunications construction operations. The results of operations of these operations are shown in the accompanying unaudited consolidated statement of operations as discontinued operations. The Company anticipates the sale of these operations to be completed within a year.

Loss from discontinued operations consists of the following (in millions):

Statement of Operations Data for the Month Ended August 31, 2002:

Revenue	\$ 42
Expenses	<u>73</u>
Operating loss	(31)
Income tax benefit	<u>-</u>
Loss from discontinued operations	<u><b>\$(31)</b></u>

**(5) Insurance**

Premiums to date for all insurance policies, including workers' compensation and disability insurance, have been paid and are in full force and effect.

#### **(6) Income Taxes**

The Company did not recognize any tax effects in the accompanying statement of operations for the month ended August 31, 2002. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

#### **(7) Avantel Deconsolidation**

WorldCom owns a 44.5% interest in Avantel, S.A. and a 44.5% interest in Avantel Servicios Locales, S.A. (collectively, "Avantel"), which, prior to January 1, 2000, was accounted for using the equity method of accounting. During the first quarter 2000, WorldCom began consolidating Avantel effective January 1, 2000. As a result of its ongoing review of its financial statements, WorldCom has reevaluated the decision to consolidate Avantel and has concluded that its investment in Avantel should be accounted for using the equity method of accounting for all periods. Accordingly, Avantel has been deconsolidated retroactive to January 1, 2000.

#### **(8) Embratel Consolidation**

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

#### **(9) Contingencies**

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

*Regulation.* We are subject to varying degrees of federal, state, local and international regulation. In the United States, our subsidiaries are most heavily regulated by the states, especially for the provision of local exchange services. Our subsidiaries must be certified separately in each state to offer local exchange and intrastate long distance services. No state, however, subjects us to rate of return regulation, nor are we currently required to obtain FCC authorization for installation or operation of our network facilities used for domestic services, other than licenses for specific multichannel multipoint distribution services, wireless communications service and terrestrial microwave and satellite earth station facilities that utilize radio frequency spectrum. FCC approval is required, however, for the installation and operation of our international facilities and services. We are subject to varying degrees of regulation in the foreign jurisdictions in which we conduct business, including authorization for the installation and operation of network facilities. Although the trend in federal, state and international regulation appears to favor increased competition, no assurance can be given that changes in current or future regulations adopted by the FCC, state or foreign regulators or legislative initiatives in the United States or abroad would not have a material adverse effect on us.

In August 1996, the FCC established nationwide rules pursuant to the Telecommunications Act of 1996, or the Telecom Act, designed to encourage new entrants to compete in local service markets through interconnection with the

traditional local phone companies, resale of traditional local phone companies' retail services and use of individual and combinations of unbundled network elements provided by the traditional local phone companies. Unbundled network elements are defined in the Telecom Act as any "facility or equipment used in the provision of a telecommunication service," as well as "features, function, and capabilities that are provided by means of such facility or equipment." In January 1999, the Supreme Court of the United States confirmed the FCC's authority to issue the rules, including a pricing methodology for unbundled network elements. On remand, the FCC clarified the requirement that traditional local phone companies make specific unbundled network elements available to new entrants. The traditional local phone companies appealed the decision to the U. S. Court of Appeals for the District of Columbia Circuit.

On May 24, 2002, the District of Columbia Circuit issued its decision, faulting the FCC, and remanded the matter to the FCC to reconsider the way in which it determines which network elements it will unbundle. WorldCom, the FCC and others have not yet decided whether to ask the Supreme Court to review that decision, and the FCC currently is reviewing those rules in its pending "Triennial Review" proceeding, which is discussed below.

Numerous other issues related to the list of available unbundled network elements are under active consideration by the FCC and the courts. In December 2001, the FCC began an examination of whether certain high capacity and broadband services offered by traditional phone companies were subject to sufficient competition such that they no longer needed to be regulated as "dominant." In February 2002, the FCC initiated a proceeding seeking to streamline and simplify the unbundled network element requirements imposed on traditional local phone companies in its "Triennial Review" of its local competition rules. In a separate proceeding, the FCC is examining whether broadband Internet access, or "DSL service," provided by traditional telephone companies should be treated as an information service and not subject to common carrier unbundling requirements. On May 24, 2002, the District of Columbia Circuit issued a decision vacating and remanding to the FCC a rule requiring traditional phone companies to unbundle the voice portion of a DSL connection. WorldCom has filed a motion for rehearing or, in the alternative, a request not to vacate the order pending the remand to the FCC. The FCC may begin to resolve these proceedings in the fourth quarter of 2002. If regulations are streamlined or removed, there are elements and combinations of elements upon which WorldCom relies to provide local services, broadband and advanced services that might no longer be required as a matter of federal regulation. Substantial reduction in unbundling requirements for traditional phone companies would also foreclose WorldCom's future range of options in provisioning local service to customers.

The Telecom Act requires traditional local phone companies to petition the FCC for permission to offer long distance services for each state within their region. Under section 271 of the Telecom Act, for these applications to be granted, the FCC must find, among other things, that the traditional phone company has demonstrated that it has satisfied a 14-point competitive checklist to open its local network to competition and that granting the petition is in the public interest. To date, the FCC has rejected five traditional local phone company applications, eight have been withdrawn by the applicant, and the FCC has granted twelve (covering fifteen states): Verizon's for New York, Massachusetts, Connecticut, Pennsylvania, Rhode Island, Vermont, Maine, and New Jersey; SBC's for Texas, Kansas, Oklahoma, Missouri and Arkansas; and BellSouth's for Georgia and Louisiana. WorldCom and other competitive carriers appealed to the District of Columbia Circuit the approvals for Kansas, Oklahoma and Massachusetts. On December 28, 2001, the District of Columbia Circuit decided that the FCC had not adequately addressed whether the prices charged for leasing network elements by SBC in Kansas and Oklahoma create a price squeeze which violated the standards for SBC to gain long distance approval. Without vacating the approval, the District of Columbia Circuit remanded the case to the FCC for it to address the price squeeze issue. In the Massachusetts appeal, oral argument occurred on September 9, 2002. BellSouth has filed a joint application to offer long distance service for Alabama, Kentucky, Mississippi, North Carolina and South Carolina, and Verizon has filed a joint application for New Hampshire and Delaware. Other applications may be filed at any time. We have challenged, and will continue to challenge, any application that we believe does not satisfy the requirements of section 271 or the FCC's local competition rules. To date, these challenges have focused on the pricing of unbundled network elements and on the adequacy of the traditional local phone companies' operations support systems.

In addition, legislation has been introduced in Congress that would have the effect of allowing traditional local phone companies to offer in-region long distance data services without satisfying section 271 of the Telecom Act and/or of making it more difficult for competitors to resell incumbent local phone company high-speed Internet access services or to lease the unbundled network elements used to provide these services. This legislation passed the House of Representatives on February 27, 2002 and has been referred to the Senate Commerce Committee.

In February 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking regarding the regulatory treatment of calls to Internet service providers. Prior to the FCC's order, over thirty state public utility commissions issued orders finding that carriers, including WorldCom, are entitled to collect reciprocal compensation for completing calls to Internet service providers under the terms of their interconnection agreements with traditional local phone companies. Many of these public utility commission decisions were appealed by the traditional local phone companies and, since the FCC's order, many traditional local phone companies have filed new cases at the public utility commissions or in court. We petitioned for review of the FCC's order in the District of Columbia Circuit, which vacated the order and remanded the case to the FCC for further proceedings. In April 2001, the FCC issued an Order on Remand and Report and Order asserting jurisdiction over calls to Internet service providers and establishing a three-year transitional scheme of decreasing reciprocal compensation rates. We filed a petition for review of the FCC's order with the District of Columbia Circuit, and on May 3, 2002, the District of Columbia Circuit upheld our challenge and remanded the case to the FCC, ruling that the FCC's legal analysis was based on a flawed reading of the Telecom Act. The Court expressly declined to decide any of the remaining challenges to the transitional scheme, opting to wait until the FCC provided a sufficient legal basis in support of the conclusions it had reached in the Order. In the interim, however, because the Court apparently believed that there may be other legal basis for adopting the rules chosen here, it decided not to vacate the order and instead left the FCC transitional scheme in place.

It is possible that spectrum rights held may be disrupted by FCC decisions to re-allocate some or all of that spectrum to other services. If this re-allocation were to occur, we cannot predict whether current deployment plans for our multi-channel multipoint distribution services will be sustainable.

*Litigation.* In November 2000, class action complaints were filed in the U.S. District Courts for the Southern District of Mississippi, the Southern District of New York and the District of Columbia against WorldCom and some of our executive officers. All of these actions were consolidated in the Southern District of Mississippi on March 27, 2001, along with another purported class action lawsuit filed on behalf of individuals who purchased stock in Intermedia between September 5 and November 1, 2000, which action asserted substantially similar claims and alleges that after the announcement of the WorldCom-Intermedia merger, the price of Intermedia stock was tied to the price of WorldCom stock. On June 1, 2001, the plaintiffs filed a consolidated amended complaint. Among other things, the consolidated amended complaint alleged that statements regarding WorldCom's revenues, the integration of MCI, the success of UUNET Technologies and the expansion of WorldCom's network were false; WorldCom's financial disclosures were false; and WorldCom's announcement of its "generation d" initiative was misleading. Based on these allegations, the consolidated amended complaint asserts claims for violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. The consolidated amended complaint seeks to certify a class of persons who purchased WorldCom shares between February 10, 2000 and November 1, 2000, inclusive; it does not assert separate claims on behalf of purchasers of Intermedia shares. On March 29, 2002, the district court granted the motion by WorldCom and the individual defendants to dismiss the consolidated amended complaint and entered final judgment dismissing the complaint with prejudice. On April 4, 2002, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Fifth Circuit. On August 22, 2002, the Fifth Circuit stayed the appeal pending disposition of the bankruptcy proceedings.

On May 29, 2001, former WorldxChange Communications ("WorldxChange") shareholders filed a complaint in California state court against WorldCom, three of its officers, and directors and officers of World Access, alleging that the defendants misrepresented the nature of a Carrier Services Agreement that required WorldCom to provide certain monthly revenues to World Access. Plaintiffs allege that, in reliance on the Agreement, WorldxChange agreed to merge with World Access. Plaintiffs seek rescission and unspecified compensatory and punitive damages for alleged violations of state securities laws, fraud, negligent misrepresentation and breach of fiduciary duty. The claims against WorldCom are presently stayed. On September 5, 2002, the court granted motions to quash for lack of personal jurisdiction on behalf of the former WorldCom officers, dismissing them from the action.

On March 18, 2002, one current and one former employee filed suit in the U.S. District Court for the Northern District of California against WorldCom and two of its former executive officers on behalf of a putative class of participants in the WorldCom 401(k) plan and its predecessor plans, claiming that defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") with respect to the administration of the WorldCom 401(k) Plan and its predecessor plans. The complaint alleges that the defendants breached their

fiduciary duties by misrepresenting WorldCom's financial results to plan participants. Plaintiffs further allege that defendants breached their fiduciary duties by allowing plan participants to continue to invest in WorldCom stock as one of their plan options. The complaint seeks to certify a class of persons who participated in the WorldCom 401(k) Plan and certain predecessor plans for the period of February 8, 2000 to November 1, 2000 and requests damages and other relief. On September 16, 2002, plaintiffs amended the complaint to expand the class period from January 1, 2000 through the present. The amended complaint also names as a defendant a current WorldCom employee. Following the Company's announcement on June 25, 2002 that it would be restating its earnings, participants in 401(k) plans for WorldCom and various affiliates filed approximately 14 additional putative class action suits in U.S. District Courts in New York, Mississippi, Florida and the District of Columbia against WorldCom and certain of its executive officers claiming that they breached their fiduciary duties under the Employee Retirement Income Security Act with respect to the administration of the WorldCom 401(k) Plan.

Beginning on April 30, 2002, various groups of plaintiffs have filed in excess of 40 complaints, purportedly on behalf of certain WorldCom shareholders and bondholders or classes thereof in the U.S. District Courts for the Southern District of New York, the Southern District of Mississippi, the Central District of California and the Eastern District of Missouri, as well as in state courts in California, Florida, Georgia, Illinois, Ohio, Tennessee and West Virginia. Several non-class action lawsuits were brought on behalf of individuals or small groups of shareholders in the U.S. District Courts for the Eastern District of Virginia and the Southern District of Mississippi and in state courts in Mississippi and Texas. All the cases filed initially in state court have been removed to the U.S. district courts for the districts in which they were filed. One derivative suit was filed in the Southern District of New York. The complaints, which name as defendants WorldCom, various current and former WorldCom officers and directors, and, in some cases, our former auditors and underwriters, allege generally that defendants misstated WorldCom's earnings in WorldCom's public filings with the SEC and elsewhere failed to properly account for goodwill and other intangible assets in connection with numerous acquisitions. The majority of these actions assert claims for violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. Certain bondholder actions assert claims for violation of Section 11 of the Securities Act. Three of the state court actions allege state law claims. On August 15, 2002, the U.S. District Court for the Southern District of New York issued an order consolidating the cases in that district and appointing a lead plaintiff. On October 11, 2002, the lead plaintiff filed a consolidated amended complaint that asserts claims under Sections 11 and 15 of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act.

On October 8, 2002, the Judicial Panel on Multidistrict Litigation (the "Panel") issued an order that centralized 39 cases arising under the federal securities laws and ERISA in the U.S. District Court for the Southern District of New York for consolidated or coordinated pretrial proceedings. The Panel has been notified of additional cases that should be treated as "tag-along" cases and also centralized in the Southern District of New York.

On June 26, 2002, pursuant to Section 21(d) of the Exchange Act, the SEC filed suit against WorldCom, alleging violations of Sections 10(b) and 13(a) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-13. The SEC alleges that from at least the first quarter of 2001 through the first quarter of 2002, WorldCom defrauded investors by disguising its true operating performance via improper accounting methods that materially overstated its income by approximately \$3.055 billion in 2001 and \$797 million during the first quarter of 2002. Specifically, the SEC alleges that WorldCom falsely portrayed itself as a profitable business during 2001 and the first quarter of 2002 and that WorldCom's transfer of its costs to its capital accounts violated the established standards of generally accepted accounting principles.

In addition, following WorldCom's June 25, 2002 announcement, various criminal and regulatory investigations have been initiated by the U.S. Department of Justice, several state agencies, the SEC and both houses of Congress. These investigations are ongoing. WorldCom is cooperating fully in those proceedings and inquiries.

In August 1997, three complaints were filed in the U.S. District Court for the District of Columbia as class actions on behalf of purchasers of MCI shares. The three cases were consolidated on April 1, 1998. On or about May 8, 1998, the plaintiffs in all three cases filed a consolidated amended complaint alleging, on behalf of purchasers of MCI's shares between July 11, 1997 and August 21, 1997, inclusive, that MCI and some of its officers and directors failed to disclose material information about MCI, including that MCI was renegotiating the terms of the MCI BT merger agreement. The consolidated amended complaint seeks damages and other relief. On May 3, 2002, the district court denied the defendants' motion to dismiss.

WorldCom, Inc.

Schedule 1

Total Disbursements by Legal Entity

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>8/1/2002 - 8/31/2002</u>
02-42156 (AJG)	Access Network Services, Inc.	-
02-42157 (AJG)	Access Virginia, Inc.	-
02-42158 (AJG)	ALD Communications, Inc.	-
02-42159 (AJG)	BFC Communications, Inc.	-
02-42160 (AJG)	Bittel Telecommunications Corporation	-
02-42161 (AJG)	Brooks Fiber Communications of Arkansas, Inc.	-
02-42162 (AJG)	Brooks Fiber Communications of Bakersfield, Inc.	-
02-42163 (AJG)	Brooks Fiber Communications of Connecticut, Inc.	-
02-42164 (AJG)	Brooks Fiber Communications of Fresno, Inc.	-
02-42165 (AJG)	Brooks Fiber Communications of Massachusetts, Inc.	-
02-42166 (AJG)	Brooks Fiber Communications of Michigan, Inc.	-
02-42167 (AJG)	Brooks Fiber Communications of Minnesota, Inc.	-
02-42168 (AJG)	Brooks Fiber Communications of Mississippi, Inc.	-
02-42169 (AJG)	Brooks Fiber Communications of Missouri, Inc.	-
02-42170 (AJG)	Brooks Fiber Communications of Nevada, Inc.	-
02-42171 (AJG)	Brooks Fiber Communications of New England, Inc.	-
02-42172 (AJG)	Brooks Fiber Communications of New Mexico, Inc.	-
02-42173 (AJG)	Brooks Fiber Communications of New York, Inc.	-
02-42174 (AJG)	Brooks Fiber Communications of Ohio, Inc.	-
02-42175 (AJG)	Brooks Fiber Communications of Oklahoma, Inc.	-
02-42176 (AJG)	Brooks Fiber Communications of Rhode Island, Inc.	-
02-42177 (AJG)	Brooks Fiber Communications of Sacramento, Inc.	-
02-42178 (AJG)	Brooks Fiber Communications of San Jose, Inc.	-
02-42179 (AJG)	Brooks Fiber Communications of Stockton, Inc.	-
02-42180 (AJG)	Brooks Fiber Communications of Tennessee, Inc.	-
02-42181 (AJG)	Brooks Fiber Communications of Texas, Inc.	-
02-42182 (AJG)	Brooks Fiber Communications of Tucson, Inc.	-
02-42183 (AJG)	Brooks Fiber Communications of Tulsa, Inc.	-
02-42184 (AJG)	Brooks Fiber Communications of Utah, Inc.	-
02-42185 (AJG)	Brooks Fiber Communications-LD, Inc.	-
02-42186 (AJG)	Brooks Fiber Properties, Inc.	-
02-42187 (AJG)	BTC Transportation Corporation	-
02-42188 (AJG)	Business Internet, Inc.	-
02-42189 (AJG)	Chicago Fiber Optic Corporation	-
02-42190 (AJG)	Com Systems, Inc.	-
02-42191 (AJG)	COM/NAV Realty Corp.	-
02-42192 (AJG)	Cross Country Wireless, Inc.	-
02-42193 (AJG)	CS Wireless Battle Creek, Inc.	-
02-42194 (AJG)	CS Wireless Systems, Inc.	-
02-42195 (AJG)	E.L. Acquisition, Inc.	-
02-42196 (AJG)	Express Communications, Inc.	-
02-42197 (AJG)	FiberNet Rochester, Inc.	-
02-42198 (AJG)	Fibernet, Inc.	-
02-42199 (AJG)	Healan Communications, Inc.	-
02-42317 (AJG)	ICI Capital LLC	-
02-42200 (AJG)	Intelligent Investment Partners, Inc.	-

## WorldCom, Inc.

## Schedule 1

## Total Disbursements by Legal Entity

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>8/1/2002 - 8/31/2002</u>
02-42201 (AJG)	Intermedia Capital, Inc.	-
02-42154 (AJG)	Intermedia Communications Inc.	-
02-42202 (AJG)	Intermedia Communications of Virginia, Inc.	-
02-42203 (AJG)	Intermedia Investment, Inc.	-
02-42204 (AJG)	Intermedia Licensing Company	-
02-42318 (AJG)	Intermedia Services LLC	-
02-42205 (AJG)	Jones Lightwave of Denver, Inc.	-
02-42206 (AJG)	Marconi Telegraph Cable Company, Inc.	-
02-42207 (AJG)	MCI Canada, Inc.	-
02-42155 (AJG)	MCI Communications Corporation	-
02-42208 (AJG)	MCI Equipment Acquisition Corporation	-
02-42209 (AJG)	MCI Galaxy III Transponder Leasing, Inc.	-
02-42210 (AJG)	MCI Global Access Corporation	-
02-42211 (AJG)	MCI Global Support Corporation	-
02-42319 (AJG)	MCI International Services, L.L.C.	-
02-42212 (AJG)	MCI International Telecommunications Corporation	200,136,091.88
02-42214 (AJG)	MCI International Telecommunications Holding Corporation	-
02-42213 (AJG)	MCI International, Inc.	-
02-42215 (AJG)	MCI Investments Holdings, Inc.	-
02-42216 (AJG)	MCI Network Technologies, Inc.	-
02-42217 (AJG)	MCI Omega Properties, Inc.	-
02-42320 (AJG)	MCI Payroll Services, LLC	-
02-42218 (AJG)	MCI Research, Inc.	-
02-42219 (AJG)	MCI Transcon Corporation	-
02-42220 (AJG)	MCI Wireless, Inc.	-
02-42321 (AJG)	MCI WORLDCOM Brands, L.L.C.	-
02-42322 (AJG)	MCI WORLDCOM Brooks Telecom, LLC	-
02-42221 (AJG)	MCI WORLDCOM Capital Management Corporation	-
02-42222 (AJG)	MCI WORLDCOM Communications of Virginia, Inc.	-
02-42223 (AJG)	MCI WORLDCOM Communications, Inc.	-
02-42224 (AJG)	MCI WORLDCOM Financial Management Corporation	-
02-42225 (AJG)	MCI WORLDCOM Global Networks U.S., Inc.	-
02-42226 (AJG)	MCI WORLDCOM International, Inc.	-
02-42227 (AJG)	MCI WorldCom Management Company, Inc.	150,155,972.31
02-42323 (AJG)	MCI WORLDCOM MFS Telecom, LLC	-
02-42228 (AJG)	MCI WORLDCOM Network Services of Virginia, Inc.	-
02-42229 (AJG)	MCI WORLDCOM Network Services, Inc.	854,178,683.74
02-42230 (AJG)	MCI WORLDCOM Synergies Management Company, Inc. (89.5%)	-
02-42231 (AJG)	MCI/OTI Corporation	-
02-42232 (AJG)	MCImetro Access Transmission Services LLC	-
02-42324 (AJG)	MCImetro Access Transmission Services of Virginia, Inc.	-
02-42233 (AJG)	Metrex Corporation	-
02-42234 (AJG)	Metropolitan Fiber Systems of Arizona, Inc.	-
02-42235 (AJG)	Metropolitan Fiber Systems of Baltimore, Inc.	-
02-42236 (AJG)	Metropolitan Fiber Systems of California, Inc.	-
02-42237 (AJG)	Metropolitan Fiber Systems of Connecticut, Inc.	-

**WorldCom, Inc.**

Schedule 1

**Total Disbursements by Legal Entity**

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>8/1/2002 - 8/31/2002</u>
02-42238 (AJG)	Metropolitan Fiber Systems of Dallas, Inc.	-
02-42239 (AJG)	Metropolitan Fiber Systems of Delaware, Inc.	-
02-42240 (AJG)	Metropolitan Fiber Systems of Denver, Inc.	-
02-42241 (AJG)	Metropolitan Fiber Systems of Detroit, Inc.	-
02-42242 (AJG)	Metropolitan Fiber Systems of Florida, Inc.	-
02-42243 (AJG)	Metropolitan Fiber Systems of Houston, Inc.	-
02-42244 (AJG)	Metropolitan Fiber Systems of Indianapolis, Inc.	-
02-42245 (AJG)	Metropolitan Fiber Systems of Minneapolis/St. Paul, Inc.	-
02-42246 (AJG)	Metropolitan Fiber Systems of New Hampshire, Inc.	-
02-42247 (AJG)	Metropolitan Fiber Systems of New Jersey, Inc.	-
02-42248 (AJG)	Metropolitan Fiber Systems of New Orleans, Inc.	-
02-42249 (AJG)	Metropolitan Fiber Systems of New York, Inc.	-
02-42250 (AJG)	Metropolitan Fiber Systems of Ohio, Inc.	-
02-42251 (AJG)	Metropolitan Fiber Systems of Oregon, Inc.	-
02-42252 (AJG)	Metropolitan Fiber Systems of Philadelphia, Inc.	-
02-42253 (AJG)	Metropolitan Fiber Systems of Pittsburgh, Inc.	-
02-42254 (AJG)	Metropolitan Fiber Systems of Seattle, Inc.	-
02-42255 (AJG)	Metropolitan Fiber Systems of St. Louis, Inc.	-
02-42256 (AJG)	Metropolitan Fiber Systems/McCourt, Inc.	-
02-42257 (AJG)	MFS CableCo U.S., Inc.	-
02-42258 (AJG)	MFS Datanet, Inc.	-
02-42259 (AJG)	MFS Telecom, Inc.	-
02-42260 (AJG)	MFS Telephone of Missouri, Inc.	-
02-42261 (AJG)	MFS Telephone of New Hampshire, Inc.	-
02-42262 (AJG)	MFS Telephone of Virginia, Inc.	-
02-42263 (AJG)	MFS Telephone, Inc.	-
02-42330 (AJG)	MFS/C-TEC	-
02-42264 (AJG)	MFSA Holding, Inc.	-
02-42265 (AJG)	Military Communications Center, Inc.	-
02-42266 (AJG)	MobileComm Europe Inc.	-
02-42267 (AJG)	Mtel Asia, Inc.	-
02-42268 (AJG)	Mtel Cellular, Inc.	-
02-42269 (AJG)	Mtel International, Inc.	-
02-42270 (AJG)	Mtel Latin America, Inc.	-
02-42271 (AJG)	Mtel Microwave, Inc.	-
02-42272 (AJG)	Mtel Service Corporation	-
02-42273 (AJG)	N.C.S. Equipment Corporation	-
02-42274 (AJG)	National Telecommunications of Florida, Inc.	-
02-42275 (AJG)	Netwave Systems, Inc.	-
02-42276 (AJG)	networkMCI, Inc.	-
02-42277 (AJG)	Northeast Networks, Inc.	-
02-42278 (AJG)	Nova Cellular Co.	-
02-42279 (AJG)	NTC, Inc.	-
02-42280 (AJG)	Overseas Telecommunications, Inc.	-
02-42281 (AJG)	Shared Technologies Fairchild Communications Corporation	-
02-42282 (AJG)	Shared Technologies Fairchild Telecom, Inc.	-

**WorldCom, Inc.**

Schedule 1

**Total Disbursements by Legal Entity**

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>8/1/2002 - 8/31/2002</u>
02-42283 (AJG)	Shared Technologies Fairchild, Inc.	-
02-42284 (AJG)	SkyTel Communications, Inc.	-
02-42285 (AJG)	SkyTel Corp.	-
02-42325 (AJG)	SkyTel Payroll Services, LLC	-
02-42286 (AJG)	Southernnet of South Carolina, Inc.	-
02-42287 (AJG)	Southernnet Systems, Inc.	-
02-42288 (AJG)	Southernnet, Inc.	-
02-42289 (AJG)	Telecom*USA, Inc.	-
02-42290 (AJG)	Teleconnect Company	-
02-42291 (AJG)	Teleconnect Long Distance Services & Systems Co.	-
02-42292 (AJG)	Tenant Network Services, Inc.	-
02-42293 (AJG)	TransCall America, Inc.	-
02-42294 (AJG)	Tru Vision Wireless, Inc.	-
02-42295 (AJG)	Tru Vision-Flippin, Inc.	-
02-42296 (AJG)	TTI National, Inc.	-
02-42297 (AJG)	UUNET Australia Limited	-
02-42298 (AJG)	UUNET Caribbean, Inc.	-
02-42299 (AJG)	UUNET Holdings Corp.	-
02-42300 (AJG)	UUNET International Ltd.	-
02-42301 (AJG)	UUNET Japan Ltd.	-
02-42326 (AJG)	UUNET Payroll Services, LLC	-
02-42302 (AJG)	UUNET Technologies, Inc.	-
02-42303 (AJG)	Virginia Metrotel, Inc.	-
02-42304 (AJG)	Wireless One, Inc.	-
02-42305 (AJG)	Wireless Video Services	-
02-42306 (AJG)	WorldCom Broadband Solutions, Inc.	-
02-13532 (AJG)	WorldCom Caribbean, Inc.	-
02-42307 (AJG)	WorldCom East, Inc.	-
02-42308 (AJG)	WorldCom ETC, Inc.	-
02-42309 (AJG)	WorldCom Federal Systems, Inc.	-
02-42310 (AJG)	WorldCom ICC, Inc.	-
02-42312 (AJG)	WorldCom International Data Services, Inc.	-
02-42327 (AJG)	WorldCom International Mobile Services LLC	-
02-42313 (AJG)	WorldCom International Mobile Services, Inc.	-
02-42311 (AJG)	WorldCom International, Inc.	-
02-42314 (AJG)	WorldCom Overseas Holdings, Inc.	-
02-42328 (AJG)	WorldCom Payroll Services, LLC	-
02-42329 (AJG)	WorldCom Purchasing, LLC	-
02-42315 (AJG)	WorldCom Ventures, Inc.	-
02-42316 (AJG)	WorldCom Wireless, Inc.	-
02-13533 (AJG)	WorldCom, Inc.	177,078,589.25
	<b>Total</b>	<b>1,381,549,337.18</b>

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

WORLDCOM, INC., et al.,

Debtors.

Chapter 11 Case No.

02-13533(AJG)

(Jointly Administered)

MONTHLY OPERATING STATEMENT FOR THE PERIOD  
FROM JULY 1, 2002 TO JULY 31, 2002

DEBTORS' ADDRESS: WORLDCOM, INC.  
500 CLINTON CENTER DRIVE  
CLINTON, MS 39056

DEBTORS' ATTORNEYS: Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153

**WORLD.COM, INC. AND SUBSIDIARIES  
(DEBTORS-IN-POSSESSION)  
INDEX TO MONTHLY OPERATING REPORT AND SCHEDULE**

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**WORLD COM, INC. AND SUBSIDIARIES**  
**(DEBTORS-IN-POSSESSION)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Month Ended July 31, 2002**  
**(Unaudited. In Millions)**

Revenues	\$ 2,464
Operating expenses:	
Line costs	1,352
Selling, general and administrative	753
Depreciation and amortization	425
Total	2,530
Operating loss	(66)
Other income (expense):	
Interest expense (contractual interest \$194)	(111)
Miscellaneous	(82)
Loss from continuing operations before reorganization items, income taxes and minority interests	(259)
Reorganization items:	
Professional fees	4
Other	14
Loss from continuing operations before income taxes and minority interests	(277)
Income tax benefit	-
Loss before minority interests	(277)
Minority interests	(8)
Loss from continuing operations	(269)
Loss from discontinued operations	(52)
Distributions on mandatorily redeemable preferred securities and other preferred dividend requirements (contractual distributions \$15)	10
Net loss applicable to common shareholders	\$ (331)

The accompanying notes are an integral part of this statement.

**WORLDCOM, INC. AND SUBSIDIARIES**  
**(DEBTORS-IN-POSSESSION)**  
**NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS**

**(1) Background and Organization**

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

*Bankruptcy Filing*

On July 21, 2002 (the "Commencement Date"), WorldCom, Inc. and substantially all of its direct and indirect domestic subsidiaries (the "Debtors") filed voluntary petitions for relief in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. By order dated July 22, 2002, the Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered. Accordingly, pursuant to section 362 of the Bankruptcy Code, most of the litigation against the Company has been stayed.

*Recent Events and Investigations*

On June 25, 2002, the Company announced that as a result of an internal audit of the Company's capital expenditure accounting, it was determined that certain transfers from line cost expenses to capital accounts in the amount of \$3.055 billion during 2001 and \$797 million during the first quarter of 2002 were not made in accordance with generally accepted accounting principles ("GAAP"). The Company promptly notified its recently engaged external auditors, KPMG LLP ("KPMG"), and has engaged KPMG to undertake a comprehensive audit of the Company's financial statements for 2000, 2001 and 2002. The Company also notified Andersen LLP ("Andersen"), which audited the Company's financial statements for 2001 and reviewed such statements for first quarter 2002, promptly upon discovering these improperly reported amounts. On June 24, 2002, Andersen advised WorldCom that in light of the inappropriate transfers of line costs, Andersen's audit report on the Company's financial statements for 2001 and Andersen's review of the Company's financial statements for the first quarter of 2002 could not be relied upon.

On August 8, 2002, WorldCom announced that its ongoing internal review of its financial statements discovered an additional \$3.8 billion in improperly reported pre-tax earnings for 1999, 2000, 2001 and first quarter 2002. As a result, WorldCom intends to restate its financial statements for 2000, 2001 and the first quarter of 2002. WorldCom also announced it expects to record further write-offs of assets previously reported, including the likelihood that it may determine that substantially all existing goodwill and other intangible assets, currently recorded as approximately \$50 billion, should be written off when restated 2000, 2001 and 2002 financials are released. The Company announced it will also reevaluate the carrying value of existing property, plant and equipment as to possible impairment of historic values previously reported. However, until the Company's audit of previously reported asset values is complete, it cannot determine with certainty the amount of its ultimate write-offs.

A Special Investigative Committee of WorldCom's Board of Directors is overseeing an independent investigation of these matters led by William R. McLucas, former Director of the Division of Enforcement for the Securities and Exchange Commission ("SEC") and a partner with the law firm of Wilmer, Cutler & Pickering. WorldCom's accounting practices also are under investigation by the SEC, by the U.S. Attorney's Office for the Southern District of New York, and by the Examiner appointed by the Bankruptcy Court, Richard Thornburgh,

former Attorney General of the United States.

WorldCom has terminated its chief financial officer and two accounting directors and accepted the resignations of its corporate controller and an accounting director and is continuing its internal financial investigation. Investors and creditors should be aware that additional amounts of improperly reported pre-tax income may be discovered and announced. Until KPMG is able to complete an audit of 2000, 2001 and 2002, the total impact on previously reported financial statements cannot be known. The Company intends to continue to expeditiously announce unaudited changes to previously reported financial statements if it discovers additional issues.

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

## **(2) Basis of Presentation**

The Company cautions readers not to place undue reliance upon the information in this monthly operating report (the "Operating Report"). Since the Company has not yet finalized the restatement of its consolidated financial statements for 2000, 2001 and the first quarter of 2002, nor the audit of those financial statements, this Operating Report excludes a consolidated balance sheet and statement of cash flows. The unaudited information in this Operating Report is subject to further review and potential adjustments and may not be indicative of the Company's operating results. There can be no assurance that this Operating Report is complete, and the Company undertakes no obligation to update or revise the Operating Report. Further, the amounts reported in this Operating Report, when reported on a quarterly basis, may differ materially due to adjustments to accruals, changes in facts and circumstances, changes in estimates, further analysis and other factors. Additionally, the statement of operations included in this Operating Report includes information for subsidiaries that are not Debtors in these Chapter 11 cases.

Subject to the matters described in this Note 2 as well as Notes 1 and 8, the consolidated statement of operations for the month ended July 31, 2002, included herein, is unaudited and has been prepared in accordance with GAAP for interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted for purposes of this Operating Report. Subject to the matter described in Note 8, the consolidated statement of operations includes the accounts of WorldCom, Inc. and its consolidated subsidiaries. All material intercompany balances and transactions have been eliminated except as discussed in Note 8. The results of operations for any interim period are not necessarily indicative of the results that may be expected for the full year or any future interim period.

The unaudited consolidated statement of operations has also been prepared in accordance with Statement of Position ("SOP") No. 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code". SOP 90-7 requires an entity's statement of operations to portray the results of operations of the reporting entity during Chapter 11 proceedings. As a result, any revenues, expenses, realized gains and losses, and provisions resulting from the reorganization and restructuring of the Company should be reported separately as reorganization items, except those required to be reported as discontinued operations and extraordinary items in conformity with Accounting Principles Board No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" and Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

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

On July 22, 2002, the Company announced that the Bankruptcy Court had approved an interim \$750 million Debtor-in-Possession ("DIP") facility from Citibank, N.A., JPMorgan Chase Bank and General Electric Capital Corporation to supplement operating cash flow during the reorganization process. On October 15, 2002, the Bankruptcy Court entered a final order approving the DIP facility in an amount of \$1.1 billion with a maturity date of the earlier of July 23, 2004 or the effective date of a plan of reorganization. The DIP facility contains restrictions

on the Company's ability to grant future liens, incur indebtedness, make capital expenditures, make dividend payments and sell assets.

### (3) Summary of Significant Accounting Policies

#### Principles of Consolidation:

The consolidated statement of operations includes the accounts of WorldCom and its subsidiaries, except for Embratel Participações S.A. ("Embratel"), as discussed in Note 8. All significant intercompany transactions and balances have been eliminated in consolidation, except as discussed in Note 8. Investments in joint ventures and other equity investments in which the Company owns a 20% to 50% voting ownership interest are accounted for by the equity method. Investments of less than 20% ownership, where the Company does not exercise control or significant influence, are accounted for by the cost method.

#### Property and Equipment:

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

Transmission equipment (including conduit) .....	4 to 40 years
Communications equipment .....	5 to 10 years
Furniture, fixtures, buildings and other .....	4 to 39 years

The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired and, as noted above, is in the process of reevaluating the carrying value of existing property and equipment as to possible impairment of historic values previously reported. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. If quoted market prices for an asset are not available, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on property and equipment to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

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

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

#### Goodwill and Other Intangible Assets:

Effective January 1, 2002, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets", or SFAS No. 142, which establishes accounting and reporting standards for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests. The statement also includes provisions for the identification of reporting units for purposes of assessing potential future impairments of goodwill. Upon adoption, the Company stopped amortizing intangible assets with indefinite useful lives, including goodwill and tradenames. Additionally, the Company made no revisions to the assigned useful lives of intangible assets that continue to be amortized. In light of the Company's recent events, the Company is evaluating the timing and extent of the impairment of its goodwill and other intangible assets, including the likelihood that it may determine that substantially all existing goodwill and other intangible assets, currently recorded as approximately \$50 billion, may be written off when restating its 2000, 2001 and 2002 financial statements or as a result of the adoption of SFAS No. 142.

Intangible assets are amortized using the straight-line method over their respective assigned useful lives, ranging from 5 to 10 years. Depreciation and amortization expense includes amortization expense related to the net carrying amount of intangible assets, primarily software development. As of July 31, 2002, such expense is estimated to be \$358 million for the remainder of 2002, \$915 million in 2003, \$864 million in 2004, \$757 million in 2005 and \$423 million in 2006.

#### **Foreign Currency Translation:**

Assets and liabilities recorded in foreign currencies are translated at the exchange rate as of the balance sheet date. Translation adjustments are recorded as a separate component of shareholders' investment. All revenue and expense accounts are translated at a weighted-average of exchange rates in effect during the period. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. The accompanying consolidated statement of operations includes foreign currency transaction losses of \$54 million for the month ended July 31, 2002.

#### **Recognition of Revenues:**

The Company records revenues for telecommunications services at the time of customer usage. Service activation and installation fee revenues are amortized over the average customer contract life while costs directly related to these revenues are expensed as incurred. Previously, the Company amortized these costs over the average customer contract life.

Additionally, reciprocal compensation revenue, which represents a contractually determined reimbursement of costs for call termination performed by WorldCom on behalf of other carriers' customers, and primary interexchange carrier charges ("PICC"), which represent flat-rate charges mandated by the Federal Communications Commission ("FCC") which apply to telecommunications companies that connect to customers through a traditional phone company's facilities, are reported on a gross basis as revenue. Previously, the Company had reported reciprocal compensation revenue and PICC charges as an offset to line costs.

The Company enters into operating agreements with telecommunications carriers in foreign countries under which international long distance traffic is both delivered and received. International settlements are reported on a gross basis as revenues. Previously, the Company had reported international settlement revenues as an offset to line costs.

The Company enters into agreements with its customers that may result in the receipt of cash before the relevant criteria for revenue recognition have been satisfied, and as a result a liability is recorded as deferred revenue.

#### **Income Taxes:**

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

#### **Interest Expense:**

In accordance with SOP 90-7, the Debtors did not record interest expense from the Commencement Date through July 31, 2002.

#### **Concentration of Credit Risk:**

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

#### **Recently Issued Accounting Standards:**

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

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

**Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for doubtful accounts, revenue reserves, depreciation and amortization, taxes and contingencies.

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

**Reorganization Items:**

In the accompanying unaudited consolidated statement of operations, the Company classifies expenses, including restructuring costs, retention plans, professional fees and interest income, as reorganization items based upon the provisions of SOP 90-7. These costs totaled \$18 million for the month ended July 31, 2002 and were comprised of \$4 million of professional fees and \$14 million of non-cash expense recorded to adjust the carrying values of various debt instruments and preferred stock.

**(4) Discontinued Operations**

In June 2002, the Company announced it had approved a plan to divest its non-core wireless resale operations and its international telecommunications construction operations. The results of operations of these operations are shown in the accompanying unaudited consolidated statement of operations as discontinued operations. The Company anticipates the sale of these operations to be completed within a year.

Loss from discontinued operations consists of the following (in millions):

Statement of Operations Data for the Month Ended July 31, 2002:

Revenue .....	\$ 70
Expenses .....	<u>122</u>
Operating loss .....	(52)
Income tax benefit .....	<u>-</u>
Loss from discontinued operations .....	<u><u>\$ (52)</u></u>

**(5) Insurance**

Premiums to date for all insurance policies, including workers' compensation and disability insurance, have been paid and are in full force and effect.

**(6) Income Taxes**

The Company did not recognize any tax effects in the accompanying statement of operations for the month ended July 31, 2002. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

#### **(7) Avantel Deconsolidation**

WorldCom owns a 44.5% interest in Avantel, S.A. and a 44.5% interest in Avantel Servicios Locales, S.A. (collectively, "Avantel"), which, prior to January 1, 2000, was accounted for using the equity method of accounting. During the first quarter 2000, WorldCom began consolidating Avantel effective January 1, 2000. As a result of its ongoing review of its financial statements, WorldCom has reevaluated the decision to consolidate Avantel and has concluded that its investment in Avantel should be accounted for using the equity method of accounting for all periods. Accordingly, Avantel has been deconsolidated retroactive to January 1, 2000.

#### **(8) Embratel Consolidation**

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

#### **(9) Contingencies**

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

*Regulation.* We are subject to varying degrees of federal, state, local and international regulation. In the United States, our subsidiaries are most heavily regulated by the states, especially for the provision of local exchange services. Our subsidiaries must be certified separately in each state to offer local exchange and intrastate long distance services. No state, however, subjects us to rate of return regulation, nor are we currently required to obtain FCC authorization for installation or operation of our network facilities used for domestic services, other than licenses for specific multichannel multipoint distribution services, wireless communications service and terrestrial microwave and satellite earth station facilities that utilize radio frequency spectrum. FCC approval is required, however, for the installation and operation of our international facilities and services. We are subject to varying degrees of regulation in the foreign jurisdictions in which we conduct business, including authorization for the installation and operation of network facilities. Although the trend in federal, state and international regulation appears to favor increased competition, no assurance can be given that changes in current or future regulations adopted by the FCC, state or foreign regulators or legislative initiatives in the United States or abroad would not have a material adverse effect on us.

In August 1996, the FCC established nationwide rules pursuant to the Telecommunications Act of 1996, or the Telecom Act, designed to encourage new entrants to compete in local service markets through interconnection with the traditional local phone companies, resale of traditional local phone companies' retail services and use of individual and combinations of unbundled network elements provided by the traditional local phone companies. Unbundled network

elements are defined in the Telecom Act as any "facility or equipment used in the provision of a telecommunication service," as well as "features, function, and capabilities that are provided by means of such facility or equipment." In January 1999, the Supreme Court of the United States confirmed the FCC's authority to issue the rules, including a pricing methodology for unbundled network elements. On remand, the FCC clarified the requirement that traditional local phone companies make specific unbundled network elements available to new entrants. The traditional local phone companies appealed the decision to the U. S. Court of Appeals for the District of Columbia Circuit.

On May 24, 2002, the District of Columbia Circuit issued its decision, faulting the FCC, and remanded the matter to the FCC to reconsider the way in which it determines which network elements it will unbundle. WorldCom, the FCC and others have not yet decided whether to ask the Supreme Court to review that decision, and the FCC currently is reviewing those rules in its pending "Triennial Review" proceeding, which is discussed below.

Numerous other issues related to the list of available unbundled network elements are under active consideration by the FCC and the courts. In December 2001, the FCC began an examination of whether certain high capacity and broadband services offered by traditional phone companies were subject to sufficient competition such that they no longer needed to be regulated as "dominant." In February 2002, the FCC initiated a proceeding seeking to streamline and simplify the unbundled network element requirements imposed on traditional local phone companies in its "Triennial Review" of its local competition rules. In a separate proceeding, the FCC is examining whether broadband Internet access, or "DSL service," provided by traditional telephone companies should be treated as an information service and not subject to common carrier unbundling requirements. On May 24, 2002, the District of Columbia Circuit issued a decision vacating and remanding to the FCC a rule requiring traditional phone companies to unbundle the voice portion of a DSL connection. WorldCom has filed a motion for rehearing or, in the alternative, a request not to vacate the order pending the remand to the FCC. The FCC may begin to resolve these proceedings in the fourth quarter of 2002. If regulations are streamlined or removed, there are elements and combinations of elements upon which WorldCom relies to provide local services, broadband and advanced services that might no longer be required as a matter of federal regulation. Substantial reduction in unbundling requirements for traditional phone companies would also foreclose WorldCom's future range of options in provisioning local service to customers.

The Telecom Act requires traditional local phone companies to petition the FCC for permission to offer long distance services for each state within their region. Under section 271 of the Telecom Act, for these applications to be granted, the FCC must find, among other things, that the traditional phone company has demonstrated that it has satisfied a 14-point competitive checklist to open its local network to competition and that granting the petition is in the public interest. To date, the FCC has rejected five traditional local phone company applications, eight have been withdrawn by the applicant, and the FCC has granted twelve (covering fifteen states): Verizon's for New York, Massachusetts, Connecticut, Pennsylvania, Rhode Island, Vermont, Maine, and New Jersey; SBC's for Texas, Kansas, Oklahoma, Missouri and Arkansas; and BellSouth's for Georgia and Louisiana. WorldCom and other competitive carriers appealed to the District of Columbia Circuit the approvals for Kansas, Oklahoma and Massachusetts. On December 28, 2001, the District of Columbia Circuit decided that the FCC had not adequately addressed whether the prices charged for leasing network elements by SBC in Kansas and Oklahoma create a price squeeze which violated the standards for SBC to gain long distance approval. Without vacating the approval, the District of Columbia Circuit remanded the case to the FCC for it to address the price squeeze issue. In the Massachusetts appeal, oral argument occurred on September 9, 2002. BellSouth has filed a joint application to offer long distance service for Alabama, Kentucky, Mississippi, North Carolina and South Carolina, and Verizon has filed a joint application for New Hampshire and Delaware. Other applications may be filed at any time. We have challenged, and will continue to challenge, any application that we believe does not satisfy the requirements of section 271 or the FCC's local competition rules. To date, these challenges have focused on the pricing of unbundled network elements and on the adequacy of the traditional local phone companies' operations support systems.

In addition, legislation has been introduced in Congress that would have the effect of allowing traditional local phone companies to offer in-region long distance data services without satisfying section 271 of the Telecom Act and/or of making it more difficult for competitors to resell incumbent local phone company high-speed Internet access services or to lease the unbundled network elements used to provide these services. This legislation passed the House of Representatives on February 27, 2002 and has been referred to the Senate Commerce Committee.

In February 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking regarding the

regulatory treatment of calls to Internet service providers. Prior to the FCC's order, over thirty state public utility commissions issued orders finding that carriers, including WorldCom, are entitled to collect reciprocal compensation for completing calls to Internet service providers under the terms of their interconnection agreements with traditional local phone companies. Many of these public utility commission decisions were appealed by the traditional local phone companies and, since the FCC's order, many traditional local phone companies have filed new cases at the public utility commissions or in court. We petitioned for review of the FCC's order in the District of Columbia Circuit, which vacated the order and remanded the case to the FCC for further proceedings. In April 2001, the FCC issued an Order on Remand and Report and Order asserting jurisdiction over calls to Internet service providers and establishing a three-year transitional scheme of decreasing reciprocal compensation rates. We filed a petition for review of the FCC's order with the District of Columbia Circuit, and on May 3, 2002, the District of Columbia Circuit upheld our challenge and remanded the case to the FCC, ruling that the FCC's legal analysis was based on a flawed reading of the Telecom Act. The Court expressly declined to decide any of the remaining challenges to the transitional scheme, opting to wait until the FCC provided a sufficient legal basis in support of the conclusions it had reached in the Order. In the interim, however, because the Court apparently believed that there may be other legal basis for adopting the rules chosen here, it decided not to vacate the order and instead left the FCC transitional scheme in place.

It is possible that spectrum rights held may be disrupted by FCC decisions to re-allocate some or all of that spectrum to other services. If this re-allocation were to occur, we cannot predict whether current deployment plans for our multi-channel multipoint distribution services will be sustainable.

*Litigation.* In November 2000, class action complaints were filed in the U.S. District Courts for the Southern District of Mississippi, the Southern District of New York and the District of Columbia against WorldCom and some of our executive officers. All of these actions were consolidated in the Southern District of Mississippi on March 27, 2001, along with another purported class action lawsuit filed on behalf of individuals who purchased stock in Intermedia between September 5 and November 1, 2000, which action asserted substantially similar claims and alleges that after the announcement of the WorldCom-Intermedia merger, the price of Intermedia stock was tied to the price of WorldCom stock. On June 1, 2001, the plaintiffs filed a consolidated amended complaint. Among other things, the consolidated amended complaint alleged that statements regarding WorldCom's revenues, the integration of MCI, the success of UUNET Technologies and the expansion of WorldCom's network were false; WorldCom's financial disclosures were false; and WorldCom's announcement of its "generation d" initiative was misleading. Based on these allegations, the consolidated amended complaint asserts claims for violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. The consolidated amended complaint seeks to certify a class of persons who purchased WorldCom shares between February 10, 2000 and November 1, 2000, inclusive; it does not assert separate claims on behalf of purchasers of Intermedia shares. On March 29, 2002, the district court granted the motion by WorldCom and the individual defendants to dismiss the consolidated amended complaint and entered final judgment dismissing the complaint with prejudice. On April 4, 2002, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Fifth Circuit. On August 22, 2002, the Fifth Circuit stayed the appeal pending disposition of the bankruptcy proceedings.

On May 29, 2001, former WorldxChange Communications ("WorldxChange") shareholders filed a complaint in California state court against WorldCom, three of its officers, and directors and officers of World Access, alleging that the defendants misrepresented the nature of a Carrier Services Agreement that required WorldCom to provide certain monthly revenues to World Access. Plaintiffs allege that, in reliance on the Agreement, WorldxChange agreed to merge with World Access. Plaintiffs seek rescission and unspecified compensatory and punitive damages for alleged violations of state securities laws, fraud, negligent misrepresentation and breach of fiduciary duty. The claims against WorldCom are presently stayed. On September 5, 2002, the court granted motions to quash for lack of personal jurisdiction on behalf of the former WorldCom officers, dismissing them from the action.

On March 18, 2002, one current and one former employee filed suit in the U.S. District Court for the Northern District of California against WorldCom and two of its former executive officers on behalf of a putative class of participants in the WorldCom 401(k) plan and its predecessor plans, claiming that defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") with respect to the administration of the WorldCom 401(k) Plan and its predecessor plans. The complaint alleges that the defendants breached their fiduciary duties by misrepresenting WorldCom's financial results to plan participants. Plaintiffs further allege that

defendants breached their fiduciary duties by allowing plan participants to continue to invest in WorldCom stock as one of their plan options. The complaint seeks to certify a class of persons who participated in the WorldCom 401(k) Plan and certain predecessor plans for the period of February 8, 2000 to November 1, 2000 and requests damages and other relief. On September 16, 2002, plaintiffs amended the complaint to expand the class period from January 1, 2000 through the present. The amended complaint also names as a defendant a current WorldCom employee. Following the Company's announcement on June 25, 2002 that it would be restating its earnings, participants in 401(k) plans for WorldCom and various affiliates filed approximately 14 additional putative class action suits in U.S. District Courts in New York, Mississippi, Florida and the District of Columbia against WorldCom and certain of its executive officers claiming that they breached their fiduciary duties under the Employee Retirement Income Security Act with respect to the administration of the WorldCom 401(k) Plan.

Beginning on April 30, 2002, various groups of plaintiffs have filed in excess of 40 complaints, purportedly on behalf of certain WorldCom shareholders and bondholders or classes thereof in the U.S. District Courts for the Southern District of New York, the Southern District of Mississippi, the Central District of California and the Eastern District of Missouri, as well as in state courts in California, Florida, Georgia, Illinois, Ohio, Tennessee and West Virginia. Several non-class action lawsuits were brought on behalf of individuals or small groups of shareholders in the U.S. District Courts for the Eastern District of Virginia and the Southern District of Mississippi and in state courts in Mississippi and Texas. All the cases filed initially in state court have been removed to the U.S. district courts for the districts in which they were filed. One derivative suit was filed in the Southern District of New York. The complaints, which name as defendants WorldCom, various current and former WorldCom officers and directors, and, in some cases, our former auditors and underwriters, allege generally that defendants misstated WorldCom's earnings in WorldCom's public filings with the SEC and elsewhere failed to properly account for goodwill and other intangible assets in connection with numerous acquisitions. The majority of these actions assert claims for violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. Certain bondholder actions assert claims for violation of Section 11 of the Securities Act. Three of the state court actions allege state law claims. On August 15, 2002, the U.S. District Court for the Southern District of New York issued an order consolidating the cases in that district and appointing a lead plaintiff. On October 11, 2002, the lead plaintiff filed a consolidated amended complaint that asserts claims under Sections 11 and 15 of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act.

On October 8, 2002, the Judicial Panel on Multidistrict Litigation (the "Panel") issued an order that centralized 39 cases arising under the federal securities laws and ERISA in the U.S. District Court for the Southern District of New York for consolidated or coordinated pretrial proceedings. The Panel has been notified of additional cases that should be treated as "tag-along" cases and also centralized in the Southern District of New York.

On June 26, 2002, pursuant to Section 21(d) of the Exchange Act, the SEC filed suit against WorldCom, alleging violations of Sections 10(b) and 13(a) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-13. The SEC alleges that from at least the first quarter of 2001 through the first quarter of 2002, WorldCom defrauded investors by disguising its true operating performance via improper accounting methods that materially overstated its income by approximately \$3.055 billion in 2001 and \$797 million during the first quarter of 2002. Specifically, the SEC alleges that WorldCom falsely portrayed itself as a profitable business during 2001 and the first quarter of 2002 and that WorldCom's transfer of its costs to its capital accounts violated the established standards of generally accepted accounting principles.

In addition, following WorldCom's June 25, 2002 announcement, various criminal and regulatory investigations have been initiated by the U.S. Department of Justice, several state agencies, the SEC and both houses of Congress. These investigations are ongoing. WorldCom is cooperating fully in those proceedings and inquiries.

In August 1997, three complaints were filed in the U.S. District Court for the District of Columbia as class actions on behalf of purchasers of MCI shares. The three cases were consolidated on April 1, 1998. On or about May 8, 1998, the plaintiffs in all three cases filed a consolidated amended complaint alleging, on behalf of purchasers of MCI's shares between July 11, 1997 and August 21, 1997, inclusive, that MCI and some of its officers and directors failed to disclose material information about MCI, including that MCI was renegotiating the terms of the MCI BT merger agreement. The consolidated amended complaint seeks damages and other relief. On May 3, 2002, the district court denied the defendants' motion to dismiss.

## Total Disbursements by Legal Entity

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>7/22/2002 - 7/31/2002</u>
02-42156 (AJG)	Access Network Services, Inc.	-
02-42157 (AJG)	Access Virginia, Inc.	-
02-42158 (AJG)	ALD Communications, Inc.	-
02-42159 (AJG)	BFC Communications, Inc.	-
02-42160 (AJG)	Bittel Telecommunications Corporation	-
02-42161 (AJG)	Brooks Fiber Communications of Arkansas, Inc.	-
02-42162 (AJG)	Brooks Fiber Communications of Bakersfield, Inc.	-
02-42163 (AJG)	Brooks Fiber Communications of Connecticut, Inc.	-
02-42164 (AJG)	Brooks Fiber Communications of Fresno, Inc.	-
02-42165 (AJG)	Brooks Fiber Communications of Massachusetts, Inc.	-
02-42166 (AJG)	Brooks Fiber Communications of Michigan, Inc.	-
02-42167 (AJG)	Brooks Fiber Communications of Minnesota, Inc.	-
02-42168 (AJG)	Brooks Fiber Communications of Mississippi, Inc.	-
02-42169 (AJG)	Brooks Fiber Communications of Missouri, Inc.	-
02-42170 (AJG)	Brooks Fiber Communications of Nevada, Inc.	-
02-42171 (AJG)	Brooks Fiber Communications of New England, Inc.	-
02-42172 (AJG)	Brooks Fiber Communications of New Mexico, Inc.	-
02-42173 (AJG)	Brooks Fiber Communications of New York, Inc.	-
02-42174 (AJG)	Brooks Fiber Communications of Ohio, Inc.	-
02-42175 (AJG)	Brooks Fiber Communications of Oklahoma, Inc.	-
02-42176 (AJG)	Brooks Fiber Communications of Rhode Island, Inc.	-
02-42177 (AJG)	Brooks Fiber Communications of Sacramento, Inc.	-
02-42178 (AJG)	Brooks Fiber Communications of San Jose, Inc.	-
02-42179 (AJG)	Brooks Fiber Communications of Stockton, Inc.	-
02-42180 (AJG)	Brooks Fiber Communications of Tennessee, Inc.	-
02-42181 (AJG)	Brooks Fiber Communications of Texas, Inc.	-
02-42182 (AJG)	Brooks Fiber Communications of Tucson, Inc.	-
02-42183 (AJG)	Brooks Fiber Communications of Tulsa, Inc.	-
02-42184 (AJG)	Brooks Fiber Communications of Utah, Inc.	-
02-42185 (AJG)	Brooks Fiber Communications-LD, Inc.	-
02-42186 (AJG)	Brooks Fiber Properties, Inc.	-
02-42187 (AJG)	BTC Transportation Corporation	-
02-42188 (AJG)	Business Internet, Inc.	-
02-42189 (AJG)	Chicago Fiber Optic Corporation	-
02-42190 (AJG)	Com Systems, Inc.	-
02-42191 (AJG)	COM/NAV Realty Corp.	-
02-42192 (AJG)	Cross Country Wireless, Inc.	-
02-42193 (AJG)	CS Wireless Battle Creek, Inc.	-
02-42194 (AJG)	CS Wireless Systems, Inc.	-
02-42195 (AJG)	E.L. Acquisition, Inc.	-
02-42196 (AJG)	Express Communications, Inc.	-
02-42197 (AJG)	FiberNet Rochester, Inc.	-
02-42198 (AJG)	Fibernet, Inc.	-
02-42199 (AJG)	Healan Communications, Inc.	-
02-42317 (AJG)	ICI Capital LLC	-
02-42200 (AJG)	Intelligent Investment Partners, Inc.	-
02-42201 (AJG)	Intermedia Capital, Inc.	-

## Total Disbursements by Legal Entity

Case #	Name of Company	Disbursements	
		7/22/2002 - 7/31/2002	
02-42154 (AJG)	Intermedia Communications Inc.	-	
02-42202 (AJG)	Intermedia Communications of Virginia, Inc.	-	
02-42203 (AJG)	Intermedia Investment, Inc.	-	
02-42204 (AJG)	Intermedia Licensing Company	-	
02-42318 (AJG)	Intermedia Services LLC	-	
02-42205 (AJG)	Jones Lightwave of Denver, Inc.	-	
02-42206 (AJG)	Marconi Telegraph Cable Company, Inc.	-	
02-42207 (AJG)	MCI Canada, Inc.	-	
02-42155 (AJG)	MCI Communications Corporation	-	
02-42208 (AJG)	MCI Equipment Acquisition Corporation	-	
02-42209 (AJG)	MCI Galaxy III Transponder Leasing, Inc.	-	
02-42210 (AJG)	MCI Global Access Corporation	-	
02-42211 (AJG)	MCI Global Support Corporation	-	
02-42319 (AJG)	MCI International Services, L.L.C.	-	
02-42212 (AJG)	MCI International Telecommunications Corporation	60,866,607.02	
02-42214 (AJG)	MCI International Telecommunications Holding Corporation	-	
02-42213 (AJG)	MCI International, Inc.	-	
02-42215 (AJG)	MCI Investments Holdings, Inc.	-	
02-42216 (AJG)	MCI Network Technologies, Inc.	-	
02-42217 (AJG)	MCI Omega Properties, Inc.	-	
02-42320 (AJG)	MCI Payroll Services, LLC	-	
02-42218 (AJG)	MCI Research, Inc.	-	
02-42219 (AJG)	MCI Transcon Corporation	-	
02-42220 (AJG)	MCI Wireless, Inc.	-	
02-42321 (AJG)	MCI WORLDCOM Brands, L.L.C.	-	
02-42322 (AJG)	MCI WORLDCOM Brooks Telecom, LLC	-	
02-42221 (AJG)	MCI WORLDCOM Capital Management Corporation	-	
02-42222 (AJG)	MCI WORLDCOM Communications of Virginia, Inc.	-	
02-42223 (AJG)	MCI WORLDCOM Communications, Inc.	-	
02-42224 (AJG)	MCI WORLDCOM Financial Management Corporation	-	
02-42225 (AJG)	MCI WORLDCOM Global Networks U.S., Inc.	-	
02-42226 (AJG)	MCI WORLDCOM International, Inc.	-	
02-42227 (AJG)	MCI WorldCom Management Company, Inc.	28,771,947.84	
02-42323 (AJG)	MCI WORLDCOM MFS Telecom, LLC	-	
02-42228 (AJG)	MCI WORLDCOM Network Services of Virginia, Inc.	-	
02-42229 (AJG)	MCI WORLDCOM Network Services, Inc.	166,703,835.17	
02-42230 (AJG)	MCI WORLDCOM Synergies Management Company, Inc. (89.5%)	-	
02-42231 (AJG)	MCI/OTI Corporation	-	
02-42232 (AJG)	MCImetro Access Transmission Services LLC	-	
02-42324 (AJG)	MCImetro Access Transmission Services of Virginia, Inc.	-	
02-42233 (AJG)	Metrex Corporation	-	
02-42234 (AJG)	Metropolitan Fiber Systems of Arizona, Inc.	-	
02-42235 (AJG)	Metropolitan Fiber Systems of Baltimore, Inc.	-	
02-42236 (AJG)	Metropolitan Fiber Systems of California, Inc.	-	
02-42237 (AJG)	Metropolitan Fiber Systems of Connecticut, Inc.	-	
02-42238 (AJG)	Metropolitan Fiber Systems of Dallas, Inc.	-	

## Total Disbursements by Legal Entity

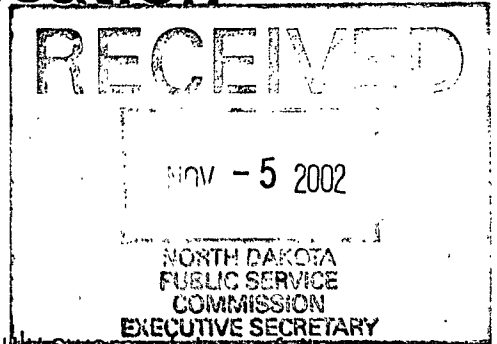
<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>7/22/2002 - 7/31/2002</u>
02-42239 (AJG)	Metropolitan Fiber Systems of Delaware, Inc.	-
02-42240 (AJG)	Metropolitan Fiber Systems of Denver, Inc.	-
02-42241 (AJG)	Metropolitan Fiber Systems of Detroit, Inc.	-
02-42242 (AJG)	Metropolitan Fiber Systems of Florida, Inc.	-
02-42243 (AJG)	Metropolitan Fiber Systems of Houston, Inc.	-
02-42244 (AJG)	Metropolitan Fiber Systems of Indianapolis, Inc.	-
02-42245 (AJG)	Metropolitan Fiber Systems of Minneapolis/St. Paul, Inc.	-
02-42246 (AJG)	Metropolitan Fiber Systems of New Hampshire, Inc.	-
02-42247 (AJG)	Metropolitan Fiber Systems of New Jersey, Inc.	-
02-42248 (AJG)	Metropolitan Fiber Systems of New Orleans, Inc.	-
02-42249 (AJG)	Metropolitan Fiber Systems of New York, Inc.	-
02-42250 (AJG)	Metropolitan Fiber Systems of Ohio, Inc.	-
02-42251 (AJG)	Metropolitan Fiber Systems of Oregon, Inc.	-
02-42252 (AJG)	Metropolitan Fiber Systems of Philadelphia, Inc.	-
02-42253 (AJG)	Metropolitan Fiber Systems of Pittsburgh, Inc.	-
02-42254 (AJG)	Metropolitan Fiber Systems of Seattle, Inc.	-
02-42255 (AJG)	Metropolitan Fiber Systems of St. Louis, Inc.	-
02-42256 (AJG)	Metropolitan Fiber Systems/McCourt, Inc.	-
02-42257 (AJG)	MFS CableCo U.S., Inc.	-
02-42258 (AJG)	MFS Datanet, Inc.	-
02-42259 (AJG)	MFS Telecom, Inc.	-
02-42260 (AJG)	MFS Telephone of Missouri, Inc.	-
02-42261 (AJG)	MFS Telephone of New Hampshire, Inc.	-
02-42262 (AJG)	MFS Telephone of Virginia, Inc.	-
02-42263 (AJG)	MFS Telephone, Inc.	-
02-42330 (AJG)	MFS/C-TEC	-
02-42264 (AJG)	MFSA Holding, Inc.	-
02-42265 (AJG)	Military Communications Center, Inc.	-
02-42266 (AJG)	MobileComm Europe Inc.	-
02-42267 (AJG)	Mtel Asia, Inc.	-
02-42268 (AJG)	Mtel Cellular, Inc.	-
02-42269 (AJG)	Mtel International, Inc.	-
02-42270 (AJG)	Mtel Latin America, Inc.	-
02-42271 (AJG)	Mtel Microwave, Inc.	-
02-42272 (AJG)	Mtel Service Corporation	-
02-42273 (AJG)	N.C.S. Equipment Corporation	-
02-42274 (AJG)	National Telecommunications of Florida, Inc.	-
02-42275 (AJG)	Netwave Systems, Inc.	-
02-42276 (AJG)	networkMCI, Inc.	-
02-42277 (AJG)	Northeast Networks, Inc.	-
02-42278 (AJG)	Nova Cellular Co.	-
02-42279 (AJG)	NTC, Inc.	-
02-42280 (AJG)	Overseas Telecommunications, Inc.	-
02-42281 (AJG)	Shared Technologies Fairchild Communications Corporation	-
02-42282 (AJG)	Shared Technologies Fairchild Telecom, Inc.	-

## Total Disbursements by Legal Entity

<u>Case #</u>	<u>Name of Company</u>	<u>Disbursements</u> <u>7/22/2002 - 7/31/2002</u>
02-42283 (AJG)	Shared Technologies Fairchild, Inc.	-
02-42284 (AJG)	SkyTel Communications, Inc.	-
02-42285 (AJG)	SkyTel Corp.	-
02-42325 (AJG)	SkyTel Payroll Services, LLC	-
02-42286 (AJG)	Southernnet of South Carolina, Inc.	-
02-42287 (AJG)	Southernnet Systems, Inc.	-
02-42288 (AJG)	Southernnet, Inc.	-
02-42289 (AJG)	Telecom*USA, Inc.	-
02-42290 (AJG)	Teleconnect Company	-
02-42291 (AJG)	Teleconnect Long Distance Services & Systems Co.	-
02-42292 (AJG)	Tenant Network Services, Inc.	-
02-42293 (AJG)	TransCall America, Inc.	-
02-42294 (AJG)	Tru Vision Wireless, Inc.	-
02-42295 (AJG)	Tru Vision-Flippin, Inc.	-
02-42296 (AJG)	TTI National, Inc.	-
02-42297 (AJG)	UUNET Australia Limited	-
02-42298 (AJG)	UUNET Caribbean, Inc.	-
02-42299 (AJG)	UUNET Holdings Corp.	-
02-42300 (AJG)	UUNET International Ltd.	-
02-42301 (AJG)	UUNET Japan Ltd.	-
02-42326 (AJG)	UUNET Payroll Services, LLC	-
02-42302 (AJG)	UUNET Technologies, Inc.	-
02-42303 (AJG)	Virginia Metrotel, Inc.	-
02-42304 (AJG)	Wireless One, Inc.	-
02-42305 (AJG)	Wireless Video Services	-
02-42306 (AJG)	WorldCom Broadband Solutions, Inc.	-
02-13532 (AJG)	WorldCom Caribbean, Inc.	-
02-42307 (AJG)	WorldCom East, Inc.	-
02-42308 (AJG)	WorldCom ETC, Inc.	-
02-42309 (AJG)	WorldCom Federal Systems, Inc.	-
02-42310 (AJG)	WorldCom ICC, Inc.	-
02-42312 (AJG)	WorldCom International Data Services, Inc.	-
02-42327 (AJG)	WorldCom International Mobile Services LLC	-
02-42313 (AJG)	WorldCom International Mobile Services, Inc.	-
02-42311 (AJG)	WorldCom International, Inc.	-
02-42314 (AJG)	WorldCom Overseas Holdings, Inc.	-
02-42328 (AJG)	WorldCom Payroll Services, LLC	-
02-42329 (AJG)	WorldCom Purchasing, LLC	-
02-42315 (AJG)	WorldCom Ventures, Inc.	-
02-42316 (AJG)	WorldCom Wireless, Inc.	-
02-13533 (AJG)	WorldCom, Inc.	31,879,513.08
	Total	<u>\$ 288,221,903.11</u>

# Affidavit of Publication

State of North Dakota )  
County of Burleigh )



Laurie Thiel, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.
2. The newspapers listed on the exhibits published the advertisement of:  
MCI Metro Access, 1 time(s)  
as required by law or ordinance.
3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: [Signature]

Subscribed and sworn to before me this 31<sup>st</sup> day of October A.D. 2002.

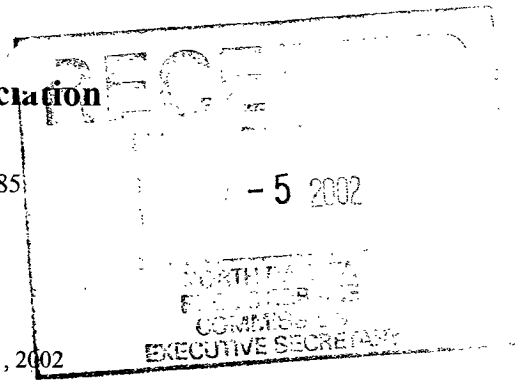
[Signature]

LAURIE SCHAFFER  
Notary Public, STATE OF NORTH DAKOTA  
My Commission Expires DEC. 1, 2005



**North Dakota Newspaper Association**

1435 Interstate Loop  
 Bismarck, ND 58503-0567  
 Ph (701) 223-6397 • Fax (701) 223-8185



**INVOICE**

Order **02103PP3-16787**

Invoice # **7209**

November 1, 2002

Attn: JONH. MIELKE  
 PUBLIC SERVICE COMMISSION  
 STATE CAPITOL  
 BISMARCK, ND 58505

Advertiser: **Public Service Commission**

P.O.#:

Amount Due **\$289.35**

Amount Paid

Voice: 328-4076

*Please detach and return this portion with your payment*

Public Service Commission Invoice # 02103PP3-16787-7209

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
<b>DAILY</b>							
<b>Bismarck Tribune (Bismarck ND)</b>							
45.00	SPR2	0.64	28.80	0.00	MCI Metro Access		10/16/02
<b>Devils Lake Daily Journal (Devils Lake ND)</b>							
46.00	SPR2	0.63	28.98	0.00	MCI Metro Access		10/16/02
<b>Dickinson Press (Dickinson ND)</b>							
49.00	SPR2	0.57	27.93	0.00	MCI Metro Access		10/16/02
<b>Fargo, The Forum (Fargo ND)</b>							
44.00	SPR2	0.71	31.24	0.00	MCI Metro Access		10/21/02
<b>Grand Forks Herald (Grand Forks ND)</b>							
44.00	SPR2	0.69	30.36	0.00	MCI Metro Access		10/17/02
<b>Jamestown Sun (Jamestown ND)</b>							
51.00	SPR2	0.54	27.54	0.00	MCI Metro Access		10/16/02
<b>Minot Daily News (Minot ND)</b>							
53.00	SPR2	0.54	28.62	0.00	MCI Metro Access		10/16/02
<b>Valley City Times-Record (Valley City ND)</b>							
48.00	SPR3	0.61	29.28	0.00	MCI Metro Access		10/16/02
<b>Wahpeton Daily News (Wahpeton ND)</b>							
49.00	SPR2	0.57	27.93	0.00	MCI Metro Access		10/16/02
<b>Williston Herald (Williston ND)</b>							
47.00	SPR2	0.61	28.67	0.00	MCI Metro Access		10/16/02

Gross Advertising	289.35	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	289.35	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	289.35

**9 PU-2787-02-495**

Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.

11/05/2002

CC: Comm Legal Illona Jerry Mike

Notice Of Opportunity For Hearing  
October 10, 2002

Case No. PU-2787-02-495

Bismarck	10-16
Devils Lake	10-16
Dickinson	10-16
Fargo	10-21
Grand Forks	10-17
Jamestown	10-16
Minot	10-16
Valley City	10-16
Wahpeton	10-16
Williston	10-16

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

MCI Metro Access Transmission Services, LLC  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2787-02-495

AFFIDAVIT OF SERVICE BY CERTIFIED AND ORDINARY MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **4th day of November, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Staff Financial Memorandum**

The envelopes were addressed as follows:

Marilyn Foss  
P O Box 2216  
Bismarck ND 58502-2216  
**Cert. No. 7001 1940 0005 3425 1866**

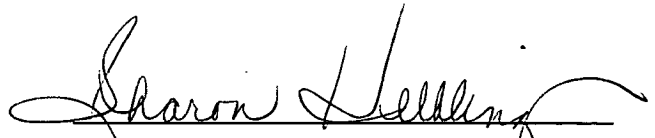
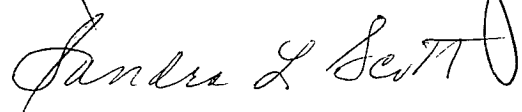
Sharon Helbling further deposes and says that on the **4th day of November, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

Susan Travis  
MCI  
707 17<sup>th</sup> St Ste 4200  
Denver CO 80202

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **4th day of November, 2002**.

SEAL

Notary Public  
**SANDRA L. SCOTT**  
Notary Public, STATE OF NORTH DAKOTA  
My Commission Expires JUNE 11, 2004

8 PU-2787-02-495 Pages: 1  
Affidavit of Service  
by Public Service Commission  
11/04/2002 CC: Comm Legal Ilona Jerry Mike

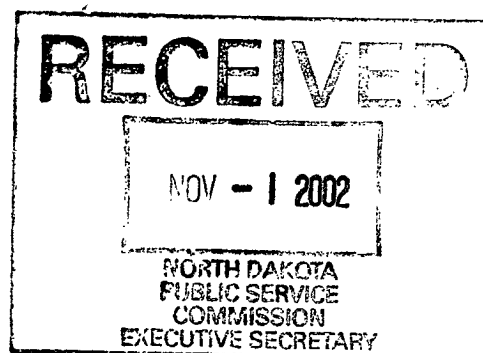
Memorandum

To: Jon Mielke

From: Mike Diller *Mike Diller*

Date: November 1, 2002

Re: **MCI Metro Access Transmission Services, LLC  
Competitive Facilities-Based Local Exchange PC&N  
Case No. PU-2787-02-495**



The following is written to provide the commission with a very limited financial analysis of this case regarding the applicant's financial ability to serve North Dakota. MCI Metro Access Transmission Services, LLC (MCI Metro) is a subsidiary of a subsidiary ultimately owned by WorldCom, Inc. Included in the application is WorldCom, Inc.'s 2001 10-K report to the SEC indicating common equity of approximately \$58 billion. WorldCom, Inc.'s 10-K reports stock prices of WorldCom ranging from \$10.90 to \$23.50 during 2001.

According to MCI Metro's application, WorldCom, Inc. filed for bankruptcy reorganization on July 21, 2002. Further, the application includes an announcement from WorldCom, Inc. on August 8, 2002 that it should have expensed approximately \$7 billion of costs since 1999 rather than capitalizing the costs and that its 2000 and 2001 financial reports will be restated. The NASDAQ delisted WorldCom, Inc. and it now trades over-the-counter for about 9 cents a share. If WorldCom, Inc. has 3 billion shares of common stock outstanding; the company would have a calculated market value of \$270 million.

The Telecommunications Act of 1996 established a national policy to create a competitive environment for telephone service. MCI Metro is another company responding to the act.

While WorldCom Inc.'s financial position is precarious, I see no reason to deny MCI Metro's request for a certificate of public convenience and necessity to provide competitive facilities-based local exchange telecommunication services.

In accordance with the Commission's wishes, I have served this document on the applicant.

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

MCI Metro Access Transmission Services, LLC  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2787-02-495

**AFFIDAVIT OF SERVICE BY CERTIFIED AND ORDINARY MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **11th day of October, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Notice of Opportunity for Hearing**

The envelopes were addressed as follows:

Marilyn Foss  
P O Box 2216  
Bismarck ND 58502-2216  
**Cert. No. 7001 1940 0005 3426 5481**

**Sharon Helbling** further deposes and says that on the **11th day of October, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **five** envelopes by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

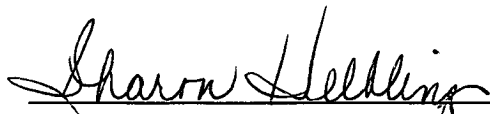

Susan Travis  
MCI  
707 17<sup>th</sup> St Ste 4200  
Denver CO 80202

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **11th day of October, 2002**.

SEAL

**SANDRA L. SCOTT**  
Notary Public, STATE OF NORTH DAKOTA  
My Commission Expires JUNE 11, 2004

  
  
Notary Public

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

MCI Metro Access Transmission Services, LLC  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2787-02-495

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **11th day of October, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, and e-mailed, each containing a photocopy of:

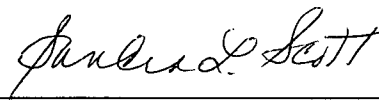
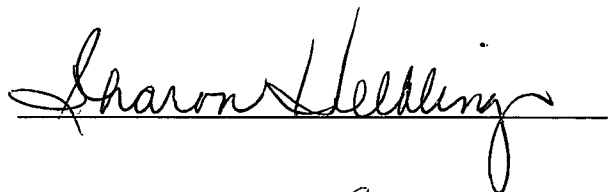
**Notice of Opportunity for Hearing**

The envelopes were addressed as follows:

**See Attached List**

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **11th day of October, 2002**.



Notary Public

SEAL



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William Brudvik

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Don Lee

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Eden Prairie MN 55344

Jack Medaris  
Atlas Communications LTD  
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Blue Bell PA 19422

Jennifer Whitley  
Business Discount Plan Inc  
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Long Beach CA 90831-0800

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Citizens Telecomm Co of ND  
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Stamford CT 06905

Comcast Business Communications Inc  
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Moorestown NJ 08057

Molli Harper  
Commnet Cellular Inc  
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Computer Integrated Communications Inc  
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Potomac MD 20854-4071

Ann Faught  
Absaraka Co-op Tele Co  
Absaraka ND 58002

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Leeann Brunnette  
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Clive IA 50325-0142

John Broten  
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Arlington VA 22201

C12 Inc  
200 Galleria Pkwy Ste 1200  
Atlanta GA 30339

Citizens Telecomm Co of Minnesota  
3 High Ridge Park  
Stamford CT 06905

Robert Fallan  
Coast International  
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Lenexa KS 66215-5210

Daniel L Barth  
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Murray Barr  
Competitive Strategies Group Inc  
164 N Euclid Ave  
Oak Park IL 60302-2106

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Robert Hill  
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Dickey Rural Communications Inc  
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Ellendale ND 58436-0069

DIECA Communications Inc  
3420 Central Expy  
Santa Clara CA 95051-0703

Easton Telecom Services Inc  
3046 Brecksville Rd #A  
Richfield OH 44286-9399

Essex Communications Inc  
543 Main St  
New Rochelle NY 10801-7214

Dave Waters  
Fairpoint Communications Solutions  
521 E Morehead St Ste 250  
Charlotte NC 28202-2695

Ronald Rodemerk  
Frontier Comm International  
180 S Clinton Ave  
Rochester NY 14646-0500

Lucille Nilson  
Griggs County Telephone Company  
Cooperstown ND 58425

D D D Calling Inc  
6300 Richmond Ave Ste 304  
Houston TX 77057

Keith Larson  
Dakota Central Telecom I  
PO Box 299  
Carrington ND 58421-0299

Dave Dircks  
DCN LLC  
P O Box 180  
Devils Lake ND 58301-0180

Dickey Rural Services Inc  
P O Box 69  
Ellendale ND 58436

DSLnet Communications LLC  
545 Long Wharf Dr  
New Haven CT 06511

Regulatory Dept  
Essential.com Inc  
5 Bragdon Ln Ste 200  
Kennebunk Me 04043

Evercom Systems Inc  
8201 Tristar Dr  
Irving TX 75063-2824

Lawrence Freedman  
Fleischman & Walsh  
1400 16th ST NW  
Washington DC 20036

Global Tel\*Link Corporation  
2609 Cameron St  
Mobile AL 36607-3104

Group Long Distance Inc  
9500 Toledo Way  
Irvine CA 92618-1806

HJN Telecom Inc  
3235 Satellite Blvd Bldg 400 Ste 300  
Duluth GA 30096

HTC Services Inc  
P O Box 55  
Halstad MN 56548

IdeaOne Telecom Group LLC  
3239 39th St SW  
Fargo ND 58104

Intrado Communications Inc  
6285 Lookout Rd  
Boulder CO 80301

Neil Schmid  
Ionex Communications North Inc  
15305 Dallas Pkwy Ste 1500  
Addison TX 75001-6768

IPVoice Communications Inc  
14860 Montfort Dr Ste 210  
Dallas TX 75254-6772

Larry Barnes  
IXC/SSC-Regulatory Affairs  
1122 S Capital of TX Hwy  
Austin TX 78746-6426

Katherine E Ford  
U S WEST  
1801 California St Ste 5100  
Denver CO 80202  
Myer Shark  
Knollwood Place Apts #221  
3630 Phillips Pkwy  
St Louis Park MN 55426

Level 3 Communications LLC  
3555 Farnam St  
Omaha NE 68131

Houlton Enterprises Inc  
2201 W Bdwy Ste 1  
Council Bluffs IA 51501

Julia Waysdorf  
ICG Telecom Group Inc  
161 Inverness Dr W  
Englewood CO 80112

Ken Hanks  
International Telcom Ltd  
417 2nd Ave W  
Seattle WA 98119

David A. Huberman  
Intrado Communications Inc  
6285 Lookout Rd  
Boulder CO 80301

Sue Weiske  
Ionex Communications North Inc  
15305 Dallas Pkwy Ste 1500  
Addison TX 75001-6768

Nanette Edwards  
ITC DELTACOM INC  
4092 Memorial Pkwy SW  
Huntsville AL 35802-1382

James Valley Coop Telephone Co  
P O Box 69  
Ellendale ND 58436-0069

KMC Telecom V Inc  
1545 Rt 206  
Bedminster NJ 07921

Thomas K Crowe  
Law Offices of Thomas K Crowe PC  
2300 M St NW Ste 800  
Washington DC 20037

Local Telcom Holdings LLC  
485 Madison Ave 15th Fl  
New York NY 10022-5803

Jan Lowe  
Long Dist Consolidated Billing Co  
145 S Livernois Rd #199  
Rochester MI 48307-1837

Jim Marchant  
Maxcess Inc  
P O Box 951419  
Lake Mary FL 32795-1419

Michel Murray  
MCI WorldCom Inc  
707 17th St Ste 3600  
Denver CO 80202

McKenzie Consolidated Telecom LLC  
P O Box 1140  
Watford City ND 58854-1140

Midcontinent Communications  
410 South Phillips Ave  
Sioux Falls SD 57104

Gordon Wilhelmi  
Midstate Communications Inc  
PO Box 400  
Stanley ND 58784-0400

Minnesota Independent Equal Access  
Corp  
10300 6th Avenue N  
Plymouth MN 55441

Dave Crothers  
NDATC  
Box 1144  
Mandan ND 58554-1144

New Edge Network Inc  
3000 Columbia House Blvd Ste 106  
Vancouver WA 98661

Dave Dircks  
North Dakota Long Distance Inc  
P O Box 180  
Devils Lake ND 58301-0180

Steven Katka  
Loretel Systems Inc  
13 E 4th Ave  
Ada MN 56510

Marilyn Foss  
MCI WorldCom Inc  
707 17th St Ste 3600  
Denver CO 80202

MCImetro Access Transmission Services  
707 17th ST Ste 3600  
Denver CO 80202

Amy Ibis  
McLeodUSA  
5100 S McLeod Ln  
Sioux Falls SD 57108-2207

Mid-Rivers Telephone Coop Inc  
P O Box 280  
Circle MT 59215

Mark Wilhelmi  
Midstate Telephone Co  
PO Box 400  
Stanley ND 58784-0400

Mike Strand  
MITS  
PO Box 5237  
Helena MT 59604-5237

Richard Thronson  
Nemont Telephone Cooperative Inc  
Scobey MT 59263

Nextel West Corp  
2001 Edmund Halley Dr  
Reston VA 20191-3436

Dave Dircks  
North Dakota Telephone Company  
PO Box 180  
Devils Lake ND 58301-0180

NOW Communications Inc  
711 S Tejon St Ste 201  
Colorado Springs CO 80903

Jeff Walker  
Preferred Carrier Services Inc  
14681 Midway Rd Ste 105  
Dallas TX 75001

Primus Telecommunications Inc  
1700 Old Meadow Rd 3rd Fl  
McLean VA 22102

QuantumShift Communications Inc  
101 Rowland Way Ste 300  
Novato CA 94945

Charles Steese  
Qwest Corporation  
1801 California St Ste 5100  
Denver CO 80202

Dean Polkow  
RCC Network Inc  
PO Box 2000  
Alexandria MN 56308-2000

ServiSense.com Inc  
115 Shawmut Rd  
Canton MA 02021-1438

Andrew Jones  
Sprint  
6391 Sprint Pkwy  
Overland Park KS 66251-6100

Randy Burckhard  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

Jack Medaris  
Telco Partners Inc  
484 Norristown Rd Ste 123  
Blue Bell PA 19422

Holly Sasscer  
Operator Communications Inc  
3530 Forest Ln Ste 200  
Dallas TX 75234-7910

Premiere Network Services Inc  
1510 N Hampton Rd Ste 120  
DeSoto TX 75115

Scott Lee  
Protel Advantage Inc  
3145 Hafner Ct  
Shoreview MN 55126-3802

Heather Troxell  
Qwest Communications Corporation  
4250 Fairfax Dr  
Arlington VA 22203

Qwest Interprise America Inc  
1801 California St 49th Fl  
Denver CO 80202

Sandra Adams  
NewPath Holdings Inc  
4364 114th St  
Des Moines IA 50322  
Lisa Dabkowski  
SNET America Inc  
310 Orange St  
North Haven CT 06510-1719

SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

Harris Saele  
T P C Inc  
PO Box 180  
Devils Lake ND 58301-0180

Al Bosch  
Tele-Beep Company  
PO Box 7072  
Bismarck ND 58502-7072

Telera Communications Inc  
910 E Hamilton Ave Ste 200  
Campbell CA 95008

Tele-Tech Inc  
2900 W 11th St  
Sioux Falls SD 57104-3660

T-Netix Inc  
P O Box 701028  
Dallas TX 75370-1028

Touch America Inc  
40 E Bdwy  
Butte MT 59701

Kenneth Carlson  
Turtle Mountain Communications  
PO Box 729  
Langdon ND 58249-0729

Giuseppe Vitale  
UKI Communications Inc  
500 N Rainbow Blvd Ste 300  
Las Vegas NV 89107

United Communications HUB Inc  
225 S Lake Ave Ste 705  
Pasadena CA 91106

Sam Billingsley  
United States Advanced Network Inc  
3080 Northwoods Cir  
Norcross GA 30071-1562

Kenneth Carlson  
United Telephone Mut Aid Corp  
Langdon ND 58249

Christina Tygielski  
Universal Access Inc  
Sears Tower 233 S Wacker Dr Ste 600  
Chicago IL 60606-6307

Dennis Houston  
Universal Network Services of ND  
1572 North Batavia St Ste 1A  
Orange CA 92867

Val-Ed Joint Venture LLP  
150 2nd St SW  
Perham MN 56573

VarTec Telecom Inc  
1600 Viceroy Dr  
Dallas TX 75235

Randy Houdek  
Venture Communications Inc  
PO Box 157  
Highmore SD 57345-0157

Brad Van Leur  
VP Telecom Inc  
1701 N Louise ave  
Sioux Falls SD 57107

West River Coop Telephone Co  
P O Box 39  
Bison SD 57620-0039

Darrell Henderson  
West River Cooperative Telephone  
Company  
PO Box 39  
Bison SD 57620-0039

Doris Cooper  
West River Long Distance Co  
PO Box 467  
Hazen ND 58545-0467

Mick Grosz  
West River Telecomm Coop  
PO Box 467  
Hazen ND 58545-0467

Western CLEC Corporation  
3650 131st Ave SE #400  
Bellevue WA 98006

Carolyn Fodor  
Winstar  
100 Galleria Bldg #212  
Southfield MI 48034

WTC Competitive Services Inc  
P O Box 129  
Wolverton MN 56594

Z-Tel Communications Inc  
601 S Harbour Island Blvd Ste 220  
Tampa FL 33602-5925

**Helbling, Sharon D.**

---

**From:** Helbling, Sharon D.  
**Sent:** Friday, October 11, 2002 9:35 AM  
**To:** ndna (E-mail)  
**Subject:** Attached Notice of Opportunity for Hearing

**Colleen Park  
North Dakota Newspaper Association**

**Colleen:**

**Please have the attached Notice of Opportunity for Hearing published as a legal publication in the next issue of the ten North Dakota daily newspapers, and run it as a "News Item Only" article as well.**

**Send the bill to the Public Service Commission, along with a tear sheet for billing purposes.**

**If you have any questions, please call me at 328-4076.**

**Thank you.**

**Sharon Helbling  
Public Utilities Division  
Public Service Commission**

**5**      **PU-2787-02-495**      Pages: 1

Notice e-mailed to NDNA requesting  
publication  
by Public Service Commission

10/11/2002      CC: Comm Legal Ilona Jerry Mike

10/11/2002

**APPROVED**

**MOTION**

DATE: 10-10-02  
HMF

**October 10, 2002**

**MCI Metro Access Transmission Services, LLC  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-2787-02-495**

I move the Commission issue a Notice of Opportunity for Hearing in the application of MCI Metro Access Transmission Services, LLC for a Certificate of Public Convenience and Necessity to provide competitive local exchange telecommunications services in North Dakota, Case No. PU-2787-02-495.

JRL/sdh

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**MCI Metro Access Transmission Services, LLC**  
**Local Exchange**  
**Public Convenience and Necessity**

**Case No. PU-2787-02-495**

**NOTICE OF OPPORTUNITY FOR HEARING**

**October 10, 2002**

On September 19, 2002, MCI Metro Access Transmission Services, LLC of Clinton, Mississippi, filed an application for a certificate of public convenience and necessity to provide competitive local exchange telecommunications services in all North Dakota exchanges currently served by Qwest Corporation.


The issues to be considered in this matter are:

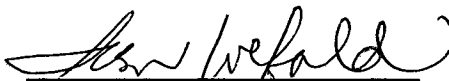
1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.

Those interested are invited to comment on the application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **November 12, 2002**. If deemed appropriate, the Commission can determine the matter without a hearing.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Jon Mielke, Executive Secretary.

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
Anthony T. Clark  
Commissioner

  
\_\_\_\_\_  
Susan E. Wefald  
President

  
\_\_\_\_\_  
Leo M. Reinbold  
Commissioner

**3**

**PU-2787-02-495**

Pages: 1

Notice of Opportunity for Hearing

by Public Service Commission

10/10/2002

CC: Comm Legal Ilona Jerry Mike

**MARILYN FOSS**

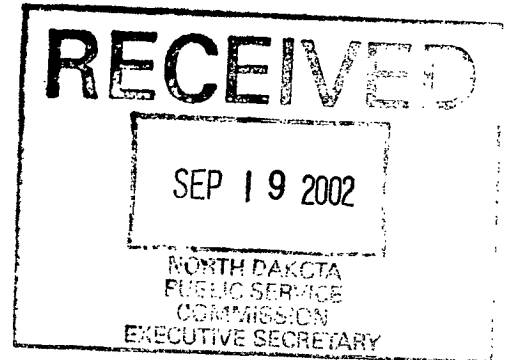
- Attorney at Law -  
Post Office Box 2216  
Bismarck, ND 58502-2216

Phone: 701-355-4538  
Fax: 701-355-4539

Email: foss@btinet.net  
Cell: 701-471-3045

September 19, 2002

Mr. Jon Mielke  
Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, ND 58505



HAND-DELIVERED

Re: Application of MCI Metro Access Transmission Services LLC for a Certificate of Public Convenience and Necessity to Provide Competitive Facilities-Based Local Exchange Telecommunications Services in the State of North Dakota

Dear Mr. Mielke;

Enclosed, on behalf of MCI Metro Access Transmission Services LLC, please find an original and seven copies of the above captioned filing. In accordance with my conversations with Ilona Jeffcoat Sacco, I am providing the required SEC Form 10-K on disk rather than submitting seven duplicate copies of it. If there are any questions, please contact me at 701-355-4538.

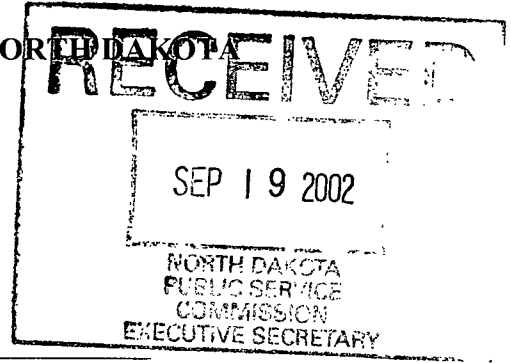
Sincerely,

A handwritten signature in cursive script that reads "Marilyn Foss".

Marilyn Foss  
Attorney for WorldCom, Inc.

*disk copied into  
Orderlib - Doc #1*

BEFORE THE PUBLIC SERVICE COMMISSION OF NORTH DAKOTA



Application of

MCI Metro Access Transmission Services LLC for a Certificate of Public Convenience and Necessity to Provide Competitive Facilities-Based Local Exchange Services in the State of North Dakota )

Docket No. \_\_\_\_\_

APPLICATION

MCI Metro Access Transmission Services LLC ("MCI Metro"), by its representatives and pursuant to North Dakota Century Code § 49-03.1-03-04, respectfully requests that the Commission grant it a Certificate of Public Convenience and Necessity to provide facilities-based local exchange services in the State of North Dakota. In addition, the Company respectfully requests, pursuant to North Dakota Century Code § 49-03.1-05, that if no request for hearing on this application is received within the specified time the Commission exercises its discretionary authority to grant the requested certificate without such a hearing. Currently, MCI Metro offers local telecommunications services to consumers in North Dakota through resale but proposes to offer facilities-based local exchange services utilizing combinations of unbundled network elements ("UNEs") and resale products purchased from the incumbent local exchange provider. At some future date, the Company may expand in facilities-based services via its own equipment; however, at present, the Company intends to concentrate upon provision of local services through resale and UNE-P combinations.

MCI Metro currently provides local services to residential consumers as well as business customers in the state of North Dakota and much of the United States. The goal will be to bring a full range of competitive telecommunication choices to consumers in the State of North Dakota.

In support of its Application, MCI Metro provides the following information:

1. The Applicants

MCI Metro is a Limited Liability Company organized in the State of Delaware on May 20, 1998. MCI Metro's principal offices are located at:

500 Clinton Center Drive  
Clinton, MS 39056  
Telephone No: (601) 460-5600

MCI Metro received a Certificate of Registration to transact business in the state of North Dakota as a local exchange telecommunications reseller as evidenced by a copy of Certificate Number 438 attached in Exhibit A.

2. Designated Representatives

For the purposes of this Application, the designated representative is:

Marilyn Foss  
P. O. Box 2216  
Bismarck, ND 58502  
Telephone: 701-355-4538

Copies of all correspondence, notices, inquiries and orders should be sent to the following representative who is the Applicant's contact person for all regulatory, compliance, or consumer issues may be addressed to:

Susan Travis  
State Regulatory Manager  
707 17<sup>th</sup> Street, Suite 4200  
Denver, CO 80202  
Telephone: (303) 390-6845  
Toll Free: (888) 475-7218  
Fax: (303) 390-6333

### 3. Description of Business and Authority Requested

On May 28, 1997, this Commission issued a Certificate of Registration, identified as Certificate Number 438, authorizing MCI Metro to provide service as a local exchange telecommunications service reseller.

On August 6, 1998, the Commission amended Certificate No. 438 to reflect a change in name from MCI Metro Access Transmission Services, Inc. to MCI Metro Access Transmission Services LLC.

On April 16, 2002, MCI Metro launched an offering to North Dakota consumers including, but not limited to, various intrastate private line services, local exchange services, and intralata toll services via resell.

MCI Metro seeks authority from the Commission to provide competitive local exchange services through facilities-based, resale, and UNE-P in the existing local service territories of Qwest Corporation ("Qwest"). Currently, MCI Metro is certified to provide local exchange services in much of the United States.

MCI Metro proposes to operate in those areas of North Dakota approved by the Commission for provision of competitive local exchange services through facilities-based, resale and UNE-P. MCI Metro respectfully requests permission to concur in the service area maps of Qwest already on file with the Commission. MCI Metro proposes to adopt Qwest's sixth (or most current) revised Statement of Generally Available Terms and Conditions ("SGAT") for interconnection of facilities, unbundled network elements, ancillary services and services for resale. MCI Metro will submit its interconnection agreement for Commission approval once it becomes available.

MCI Metro intends to provide a full range of local exchange services including basic voice and custom calling services through two products, both of which will bundle local and long distance services.

MCI Metro is not drawing from the federal or any state universal service fund, nor any other explicit support fund. MCI Metro is not currently seeking designation as an eligible carrier.

4. Description and Fitness of the Company

MCI Metro is a wholly-owned subsidiary of MCI WorldCom Network Services, Inc.

See Exhibit B (Form 10-K) , submitted on disk with this Application, and the included news releases of June 25, 2002, July 21, 2002 and August 8, 2002, as notice that WorldCom, Inc. and/or its subsidiaries will be re-stating some of the annual report figures.

MCI Metro's parent corporation's management team includes individuals with substantial experience in the successful development and operations of a worldwide telecommunication business. MCI Metro is managed by persons with technical expertise in interexchange and competitive local exchange networks.

MCI Metro has never been, nor is currently, specifically named as the subject of a formal investigation by a state or federal regulatory authority or as the defendant in a law suit brought by a state or federal regulatory authority. Affiliates and corporate parents of the applicant have been the subject of state and federal regulatory investigations on a variety of issues. Further, MCI Metro has been a part of larger investigations involving its affiliates or corporate parents, including, currently, investigations arising out of the accounting disclosures made on or about June 25, 2002.

A copy of MCI Metro's certificate of authority to do business as a foreign limited liability company and certificate of good standing are attached as Exhibit C.

5. Tariff

MCI Metro has an existing tariff on file with the Commission. MCI Metro will file any additional tariff sheets for local exchange service derived from unbundled network elements or resold services.

6. Billing and Customer Service

All invoices will clearly disclose the name, business address, and a toll-free telephone number for customer inquiries and complaints. Customer Service Representatives will be available to assist customers with questions, product offerings, or complaints. Customer complaints will be handled promptly and responded to in a reasonable time.

7. Statement of Compliance

MCI Metro will continue to abide by all applicable statutes, orders, rules and regulations entered and adopted by the Commission for competitive local carriers in North Dakota. MCI Metro will allow its local exchange customers to obtain interLATA and intraLATA long distance service from other toll carriers as well as local operator services and directory assistance services from other providers on a non-discriminatory basis. MCI Metro will offer its services on a non-discriminatory basis to all customers in that exchange where MCI Metro is offering service. MCI Metro will support both federal and state Universal Service.


8. Public Interest Considerations

Approval of this Application will serve the public interest and result in direct benefits to local and long distance customers in North Dakota. MCI Metro has proven and will continue to provide packaged services that are affordable and unique to the telecommunications industry. MCI Metro's entry into this market

will promote competition, as it will require other similar carriers to improve their services and bring down their prices.

WHEREFORE, MCI Metro respectfully petitions this Commission for a Certificate of Public Convenience and Necessity to provide competitive facilities-based local exchange services in the State of North Dakota.

Respectfully submitted,

A handwritten signature in cursive script that reads "Marilyn Foss".

Marilyn Foss, N.D. ID 03474  
P.O. Box 2216  
917 North Washington Street  
Bismarck, ND 58502-2216  
Telephone: 701-355-4538  
Facsimile: 701-355-4539

**EXHIBIT A**

**PUBLIC SERVICE COMMISSION**

**STATE OF NORTH DAKOTA**

**Certificate of Registration**

**Certificate Number 438**

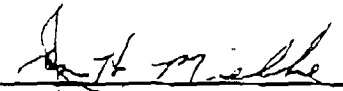
*This is to certify that MCImetro Access Transmission Services, Inc. is registered as a local exchange telecommunications reseller offering services in North Dakota.*


*This certificate is issued in Case No. PU-1675-97-188, and is subject to the conditions and limitations noted in North Dakota Administrative Code, Section 69-09-05-04.*

*Bismarck, North Dakota, May 28, 1997.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
**Executive Secretary**

  
**Commissioner**

## **EXHIBIT B**

SEC Form 10-K: Submitted on disk

News Articles re WorldCom

**Tuesday June 25, 7:49 pm Eastern Time**

**Press Release**

*SOURCE: WorldCom, Inc.*

**WorldCom Announces Intention to Restate 2001 and First Quarter 2002 Financial Statements**

CLINTON, Miss., June 25 /PRNewswire-FirstCall/ -- WorldCom, Inc. (Nasdaq: WCOM - News, MCIT - News) today announced it intends to restate its financial statements for 2001 and the first quarter of 2002. As a result of an internal audit of the company's capital expenditure accounting, it was determined that certain transfers from line cost expenses to capital accounts during this period were not made in accordance with generally accepted accounting principles (GAAP). The amount of these transfers was \$3.055 billion for 2001 and \$797 million for first quarter 2002. Without these transfers, the company's reported EBITDA would be reduced to \$6.339 billion for 2001 and \$1.368 billion for first quarter 2002, and the company would have reported a net loss for 2001 and for the first quarter of 2002.

The company promptly notified its recently engaged external auditors, KPMG LLP, and has asked KPMG to undertake a comprehensive audit of the company's financial statements for 2001 and 2002. The company also notified Andersen LLP, which had audited the company's financial statements for 2001 and reviewed such statements for first quarter 2002, promptly upon discovering these transfers. On June 24, 2002, Andersen advised WorldCom that in light of the inappropriate transfers of line costs, Andersen's audit report on the company's financial statements for 2001 and Andersen's review of the company's financial statements for the first quarter of 2002 could not be relied upon.

The company will issue unaudited financial statements for 2001 and for the first quarter of 2002 as soon as practicable. When an audit is completed, the company will provide new audited financial statements for all required periods. Also, WorldCom is reviewing its financial guidance.

The company has terminated Scott Sullivan as chief financial officer and secretary. The company has accepted the resignation of David Myers as senior vice president and controller.

WorldCom has notified the Securities and Exchange Commission (SEC) of these events. The Audit Committee of the Board of Directors has retained William R. McLucas, of the law firm of Wilmer, Cutler & Pickering, former Chief of the Enforcement Division of the SEC, to conduct an independent investigation of the matter. This evening, WorldCom also notified its lead bank lenders of these events.

The expected restatement of operating results for 2001 and 2002 is not expected to have an impact on the Company's cash position and will not affect WorldCom's customers or services. WorldCom has no debt maturing during the next two quarters.

"Our senior management team is shocked by these discoveries," said John Sidgmore, appointed WorldCom CEO on April 29, 2002. "We are committed to operating WorldCom in accordance with the highest ethical standards."

"I want to assure our customers and employees that the company remains viable and committed to a long-term future. Our services are in no way affected by this matter, and our dedication to meeting customer needs remains unwavering," added Sidgmore. "I have made a commitment to driving fundamental change at WorldCom, and this matter will not deter the new management team from fulfilling our plans."

#### Actions to Improve Liquidity and Operational Performance

As Sidgmore previously announced, WorldCom will continue its efforts to restructure the company to better position itself for future growth. These efforts include:

Cutting capital expenditures significantly in 2002. We intend 2003 capital expenditures will be \$2.1 billion on an annual basis.

Downsizing our workforce by 17,000, beginning this Friday, which is expected to save \$900 million on an annual basis. This downsizing is primarily composed of discontinued operations, operations & technology functions, attrition and contractor terminations.

Selling a series of non-core businesses, including exiting the wireless resale business, which alone will save \$700 million annually. The company is also exploring the sale of other wireless assets and certain South American assets. These sales will reduce losses associated with these operations and allow the company to focus on its core businesses.

Paying Series D, E and F preferred stock dividends in common stock rather than cash, deferring dividends on MCI QUIPS, and discontinuing the MCI tracker dividend, saving approximately \$375 million annually.

Continuing discussions with our bank lenders.

Creating a new position of Chief Service and Quality Officer to keep an eye focused on our customer services during this restructuring.

"We intend to create \$2 billion a year in cash savings in addition to any cash generated from our business operations," said Sidgmore. "By focusing on these steps, I am convinced WorldCom will emerge a stronger, more competitive player."

#### About WorldCom, Inc.

WorldCom, Inc. (Nasdaq: [WCOM](#) - [News](#), [MCIT](#) - [News](#)) is a pre-eminent global communications provider for the digital generation, operating in more than 65 countries. With one of the most expansive, wholly-owned IP networks in the world, WorldCom provides innovative data and Internet services for businesses to communicate in today's

market. In April 2002, WorldCom launched The Neighborhood built by MCI -- the industry's first truly any-distance, all- inclusive local and long-distance offering to consumers for one fixed monthly price. Effective as of the close of regular trading on July 12, 2002, WorldCom will eliminate its tracking stock structure and have one class of common stock with the Nasdaq ticker symbol WCOM. For more information, go to <http://www.worldcom.com/> .

#### Forward-Looking Statements

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to economic uncertainty; the effects of vigorous competition; the impact of technological change on our business, alternative technologies, and dependence on availability of transmission facilities; risks of international business; regulatory risks in the United States and internationally; contingent liabilities; uncertainties regarding the collectibility of receivables; risks associated with debt service requirements and; our financial leverage; uncertainties associated with the success of acquisitions; and the ongoing war on terrorism. More detailed information about those factors is contained in WorldCom's filings with the Securities and Exchange Commission.

*SOURCE: WorldCom, Inc.*

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Sunday July 21, 9:40 pm Eastern Time

## Press Release

*SOURCE: WorldCom, Inc.*

# WorldCom Files For Bankruptcy Court Protection

## President and CEO Predicts 'Healthier, Stronger' Company Operations to Continue Normally Filing Does Not Apply to Non-U.S. Entities Katzenbach and Beresford Join Board of Directors

CLINTON, Miss., July 21 /PRNewswire-FirstCall/ -- WorldCom, Inc. (Nasdaq: WCOME - News, MCITE - News) today announced that WorldCom and substantially all of its active U.S. subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Chapter 11 allows a company to continue operating in the ordinary course of business and to maximize recovery for the company's stakeholders. The filings will enable the company to continue to conduct business as usual while it develops a reorganization plan.

WorldCom's non-U.S. subsidiaries are not included in the filing and will also continue to operate normally.

WorldCom also announced that it has obtained an agreement to arrange up to \$2 billion in Debtor-in-Possession (DIP) financing. The company already has secured a commitment of \$750 million of this amount from Citibank, N.A., JP Morgan Chase Bank and General Electric Capital Corporation. This facility is being arranged by Salomon Smith Barney Inc., JP Morgan and General Electric Capital Markets Group, Inc. The facility will be used to supplement the company's cash flow during the Chapter 11 proceedings and is subject to approval by the Bankruptcy Court.

Once approved, the arrangement will provide an immediate source of funds to WorldCom, allowing the company to operate its business normally while it focuses on its new strategic plan, restructures its finances, reduces its debt burden and strengthens its balance sheet. This additional liquidity will enable the company to satisfy customary obligations associated with the daily operations of its business, including the timely payment for new services, employee wages and other obligations.

"Chapter 11 enables us to create the greatest possible value for our creditors, preserve jobs for our employees, continue to deliver top-quality service to our customers and maintain our role in America's national security," said John Sidgmore, president and chief executive officer of WorldCom. "We will use this time under reorganization to regain our

financial health and focus, while operating with the highest integrity. We will emerge from Chapter 11 as quickly as possible and with our competitive spirit intact." WorldCom currently employs more than 60,000 people in 65 countries and serves over 20 million residential and business customers. It also operates the world's largest Internet network.

"Our total focus will be to take this company forward in the best way possible and with the highest ethics so that WorldCom can continue to be an important part of our economy. To that we are totally committed," said Sidgmore.

To this end, WorldCom announced the election of two new members to its Board of Directors; Nicholas deB. Katzenbach and Dennis R. Beresford. Mr. Katzenbach currently is a private attorney and previously served as Attorney General of the United States (1965-66), Under Secretary of State for the United States (1966-69), and as Senior Vice President and General Counsel of IBM Corporation (1969-86). Mr. Beresford currently is Professor of Accounting at the Terry College of Business, University of Georgia and previously served as Chairman of the Financial Accounting Standards Board (1987-97). Mr. Katzenbach and Mr. Beresford have not previously been involved in the company's affairs.

Following their election as Directors, Mr. Katzenbach and Mr. Beresford were appointed to a Special Investigative Committee of the Board to conduct an independent review of the Company's accounting practices and preparation of financial statements. This Special Committee will take on the oversight role with respect to the previously-announced investigation led by William R. McLucas into these matters.

"The additional board members of this caliber demonstrate our seriousness in attracting independent board members and establishing a quality governance structure for our corporation. Their willingness to serve is also an indication of the importance of our company's future," said Sidgmore.

About WorldCom, Inc. WorldCom, Inc. (Nasdaq: [WCOME](#) - [News](#), [MCITE](#) - [News](#)) is a pre-eminent global communications provider for the digital generation, operating in more than 65 countries. With one of the most expansive, wholly-owned IP networks in the world, WorldCom provides innovative data and Internet services for businesses to communicate in today's market. In April 2002, WorldCom launched The Neighborhood built by MCI - the industry's first truly any-distance, all-inclusive local and long-distance offering to consumers for one fixed monthly price. For more information, go to <http://www.worldcom.com/>.

#### Forward-Looking Statements

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to WorldCom's bankruptcy proceedings and matters arising out of pending class-action and

other lawsuits and ongoing internal and government investigations relating to the previously announced restatement of its financial results. Other factors that may cause actual results to differ materially from management's expectations include economic uncertainty; the effects of vigorous competition; the impact of technological change on our business, alternative technologies, and dependence on availability of transmission facilities; risks of international business; regulatory risks in the United States and internationally; contingent liabilities; uncertainties regarding the collectibility of receivables; risks associated with debt service requirements and; our financial leverage; uncertainties associated with the success of acquisitions; and the ongoing war on terrorism. More detailed information about those factors is contained in WorldCom's filings with the Securities and Exchange Commission.

*SOURCE: WorldCom, Inc.*

## WorldCom Announces Additional Changes To Reported Income For Prior Periods

CLINTON, Miss., August 8, 2002 - WorldCom, Inc. today announced that its ongoing internal review of its financial statements has discovered an additional \$3.3 billion in improperly reported earnings before interest, taxes, depreciation and amortization (EBITDA) for 1999, 2000, 2001 and first quarter 2002. This amount is in addition to the previously reported \$3.8 billion in overstated EBITDA in the year 2001 and first quarter 2002. As a result, WorldCom intends to restate its financial statements for 2000. Previously the company announced that it intends to restate its financial statements for 2001 and first quarter 2002. The resulting changes are summarized in a financial chart below.

WorldCom is continuing its internal financial investigation. Investors and creditors should be aware that additional amounts of improperly reported EBITDA and pretax income may be discovered and announced. Until KPMG LLP, the company's newly appointed external auditors, is able to complete an audit of 2000, 2001 and 2002, the total impact on previously reported financial statements cannot be known.

The company intends to continue to expeditiously announce unaudited changes to previously reported financial statements if it discovers additional issues. The amounts disclosed today have previously been disclosed to the SEC and other investigative authorities.

WorldCom also announced it expects to record further write-offs of assets previously reported, including the likelihood that it may determine all existing goodwill and other intangible assets, currently recorded as \$50.6 billion, should be written off when restated 2000, 2001 and 2002 financials are released. The company will also reevaluate the carrying value of existing property, plant and equipment as to possible impairment of historic values previously reported. However, until the company's audit of previously reported asset values is complete it cannot determine with certainty the amount of its ultimate write-offs. WorldCom has notified Andersen LLP, which audited the company's financial statements until May 2002, of the results of this review. WorldCom will issue unaudited financial statements for 2000, 2001 and the first quarter of 2002 as soon as practicable.

In Millions of Dollars

	1999	2000	2001	1Q 2002	Total
June 25, 2002 reported EBITDA reductions	\$ -	\$ -	\$ 3,055	\$ 797	\$ 3,852
August 8, 2002 EBITDA reductions	\$ 217	\$ 2,864	\$ 161	\$ 88	\$ 3,330
Total reduction in EBITDA	\$ 217	\$ 2,864	\$ 3,216	\$ 885	\$ 7,182
August 8, 2002 non-EBITDA pre tax adjustments	\$ (8)	\$ 393	\$ 166	\$ (50)	\$ 501
Total pre tax income reductions	\$ 209	\$ 3,257	\$ 3,382	\$ 835	\$ 7,683

### About WorldCom, Inc.

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competition; the impact of technological change on our business, alternative technologies, and dependence on availability of transmission facilities; risks of international business; regulatory risks in the United States and internationally; contingent liabilities; uncertainties regarding the collectibility of receivables; risks associated with debt service requirements and; our financial leverage; uncertainties associated with the success of acquisitions; and the ongoing war on terrorism. More detailed information about those factors is contained in WorldCom's filings with the Securities and Exchange Commission.

- 8 August, 2002

Also available in: Dansk, Français, Français (CH), □□□, Nederlands, Svenska

**EXHIBIT C**

# State of North Dakota

## SECRETARY OF STATE



### CERTIFICATE OF AUTHORITY

OF

MCIMETRO ACCESS TRANSMISSION SERVICES LLC

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that an application of

MCIMETRO ACCESS TRANSMISSION SERVICES LLC

for a Certificate of Authority to transact business in this State, duly signed and executed as required by North Dakota statutes governing a FOREIGN LIMITED LIABILITY COMPANY, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Authority to

MCIMETRO ACCESS TRANSMISSION SERVICES LLC

to transact business in this State under the name of

MCIMETRO ACCESS TRANSMISSION SERVICES LLC

Dated: June 11, 1998

Alvin A. Jaeger  
Secretary of State

HARD COPY OF Disk

DOCKET SEQUENCE NO. \_\_\_\_\_

EXHIBIT \_\_\_\_\_

CASE NO. PU-2711-02-495

ON FILE IN

STATE ARCHIVES

CONTROL NUMBER: 80051

PN-2787-02-495

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Marilyn Foss  
PO Box 2216  
Bismarck ND 58502-2216

2. Article Number  
(Transfer from service label)

7001 1940 0005 3426 5481

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1035

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
 Addressee  
X Marilyn Foss

B. Received by (Printed Name) C. Date of Delivery  
10-15-02

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

PN-2787-02-495

**SENDER: COMPLETE THIS SECTION**

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1. Article Addressed to:

Marilyn Foss  
PO Box 2216  
Bismarck ND 58502-2216

2. Article Number  
(Transfer from service label)

7001 1940 0005 3425 1866

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1035

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
 Addressee  
X Marilyn Foss

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

